As filed with the Securities and Exchange Commission on April 22, 2002

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

Senior Vice President, Chief Financial Officer and Secretary
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)

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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 _____

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee
Common stock, $.001 par value per share	$100,000,000.00	$9,200.00

(1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933.

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 April 22, 2002

Shares

[FormFactor LOGO]

COMMON STOCK

FormFactor, Inc. is offering shares of its common stock. 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 $ and $ 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
Per Share	*$*	*$*	*$*
Total	*$*	*$*	*$*

FormFactor, Inc. has granted the underwriters the right to purchase up to an additional 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 , 2002.

MORGAN STANLEY

LEHMAN BROTHERS

BANC OF AMERICA SECURITIES LLC

THOMAS WEISEL PARTNERS LLC

, 2002

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 improves the performance and lowers 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": "We are the leading provider of advanced wafer probe test solutions for the DRAM, Flash, Microprocessor and Logic markets" 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 solutions are optimized to improve yields, increase output and reduce test costs" 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 customers include leading semiconductor manufacturers such as Samsung, Infineon and the world's largest microprocessor manufacturer" 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 enables 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 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 superior 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 reduces 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. We have included in this prospectus statistics regarding the markets in which we compete that have been prepared by third parties and we cannot provide any assurance as to the accuracy of these statistics. Unless otherwise indicated, all information in this prospectus:

- assumes that the underwriters do not exercise their over-allotment option; and
- assumes the automatic conversion of all outstanding shares of our preferred stock into shares of our common stock.

Until , 2002 (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 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 are the industry leader in the design, development, manufacture, sale and support of precision, high performance advanced semiconductor wafer probe cards. 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. Our customers use our wafer probe cards to reduce their overall cost of test.

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 it. 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 in a single touchdown, which reduces total 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.

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. 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.

THE OFFERING

Common stock offered by FormFactor	shares
Common stock to be outstanding after this offering	shares
Use of proceeds	We anticipate using the net proceeds 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. 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 27,595,225 shares of our common stock outstanding on March 30, 2002, and assumes the automatic conversion of all of our outstanding shares of preferred stock into 22,994,543 shares of our common stock upon the closing of this offering.

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

- 4,015,604 shares of common stock issuable upon exercise of options outstanding at March 30, 2002 with a weighted average exercise price of $5.10 per share;
- 132,439 shares of common stock issuable upon exercise of warrants outstanding at March 30, 2002 with a weighted average exercise price of $5.06 per share;
- 5,474,291 shares of common stock available for issuance under our stock option plans at March 30, 2002; 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. 31, 1997	Dec. 26, 1998	Dec. 25, 1999	Dec. 30, 2000	Dec. 29, 2001	Mar. 31, 2001	Mar. 30, 2002
			(in thousands, except per share data)			(unaudited)	
Consolidated Statement of Operations Data:							
Revenues	$ 6,680	$19,329	$35,722	$56,406	$73,433	$19,849	$17,288
Cost of revenues	5,190	10,763	20,420	28,243	38,385	10,410	8,859
Gross margin	1,490	8,566	15,302	28,163	35,048	9,439	8,429
Total operating expenses	7,518	14,698	20,827	27,688	34,968	8,861	7,406
Operating income (loss)	(6,028)	(6,132)	(5,525)	475	80	578	1,023
Interest and other income (expense), net	465	157	(119)	1,719	477	(74)	155
Net income (loss)	$(5,563)	$ (5,975)	$ (5,644)	$ 2,079	$ 250	$ 297	$ 846
Net income (loss) per share:							
Basic	$ (6.17)	$ (3.60)	$ (2.16)	$ .61	$ .06	$ .08	$ .19
Diluted	$ (6.17)	$ (3.60)	$ (2.16)	$ .08	$ .01	$ .01	$ .03
Weighted-average number of shares used in per share calculations:							
Basic	902	1,659	2,609	3,408	4,029	3,790	4,381
Diluted	902	1,659	2,609	26,821	28,994	27,924	29,813
Pro forma net income per share (unaudited):							
Basic					$ .01		$ .03
Diluted					$ .01		$ .03
Weighted-average number of shares used in pro forma per share calculations (unaudited):							
Basic					27,024		27,376
Diluted					28,994		29,813

The pro forma consolidated balance sheet data below reflects the automatic conversion of all of our outstanding shares of preferred stock into 22,994,543 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 shares of our common stock offered by us at an assumed initial public offering price of $ per share, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

	March 30, 2002		
	Actual	Pro Forma	Pro Forma As Adjusted
		(unaudited) (in thousands)	
Consolidated Balance Sheet Data:			
Cash, cash equivalents and short-term investments	$ 30,009	$30,009	$
Working capital	33,492	33,492	
Total assets	64,792	64,792	
Long-term debt, less current portion	1,000	1,000	
Deferred stock-based compensation, net	(5,357)	(5,357)	
Redeemable convertible preferred stock and warrants	65,201	—	
Total stockholders' equity (deficit)	(15,753)	49,448	

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 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, which generally causes our fourth quarter sales to decline compared to our third quarter sales of each fiscal year; 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.

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 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 declined in the three months ended September 29, 2001 as a result of a downturn. 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 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 levels of manufacturing and human resources and manage costs and deliveries of supplies 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. 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 expected, 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. 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 continue to 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 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, principally DRAM and, to a lesser extent, flash memory devices, as well as microprocessor and other logic manufacturers. 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 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., 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 and 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. 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 would 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 fiscal 2001, four customers accounted for 75.1% of our revenues. In the three months ended March 30, 2002, four customers accounted for 79.2% of our revenues. Our ten largest customers accounted for 97.8% of our revenues in fiscal 2001 and 99.9% of our revenues in the three months ended March 30, 2002. 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' facilities due to fire, natural disasters or other events and 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 significant penalty. In addition, the continuing trend toward consolidation in the semiconductor industry, particularly among manufacturers of DRAM, 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.

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 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 material backlog of unfilled orders, 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 material backlog of unfilled orders at the beginning of a quarter. Rather, a majority of 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 would 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 26.4% of our revenues in fiscal 2001 and 12.8% of our revenues in the three months ended March 30, 2002. 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 addition, establishing alternative sales channels in the region could consume substantial time and resources, decrease our revenues and increase our expenses.

If our transition from indirect to direct sales in Japan is not successful, we could lose customers.

Until March 31, 2002, we relied upon a distributor to sell our products in Japan. We have hired sales personnel in Japan and intend to rely upon our direct sales force in the future. If we are unable to successfully transition to the direct sales model or if the transition takes longer than we anticipate, 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 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.

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 recent 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 expect to move all of our manufacturing operations into a new facility in Livermore late in 2002 or early in 2003. 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 might 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. 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 space transformers, from a single or sole source or a limited group of suppliers. Alternative sources are not currently available for sole source components and materials. 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. 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. These 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 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 customer's 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 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 late in 2002 or early in 2003. 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 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. For example, we received such a communication from Microelectronics and Computer Technology Corporation in October 2001 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. For the inquiries we have received to date, we do not presently believe we need to obtain a license to conduct our current business. 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 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 and state, 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.

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, 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 47.3% for fiscal 2001 and 33.6% for the three months ended March 30, 2002. In the future, we expect international sales, particularly into Europe, Japan, 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.

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 policies. A change in these policies 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.

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. 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 % 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 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 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 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 the net proceeds for specific purposes. Our management might not be able to yield a significant return, if any, on any investment of the net proceeds.

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

If our existing stockholders sell, or are perceived to sell, substantial amounts of our common stock in the public market after this offering, the trading price of our common stock could decline. Based on shares outstanding as of March 30, 2002, upon completion of this offering, we will have outstanding approximately 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. After the lock-up agreements pertaining to this offering expire 180 days from the date of this prospectus, an additional shares will be eligible for sale in the public market, of which are held by directors, executive officers and other affiliates, and are subject to volume limitations under Rule 144 of the Securities Act and various vesting agreements. In addition, the shares subject to outstanding warrants and the 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. Morgan Stanley & Co. Incorporated may, in its sole discretion, permit our officers, directors and current stockholders to sell shares prior to the expiration of the lock-up agreements. See "Shares Eligible for Future Sale" for more information regarding shares of our common stock that existing stockholders may sell after this offering.

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 $ per share, if you purchase our common stock in this offering, you will suffer immediate and substantial dilution of approximately $ 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,” “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 $ million, at an assumed initial public offering price of $ per share, after deducting estimated underwriting discounts and commissions and estimated offering expenses. If the underwriters exercise their over-allotment option in full, we estimate that our net proceeds will be approximately $ million.

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 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. 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 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.

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 30, 2002. Our capitalization is presented (1) on an actual basis, (2) on a pro forma basis to reflect the automatic conversion of our outstanding shares of preferred stock into 22,994,543 shares of our common stock upon the closing of this offering, and (3) on a pro forma as adjusted basis to reflect the sale of shares of our common stock offered by us at an assumed initial public offering price of $ per share, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

	March 30, 2002		
	Actual	Pro Forma	Pro Forma As Adjusted
		(unaudited) (in thousands, except share and per share data)	
Long-term obligations, less current portion	$ 1,000	$ 1,000	$
Redeemable convertible preferred stock, $.001 par value; 24,679,840 shares authorized, 22,994,543 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; no shares authorized, 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; 37,000,000 shares authorized, 4,600,682 shares issued and outstanding, actual; 37,000,000 shares authorized, 27,595,225 shares issued and outstanding, pro forma; and 250,000,000 shares authorized, shares issued and outstanding, pro forma as adjusted	5	28	
Additional paid-in capital	11,942	77,120	
Notes receivable from stockholders	(3,465)	(3,465)	
Deferred stock-based compensation, net	(5,357)	(5,357)	
Accumulated deficit	(18,878)	(18,878)	
Total stockholders' equity (deficit)	(15,753)	49,448	
Total capitalization	$ 50,448	$ 50,448	$

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

- 4,015,604 shares of common stock issuable upon exercise of options outstanding at March 30, 2002 with a weighted average exercise price of $5.10 per share;
- 132,439 shares of common stock issuable upon exercise of warrants outstanding at March 30, 2002 with a weighted average exercise price of $5.06 per share;
- 5,474,291 shares of common stock available for issuance under our stock option plans at March 30, 2002; 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.

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.

DILUTION

Our pro forma net tangible book value as of March 30, 2002 was approximately $49.4 million, or $1.79 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 30, 2002 and assumes the automatic conversion of our outstanding shares of preferred stock into 22,994,543 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 30, 2002, other than to give effect to the sale of shares of our common stock offered by us at an assumed initial public offering price of $ per share, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma net tangible book value as of March 30, 2002 would have been approximately $ million, or $ per share of our common stock. This amount represents an immediate increase in pro forma net tangible book value of $ per share to our existing stockholders and an immediate dilution in pro forma net tangible book value of $ 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		$
Pro forma net tangible book value per share as of March 30, 2002	1.79	
Increase per share attributable to new investors		
Pro forma net tangible book value per share after this offering		
Dilution in pro forma net tangible book value per share to new investors		$

If all of the outstanding options and warrants were exercised, the pro forma net tangible book value as of March 30, 2002 would have been $ million and the pro forma net tangible book value would have been $ per share, causing dilution to new investors of $.

The following table summarizes, as of March 30, 2002 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 $ per share, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	27,595,225	%	$70,118,434	%	$2.54
New investors					
Total		100.0%		100.0%	

The above information excludes:

- 4,015,604 shares of common stock issuable upon exercise of options outstanding at March 30, 2002 with a weighted average exercise price of $5.10 per share;
- 132,439 shares of common stock issuable upon exercise of warrants outstanding at March 30, 2002 with a weighted average exercise price of $5.06 per share;
- 5,474,291 shares of common stock available for issuance under our stock option plans at March 30, 2002; 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 25, 1999, December 30, 2000 and December 29, 2001, and the consolidated balance sheet data as of December 30, 2000 and December 29, 2001, 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 31, 1997 and December 26, 1998, and the consolidated balance sheet data as of December 31, 1997, December 26, 1998 and December 25, 1999, 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 31, 2001 and March 30, 2002, and the consolidated balance sheet data as of March 30, 2002, 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, and the results for the three months ended March 30, 2002 are not necessarily indicative of results to be expected for the full fiscal year or any other period.

	Fiscal Year Ended					Three Months Ended	
	Dec. 31, 1997	Dec. 26, 1998	Dec. 25, 1999	Dec. 30, 2000	Dec. 29, 2001	Mar. 31, 2001	Mar. 30, 2002
			(in thousands, except per share data)			(unaudited)	
Consolidated Statement of Operations Data:							
Revenues	$ 6,680	$19,329	$35,722	$56,406	$73,433	$19,849	$17,288
Cost of revenues	5,190	10,763	20,420	28,243	38,385	10,410	8,859
Gross margin	1,490	8,566	15,302	28,163	35,048	9,439	8,429
Operating expenses:							
Research and development	3,446	7,486	9,466	11,995	14,619	4,073	3,249
Selling, general and administrative	4,072	7,212	11,020	15,434	18,500	4,730	3,992
Stock-based compensation	—	—	341	259	469	58	165
Restructuring charges	—	—	—	—	1,380	—	—
Total operating expenses	7,518	14,698	20,827	27,688	34,968	8,861	7,406
Operating income (loss)	(6,028)	(6,132)	(5,525)	475	80	578	1,023
Interest and other income (expense), net	465	157	(119)	1,719	477	(74)	155
Income (loss) before income taxes	(5,563)	(5,975)	(5,644)	2,194	557	504	1,178
Benefit (provision) for income taxes	—	—	—	(115)	(307)	(207)	(332)
Net income (loss)	$(5,563)	$ (5,975)	$ (5,644)	$ 2,079	$ 250	$ 297	$ 846
Net income (loss) per share:							
Basic	$ (6.17)	$ (3.60)	$ (2.16)	$ .61	$ .06	$ .08	$ .19
Diluted	$ (6.17)	$ (3.60)	$ (2.16)	$ .08	$ .01	$ .01	$ .03
Weighted-average number of shares used in per share calculations:							
Basic	902	1,659	2,609	3,408	4,029	3,790	4,381
Diluted	902	1,659	2,609	26,821	28,994	27,924	29,813
Pro forma net income per share (unaudited):							
Basic					$ .01		$ .03
Diluted					$ .01		$ .03
Weighted-average number of shares used in pro forma per share calculations (unaudited):							
Basic					27,024		27,376
Diluted					28,994		29,813

	As of					
	Dec. 31, 1997	Dec. 26, 1998	Dec. 25, 1999	Dec. 30, 2000	Dec. 29, 2001	Mar. 30, 2002
			(in thousands)			(unaudited)
Consolidated Balance Sheet Data:						
Cash, cash equivalents and short-term investments	$ 16,093	$ 10,449	$ 19,248	$ 16,897	$ 27,576	$ 30,009
Working capital	15,408	8,032	17,694	23,391	31,074	33,492
Total assets	22,743	22,532	38,332	47,499	62,264	64,792
Long-term debt, less current portion	1,592	2,834	2,183	521	1,167	1,000
Redeemable convertible preferred stock and warrants	27,613	27,963	47,913	55,129	65,201	65,201
Deferred stock-based compensation, net	—	—	(184)	(184)	(4,071)	(5,357)
Total stockholders' deficit	(10,126)	(15,889)	(21,286)	(18,586)	(17,582)	(15,753)

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 are the industry leader in the design, development, manufacture, sale and support of precision, high performance 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 $73.4 million in fiscal 2001.

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 40.6% of revenues in fiscal 2000 and 32.9% of revenues in fiscal 2001. 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. Fiscal 2000, which ended December 30, 2000, had 53 weeks. The fiscal years ended December 25, 1999 and December 29, 2001 each had 52 weeks. Fiscal 2002 will end on December 28, 2002 and will have 52 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. 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. 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-downs as 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. Research and development expenses have increased in absolute dollars year-to-year over the past five fiscal years. 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 and the three months ended March 30, 2002, we recorded an aggregate of $5.7 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 30, 2002, we had an aggregate of $5.4 million of deferred stock-based compensation remaining to be amortized. This deferred stock-based compensation balance will be amortized as follows: $600,000 during the remainder of fiscal 2002; $800,000 during fiscal 2003; $1.8 million during fiscal 2004; $2.1 million during fiscal 2005; and $100,000 during fiscal 2006. We anticipate that we will record additional stock-based compensation expense related to options granted after March 30, 2002. 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. The amount of stock-based compensation amortization actually recognized in future periods could decrease if options for which accrued but unvested compensation has been recorded are forfeited.

Provision for Income Taxes. We utilized our tax loss carryforwards to eliminate our provision for income taxes through fiscal 1999 and to minimize it in fiscal 2000 and 2001. Provisions for fiscal 2000 and 2001 primarily relate to income taxes owed outside of the United States. As of December 29, 2001, we had federal and state net operating loss carryforwards of approximately $3.6 million. We also had research and development tax credit carryforwards of approximately $3.5 million. The net operating loss and credit carryforwards will expire at various dates from 2010 through 2021. We maintain a full valuation allowance against our deferred tax asset, because based on available evidence, it is more likely than not that our deferred tax asset will not 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 carry forwards 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 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. 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. 25, 1999	Dec. 30, 2000	Dec. 29 2001	Mar. 31, 2001	Mar. 30, 2002
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenues	57.2	50.1	52.3	52.4	51.2
Gross margin	42.8	49.9	47.7	47.6	48.8
Operating expenses:					
Research and development	26.5	21.3	19.9	20.5	18.8
Selling, general and administrative	30.8	27.4	25.2	23.9	23.1
Stock-based compensation	1.0	0.4	0.6	0.3	1.0
Restructuring charges	—	—	1.9	—	—
Total operating expenses	58.3	49.1	47.6	44.7	42.9
Operating income (loss)	(15.5)	0.8	0.1	2.9	5.9
Interest and other income (expense), net	(0.3)	3.1	0.6	(0.4)	0.9
Income (loss) before income taxes	(15.8)	3.9	0.7	2.5	6.8
Provision for income taxes	—	(0.2)	(0.4)	(1.0)	(1.9)
Net income (loss)	(15.8)%	3.7%	0.3%	1.5%	4.9%

Three Months Ended March 30, 2002 and March 31, 2001

Revenues. Revenues for the three months ended March 30, 2002 were $17.3 million compared with $19.8 million for the three months ended March 31, 2001, a decrease of $2.6 million. The decrease was due primarily to reduced sales to DRAM manufacturers, particularly in Rambus DRAM, or RDRAM, wafer probe cards, offset in part by revenues from our large area array products and increased revenues from manufacturers of flash memory devices. There were no material RDRAM sales during the three months ended March 30, 2002. Sales of RDRAM wafer probe cards were $4.4 million during the three months ended March 31, 2001.

Revenues by geographic 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. Revenues by geographical region in the three months ended March 31, 2001 as a percentage of revenues were 60.8% in North America, 11.8% in Europe, 19.5% in Asia Pacific and 7.9% in Japan. The increase in the percentage of revenues in North America was due primarily to increased sales to a manufacturer of microprocessors and flash memory devices. The increase in percentage of revenues in Europe was due primarily to increased sales of our large area array products in that region.

The following customers accounted for more than 10% of our revenues in the first quarter of fiscal 2001 and fiscal 2002:

	Three Months Ended	
	March 31, 2001	March 30, 2002
Intel Corporation	12.8%	30.1%
Infineon Technologies AG	15.1	21.7
Dominion Semiconductor L.L.C.	N/A	14.6
Spirox Corporation	18.4	12.8
Samsung Electronics Industries Co., Ltd.	34.8	N/A

Gross Margin. Gross margin as a percentage of revenues was 48.8% for the three months ended March 30, 2002 compared with 47.6% of revenues for the three months ended March 31, 2001. The increase in gross margin percentage was due primarily to the cost reduction actions associated with our restructuring in the third quarter of fiscal 2001 as well as continued reductions in the cost of materials and shipments of high complexity products. These cost reduction benefits were partially offset by overall reduced production volumes, a less favorable pricing environment and increased warranty expenses. 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, and negatively impact our gross margin.

Research and Development. Research and development expenses decreased to $3.2 million, or 18.8% of revenues, for the three months ended March 30, 2002 from $4.1 million, or 20.5% of revenues, for the three months ended March 31, 2001. The decrease was primarily a result of a reduction of approximately $400,000 in personnel costs associated with the cost reduction actions taken in the second half of fiscal 2001 and a reduction of approximately $400,000 in material and equipment costs. Of these reductions, approximately $477,000 was attributable to development of our MicroSpring Contact on Silicon Technology, or MOST technology, which was substantially completed during the three months ended March 31, 2001. We continued our development of new large array memory products and fine pitch logic products.

Selling, General and Administrative. Selling, general and administrative expenses decreased to $4.0 million, or 23.1% of revenues, for the three months ended March 30, 2002 from $4.7 million, or 23.9% of revenues, for the three months ended March 31, 2001. The decrease was primarily due to a reduction of approximately $600,000 in personnel and recruiting costs associated with the cost reduction actions taken in the second half of fiscal 2001.

Interest and Other Income (Expense), Net. Interest and other income (expense), net for the three months ended March 30, 2002 was $155,000 compared with $(74,000) for the three months ended March 31, 2001, reflecting lower currency losses from the revaluation and translation of certain receivables and assets denominated in foreign currencies. In addition, the three months ended March 31, 2001 included higher interest expense, bank fees and miscellaneous expenses.

Provision for Income Taxes. Provision for income taxes for the three months ended March 30, 2002 was $332,000 compared with $207,000 in the three months ended March 31, 2001. The increase was due primarily to the increase in net income.

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 geographical region in fiscal 2001 as a percentage of 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 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 Rambus devices by one of our major customers.

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

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

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 during the first six months of fiscal 2001. 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 fiscal 2001, we recorded a restructuring charge of $1.4 million, consisting of $880,000 for headcount reductions covering 54 employees, $223,000 for consolidation of facilities and $277,000 for asset write-offs, primarily for property and equipment. 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. This restructuring occurred in the third quarter of fiscal 2001 and was intended to better align our cost structure with prevailing market conditions. 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 anticipate that we will substantially complete all restructuring payment obligations by the end of the third quarter of fiscal 2002.

Interest and Other Income (Expense), Net. Interest and other income (expense), 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 alternative minimum tax and income and withholding tax on foreign license sales. 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 has been reduced in full by a valuation allowance.

Fiscal Years Ended December 30, 2000 and December 25, 1999

Revenues. Revenues for fiscal 2000 were $56.4 million compared with $35.7 million for fiscal 1999, an increase of 57.9%. Product sales increased $20.7 million due to strong demand for our products across our customer base and product platforms.

Revenues by geographical region in fiscal 2000 as a percentage of revenues were 42.0% in North America, 16.4% in Europe, 33.4% in Asia Pacific and 8.2% in Japan. Revenues by geographical region in fiscal 1999 as a percentage of revenues were 57.6% in North America, 20.0% in Europe, 20.0% in Asia Pacific and 2.4% in Japan.

The following customers accounted for more than 10% of our revenues in fiscal 1999 and fiscal 2000:

	Fiscal 1999	Fiscal 2000
Spirox Corporation	17.3%	25.4%
Infineon Technologies AG	29.9	21.3
Intel Corporation	N/A	16.5
Dominion Semiconductor L.L.C.	14.7	N/A

Gross Margin. Gross margin as a percentage of revenues was 49.9% for fiscal 2000 compared with 42.8% for fiscal 1999. The increase resulted primarily from better economies of scale from higher production volumes and the introduction of new products and a reduction in material costs due to volume purchase discounts achieved with our key suppliers.

Research and Development. Research and development expenses increased to $12.0 million, or 21.3% of revenues, for fiscal 2000 from $9.5 million, or 26.5% of revenues, for fiscal 1999. The increase related primarily to additional staffing needs and materials and equipment cost to develop the next generation MicroSpring interconnect technology, which we introduced to manufacturing in the fourth quarter of fiscal 2000, and the continued development of our MOST technology with Shinko Electric Industries Co., Ltd. In fiscal 2000, we also began investing in large area array programs consistent with our strategy for high parallelism probe, and continued to invest in proprietary design tools and methodologies to further reduce design cycle times.

Selling, General and Administrative. Selling, general and administrative expenses increased to $15.4 million, or 27.4% of revenues, for fiscal 2000 from $11.0 million, or 30.8% of revenues, for fiscal 1999. The increase was due to an increase in the number of our sales personnel and higher sales bonuses and commissions associated with the growth in revenues. General and administrative expenses increased due to additional infrastructure costs needed to support the business growth.

Interest and Other Income (Expense), Net. Interest and other income (expense), net was $1.7 million for fiscal 2000 compared with $(119,000) for fiscal 1999. The difference was due mainly to higher interest income, as well as non-recurring other income of $1.3 million recorded in the fiscal year ended December 30, 2000 from the settlement of a claim against a licensee for an alleged breach of a license agreement.

Provision for Income Taxes. Our provision for income taxes of $115,000 for the fiscal year ended December 30, 2000 represented the estimated tax liability arising from alternative minimum tax and income and withholding tax on foreign license sales. There was no such liability in the fiscal year ended December 30, 1999.

Quarterly Results of Operations

The following table presents our unaudited quarterly results of operations for the nine quarters in the period ended March 30, 2002. 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
					(unaudited) (in thousands)				
Revenues	$10,313	$13,028	$15,842	$17,223	$19,849	$21,507	$16,021	$16,056	$17,288
Cost of revenues	5,198	6,159	7,808	9,078	10,410	11,269	8,477	8,229	8,859
Gross margin	5,115	6,869	8,034	8,145	9,439	10,238	7,544	7,827	8,429
Operating expenses:									
Research and development	2,516	2,699	3,247	3,533	4,073	4,323	3,054	3,169	3,249
Selling, general and administrative	2,904	3,500	4,431	4,599	4,730	5,230	4,344	4,196	3,992
Stock-based compensation	67	68	63	61	58	102	103	206	165
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
Operating income (loss)	(372)	602	293	(48)	578	583	(1,337)	256	1,023
Interest and other income (expense), net	1,354	55	157	153	(74)	94	229	228	155
Income (loss) before income taxes	982	657	450	105	504	677	(1,108)	484	1,178
Benefit (provision) for income taxes	(51)	(34)	(24)	(6)	(207)	(291)	426	(235)	(332)
Net income (loss)	$ 931	$ 623	$ 426	$ 99	$ 297	$ 386	$ (682)	$ 249	$ 846
Net income (loss) per share:									
Basic	.29	.19	.12	.03	.08	.10	(.16)	.06	.19
Diluted	.03	.02	.02	—	.01	.01	(.16)	.01	.03
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	4,381
Diluted	26,656	26,582	27,293	27,636	27,924	28,353	4,137	29,038	29,813

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
Revenues	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
Gross margin	49.6	52.7	50.7	47.3	47.6	47.6	47.1	48.7	48.8
Operating expenses:									
Research and development	24.4	20.7	20.5	20.5	20.5	20.1	19.1	19.7	18.8
Selling, general and administrative	28.2	26.9	28.0	26.7	23.9	24.3	27.1	26.1	23.1
Stock-based compensation	0.6	0.5	0.4	0.4	0.3	0.5	0.6	1.3	1.0
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
Operating income (loss)	(3.6)	4.6	1.8	(0.3)	2.9	2.7	(8.3)	1.6	5.9
Interest and other income (expense), net	13.1	0.4	1.0	0.9	(0.4)	0.4	1.4	1.4	0.9
Income (loss) before income taxes	9.5	5.0	2.8	0.6	2.5	3.1	(6.9)	3.0	6.8
Benefit (provision) for income taxes	(0.5)	(0.2)	(0.1)	—	(1.0)	(1.3)	2.6	(1.5)	(1.9)
Net income (loss)	9.0%	4.8%	2.7%	0.6%	1.5%	1.8%	(4.3)%	1.5%	4.9%

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 and March 30, 2002 as design activity increased, primarily in the DRAM and logic markets.

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 during the three months ended December 29, 2001 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 in the second half of fiscal 2001, resulting in increased pricing pressure and reduced unit volumes.

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.

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 SEC 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 has 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.

Inventories Reserve. We state our inventories at the lower of cost, computed on a first in, first out basis, or market. We write down inventories 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 inventories write-downs 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. We establish valuation allowances when necessary to reduce deferred tax assets to the amounts we expect to realize. 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. 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 have 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.

Management judgment is required in determining any valuation allowance recorded against our net deferred tax assets. The valuation allowance is based on our estimates of taxable income and the period over which our deferred tax assets will 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 the sales of equity securities and more recently through sales of equity securities and cash generated from operations. We have received a total of $64.9 million from private offerings of our equity securities. As of March 30, 2002, we had $30.0 million in cash, cash equivalents and short-term investments, compared with $27.6 million as of December 29, 2001 and $16.9 million as of December 30, 2000.

Net cash provided by operating activities was $1.9 million for the three months ended March 30, 2002 compared with net cash used by operating activities of $1.6 million for the three months ended March 31, 2001. The difference reflected higher net income as well as a decrease in accounts receivable in the three months ended March 20, 2002. Net cash provided by operating activities was $10.3 million for fiscal 2001 and $900,000 for fiscal 2000. Net cash used in operating activities was $3.9 million for fiscal 1999. Net cash provided by operating activities in fiscal 2000 and fiscal 2001 resulted primarily from net income and depreciation and amortization, as well as an overall reduction in working capital. Cash used in operating activities for fiscal 1999 resulted primarily from net losses.

Net cash used in investing activities was $5.8 million for the three months ended March 30, 2002 compared with net cash provided by investing activities of $1.0 million for the three months ended March 31, 2001. Net cash used in investing activities was $11.6 million for fiscal 2001 and $14.7 million for fiscal 1999. Net cash provided by investing activities was $4.2 million for fiscal 2000. Capital expenditures were $496,000 for the three months ended March 30, 2002 and $1.8 million for the three months ended March 31, 2001. Capital expenditures were $9.4 million for fiscal 2001, $6.3 million for fiscal 2000 and $6.3 million for fiscal 1999. These expenditures were partially offset by the sale or purchase of short-term investments in each of these periods.

Net cash provided by financing activities was $1.0 million for the three months ended March 30, 2002, primarily as a result of the issuance of common stock and the proceeds of borrowings under a bank line of credit. Net cash used by financing activities was $1.0 million for the three months ended March 31, 2001 due to the repayment of notes payable. Net cash provided by financing activities was $10.0 million for fiscal 2001, $2.5 million for fiscal 2000 and $20.1 million for fiscal 1999. For each of these periods, net cash provided by financing activities was primarily due to the sale of our redeemable convertible preferred stock.

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 2002 were approximately $2.7 million as of December 29, 2001. We expect to invest approximately $25.0 million in leasehold improvements for our new headquarters and manufacturing facility through the first quarter of 2003. 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 provided for total borrowings of up to $16.0 million. On March 30, 2002, we had the following amounts available and amounts drawn under this agreement to support our ongoing financing requirements:

	Amount Available	Amount Drawn	Balance as of March 30, 2002
Comerica Bank equipment line of credit	$ 2,000,000	$ 375,000	$ 375,000
Comerica Bank term loan	2,000,000	2,000,000	1,500,000
Comerica Bank line of credit	12,000,000	—	—
Total	$16,000,000	$2,375,000	$1,875,000

Borrowings under the agreement accrue interest based on the LIBOR rate plus 2.0%. The term loan is payable in 48 equal monthly payments of principal plus accrued interest. The agreement is renewable annually and will expire on April 30, 2002. We expect to renew the agreement without any material changes. We have no debt obligations that have not been recorded in our consolidated financial statements.

The following table describes our commitments to settle contractual obligations in cash as of December 29, 2001.

	Payments due by period				
Contractual Obligations	Up to 1 year	2-3 years	4-5 years	After 5 years	Total
			(in thousands)		
Operating leases	$2,694	$4,795	$4,516	$10,754	$22,759
Notes payable	560	1,000	167	—	1,727
Total contractual cash obligations	$3,254	$5,795	$4,683	$10,754	$24,486

We have loans outstanding in an aggregate principal amount of approximately $1.6 million at March 30, 2002 to our executive officers in connection with the exercise of options to purchase our common stock. These loans bear interest at rates between 5.51% and 6.29%, compounded semi-annually, and have terms of six years. These loans are evidenced by full recourse promissory notes that are secured by a total of 628,863 shares of our common stock. We also have loans outstanding in an aggregate principal amount of $180,000 at March 30, 2002 to two of our officers named in the executive compensation table. These loans are evidenced by full recourse promissory notes that bear interest at rates between 5.01% and 5.89%, compounded semi-annually, and have terms of six years. These loans are secured by a total of 188,440 shares of our common stock.

We believe our existing cash balance and credit facilities, together with the net proceeds of this offering, 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

On January 1, 2001, we adopted Statement of Financial Accounting Standards (SFAS) No. 133, “Accounting for Derivative Instruments and Hedging Activities,” which establishes accounting and reporting standards for derivative instruments and hedging activities. It requires that an entity recognize all derivatives as either assets or

liabilities in the statement of financial position and measure those instruments at fair value. To date, we have not engaged in derivative or hedging activities and therefore, the adoption had no impact on our financial statements.

In October 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which is effective for fiscal years beginning after December 15, 2001 and interim periods within those fiscal periods. SFAS No. 144 supersedes FASB Statement No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" and parts of APB Opinion No. 30 "Reporting and Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions relating to Extraordinary Items," however, SFAS No. 144 retains the requirement of Opinion 30 to report discontinued operations separately from continuing operations and extends that reporting to a component of an entity that either has been disposed of, by sale, by abandonment, or in a distribution to owners, or is classified as held for sale. SFAS No. 144 addresses financial accounting and reporting for the impairment of certain long-lived assets and for long-lived assets to be disposed of. We do not expect the adoption of SFAS No. 144 to have a material impact on our financial position and 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. As of March 30, 2002, all of our investments were in money market accounts, certificates of deposit or high quality commercial paper.

BUSINESS

Overview

We are the industry leader in the design, development, manufacture, sale and support of precision, high performance advanced semiconductor wafer probe cards. 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. 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 68.5 billion chips were shipped in 2001.

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 .15 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 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.

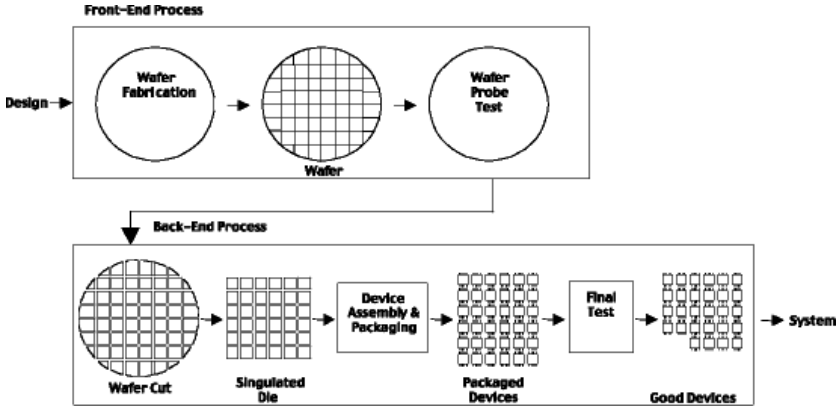
With these changes, the semiconductor industry is currently experiencing a critical technology evolution. This evolution is resulting in a substantial increase in the cost of building new manufacturing capacity, with the cost of a leading edge 300 mm wafer manufacturing facility now approaching or exceeding $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 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 — the semiconductor tester, the prober, and the wafer probe card. 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 $1.4 billion in 2001 to $2.4 billion in 2005. VLSI Research also projects that the wafer probe card portion of the overall wafer probe test market will grow from $458.0 million in 2001 to $779.0 million in 2005.

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. New chip designs will also be required 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 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.

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.

- *Contact Force Reduces Yield and Tester Uptime.* As new materials such as 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 touchdowns on the same bond pad increases. As a result, the wafer probe card can cause an otherwise fully-functional chip to become defective. 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. 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 area array wafer probe platform is capable of testing certain 300 mm DRAM wafers with as few as four touchdowns, independent of the number of chips on the wafer. This reduced number of touchdowns can significantly decrease total test time per wafer, resulting in a significant reduction in the cost of test.

- *Superior 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. 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. The result is that our wafer probe cards precisely measure the working performance of the chips and can operate with accuracy 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 60 microns x 60 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. 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. 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 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 are typically warranted to last for the entire lifetime of a customer's product design.

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. 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.

We believe that the signal integrity of our wafer probe cards combined with their high parallelism will facilitate the migration of elements of final test from the packaged chip back-end process 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 256 chips under test in parallel. Parallelism is particularly important in the testing of DRAM. 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 our four touchdown 300 mm wafer solution 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 have successfully introduced the industry's first high parallelism wafer probe cards for flash memory, which allow our customers to test up to 64 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 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 and test frequency requirements of customers' SOC devices.

Enable Migration 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.

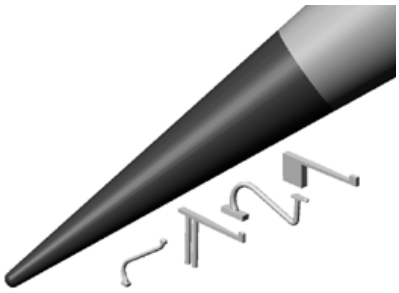
Extend our Technology Leadership Position. With our MicroSpring interconnect technology, we have established a leading position in the advanced wafer probe card market. Wafer probe cards provide a rigorous and taxing environment for interconnection structures because they must touchdown on a wafer hundreds 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 worked 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. We have also worked with semiconductor manufacturers to introduce new high parallelism test solutions and high frequency at-speed testing solutions. 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 used 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 contact technology allows our products to contact up to 256 DRAM chips in parallel. Our flash contacting technology allows us to contact up to 128 flash chips in parallel. We believe that these commercially-available levels of parallelism are one or two generations ahead of those 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 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 RDRAM, SDRAM, EDRAM and basic DRAM chips, DDR chips, 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 50 wafer fabrication facilities worldwide. The table below is a representative list of semiconductor manufacturers that use our wafer probe cards:

DRAM Market	Flash Market
Dominion Semiconductor L.L.C.	Dominion Semiconductor L.L.C.
Hynix Semiconductor America, Inc.	Intel Corporation
Infineon Technologies AG	Micron Technology, Inc.
Micron Technology, Inc.	Samsung Electronics Industries Co., Ltd.
Nanya Technology Corporation	Toshiba Corporation
PowerChip Semiconductor Corp.	
ProMOS Technologies Inc.	**Logic Market**
Samsung Electronics Industries Co., Ltd.	
TECH Semiconductor Singapore Pte. Ltd.	Intel Corporation
Toshiba Corporation	
Winbond Electronics Corporation	

In fiscal 2001, sales to four customers accounted for approximately 75.1% of our revenues, with 26.4% attributable to Spirox Corporation, one of our distributors, 20.2% attributable to Samsung Electronics Industries Co., Ltd., 16.1% attributable to Infineon Technologies AG and 12.4% attributable to Intel Corporation. For the quarter ended March 30, 2002, sales to four customers accounted for 79.2% of our revenues, with 30.1% attributable to Intel Corporation, 21.7% attributable to Infineon Technologies AG, 14.6% attributable to Dominion Semiconductor L.L.C. and 12.8% attributable to Spirox Corporation.

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 worked with tester companies, including Advantest Corporation, Agilent Technologies Inc. and Teradyne Inc., to introduce complete test solutions for semiconductor manufacturers. We have also worked with semiconductor manufacturers to introduce new high parallelism test solutions and high frequency at-speed testing solutions. We believe these relationships also serve to validate our basic test strategies and facilitate an integration of test and manufacturing roadmaps.

In 1998, we and Shinko Electric Industries Co., Ltd. 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 applications to Infineon Technologies AG and to Hyundai Electronics Industries Co., Ltd. In 2000, we signed a license agreement with Tyco Electronics Corporation, the world's largest socket and connector manufacturer. Under the agreement, Tyco has licensed 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 30, 2002, we had 12 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 in connection with the manufacture of ceramic substrates and complex printed circuit boards. Some of these components are supplied by a single vendor. We continue to evaluate alternative sources of supply for these components.

Since 2000, we have been providing service and maintenance capabilities in our local service center in Seoul, South Korea. 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 21% of our revenues to research and development programs. Research and development expenses were $3.2 million for the three months ended March 30, 2002, $14.6 million for fiscal 2001, $12.0 million for fiscal 2000 and $9.5 million for fiscal 1999.

Our research and development and product engineering activities are directed by individuals with significant expertise and industry experience. As of March 30, 2002, 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, 41 are engineers and 13 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 30, 2002, we had 84 issued patents, of which 53 are United States patents and 31 are foreign patents. The expiration dates of these patents range from 2012 to 2020. 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 30, 2002, we had 286 patent applications pending worldwide, including 117 United States applications, 154 foreign national stage applications and 15 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. For example, we received such a communication from Microelectronics and Computer Technology Corporation in October 2001 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. For the inquiries we have received to date, we do not presently believe we need to obtain a license to conduct our current business.

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., Tokyo Cathode Laboratory Co., Ltd. and Wentworth Laboratories, Inc., among others. The primary competitive factors in our industry include parallelism, product quality and reliability, price, total cost of ownership, 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.

Employees

As of March 30, 2002, we had 289 full-time employees, including 69 in research and development, 41 in sales and marketing, 28 in general and administrative functions, and 151 in operations. By region, 255 of our employees were in North America, 22 in Japan, nine in Korea and three 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 December 2002 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 commences in stages between November 2001 and June 2002 and will expire in 2011, with options to renew through 2031. We intend to relocate our operations to our new facility in late 2002 or early 2003. We believe that the new facility will be adequate for our needs for the foreseeable future.

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

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 April 19, 2002 are as follows:

Name	Age	Position
Dr. Igor Y. Khandros	47	President, Chief Executive Officer and Director
Benjamin N. Eldridge	41	Senior Vice President of Development and Chief Technical Officer
Yoshikazu Hatsukano	63	Senior Vice President and President of FormFactor Asia-Pacific
Jens Meyerhoff	37	Senior Vice President, Chief Financial Officer and Secretary
Mark Brandemuehl	42	Vice President of Marketing
Michael M. Ludwig	40	Vice President of Human Resources and Finance, and Controller
Peter B. Mathews	39	Vice President of Worldwide Sales
Stuart L. Merkadeau	41	Vice President of Intellectual Property
Harrold J. Rust	40	Vice President of Manufacturing
Joseph R. Bronson	53	Director
Dr. William H. Davidow	67	Chairman of the Board of Directors
G. Carl Everett, Jr.	51	Director
Dr. William J. Harding	54	Director
James A. Prestridge	70	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 and as the President of FormFactor Asia-Pacific, managing our Asian-Pacific operations, since April 2001. He served as the President of FormFactor K.K., our wholly owned subsidiary, from December 1998 to April 2001. 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 and Chief Financial Officer since August 2000 and as our Secretary since April 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.

Mark Brandemuehl has served as our Vice President of Marketing since October 1998. From April 1998 to October 1998, Mr. Brandemuehl served as our Director of Marketing. From April 1996 to April 1998, Mr. Brandemuehl was employed at KLA-Tencor Corporation, a manufacturer of monitoring systems for the semiconductor industry, where he held various positions including the Business Unit Director of the Yieldlink Business Group and the Director of Marketing of the Yield Management Software Division. From October 1993 to April 1996, Mr. Brandemuehl served as the Director of Sales, Central and East Region at Tyecin Systems, Inc., a company that provides supply chain software for semiconductor manufacturing. Mr. Brandemuehl holds a B.S. in electrical engineering from the University of Wisconsin at Madison and a M.B.A. from Stanford University.

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 of Intellectual Property since July 2000. 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 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 Manufacturing since January 2002. 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 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 two publicly traded companies, Rambus Inc. and Numerical Technologies, 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.

Dr. William J. Harding has served as a Director since June 1997. Dr. Harding is a Managing Director of Morgan Stanley & Co. Incorporated and a Managing Member of Morgan Stanley Venture Partners III, L.L.C. Dr. Harding joined Morgan Stanley in October 1994. Prior to joining Morgan Stanley, Dr. Harding was a general partner of several venture capital partnerships affiliated with J.H. Whitney & Co. Dr. Harding currently serves on the board of directors of Commerce One, Inc., InterNAP Network Services Corporation and several private companies. Dr. Harding received a B.S. in engineering mathematics, a M.S. in systems engineering from the University of Arizona, and a Ph.D. in engineering from Arizona State University. Dr. Harding served as an officer in the Military Intelligence Branch of the United States Army Reserve.

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

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 six 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 2003;
- Class II, whose term will expire at the annual meeting of stockholders expected to be held in 2004; and
- Class III, whose term will expire at the annual meeting of stockholders expected to be held in 2005.

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 and Dr. Harding will be our Class II directors; and
- Messrs. Bronson and Prestridge will be our Class III directors.

Committees of the Board of Directors

Our board of directors has established two standing committees: the audit committee and the compensation 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.

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

Our directors do not receive cash compensation for their services as directors but they 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 June 2001, we granted Mr. Everett an option under the 1996 stock option plan to purchase 50,000 shares of our common stock at an exercise price of $6.50 per share.
- In December 2001, we granted Dr. Davidow an option under the management incentive option plan to purchase 100,000 shares of our common stock at an exercise price of $6.50 per share.
- 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 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 10% of his total annual salary and bonus in fiscal 2001.

	2001 Annual Compensation			Long-Term Compensation Awards
Name and Principal Position	Salary	Bonus	Other	Securities Underlying Options
Igor Khandros President and Chief Executive Officer	$228,923	$27,943	$ —	—
Benjamin Eldridge Senior Vice President of Development and Chief Technical Officer	190,769	18,629	—	52,105
Yoshikazu Hatsukano Senior Vice President and President of FormFactor Asia-Pacific	200,495(1)	20,750(1)	29,703(1)(2)	43,770
Jens Meyerhoff Senior Vice President, Chief Financial Officer and Secretary	190,077	15,046	—	102,485
Peter Mathews Vice President of Worldwide Sales	149,596	—	121,969(3)	35,000

(1) The U.S. dollar equivalent of the salary, bonus and other compensation paid to Mr. Hatsukano is paid in Japanese Yen and is calculated using the exchange rate at December 28, 2001 of one U.S. dollar to 131.3 Japanese Yen.

(2) Represents an allowance for a home office.

(3) Represents sales commissions.

Option Grants in Fiscal 2001

The following table presents information regarding grants of stock options during fiscal 2001 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. The options granted to Messrs. Eldridge, Hatsukano and Meyerhoff that expire September 6, 2011 are fully vested. The options granted to Messrs. Eldridge, Hatsukano and Mathews that expire on October 30, 2011 vest in 12 equal monthly increments beginning on November 21, 2004, December 1, 2004 and March 6, 2004. The options for 100,000 shares of our common stock granted to Mr. Meyerhoff consist of an option for 70,000 shares that vests in 12 equal monthly increments beginning on August 7, 2004 and an option for 30,000 shares that vests as to 25% of the shares on August 7, 2002 and as to 1/36th of the remaining shares at the end of each full succeeding month. 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 2001 is based on options to purchase a total of 1,952,073 shares of our common stock granted in fiscal 2001.

	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%
Igor Khandros	—	—%	$ —	—	$ —	$ —
Benjamin Eldridge	50,000	2.6	6.50	10/30/11		
	2,105	0.1	6.50	9/6/11		
Yoshikazu Hatsukano	42,000	2.2	6.50	10/30/11		
	1,770	0.1	6.50	9/6/11		
Jens Meyerhoff	100,000	5.1	6.50	10/30/11		
	2,485	0.1	6.50	9/6/11		
Peter Mathews	35,000	1.8	6.50	10/30/11		

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 $ 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.

Aggregate Option Exercises in Fiscal 2001

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 29, 2001 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 $ 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 2001.

	Number of Securities Underlying Unexercised Options at December 29, 2001		Value of Unexercised In-The-Money Options at December 29, 2001	
Name	Exercisable	Unexercisable	Exercisable	Unexercisable
Igor Khandros	—	—	$	$ —
Benjamin Eldridge	222,105	—		—
Yoshikazu Hatsukano	163,770	—		—
Jens Meyerhoff	202,485	—		—
Peter Mathews	114,500	—		—

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 provide for 12 months of accelerated vesting for shares of our common stock granted to our officers upon 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 and the President of FormFactor Asia-Pacific, 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 30, 2002, options to purchase 959,322 shares of our common stock were outstanding under our incentive option plan and 3,640,595 shares were available for future option grants. The options had a weighted average exercise price of $4.90 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 30, 2002, options to purchase 886,451 shares of our common stock were outstanding under our management incentive option plan and 653,827 shares were available for future option grants. The options had a weighted average exercise price of $5.98 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 30, 2002, options to purchase 34,000 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 30, 2002, options to purchase 2,135,831 shares of our common stock were outstanding under our 1996 stock option plan and 679,869 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 $4.91 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 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 2003 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 our stockholders approved our 2002 employee stock purchase plan. The 2002 employee stock purchase plan will become effective on the first day on which price quotations are available for our common stock on the Nasdaq National Market. 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 2003, 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 directors 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 2002, 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 30, 2002. 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 26, 1998, 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 26, 1998 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
Igor Khandros President, Chief Executive Officer and Director	100,000	$600,000	11/14/00
Jens Meyerhoff Senior Vice President, Chief Financial Officer and Secretary	100,000	550,000	10/17/00
Stuart Merkadeau Vice President of Intellectual Property	36,363	199,997	10/17/00
Dr. William Davidow Chairman of the Board of Directors	100,000	650,000	3/13/02

The following table summarizes purchases of our preferred stock since December 26, 1998 by our executive officers, directors and holders of more than 5% of our outstanding stock and entities affiliated with them. We sold 2,666,666 shares of our Series E preferred stock in July 1999 at $7.50 per share, 633,130 shares of our Series F preferred stock from September 2000 to November 2000 at $11.00 per share and 679,672 shares of our Series G preferred stock from July 2001 to September 2001 at $15.00 per share. Each share of our preferred stock will convert automatically into one share of our common stock upon the closing of this offering. Dr. Davidow, one of our directors, is a general partner of Mohr, Davidow Ventures IV, L.P. and MDV IV Entrepreneurs' Network Fund, L.P. Dr. Harding, one of our directors, is a managing member of Morgan Stanley Venture Partners III, L.L.C., which is the general partner of Morgan Stanley Venture Partners III, L.P. and Morgan Stanley Venture Investors III, L.P., and was designated to our board of directors by Morgan Stanley Venture Partners III, L.P. and Morgan Stanley Venture Investors III, L.P.

	Shares of Preferred Stock		
Purchaser	Series E	Series F	Series G
Entities affiliated with Mohr, Davidow Ventures	46,584	—	—
Entities affiliated with Institutional Venture Partners	33,334	—	—
Entities affiliated with Morgan Stanley Venture Partners	33,334	—	—
Yoshikazu Hatsukano Senior Vice President and President of FormFactor Asia-Pacific	—	5,000	—
Mark Brandemuehl Vice President of Marketing	—	6,000	—
James Prestridge Director	13,400	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
Igor Khandros	$599,900	5.92%	11/14/00	100,000
President, Chief Executive Officer and Director				
Benjamin 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
	9,516	6.21	12/20/96	95,160
Jens Meyerhoff	549,900	6.00	10/17/00	100,000
Senior Vice President, Chief Financial Officer and Secretary				
Mark Brandemuehl	50,000	5.62	4/09/98	40,000
Vice President of Marketing				
Peter Mathews	8,663	5.91	4/08/97	52,500
Vice President of Worldwide Sales				
Stuart Merkadeau	199,960	6.00	10/17/00	36,363
Vice President of Intellectual Property				

As of March 30, 2002, the principal amount and the accrued interest of these loans were outstanding.

On February 1, 2001, we loaned $150,000 to Stuart Merkadeau, our Vice President of Intellectual Property, in accordance with 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 30, 2002, the entire principal amount and the accrued interest of this loan were outstanding.

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 test 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 $5.2 million in the first quarter of fiscal 2002 and $9.1 million in fiscal 2001 from sales of our wafer test probe cards and related installation, training and support services to Intel.

PRINCIPAL STOCKHOLDERS

The following table presents information regarding the beneficial ownership of our common stock as of March 30, 2002, 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 directors;
- each of our named executive officers; and
- all of our directors and executive officers as a group.

The percentage of beneficial ownership for the following table is based on 27,595,225 shares of our common stock outstanding as of March 30, 2002, assuming the automatic conversion of all outstanding shares of our preferred stock into 22,994,543 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 shares of our common stock issued in connection with 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 30, 2002 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.

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	Number of Shares Beneficially Owned	Percentage of Outstanding Shares Beneficially Owned	
		Before Offering	After Offering
Igor Khandros(1)	6,100,000	22.1%	%
William Davidow(2)	5,328,281	19.3	
Entities affiliated with Mohr, Davidow Ventures			
Entities affiliated with Institutional Venture Partners(3)	2,321,299	8.4	
William Harding(4)	2,082,320	7.5	
Entities affiliated with Morgan Stanley Venture Partners			
Intel Corporation	1,775,821	6.4	
Benjamin Eldridge(5)	553,827	2.0	
Yoshikazu Hatsukano(6)	318,770	1.1	
Jens Meyerhoff(7)	302,485	1.1	
Peter Mathews(8)	167,000	*	
Carl Everett, Jr.(9)	100,000	*	
All current executive officers and directors as a group (14 persons)(10)	15,454,435	53.7	

* 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 will be, within 60 days of March 30, 2002, 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 93,750 unvested shares that are, as of March 30, 2002, 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 2775 Sand Hill Road, Suite 240, 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, 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. Dr. Harding, one of our directors, is a managing member of Morgan Stanley Venture Partners III, L.L.C. Dr. Harding 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 is 1585 Broadway, 38th floor, New York, New York 10036.

(5) Includes 222,105 shares issuable upon exercise of options that are exercisable within 60 days of March 30, 2002, of which 45,438 will be vested and 176,667 will be unvested.

(6) Includes 163,770 shares issuable upon exercise of options that are exercisable within 60 days of March 30, 2002, of which 45,103 will be vested and 118,667 will be unvested.

(7) Includes 202,485 shares issuable upon exercise of options that are exercisable within 60 days of March 30, 2002, of which 10,439 will be vested and 192,046 will be unvested. Also includes 28,030 unvested shares that are, as of March 30, 2002, subject to our lapsing right of repurchase at the initial purchase price for these shares.

(8) Includes 114,500 shares issuable upon exercise of options that are exercisable within 60 days of March 30, 2002, of which 38,082 will be vested and 76,418 will be unvested.

(9) Includes 50,000 shares issuable upon exercise of options that are exercisable within 60 days of March 30, 2002, of which 11,458 will be vested and 38,542 will be unvested. Also includes 6,563 unvested shares that are, as of March 30, 2002, subject to our lapsing right of repurchase at the initial purchase price for these shares.

(10) Includes 238,491 unvested shares that are, as of March 30, 2002, subject to our lapsing right of repurchase at the initial purchase price for these shares, and 1,158,501 shares issuable upon exercise of options that are exercisable within 60 days of March 30, 2002, of which 243,088 will be vested and 915,413 will be unvested. Also includes 13,748 shares of common stock held of record by the Prestridge 1989 Family Trust. Excludes 50,000 shares issuable upon exercise of options that are exercisable within 60 days of March 30, 2002 held by Joseph Bronson and 50,000 shares issuable upon exercise of options that are exercisable within 60 days of March 30, 2002 held by James Prestridge. Messrs. Bronson and Prestridge were granted these options in connection with their appointment to our board of directors in April 2002.

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 30, 2002, we had outstanding 27,595,225 shares of our common stock, assuming the automatic conversion of all outstanding preferred stock into common stock, which will occur upon the closing of this offering. As of March 30, 2002, we had approximately 260 stockholders.

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 one share of common stock. Thereafter, 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 132,439 shares of our common stock were outstanding at March 30, 2002, assuming the automatic conversion of our preferred stock into common stock upon the closing of this offering. The warrants that we issued 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 June 1997, we issued a warrant to purchase 14,212 shares of our Series D preferred stock at an exercise price of $3.45 per share. If not earlier exercised, this warrant will expire immediately prior to the completion of this offering.
- In September 2000, we issued a warrant to purchase 45,500 shares of our Series F preferred stock at an exercise price of $11.00 per share. This warrant is first exercisable on September 22, 2005. This warrant will become exercisable earlier with respect to 22,750 shares on March 22, 2003 if, on or before that date, the warrant holder has achieved specified commercial milestones. Further, this warrant will become exercisable immediately with respect to all 45,500 shares if the warrant holder achieves certain higher commercial milestones. If not earlier exercised, this warrant will remain outstanding until September 23, 2005.

Registration Rights

The holders of 16,949,543 shares of our common stock issuable upon the automatic conversion of our preferred stock and the holders of 132,439 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 an investors' rights agreement and in stockholder's agreements. The holders of 16,737,879 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 the earlier of December 31, 2002 and 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 shares of our common stock assuming the automatic conversion of all of our outstanding preferred stock, or shares if the underwriters' over-allotment option is exercised in full, assuming that there are no exercises of outstanding options or warrants after March 30, 2002. Of these shares, all of the shares sold in this offering 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. 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. The remaining 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
shares	180 days after the date of this prospectus
shares	At various times beginning more than 180 days after the date of this prospectus

In addition, based on options and warrants outstanding as of March 30, 2002, after this offering, 4,148,043 shares will be subject to outstanding options and warrants, of which approximately will be vested and exercisable 180 days after this offering.

Lock-Up Agreements

All of our officers and directors and certain 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. These restrictions do not apply to transactions relating to our common stock or other securities acquired in this offering or thereafter acquired in open market transactions.

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 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 his shares under a written compensatory plan or contract may be entitled to sell his shares 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 have to comply 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 30, 2002, we intend to file a registration statement on Form S-8 under the Securities Act covering 10,989,895 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 16,949,543 shares of our common stock issuable upon the automatic conversion of our preferred stock and the holders of 132,439 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 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	

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 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 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.

Each of our directors, executive officers and certain of our other stockholders has 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.

It is anticipated that Morgan Stanley DW Inc., an affiliate of Morgan Stanley & Co. Incorporated, through Morgan Stanley Online, its online service, may be a member of the syndicate and engage in electronic offers, sales and distribution of the shares being offered. A prospectus in electronic format may be made available on the web sites maintained by one or more 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 lead manager to underwriters that may make Internet distributions on the same basis as other allocations.

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 Dean Witter & Co., is the institutional managing member of Morgan Stanley Venture Partners III, L.L.C. One of our directors, Dr. William Harding, is a managing member of Morgan Stanley Venture Partners III, L.L.C.

From time-to-time, certain of the underwriters have provided, and continue to provide, investment banking and other services to us and certain existing stockholders for which they receive customary fees and commissions.

The underwriters and we 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 shares offered by this prospectus to our employees, officers, directors, customers, business associates and related persons selected by us. 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 between us 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.

LEGAL MATTERS

Fenwick & West LLP, Palo Alto, 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.

EXPERTS

The consolidated financial statements of FormFactor, Inc. as of December 30, 2000 and December 29, 2001, and for each of the three years in the period ended December 29, 2001 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 website 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 consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of FormFactor, Inc. (the "Company") and its subsidiaries at December 30, 2000 and December 29, 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 29, 2001 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.

PRICEWATERHOUSECOOPERS LLP

San Jose, California

February 15, 2002, except for Note 14,
as to which the date is April 18, 2002

FORMFACTOR, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

	December 30, 2000	December 29, 2001	March 30, 2002	Pro Forma at March 30, 2002 (see Note 2)
				(unaudited)
ASSETS				
Current assets:				
Cash and cash equivalents	$ 11,934	$ 20,565	$ 17,693	
Short-term investments	4,963	7,011	12,316	
Accounts receivable, net of allowance for doubtful accounts of $580 in 2000, $414 in 2001 and $430 (unaudited) in 2002	12,198	11,863	11,301	
Inventories, net	2,837	2,390	3,298	
Prepaid expenses and other current assets	1,287	1,813	2,391	
Total current assets	33,219	43,642	46,999	
Property and equipment, net	13,545	17,998	17,223	
Other assets	735	624	570	
Total assets	$ 47,499	$ 62,264	$ 64,792	
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)				
Current liabilities:				
Bank line of credit	$ —	$ —	$ 375	
Notes payable, current portion	1,572	560	529	
Accounts payable	4,303	5,549	5,250	
Accrued liabilities	3,541	5,849	6,047	
Deferred revenue	412	610	1,306	
Total current liabilities	9,828	12,568	13,507	
Notes payable, less current portion	521	1,167	1,000	
Deferred revenue	607	910	837	
Total liabilities	10,956	14,645	15,344	
Commitments and contingencies (Note 6)				
Redeemable convertible preferred stock, $0.001 par value:				
Authorized: 24,679,840 shares				
Issued and outstanding: 22,314,871 shares in 2000, 22,994,543 shares in 2001 and 2002 (unaudited) and none pro forma (unaudited) (Liquidation preferences: $55,691, $65,886 and $65,886 at December 30, 2000, December 29, 2001 and March 30, 2002 (unaudited), respectively)	54,823	64,895	64,895	$ —
Redeemable convertible preferred stock warrants	306	306	306	—
	55,129	65,201	65,201	—
Stockholders' equity (deficit):				
Common stock, $0.001 par value:				
Authorized: 37,000,000 shares				
Issued and outstanding: 4,458,287 shares in 2000, 4,578,450 shares in 2001, 4,600,682 shares in 2002 (unaudited) and 27,595,225 shares pro forma (unaudited)	4	5	5	28
Additional paid-in capital	5,529	10,026	11,942	77,120
Notes receivable from stockholders	(3,961)	(3,818)	(3,465)	(3,465)
Deferred stock-based compensation, net	(184)	(4,071)	(5,357)	(5,357)
Accumulated deficit	(19,974)	(19,724)	(18,878)	(18,878)
Total stockholders' equity (deficit)	(18,586)	(17,582)	(15,753)	$ 49,448
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	$ 47,499	$ 62,264	$ 64,792	

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

FORMFACTOR, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

	Years Ended			Three Months Ended	
	December 25, 1999	December 30, 2000	December 29, 2001	March 31, 2001	March 30, 2002
					(unaudited)
Revenues	$35,722	$56,406	$73,433	$19,849	$17,288
Cost of revenues	20,420	28,243	38,385	10,410	8,859
Gross margin	15,302	28,163	35,048	9,439	8,429
Operating expenses:					
Research and development(1)	9,466	11,995	14,619	4,073	3,249
Selling, general and administrative(1)	11,020	15,434	18,500	4,730	3,992
Stock-based compensation	341	259	469	58	165
Restructuring charges	—	—	1,380	—	—
Total operating expenses	20,827	27,688	34,968	8,861	7,406
Operating income (loss)	(5,525)	475	80	578	1,023
Interest income	792	1,258	989	246	189
Interest expense	(724)	(661)	(170)	(113)	(17)
Other income (expense), net	(187)	1,122	(342)	(207)	(17)
	(119)	1,719	477	(74)	155
Income (loss) before income taxes	(5,644)	2,194	557	504	1,178
Provision for income taxes	—	(115)	(307)	(207)	(332)
Net income (loss)	$ (5,644)	$ 2,079	$ 250	$ 297	$ 846
Net income (loss) per share:					
Basic	$ (2.16)	$ 0.61	$ 0.06	$ 0.08	$ 0.19
Diluted	$ (2.16)	$ 0.08	$ 0.01	$ 0.01	$ 0.03
Weighted-average number of shares used in per share calculations:					
Basic	2,609	3,408	4,029	3,790	4,381
Diluted	2,609	26,821	28,994	27,924	29,813
Pro forma net income per share (unaudited) (see Note 12):					
Basic			$ 0.01		$ 0.03
Diluted			$ 0.01		$ 0.03
Weighted-average number of shares used in pro forma per share calculations (unaudited) (see Note 12):					
Basic			27,024		27,376
Diluted			28,994		29,813
(1) Amounts exclude stock-based compensation, as follows:					
Cost of revenues	$ —	$ —	$ 27	$ —	$ 22
Research and development	29	61	139	11	3
Selling, general and administrative	312	198	303	47	140
Total	$ 341	$ 259	$ 469	$ 58	$ 165

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

FORMFACTOR, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

For the Years Ended December 25, 1999, December 30, 2000 and December 29, 2001 and the Three Months Ended March 30, 2002 (in thousands, except share data)

	Common Stock		Additional Paid-in Capital	Notes Receivable from Stockholders	Deferred Stock-based Compensation	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount					
Balances, December 26, 1998	4,079,345	$ 4	$ 2,285	$(1,769)	$ —	$(16,409)	$(15,889)
Repayment of notes receivable from stockholders	—	—	—	11	—	—	11
Issuance of common stock pursuant to exercise of options for cash and notes receivable	411,162	—	861	(778)	—	—	83
Repurchase of common stock in connection with cancellation of notes receivable from stockholders	(134,272)	—	(40)	40	—	—	—
Repurchase of common stock	(49,688)	—	(188)	—	—	—	(188)
Deferred stock-based compensation	—	—	525	—	(525)	—	—
Recognition of stock-based compensation	—	—	—	—	341	—	341
Net loss	—	—	—	—	—	(5,644)	(5,644)
Balances, December 25, 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	341	(43)	—	—	299
Issuance of common stock for services provided	2,462	—	15	—	—	—	15
Repurchase of common stock in connection with cancellation of notes receivable from stockholders	(50,528)	—	(215)	186	—	—	(29)
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 (unaudited)	—	—	—	8	—	—	8
Issuance of common stock pursuant to exercise of options for cash (unaudited)	150,494	—	810	—	—	—	810
Repurchase of common stock in connection with cancellation of notes receivable from stockholders (unaudited)	(128,262)	—	(345)	345	—	—	—
Deferred stock-based compensation (unaudited)	—	—	1,451	—	(1,451)	—	—
Recognition of stock-based compensation (unaudited)	—	—	—	—	165	—	165
Net loss (unaudited)	—	—	—	—	—	846	846
Balances, March 30, 2002 (unaudited)	4,600,682	$ 5	$11,942	$(3,465)	$(5,357)	$(18,878)	$(15,753)

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 25, 1999	December 30, 2000	December 29, 2001	March 31, 2001	March 30, 2002
				(unaudited)	
Cash flows from operating activities:					
Net income (loss)	$ (5,644)	$ 2,079	$ 250	$ 297	$ 846
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	2,407	3,636	4,745	1,073	1,303
Stock-based compensation expense	341	259	469	58	165
Common stock issued for services provided	—	100	15	—	—
Interest income from stockholders' notes receivable	(120)	(140)	(257)	(64)	(65)
Provision for doubtful accounts	200	(32)	(166)	206	16
Provision for excess and obsolete inventories	3,623	2,227	969	694	143
Loss on disposal of property and equipment	—	—	471	—	—
Changes in assets and liabilities:					
Accounts receivable	(720)	(7,903)	501	(2,733)	546
Inventories	(4,432)	(3,146)	(522)	(477)	(1,051)
Prepaids and other current assets	(561)	(109)	(268)	(124)	(513)
Accounts payable	6	2,720	1,246	(1,633)	(299)
Accrued liabilities	975	1,349	2,307	1,065	198
Deferred revenues	71	(105)	501	(9)	623
Net cash provided by (used in) operating activities	(3,854)	935	10,261	(1,647)	1,912
Cash flows from investing activities:					
Acquisition of property and equipment	(6,287)	(6,290)	(9,356)	(1,813)	(496)
Purchase of investments	(17,663)	(5,970)	(17,865)	(999)	(9,297)
Proceeds from maturities of investments	9,320	16,937	15,817	3,975	3,992
Other assets	(97)	(468)	(203)	(168)	22
Net cash provided by (used in) investing activities	(14,727)	4,209	(11,607)	995	(5,779)
Cash flows from financing activities:					
Proceeds from issuance of redeemable convertible preferred stock, net	19,950	6,910	10,072	—	—
Proceeds from issuance of common stock	83	175	299	72	810
Repayment of notes receivable from stockholders	11	87	—	—	8
Repurchase of common stock	(188)	—	(29)	—	—
Proceeds from issuance of notes payable	2,085	—	2,000	—	—
Proceeds from issuance of bank line of credit	1,975	—	—	—	375
Repayment of notes payable	(2,609)	(1,913)	(2,365)	(1,073)	(198)
Repayment of bank line of credit	(1,257)	(2,800)	—	—	—
Net cash provided by (used in) financing activities	20,050	2,459	9,977	(1,001)	995
Net increase (decrease) in cash and cash equivalents	1,469	7,603	8,631	(1,653)	(2,872)
Cash and cash equivalents, beginning of period	2,862	4,331	11,934	11,934	20,565
Cash and cash equivalents, end of period	$ 4,331	$11,934	$ 20,565	$10,281	$17,693
Non-cash financing activities:					
Common stock issued for notes receivable	$ 778	$ 2,014	$ 43	$ —	$ —
Repurchase of common stock in connection with cancellation of notes receivable from stockholders	$ 40	$ 462	$ 186	$ —	$ 345
Deferred stock-based compensation	$ 525	$ 259	$ 4,356	$ 28	$ 1,451
Issuance of warrants to purchase Series F redeemable convertible preferred stock	$ —	$ 306	$ —	$ —	$ —
Supplemental disclosure of cash flow information:					
Interest paid	$ 680	$ 669	$ 170	$ 38	$ 17
Income taxes paid	$ 1	$ 1	$ 271	$ 101	$ 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 Korea.

Note 2 — Summary of Significant Accounting Policies:

Unaudited interim results

The accompanying consolidated balance sheet as of March 30, 2002, the consolidated statements of operations and of cash flows for the three months ended March 31, 2001 and March 30, 2002 and the consolidated statement of stockholders' deficit for the three months ended March 30, 2002 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 31, 2001 and March 30, 2002. 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 30, 2002 are not necessarily indicative of the results to be expected for the year ending December 28, 2002 or for any other interim period or for any future year.

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 United States of America dollars 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, if material.

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 22,994,543 shares of common stock based on the shares of redeemable convertible preferred stock outstanding at March 30, 2002. Unaudited pro forma stockholders' equity, as adjusted for the assumed conversion of the redeemable convertible preferred stock, is set forth on the balance sheet.

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.

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 and have not been significant to date.

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.

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.

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 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 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 technology to a narrow base of customers and generally does not require collateral. In fiscal year 1999, three customers accounted for approximately 30%, 17% and 15% of revenues. 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. At December 30, 2000, four customers accounted for approximately 26%, 14%, 11% and 10% of accounts receivable. At December 29, 2001, three customers accounted for approximately 24%, 20% and 11% 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. The Company defers recognition of revenue from distributors until the distributor confirms an order from its customer. 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 1999, 2000 and 2001 were $249,000, $301,000 and $328,000, 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

The Company uses the intrinsic value method of Accounting Principles Board Opinion No. 25 ("APB No. 25"), "Accounting for Stock Issued to Employees," and Financial Accounting Standards Board Interpretation No. 44 ("FIN 44"), "Accounting for Certain Transactions Involving Stock Compensation, an Interpretation of APB No. 25," 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."

The Company accounts for equity instruments issued to non-employees in accordance with the provisions of SFAS No. 123 and Emerging Issues Task Force 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 (loss) per share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted-average number of vested common shares outstanding for the period. Diluted net income (loss) 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. For the year ended December 25, 1999, options, warrants, common stock subject to repurchase and redeemable convertible preferred stock were not included in the computation of diluted net loss per share because the effect would be antidilutive.

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

	Years Ended			Three Months Ended	
	December 25, 1999	December 30, 2000	December 29, 2001	March 31, 2001	March 30, 2002
				(unaudited)	
Numerator:					
Net income (loss)	$(5,644)	$ 2,079	$ 250	$ 297	$ 846
Denominator:					
Weighted-average common stock outstanding	4,235	4,262	4,557	4,505	4,632
Less: Weighted-average shares subject to repurchase	(1,626)	(854)	(528)	(715)	(251)
Weighted-average shares used in computing basic net income (loss) per share	2,609	3,408	4,029	3,790	4,381
Dilutive potential common shares used in computing diluted net income (loss) per share	—	23,413	24,965	24,134	25,432
Total weighted-average number of shares used in computing diluted net income (loss) per share	2,609	26,821	28,994	27,924	29,813

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

	December 25, 1999	December 30, 2000	December 29, 2001	March 31, 2001	March 30, 2002
				(unaudited)	
Options to purchase common stock	1,889	392	1,164	—	—
Common stock subject to repurchase	1,318	—	—	—	—
Redeemable convertible preferred stock	21,355	—	—	—	—
Warrants	87	46	46	46	—

Comprehensive income (loss)

Comprehensive income (loss) generally represents all changes in stockholders' equity (deficit) except those resulting from investments or contributions by stockholders. The components of comprehensive income which are excluded from the net income (loss) are not significant, individually or in aggregate, and therefore, no separate statement of comprehensive income (loss) has been presented.

Recent accounting pronouncements

On January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Company, to date, has not engaged in derivative and hedging activities and therefore, the adoption had no impact on the Company's financial statements.

In October 2001, the FASB issued SFAS No. 144 ("SFAS No. 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets," which is effective for fiscal years beginning after December 15, 2001 and interim periods within those fiscal periods. SFAS No. 144 supersedes FASB Statement No. 121 "Accounting for the Impairment or Disposal of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and parts of APB Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions Relating to Extraordinary Items," however, SFAS No. 144 retains the requirement of APB Opinion No. 30 to report discontinued operations separately from continuing operations and extends that reporting to a component of an entity that either has been disposed of (by sale, by abandonment, or in a distribution to owners) or is classified as held for sale. SFAS No. 144 addresses financial accounting and reporting for the impairment of certain long-lived assets and for long-lived assets to be disposed of. The Company does not expect the adoption of SFAS No. 144 to have a material impact on the Company's financial position and results of operations.

Note 3 — Balance Sheet Components:

At December 30, 2000 and December 29, 2001, the amortized cost basis of the available-for-sale securities represents the fair value of the investments, and there were no unrealized gains or losses (in thousands):

	December 30, 2000	December 29, 2001
Short-term investments:		
Commercial paper	$2,974	$3,989
Corporate bonds and notes	989	—
Term notes	1,000	1,025
US Government	—	1,997
	$4,963	$7,011

At December 29, 2001, the investments mature between January 2002 and November 2002.

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	December 30, 2000	December 29, 2001	March 30, 2002 (unaudited)
Raw materials	$ 932	$ 744	$ 956
Work-in-progress	1,466	1,296	1,839
Finished goods	439	350	503
	$2,837	$2,390	$3,298

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

	December 30, 2000	December 29, 2001
Machinery and equipment	$14,412	$ 17,078
Computer equipment and software	3,730	5,176
Furniture and fixtures	468	599
Leasehold improvements	1,676	3,055
Construction in progress	1,503	4,560
	21,789	30,468
Less: Accumulated depreciation and amortization	(8,244)	(12,470)
	$13,545	$ 17,998

Depreciation and amortization of property and equipment for the years ended December 25, 1999, December 30, 2000 and December 29, 2001 was approximately $2,407,000, $3,345,000 and $4,433,000, respectively.

Accrued liabilities consisted of the following (in thousands):

	December 30, 2000	December 29, 2001
Accrued compensation and benefits	$1,552	$2,622
Accrued commissions	673	690
Accrued restructuring	—	441
Other accrued expenses	1,316	2,096
	$3,541	$5,849

Note 4 — Restructuring Charges and Expenses:

In August 2001, the Company announced a restructuring plan that included workforce reductions of 54 employees and the consolidation of its leased facilities. The Company recorded a restructuring charge of $1,380,000 for the excess leased facilities and severance costs.

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 (unaudited)	(247)	(38)	—	(285)
Restructuring liability at March 30, 2002 (unaudited)	$ 18	$138	$ —	$ 156

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, 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. All borrowings are repayable in 12 equal quarterly installments and represent both principal and interest at 12.0% to 13.8% per annum. All borrowings under the financing agreement are collateralized by the related software. As of December 29, 2001, the Company has an outstanding balance of $60,000 under this agreement.

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 renewed annually and expires on April 30, 2002. The Company executed the term loan of $2,000,000, and as at December 29, 2001, has an outstanding balance of $1,667,000. The term loan, and any additional borrowings under the agreements, accrue interest based on the LIBOR rate plus 2.0%, which was 4.11% at December 29, 2001, and is repayable in 48 equal monthly payments of principal plus accrued interest. In addition, six letters of credit totaling $2,830,000 have been issued to the lessor of the Company's facilities (see Note 6). All borrowings under the financing agreements are collateralized by all of the Company's right, title, and interest, whether presently existing or hereafter created or acquired, including but not limited to: all accounts, books, deposit accounts, equipment, general intangibles, inventory, investment property, letter of credit rights, negotiable collateral, supporting obligations, any money or other assets, and the proceeds and products of any of the foregoing.

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Aggregate annual maturities of notes payable at December 29, 2001 are as follows (in thousands):

2002	$ 560
2003	500
2004	500
2005	167
	1,727
Less: Current portion	(560)
	$1,167

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 29, 2001, future minimum lease payments are as follows (in thousands):

2002	$ 2,694
2003	2,482
2004	2,313
2005	2,258
2006	2,258
Thereafter	10,754
	$22,759

Rent expense for the years ended December 25, 1999, December 30, 2000, and December 29, 2001 was approximately $855,000, $932,000 and $1,016,000, respectively.

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.

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 25, 1999, 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	5,552,973	19,221	$3.45	$0.2760
Series E	2,866,667	2,666,666	19,950	$7.50	$0.6000
	22,459,840	21,355,196	$47,913		

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		

As of December 29, 2001 and March 30, 2002 (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	3,527,258	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		

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 30, 2002, no dividends have been declared or paid.

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 dividend, 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 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 seventy percent (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, 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 sales 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.

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 connection with a financing agreement entered into by the Company in June 1997, the Company issued a warrant to purchase up to 14,212 shares of Series D redeemable convertible preferred stock at an exercise price of $3.45 per share. This warrant expires upon the later of June 2002, immediately prior to the closing of an underwritten initial public offering or immediately prior to an acquisition of the Company. The Company reserved 14,212 shares of Series D redeemable convertible preferred stock in the event of exercise. The value of this warrant determined using a Black-Scholes model was not material.

In connection with a technology license agreement entered into by the Company in September 2000, with a related party 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. This warrant is exercisable on September 22, 2005 and will become exercisable earlier with respect to 22,750 shares on March 22, 2003 if, on or before that date, the warrant holder has 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. 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 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):

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 30, 2002.

Stock option plans

The Company reserved shares of common stock for issuance under the 1995 and 1996 Stock Option Plans, Incentive Stock Plan and Management Incentive Stock Plan (the "Plans"). In April 1998, the Company terminated its 1995 Stock Plan and cancelled all shares of common stock which were reserved and available for future option grants under the plan. 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 29, 2001 and March 30, 2002, 326,644 and 260,836 (unaudited) shares of common stock were subject to the Company's right of repurchase, respectively.

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, 1998	493,761	975,862	$ 0.10-$1.50	$ 839	$0.86
Additional shares reserved	1,500,000	—	—	—	—
Shares terminated	(1,875)	—	—	—	—
Options granted	(1,529,560)	1,529,560	$ 1.50-$5.00	5,024	$3.28
Options exercised	—	(411,162)	$ 0.10-$3.75	(861)	$2.09
Options canceled	205,078	(205,078)	$ 0.10-$4.25	(267)	$1.30
Balances, December 25, 1999	667,404	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	667,730	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	1,477,935	4,162,454	$ 0.10-$6.50	21,221	$5.10
Additional shares reserved (unaudited)	3,500,000	—	—	—	—
Options granted (unaudited)	(96,575)	96,575	$ 6.50	628	$6.50
Options exercised (unaudited)	—	(150,494)	$0.165-$6.50	(810)	$5.38
Options canceled (unaudited)	92,931	(92,931)	$ 1.50-$6.50	(546)	$5.87
Balances, March 30, 2002 (unaudited)	4,974,291	4,015,604	$ 0.10-$6.50	$20,493	$5.10

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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	

The options outstanding and vested by exercise price at March 30, 2002 (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	241,212	5.36	$0.65	241,157	$0.65
$1.50	88,209	6.59	$1.50	72,361	$1.50
$2.50 - $3.00	25,025	7.01	$2.55	18,291	$2.54
$3.25	676,663	7.20	$3.25	286,673	$3.25
$3.75 - $5.00	34,018	7.48	$4.24	23,020	$4.45
$5.50	963,693	8.37	$5.50	235,860	$5.50
$6.00	842,589	8.85	$6.00	211,486	$6.00
$6.50	1,144,195	9.55	$6.50	37,581	$6.50
	4,015,604			1,126,429	

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 25, 1999	December 30, 2000	December 29, 2001	March 31, 2001	March 30, 2002
				(unaudited)	
Risk-free interest rate	5.54%	6.24%	4.58%	4.86%	4.83%
Expected life (in years)	5	5	5	5	5
Dividend yield	—	—	—	—	—

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 following results may not be representative of future periods.

Had compensation costs been determined based upon the fair value at the grant date, consistent with the methodology prescribed under SFAS No. 123, the Company's pro forma net income (loss) and pro forma basic and diluted net income (loss) per share under SFAS No. 123 would have been as follows (in thousands, except per share data):

	Years Ended			Three Months Ended	
	December 25, 1999	December 30, 2000	December 29, 2001	March 31, 2001	March 30, 2002
				(unaudited)	
Net income (loss):					
As reported	$(5,644)	$2,079	$ 250	$ 297	$ 846
Pro forma	$(5,873)	$1,559	$(1,019)	$ 46	$ 355
Net income (loss) per share:					
Basic:					
As reported	$ (2.16)	$ 0.61	$ 0.06	$0.08	$0.19
Pro forma	$ (2.25)	$ 0.46	$ (0.25)	$0.01	$0.08
Diluted:					
As reported	$ (2.16)	$ 0.08	$ 0.01	$0.01	$0.03
Pro forma	$ (2.25)	$ 0.06	$ (0.04)	$0.00	$0.01

The weighted-average per share grant date fair value of options granted during the years ended December 25, 1999, December 30, 2000 and December 29, 2001 and for the three months ended March 30, 2002 was $0.78, $1.46, $1.06 and $1.33 (unaudited), respectively.

Deferred stock-based compensation

During 2001 and the three months ended March 30, 2002, 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 year ended December 29, 2001 and the three months ended March 30, 2002, the Company had recorded deferred stock-based compensation related to these options in the amounts of $4,265,000 and $1,451,000 (unaudited), net of cancellations, respectively, of which $195,000 and $164,000 (unaudited) had been amortized to expense during 2001 and the three months ended March 30, 2002, 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. The options generally vest ratably over four years. The values attributable to these options are amortized over the service period on a graded vesting method, 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

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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			Three Months Ended	
	December 25, 1999	December 30, 2000	December 29, 2001	March 31, 2001	March 31, 2002
				(unaudited)	
Risk-free interest rate	4.93%	6.05%	5.75%	5.75%	4.83%
Expected life (in years)	10	10	10	10	10
Dividend yield	—	—	—	—	—
Expected volatility	67%	67%	67%	67%	67%

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 $525,000, $259,000, $91,000 and none (unaudited) for the years ended December 25, 1999, December 30, 2000, December 29, 2001 and for the three months ended March 30, 2002, respectively, of which $341,000, $259,000, $274,000 and $1,000 (unaudited) has been amortized to expense in 1999, 2000, 2001 and for the three months ended March 30, 2002, respectively.

Notes receivable

In 1999, 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%, have due dates through May 2007, and are collateralized by the underlying shares of common stock.

Note 9 — Income Taxes:

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

	Years Ended		
	December 25, 1999	December 30, 2000	December 29, 2001
Current:			
Federal	$ —	$114	$158
State	—	1	108
Foreign	—	—	41
Total provision for income taxes	$ —	$115	$307

At December 29, 2001, the Company had federal and state net operating loss carryforwards of approximately $3,603,000 and none, respectively, available to offset future taxable income. These carryforwards expire by the year 2012 for federal tax purposes unless utilized. The Company's net operating loss carryforwards may be subject to annual utilization limitations in case of a change in stock ownership, as defined by federal and state tax laws.

At December 29, 2001, the Company had research credit carryforwards of approximately $3,500,000 and $3,600,000 for federal and state income tax purposes, respectively. If not utilized, the federal carryforwards will expire in various amounts beginning in 2010. The state research credit can be carried forward indefinitely.

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	December 30, 2000	December 29, 2001
Net operating losses	$ 3,080	$ 1,225
Research and development credits	1,831	3,468
Depreciation and amortization	(392)	208
Inventory reserves	2,953	3,328
Other reserves and accruals	1,277	832
	8,749	9,061
Less: Valuation allowance	(8,749)	(9,061)
	$ —	$ —

The Company has established a valuation allowance to the extent of its deferred tax asset since it is uncertain that a benefit can be realized in the future due to the Company's recurring operating losses. 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 reduced.

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 1999, 2000 and 2001.

Note 11 — Operating Segment and Geographic Information:

As of December 30, 2000, December 29, 2001 and March 30, 2002, 99%, 97% and 97% (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 25, 1999	December 30, 2000	December 29, 2001	March 31, 2001	March 30, 2002
				(unaudited)	
North America	57.6%	42.0%	52.7%	60.8%	66.4%
Taiwan	14.6%	25.4%	26.4%	18.4%	12.8%
Asia (excluding Japan and Taiwan)	5.4%	8.0%	0.2%	1.1%	0.1%
Japan	2.4%	8.2%	6.9%	7.9%	4.9%
Europe	20.0%	16.4%	13.8%	11.8%	15.8%
Total export sales	100%	100%	100%	100%	100%

Note 12 — 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 29, 2001 and the three months ended

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 30, 2002. A reconciliation of the numerator and denominator used in the calculation of pro forma basic and diluted net income per share follows (in thousands, except per share data):

	Year Ended December 29, 2001	Three Months Ended March 30, 2002
		(unaudited)
Numerator:		
Net income	$ 250	$ 846
Denominator:		
Weighted-average shares outstanding used in computing basic net income per share	4,029	4,381
Adjustments to reflect the effect of the assumed conversion of the preferred stock from the date of issuance	22,995	22,995
Weighted-average shares used in computing basic pro forma net income per share	27,024	27,376
Adjustments to reflect the effect of the assumed conversion of options outstanding, warrants and weighted-average unvested common shares subject to repurchase	1,970	2,437
Weighted-average shares used in computing diluted pro forma net income per share	28,994	29,813
Pro forma net income per share		
Basic	$ 0.01	$ 0.03
Diluted	$ 0.01	$ 0.03

Note 13 — 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 25, 1999, December 30, 2000, and December 29, 2001, revenue recognized from these related parties was approximately $11,797,000, $35,311,000, and $46,042,000, respectively. At December 30, 2000 and December 29, 2001, the Company had accounts receivable of approximately $9,397,000 and $7,313,000, respectively, from its related parties.

The Company purchased inventory from related parties, and paid commission to related parties, who are also stockholders of the Series E and Series G redeemable convertible preferred stock. For the years ended December 25, 1999, December 30, 2000, and December 29, 2001, transactions with these related parties were approximately none, $133,000 and $11,458,000, respectively. At December 30, 2000 and December 29, 2001, the Company had accounts payable of approximately $120,000 and $1,458,000, respectively, to its related parties.

Note 14 — Subsequent Events:

On April 14, 2002, the Company granted options to purchase 1,178,802 shares of common stock under the Company's Incentive Stock Plan and Management Incentive Stock Plan at an exercise price of $6.50 per share.

On April 18, 2002, the Board of Directors adopted the 2002 Equity Incentive Plan ("2002 Plan"), subject to stockholder approval, 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-

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

qualified stock options. The incentive stock options may be granted to the employees and the non-qualified 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% at 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 1995 Stock Plan, 1996 Stock Plan, Incentive Option Plan and Management Incentive Option Plan, plus any shares returned thereafter. The 1996 Stock Plan, the Incentive Stock Plan and the Management Incentive Option Plan will terminate upon the effectiveness of the 2002 Plan. In addition, on each January 1, the number of shares available for issuance will be increased by an amount equal to 5.0% of the outstanding shares of common stock on the last day of the preceding fiscal year.

On April 18, 2002, the Board of Directors approved the 2002 Employee Stock Purchase Plan ("2002 ESPP"), subject to stockholder approval, which will commence on the effective date of an initial public offering of the Company's common stock. 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, 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% at 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 last day of the preceding fiscal year.

On April 18, 2002, the Company granted options to purchase 67,500 shares of common stock under the Company's 1996 Stock Option Plan at an exercise price of $7.50 per share.

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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.

[FormFactor LOGO]

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. 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	*
Legal fees and expenses	*
Road show expenses	*
Printing expenses	*
Blue Sky fees and expenses	*
Transfer agent and registrar fees and expenses	*
Miscellaneous	*
Total	$ *

* To be filed by amendment

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, the Registrant issued and sold the following unregistered securities.

1. In July 1999, the Registrant issued and sold a total of 2,666,666 shares of Series E preferred stock to 29 investors, consisting of 10 individual investors, nine corporate investors and 10 venture capital and investment funds for a total purchase price of $19,999,995, all of which was paid in cash.

2. In September 2000, the Registrant issued a warrant to a customer to purchase up to 45,500 shares of Series F preferred stock at $11.00 per share. The warrant is first exercisable on September 22, 2005. The warrant will become exercisable earlier with respect to 22,750 shares on March 22, 2003 if, on or before that date, the customer has achieved certain commercial milestones. Further, this warrant will become exercisable immediately with respect to all 45,500 shares if the customer achieves certain higher commercial milestones. If not earlier exercised, this warrant will expire September 23, 2005.

3. 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.

4. 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.

5. As of March 30, 2002, the Registrant had issued 2,583 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. As of March 30, 2002, the Registrant had issued 438,029 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. As of March 30, 2002, the Registrant had issued 2,123,139 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. As of March 30, 2002, the Registrant had issued 3,114,800 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 $6.50 per share.

The sales and issuances of securities above, other than the sales and issuances in items 5 through 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 through 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	Restated Certificate of Incorporation of the Registrant as filed July 5, 2001 and the Amendment to Restated Certificate of Incorporation as filed April 10, 2002.
3.02*	Form of Registrant's Restated Certificate of Incorporation to be filed upon the closing of the offering.
3.03	Amended Bylaws of the Registrant, as amended through March 14, 2002.
3.04*	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.
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 form of option grant.

Exhibit Number	Exhibit Title
10.07*	2002 Employee Stock Purchase Plan.
10.08†	Key Management Bonus Plan.
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. Iocano and the Registrant dated June 26, 1995.
10.13	Lease by and between Paul E. Iocano and the Registrant dated April 12, 1996.
10.14	Lease by and between Paul E. Iocano and the Registrant dated November 20, 1996.
10.15	Lease by and between Paul E. Iocano and the Registrant 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.
10.17	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.
10.19†	Pacific Corporate Center Lease by and between Greenville Investors, L.P. and the Registrant dated May 3, 2001.
10.20†	Pacific Corporate Center Lease by and between Greenville Investors, L.P. and the Registrant dated May 3, 2001.
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 January 12, 2002.
10.22†	Basic Purchase Agreement by and among Infineon Technologies Aktiengesellschaft, Whiteoak Semiconductor Partnership, Promos Technologies Inc. and the Registrant dated July 9, 1999.
10.23†	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.
10.25*	Intel Corporation Purchase Agreement — Capital Equipment and Services by and between Intel Corporation and the Registrant dated January 8, 2001.
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-7 of this Registration Statement).

* To be filed by amendment.

† 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 February 15, 2002, except for Note 14, as to which the date is April 18, 2002, 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-6 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.

PRICEWATERHOUSECOOPERS LLP

San Jose, California

April 22, 2002

Schedule II

FORMFACTOR, INC.

VALUATION AND QUALIFYING ACCOUNTS

For the Years Ended December 25, 1999, December 30, 2000 and December 29, 2001
(In thousands)

Descriptions	Balance at Beginning of Period	Additions	Deductions	Balance at End of Year
Allowance for doubtful accounts receivable:				
Year ended December 25, 1999	$ 412	$ 200	$ —	$ 612
Year ended December 30, 2000	$ 612	$ —	$ 32	$ 580
Year ended December 29, 2001	$ 580	$ —	$ 166	$ 414
Reserve for excess and obsolete inventory:				
Year ended December 25, 1999	$1,797	$3,623	$ —	$5,420
Year ended December 30, 2000	$5,420	$2,227	$ —	$7,647
Year ended December 29, 2001	$7,647	$4,504	$3,535	$8,616
Allowance against deferred tax assets:				
Year ended December 25, 1999	$6,092	$1,880	$ —	$7,972
Year ended December 30, 2000	$7,972	$ 777	$ —	$8,749
Year ended December 29, 2001	$8,749	$ 312	$ —	$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.

Item 17. Undertakings.

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described in Item 14 above, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a

form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective; and

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Livermore, State of California, on this 22nd day of April 2002.

FORMFACTOR, INC.

By: /s/ IGOR Y. KHANDROS

Dr. Igor Y. Khandros
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS that each individual whose signature appears below constitutes and appoints Dr. Igor Y. Khandros, Jens Meyerhoff and Stuart L. Merkadeau, and each of them, his or her true and lawful attorneys-in-fact and agents with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments, including post- effective amendments, to this Registration Statement, and to sign any registration statement for the same offering covered by this Registration Statement that is to be effective upon filing pursuant to Rule 462(b) promulgated under the Securities Act, and all post-effective amendments thereto, and to file the same, with all exhibits thereto and all documents in connection therewith, making such changes in this Registration Statement as such attorneys-in-fact and agents so acting deems appropriate, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done with respect to the offering of securities contemplated by this Registration Statement, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his, her or their substitute or substitutes, may lawfully do or cause to be done or by virtue hereof.

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:		
/s/ IGOR Y. KHANDROS Dr. Igor Y. Khandros	President, Chief Executive Officer and Director	April 22, 2002
Principal Financial Officer and Principal Accounting Officer:		
/s/ JENS MEYERHOFF Jens Meyerhoff	Senior Vice President, Chief Financial Officer and Secretary	April 22, 2002

Name	Title	Date
Additional Directors:		
/s/ JOSEPH R. BRONSON	Director	April 22, 2002
Joseph R. Bronson		
/s/ WILLIAM H. DAVIDOW	Director	April 22, 2002
Dr. William H. Davidow		
/s/ G. CARL EVERETT, JR.	Director	April 22, 2002
G. Carl Everett, Jr.		
/s/ WILLIAM J. HARDING	Director	April 22, 2002
Dr. William J. Harding		
/s/ JAMES A. PRESTRIDGE	Director	April 22, 2002
James A. Prestridge		

EXHIBIT INDEX

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23.02	Consent of independent accountants.
24.01	Power of Attorney (see page II-7 of this Registration Statement).

† 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 _____, 2002

_____, 2002

_____, 2002

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") _____ shares of its Common Stock, par value $0.001 (the "FIRM SHARES"). The Company also proposes to issue and sell to the several Underwriters not more than an additional _____ 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 2 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 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 [list significant subsidiaries], 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 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) Each preliminary prospectus filed as part of the registration statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the Securities Act, 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) 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. Agreements to Sell and Purchase. The Company 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 the Company the respective numbers of Firm Shares set forth in Schedule I hereto opposite its name at $_____ a share (the "PURCHASE Price").

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 _____ 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 4 hereof solely for the purpose of covering over-allotments made in connection with the offering of the Firm Shares. On each day, 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.

The Company 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. 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.

3. Terms of Public Offering. The Company is 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 Company is 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.

4. Payment and Delivery. Payment for the Firm Shares shall be made to the Company 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 _____, 2002, or at such other time on the same or such other date, not later than _____, 2002, 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 2 or at such other time on the same or on such other date, in any event not later than _____, 2002, 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.

5. Conditions to the Underwriters' Obligations. The obligations of the Company 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 [_____] (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 5(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 or similar rights;

(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 of the Company or, to the best of such counsel's knowledge, 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, to the best of 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 in connection with the offer and sale of the Shares;

(vii) the statements relating to legal matters, documents or proceedings included in (A) the Prospectus under the captions "_____," "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 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; and

(x) 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 financial 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 an opinion of _____, outside counsel for the Company, dated the Closing Date, to the effect that

(i) 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; and

(ii) 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.

[Opinion from company in-house counsel?]

[Opinion from patent counsel?]

(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 5(c)(iv), 5(c)(v), 5(c)(vii) (but only as to the statements in the Prospectus under "Underwriters") and 5(c)(x) above.

With respect to Section 5(c)(x) 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 and _____ described in Sections 5(c) and 5(d)above shall be rendered to the Underwriters at the request of the Company and shall so state therein.

(f) 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.

(g) The "lock-up" agreements, each substantially in the form of Exhibit A hereto, between you and certain shareholders, officers and directors 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.

6. 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 6(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, 2003] that satisfies the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

(f) Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, 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 and the Company's accountants 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 6(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, Section 7 entitled "Indemnity and Contribution," Section 8 entitled "Directed Share Program Indemnification" and the last paragraph of Section 10 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.

(g) 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.

(h) 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.

7. 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 6(a) hereof.

(b) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless 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 Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company 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.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 7(a) or 7(b), 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 the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by Morgan Stanley & Co. Incorporated, in the case of parties indemnified pursuant to Section 7(a), and by the Company, in the case of parties indemnified pursuant to Section 7(b). 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.

(d) To the extent the indemnification provided for in Section 7(a) or 7(b) 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 the Company on the one hand and the Underwriters on the other hand from the offering of the Shares or (ii) if the allocation provided by clause 7(d)(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 7(d)(i) above but also the relative fault of the Company on the one hand and of the Underwriters 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 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 the Company 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 Company 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 Company 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 7 are several in proportion to the respective number of Shares they have purchased hereunder, and not joint.

(e) The Company and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 7 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 7(d). 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 7, 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 7 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.

(f) The indemnity and contribution provisions contained in this Section 7 and the representations, warranties and other statements of the

Company 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 or by or on behalf of the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Shares.

8. 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 8(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 8(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 8(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 8 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 8(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 8, 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 8 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 8 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.

9. 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.

10. 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 10 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 and the Company 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 or the Company. 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 the Company to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company shall be unable to perform its obligations under this Agreement, the Company 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.

11. 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.

12. Applicable Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

13. 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:

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:.....	

- ----------

PLEASE NOTE:
JAN LIVINGSTON (212-762-8639) OF MS SHOULD REVIEW ALL MS UNDERWRITING CONTRACTS AND LOCK-UP AGREEMENTS BEFORE THEY ARE SENT TO MS CLIENTS AND SHOULD ALSO BE CONSULTED ON UNDERWRITING AGREEMENT CONCESSIONS DURING THE NEGOTIATION PROCESS.

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EXHIBIT A

[FORM OF LOCK-UP LETTER]

_____, 2002

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, 2002, 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)

RESTATED CERTIFICATE OF INCORPORATION
OF
FORMFACTOR, INC.

FORMFACTOR, INC., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "CORPORATION"), in accordance with the provisions of Sections 242 and 245 thereof, DOES HEREBY CERTIFY:

FIRST: The name of this corporation is FORMFACTOR, INC. FORMFACTOR, INC. was originally incorporated under the same name and the original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on April 15, 1993.

SECOND: The Amendment and Restatement of the Corporation's Certificate of Incorporation as set forth in the following resolution has been approved by the Corporation's Board of Directors and stockholders and was duly adopted in accordance with the provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware.

NOW, THEREFORE, BE IT RESOLVED, that the Certificate of Incorporation of this Corporation be, and it hereby is, restated and further amended to read in its entirety as follows:

FIRST

The name of this corporation is FormFactor, Inc.

SECOND

The address of its registered office in the State of Delaware is 15 East North Street, City of Dover, County of Kent. The name of its registered agent at such address is United Corporate Services, Inc.

THIRD

The nature of the business and of the purposes to be conducted and promoted by the Corporation are to conduct any lawful business, to promote any lawful purpose, and to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH

A. This Corporation is authorized to issue two classes of shares of stock, to be designated, respectively, "Common Stock" and "Preferred Stock." The Preferred Stock may be issued in one or more series. The total number of shares that the Corporation is authorized to issue is Sixty-One Million Six Hundred Seventy-Nine Thousand Eight Hundred Forty (61,679,840). Thirty-Seven Million (37,000,000) shares with a par value of $0.001 each shall be Common Stock, and Twenty-Four Million Six Hundred and Seventy-Nine Thousand Eight Hundred Forty (24,679,840) shares with a par value of $0.001 each shall be Preferred Stock. The Preferred Stock shall further be divided into six series as follows: Six Million Three Hundred Eighty Nine Thousand One Hundred Three (6,389,103) shares of Preferred Stock with a par value of $0.001 each shall be denominated "Series A Preferred Stock," Three Million Five Hundred Twenty Seven Thousand Two Hundred Fifty-Eight (3,527,258) shares of Preferred Stock with a par value of $0.001 each shall be denominated "Series B Preferred Stock," Three Million Three Hundred Thousand (3,300,000) shares of Preferred Stock with par value of $0.001 each shall be denominated "Series C Preferred Stock," Six Million Three Hundred Seventy-Six Thousand Eight Hundred Twelve (6,376,812) shares of Preferred Stock with par value of $0.001 shall be denominated "Series D Preferred Stock," Two Million Eight Hundred Sixty-Six Thousand Six Hundred Sixty-Seven (2,866,667) shares of Preferred Stock with par value of $0.001 shall be denominated "Series E Preferred Stock," Seven Hundred and Fifty Thousand (750,000) shares of Preferred Stock with par value of $0.001 shall be denominated "Series F Preferred Stock," and One Million Four Hundred and Seventy Thousand (1,470,000) shares of Preferred Stock with par value of $0.001 shall be denominated "Series G Preferred Stock."

B. The following is a statement of the designations, preferences, qualifications, limitations, privileges, restrictions and the special or relative rights granted to or imposed upon the shares of capital stock of the Corporation.

1. Dividends.

(a) Subject to the prior preferences and other rights of the Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series E Preferred Stock, Series F Preferred Stock and Series G Preferred Stock, the holders of the Series A Preferred Stock shall be entitled to receive dividends, prior and in preference to any dividend on Common Stock, at the rate of $0.0424 per share of Series A Preferred, per annum (as adjusted for any stock dividends, combinations or splits with respect to such shares that occur after the date of filing of this Restated Certificate), whenever funds are legally available and when and as declared by the Board of Directors. The dividends shall be non-cumulative.

(b) The holders of the Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series E Preferred Stock, Series F Preferred Stock and Series G Preferred Stock shall be entitled to receive dividends, prior and in preference to any dividend on Series A Preferred Stock, at the rate of $0.0696 per share of Series B Preferred Stock, at the rate of $0.132 per share of Series C Preferred Stock, at the rate of $0.276 per share of Series D Preferred Stock, at the rate of $0.60 per share for the Series E Preferred Stock, at the rate of $0.88 per share of Series F Preferred Stock, and at the rate of $1.20 per share of Series G

Preferred Stock, per annum (each as adjusted for any stock dividends, combinations or splits with respect to such shares that occur after the date of filing of this Restated Certificate), payable out of funds legally available therefor. Such dividends shall accrue quarterly and be cumulative, but shall be payable only when and as declared by the Board of Directors.

(c) No dividends (other than those payable solely in Common Stock) shall be paid on any Common Stock of the Corporation during any fiscal year of the Corporation until dividends in the total respective amounts set forth above per share of Preferred Stock per annum (as adjusted for any stock dividends, combinations or splits with respect to such shares) on the Preferred Stock shall have been paid or declared and set apart during that fiscal year, and no dividends shall be paid on any share of Common Stock unless a dividend (including, for this purpose the amount of any dividends paid pursuant to the above provisions of this Section 1) is paid with respect to all outstanding shares of Preferred Stock in an amount for each such share of Preferred Stock equal to or greater than the aggregate amount of such dividends for all shares of Common Stock into which each such share of Preferred Stock could then be converted.

2. Liquidation Preference.

(a) In the event of any liquidation, dissolution or winding up of the Corporation, either voluntary or involuntary, the holders of the Series D Preferred Stock, the Series E Preferred Stock, the Series F Preferred Stock and the Series G Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Corporation to the holders of the Series C Preferred Stock, Series B Preferred Stock, Series A Preferred Stock or Common Stock by reason of their ownership thereof, the amount of $3.45 per share of Series D Preferred Stock, the amount of $7.50 per share of Series E Preferred Stock, the amount of $11.00 per share of Series F Preferred Stock and the amount of $15.00 per share of Series G Preferred Stock then held by them (each as adjusted for any stock dividends, combinations or splits with respect to such shares effective after the date of filing of this Restated Certificate) 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 Preferred Stock, the Series E Preferred Stock, the Series F Preferred Stock and the Series G 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 Corporation legally available for distribution shall be distributed ratably and with equal priority among the holders of the Series D Preferred Stock, the Series E Preferred Stock, the Series F Preferred Stock and the Series G Preferred Stock in proportion to the preferential amount each such holder is otherwise entitled to receive.

(b) After payment has been made to the holders of the Series D Preferred Stock, Series E Preferred Stock, Series F Preferred Stock and Series G Preferred Stock of the full amounts to which they shall be entitled as provided in Section 2(a), the holders of the Series B Preferred Stock and Series C Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Corporation to the holders of the Series A Preferred Stock or Common Stock by reason of their ownership thereof, the amount of $0.87 per share of Series B Preferred Stock and the amount of $1.65 per share of Series C Preferred Stock then held by them (each as adjusted for any stock dividends, combinations or splits with respect to such shares effective after the date of filing of this Restated Certificate) plus all accrued or declared but unpaid dividends on each such share. If the assets and funds thus

distributed among the holders of the Series B Preferred Stock and Series C 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 Corporation legally available for distribution shall be distributed ratably and with equal priority among the holders of the Series B Preferred Stock and Series C Preferred Stock in proportion to the preferential amount each such holder is otherwise entitled to receive.

(c) After payment has been made to the holders of the Series D Preferred Stock, Series E Preferred Stock, Series F Preferred Stock, Series G Preferred Stock, Series B Preferred Stock and Series C Preferred Stock of the full amounts to which they shall be entitled as provided in Sections 2(a) and 2(b), respectively, the entire remaining assets and funds of the Corporation legally available for distribution, if any, shall be distributed ratably and with equal priority among the holders of Series A Preferred Stock and Common Stock in proportion to the shares of Series A Preferred Stock and/or Common Stock then held by each.

(d) A consolidation or merger of the Corporation with or into any other corporation or corporations, or a sale of all or substantially all of the assets of the Corporation, shall not be deemed to be a liquidation, dissolution or winding up within the meaning of this Section 2, but shall be subject to the provisions of Section 5 hereof.

3. Voting Rights.

(a) Except with respect to the election of directors of the Corporation, the holder of each share of Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which such share of Preferred Stock could be converted and shall have voting rights and powers equal to the voting rights and powers of the Common Stock (except as otherwise expressly provided herein or as required by law), voting together with the Common Stock as a single class, and shall be entitled to notice of any stockholders' meeting in accordance with the By-laws of the Corporation. Fractional votes shall not, however, be permitted and any fractional voting rights resulting from the above formula (after aggregating all shares into which shares of Preferred Stock held by each holder could be converted) shall be rounded to a nearest whole number (with one-half being rounded upward).

(b) The Board of Directors of the Corporation shall consist of five (5) members. Notwithstanding Section 3(a) above, for so long as any shares of Series B Preferred Stock or Series D Preferred Stock shall be outstanding, election of directors of the corporation shall be as provided in the remainder of this paragraph. The holders of Series B Preferred Stock shall have the right, voting together as a separate class, to elect one (1) director to the Board of Directors. The holders of the Common Stock and Series A Preferred Stock shall have the right, voting together as a separate class and on an as-converted to Common Stock basis, to elect two (2) directors to the Board of Directors. The holders of at least seventy percent (70%) of Series D Preferred Stock shall have the right, voting together as a separate class, to elect one (1) director to the Board of Directors. The remaining director shall be elected by the holders of the Common Stock, Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series E Preferred Stock, Series F Preferred Stock and Series G 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. In the case of any vacancy in the office of a director occurring among the directors elected by the holders of a class and/or series as aforesaid, such vacancy shall be filled by the remaining director or directors elected by that class and/or series, if any, or if no such director remains, by the affirmative vote of the holders of the applicable class and/or series as provided above. Any director elected by the holders of a class and/or series of stock may be removed, either with or without cause, by and only by the affirmative vote of the holders of the shares of the class and/or series of stock as provided above which elected such director or directors.

4. Conversion Rights. The holders of the Preferred Stock shall have the conversion rights as follows:

(a) Right to Convert: Each share of the Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share (the "ORIGINAL ISSUE DATE"), at the office of this Corporation or any transfer agent for such shares, into such number of fully paid and nonassessable shares of Common Stock determined: (i) in the case of the Series A Preferred Stock, by dividing $0.53 by the Conversion Price applicable to such share, determined as hereinafter provided, in effect on the date the certificate is surrendered for conversion (the "SERIES A CONVERSION Rate"), subject to adjustment as hereinafter provided, (ii) in the case of the Series B Preferred Stock, by dividing $0.87 by the Conversion Price applicable to such share, determined as hereinafter provided, in effect on the date the certificate is surrendered for conversion (the "SERIES B CONVERSION RATE"), (iii) in the case of Series C Preferred Stock, by dividing $1.65 by the Conversion Price applicable to such share, determined as hereinafter provided, in effect on the date the certificate is surrendered for conversion (the "SERIES C CONVERSION Rate"), (iv) in the case of Series D Preferred Stock, by dividing $3.45 by the Conversion Price applicable to such share, determined as hereinafter provided, in effect on the date the certificate is surrendered for conversion (the "SERIES D CONVERSION RATE"), (v) in the case of Series E Preferred Stock, by dividing $7.50 by the Conversion Price applicable to such share, determined as hereinafter provided, in effect on the date the certificate is surrendered for conversion (the "SERIES E CONVERSION RATE"), (vi) in the case of Series F Preferred Stock, by dividing $11.00 by the Conversion Price applicable to such share, determined as hereinafter provided, in effect on the date the certificate is surrendered for conversion (the "SERIES F CONVERSION Rate") and (vii) in the case of Series G Preferred Stock, by dividing $15.00 by the Conversion Price applicable to such share, determined as hereinafter provided, in effect on the date the certificate is surrendered for conversion (the "SERIES G CONVERSION RATE"). The price at which shares of Common Stock shall be deliverable upon conversion of shares of the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series E Preferred Stock, Series F Preferred Stock and Series G Preferred Stock (respectively, the "SERIES A CONVERSION PRICE," the "SERIES B CONVERSION PRICE," "SERIES C CONVERSION PRICE," "SERIES D CONVERSION PRICE," "SERIES E CONVERSION PRICE," "SERIES F CONVERSION PRICE," and "SERIES G CONVERSION PRICE," and collectively, the "CONVERSION PRICE") shall initially be $0.53, $0.87, $1.65, $3.45, $7.50, $11.00 and $15.00 per share, respectively, of Common Stock. Such initial Conversion Prices shall be adjusted as hereinafter provided.

(b) Automatic Conversion. Each share of Preferred Stock shall automatically be converted into shares of Common Stock at the then-effective Conversion Price immediately

upon the earlier of (i) in the case of the Series A Preferred Stock, the Series B Preferred Stock, the Series C Preferred Stock and the Series D Preferred Stock, the closing of the sale of the Corporation's Common Stock in a firm commitment, underwritten public offering registered under the Securities Act of 1933, as amended (other than a registration relating solely to a transaction under Rule 145 under such Act (or any successor thereto) or to an employee benefit plan of the Corporation), (A) at a public offering price (prior to underwriter commissions and expenses) equal to or exceeding $6.90 per share of Common Stock (as adjusted for any stock dividends, combinations or splits with respect to such shares occurring after the date of filing of this Restated Certificate) and (B) the aggregate proceeds to the Corporation (before deduction for underwriter commissions and expenses relating to the issuance, including without limitation fees of the Corporation's counsel) of which equal or exceed $10,000,000; (ii) in the case of the Series E Preferred Stock, the closing of the sale of the Corporation's Common Stock in a firm commitment, underwritten public offering registered under the Securities Act of 1933, as amended (other than a registration relating solely to a transaction under Rule 145 under such Act (or any successor thereto) or to an employee benefit plan of the Corporation), (A) at a public offering price (prior to underwriter commissions and expenses) equal to or exceeding $7.50 per share of Common Stock (as adjusted for any stock dividends, combinations or splits with respect to such shares occurring after the date of filing of this Restated Certificate) and (B) the aggregate proceeds to the Corporation (before deduction of underwriter commissions and expenses relating to the issuance, including without limitation fees of the Corporation's counsel) of which equal or exceed $10,000,000; (iii) in the case of the Series F Preferred Stock, the closing of the sale of the Corporation's Common Stock in a firm commitment, underwritten public offering registered under the Securities Act of 1933, as amended (other than a registration relating solely to a transaction under Rule 145 under such Act (or any successor thereto) or to an employee benefit plan of the Corporation), (A) at a public offering price (prior to underwriter commissions and expenses) equal to or exceeding $11.00 per share of Common Stock (as adjusted for any stock dividends, combinations or splits with respect to such shares occurring after the date of filing of this Restated Certificate) and (B) the aggregate proceeds to the Corporation (before deduction of underwriter commissions and expenses relating to the issuance, including without limitation fees of the Corporation's counsel) of which equal or exceed $10,000,000; (iv) in the case of the Series G Preferred Stock, the closing of the sale of the Corporation's Common Stock in a firm commitment, underwritten public offering registered under the Securities Act of 1933, as amended (other than a registration relating solely to a transaction under Rule 145 under such Act (or any successor thereto) or to an employee benefit plan of the Corporation), (A) at a public offering price (prior to underwriter commissions and expenses) equal to or exceeding $15.00 per share of Common Stock (as adjusted for any stock dividends, combinations or splits with respect to such shares occurring after the date of filing of this Restated Certificate) and (B) the aggregate proceeds to the Corporation (before deduction of underwriter commissions and expenses relating to the issuance, including without limitation fees of the Corporation's counsel) of which equal or exceed $10,000,000; and (v) the date specified by written consent or agreement of (A) the holders of not less than two-thirds of the then outstanding shares of Series A Preferred Stock, voting as a single class, (B) the holders of not less than two-thirds of the then outstanding shares of Series B Preferred Stock, voting as a single class, (C) the holders of not less than two-thirds of the then outstanding shares of Series C Preferred Stock, voting as a single class, (D) the holders of not less than two-thirds of the then outstanding shares of Series D Preferred Stock, voting as a single class, (E) the holders of not less than two-thirds of the then outstanding shares of Series E

Preferred Stock, voting as a single class, (F) the holders of not less than two-thirds of the then outstanding shares of Series F Preferred Stock, voting as a single class, and (G) the holders of not less than two-thirds of the then outstanding shares of Series G Preferred Stock, voting as a single class.

(c) Mechanics of Conversion. Before any holder of Preferred Stock shall be entitled to convert the same into shares of Common Stock, such holder shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or of any transfer agent for such stock, and shall give written notice to the Corporation at such office that such holder elects to convert the same and shall state therein the name or names in which such holder wishes the certificate or certificates for shares of Common Stock to be issued. The Corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Preferred Stock, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of surrender of the shares of Preferred Stock to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date.

(d) Adjustments to Conversion Prices for Combinations or Subdivisions of Common Stock. In the event that this Corporation at any time or from time to time after the date of filing of this Restated Certificate shall declare or pay any dividend on the Common Stock payable in Common Stock or in any right to acquire Common Stock, or shall effect a subdivision of the outstanding shares of Common Stock into a greater number of shares of Common Stock (by stock split, reclassification or otherwise than by payment of a dividend in Common Stock or in any right to acquire Common Stock), or in the event the outstanding shares of Common Stock shall be combined or consolidated, by reclassification or otherwise, into a lesser number of shares of Common Stock, then the Series A Conversion Price, the Series B Conversion Price, the Series C Conversion Price, the Series D Conversion Price, the Series E Conversion Price, the Series F Conversion Price and the Series G Conversion Price in effect immediately prior to such event shall, concurrently with the effectiveness of such event, be proportionately decreased or increased, as appropriate.

(e) Sale of Shares Below Conversion Price.

(i) Adjustment Formula. If at any time or from time to time after the date on which the first share of Series D Preferred Stock, Series E Preferred Stock, Series F Preferred Stock or Series G Preferred Stock is issued by the Corporation, the Corporation issues or sells, or is deemed by the provisions of this subsection 4(e) to have issued or sold, Additional Shares of Common Stock (as hereinafter defined), otherwise than in connection with an event as specified in subsection 4(d) for an Effective Price (as hereinafter defined) that is less than the Series D Conversion Price, the Series E Conversion Price, the Series F Conversion Price or the Series G Conversion Price, respectively, in effect immediately prior to such issue or sale, then, and in each such case, the Series D Conversion Price, the Series E Conversion Price, the Series F Conversion Price or the Series G Conversion Price, as the case may be, shall be reduced, as of the close of business on the date of such issue or sale, to the price obtained by multiplying

such Series D Conversion Price, Series E Conversion Price, Series F Conversion Price or Series G Conversion Price, as the case may be, by a fraction:

(A) The numerator of which shall be the sum of (i) the number of Common Stock Equivalents Outstanding (as hereinafter defined) immediately prior to such issue or sale of Additional Shares of Common Stock plus (ii) the quotient obtained by dividing the Aggregate Consideration Received (as hereinafter defined) by the Corporation for the total number of Additional Shares of Common Stock so issued or sold (or deemed so issued and sold) by the Series D Conversion Price, the Series E Conversion Price, the Series F Conversion Price or the Series G Conversion Price, as the case may be, in effect immediately prior to such issue or sale; and

(B) The denominator of which shall be the sum of (i) the number of Common Stock Equivalents Outstanding immediately prior to such issue or sale plus (ii) the number of Additional Shares of Common Stock so issued or sold (or deemed so issued and sold).

(ii) Certain Definitions. For the purpose of making any adjustment required under this subsection 4(e):

(A) "Additional Shares of Common Stock" shall mean all shares of Common Stock issued by the Corporation, whether or not subsequently reacquired or retired by the Corporation, other than: (i) shares of Common Stock issued or issuable upon conversion of Series A, Series B, Series C, Series D, Series E, Series F or Series G Preferred Stock; (ii) shares of Common Stock (or options, warrants or rights therefor) issued to employees, officers, or directors of, or contractors, consultants or advisers to, the Corporation or any subsidiary pursuant to stock purchase or stock option plans, stock bonuses or awards, warrants, contracts or other arrangements that are approved by the Board of Directors; and (iii) shares of Common Stock (or options, warrants or rights therefor) issued to lessors, banks or similar institutional credit financing sources, pursuant to plans or arrangements approved by the Board of Directors.

(B) The "Aggregate Consideration Received" by the Corporation for any issue or sale (or deemed issue or sale) of securities shall (i) to the extent it consists of cash, be computed at the gross amount of cash received by the Corporation before deduction of any underwriting or similar commissions, compensation or concessions paid or allowed by the Corporation in connection with such issue or sale and without deduction of any expenses payable by the Corporation; (ii) to the extent it consists of property other than cash, be computed at the fair value of that property as determined in good faith by the Board of Directors; and (iii) if Additional Shares of Common Stock, Convertible Securities or Rights or Options (as hereinafter defined) to purchase either Additional Shares of Common Stock or Convertible Securities are issued or sold together with other stock or securities or other assets of the Corporation for a consideration which covers both, be computed as the portion of the consideration so received that may be reasonably determined in good faith by the Board of Directors to be allocable to such Additional Shares of Common Stock, Convertible Securities or Rights or Options.

(C) "Common Stock Equivalents Outstanding" shall mean the number of shares of Common Stock that is equal to the sum of (i) all shares of Common Stock of the Corporation that are outstanding at the time in question, plus (ii) all shares of Common Stock of the Corporation issuable upon conversion of all shares of Preferred Stock or other Convertible Securities that are outstanding at the time in question, plus (iii) all shares of Common Stock of the Corporation that are issuable upon the exercise of Rights or Options that are outstanding at the time in question assuming the full conversion or exchange into Common Stock of all such Rights or Options that are Rights or Options to purchase or acquire Convertible Securities into or for Common Stock.

(D) "Convertible Securities" shall mean stock or other securities convertible into or exchangeable for shares of Common Stock.

(E) The "Effective Price" of Additional Shares of Common Stock shall mean the quotient determined by dividing the total number of Additional Shares of Common Stock issued or sold, or deemed to have been issued or sold, by the Corporation under this subsection 4(e), into the Aggregate Consideration Received, or deemed to have been received, by the Corporation under this subsection 4(e), for the issue of such Additional Shares of Common Stock; and

(F) "Rights or Options" shall mean warrants, options or other rights to purchase or acquire shares of Common Stock or Convertible Securities.

(iii) Deemed Issuances. For the purpose of making any adjustment to the Series D Conversion Price, the Series E Conversion Price, the Series F Conversion Price or the Series G Conversion Price, as the case may be, required under this subsection 4(e), if the Corporation issues or sells any Rights or Options or Convertible Securities and if the Effective Price of the shares of Common Stock issuable upon exercise of such Rights or Options and/or the conversion or exchange of Convertible Securities (computed without reference to any additional or similar protective or antidilution clauses) is less than the Series D Conversion Price, the Series E Conversion Price, the Series F Conversion Price or the Series G Conversion Price, as the case may be, then the Corporation shall be deemed to have issued, at the time of the issuance of such Rights, Options or Convertible Securities, that number of Additional Shares of Common Stock that is equal to the maximum number of shares of Common Stock issuable upon exercise or conversion of such Rights, Options or Convertible Securities upon their issuance and to have received, as the Aggregate Consideration Received for the issuance of such shares, an amount equal to the total amount of the consideration, if any, received by the Corporation for the issuance of such Rights or Options or Convertible Securities, plus, in the case of such Rights or Options, the minimum amounts of consideration, if any, payable to the Corporation upon the exercise in full of such Rights or Options, plus, in the case of Convertible Securities, the minimum amounts of consideration, if any, payable to the Corporation (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) upon the conversion or exchange thereof; provided that:

(A) if the minimum amounts of such consideration cannot be ascertained, but are a function of antidilution or similar protective clauses, then the Corporation shall be deemed to have received the minimum amounts of consideration without reference to such clauses;

(B) if the minimum amount of consideration payable to the Corporation upon the exercise of Rights or Options or the conversion or exchange of Convertible Securities is reduced over time or upon the occurrence or non-occurrence of specified events other than by reason of antidilution or similar protective adjustments, then the Effective Price shall be recalculated using the figure to which such minimum amount of consideration is reduced; and

(C) if the minimum amount of consideration payable to the Corporation upon the exercise of such Rights or Options or the conversion or exchange of Convertible Securities is subsequently increased, then the Effective Price shall again be recalculated using the increased minimum amount of consideration payable to the Corporation upon the exercise of such Rights or Options or the conversion or exchange of such Convertible Securities.

No further adjustment of the Series D Conversion Price, the Series E Conversion Price, the Series F Conversion Price or the Series G Conversion Price, as the case may be, adjusted upon the issuance of such Rights or Options or Convertible Securities, shall be made as a result of the actual issuance of shares of Common Stock on the exercise of any such Rights or Options or the conversion or exchange of any such Convertible Securities. If any such Rights or Options or the conversion rights represented by any such Convertible Securities shall expire without having been fully exercised, then the Conversion Price as adjusted upon the issuance of such Rights or Options or Convertible Securities shall be readjusted to the Conversion Price which would have been in effect had an adjustment been made on the basis that the only shares of Common Stock so issued were the shares of Common Stock, if any, that were actually issued or sold on the exercise of such Rights or Options or rights of conversion or exchange of such Convertible Securities, and such shares of Common Stock, if any, were issued or sold for the consideration actually received by the Corporation upon such exercise, plus the consideration, if any, actually received by the Corporation for the granting of all such Rights or Options, whether or not exercised, plus the consideration received for issuing or selling all such Convertible Securities actually converted or exchanged, plus the consideration, if any, actually received by the Corporation (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) on the conversion or exchange of such Convertible Securities, provided that such readjustment shall not apply to prior conversions of Preferred Stock.

(f) No Impairment. The Corporation will not, by amendment of its Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation, but will at all times in good faith assist in the carrying out of all the provisions of

this Section 4 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of the Preferred Stock against impairment.

(g) Certificates as to Adjustments. Upon the occurrence of each adjustment or readjustment of any Conversion Price pursuant to this Section 4, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of Preferred Stock, as the case may be, a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the applicable Conversion Price at the time in effect, and (iii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of such Preferred Stock.

(h) Notices of Record Date. In the event of any taking by the Corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other distribution, any security or right convertible into or entitling the holder thereof to receive additional shares of Common Stock, or any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right, the Corporation shall mail to each holder of Preferred Stock at least twenty (20) days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution, security or right, and the amount and character of such dividend, distribution, security or right.

(i) Issue Taxes. The Corporation shall pay any and all issue and other taxes that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of shares of Preferred Stock pursuant hereto; provided, however, that the Corporation shall not be obligated to pay any transfer taxes resulting from any transfer requested by any holder in connection with any such conversion.

(j) Reservation of Stock Issuable Upon Conversion. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Preferred Stock, and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Preferred Stock, the Corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose, including, without limitation, engaging in best efforts to obtain the requisite stockholder approval of any necessary amendment to this Restated Certificate.

(k) Fractional Shares. No fractional shares shall be issued upon the conversion of any share or shares of Preferred Stock. All shares of Common Stock (including fractions thereof) issuable upon conversion of more than one share of Preferred Stock by a holder thereof shall be aggregated for purposes of determining whether the conversion would result in

the issuance of any fractional share. If, after the aforementioned aggregation, the conversion would result in the issuance of a fraction of a share of Common Stock, the Corporation shall, in lieu of issuing any fractional share, pay the holder otherwise entitled to such fraction a sum in cash equal to the fair market value of such fraction on the date of conversion (as determined in good faith by the Board of Directors of the Corporation).

(l) Notices. Any notice required by the provisions of this Section 4 to be given to the holders of shares of Preferred Stock shall be deemed given if deposited in the United States mail, postage prepaid, and addressed to each holder of record at his address appearing on the books of the Corporation.

(m) Adjustments. Subject to Section 5 below, in case of any reorganization or any reclassification of the capital stock of the Corporation, any consolidation or merger of the Corporation with or into another corporation or corporations, or the conveyance of all or substantially all of the assets of the Corporation to another corporation, each share of Preferred Stock shall thereafter be convertible into the number of shares of stock or other securities or property (including cash) to which a holder of the number of shares of Common Stock deliverable upon conversion of such share of Preferred Stock would have been entitled upon the record date of (or date of, if no record date is fixed) such reorganization, reclassification, consolidation, merger or conveyance, and, in any case, appropriate adjustment (as determined by the Board of Directors) shall be made in the application of the provisions herein set forth with respect to the rights and interests thereafter of the holders of the Preferred Stock, to the end that the provisions set forth herein shall thereafter be applicable, as nearly as equivalently as is practicable, in relation to any shares of stock or the securities or property (including cash) thereafter deliverable upon the conversion of the shares of such Preferred Stock.

5. Merger, Consolidation.

(a) At any time, in the event of:

(i) a consolidation or merger of the Corporation with or into any other corporation, or any other entity or person, other than a wholly-owned subsidiary,

(ii) any corporate reorganization in which the Corporation shall not be the continuing or surviving entity of such reorganization,

(iii) a sale of all or substantially all of the assets of the Corporation, or

(iv) a reorganization of the Corporation as defined in Section 368(a)(1)(B) of the Internal Revenue Code of 1986, as amended or in which more than fifty percent (50%) of the outstanding stock of the Corporation is exchanged (calculated on an as-converted to Common Stock basis);

the holders of the Preferred Stock and Common Stock shall be paid in cash or in securities received from the acquiring corporation or in a combination thereof, at the closing of any such transaction, amounts per share equal to the amounts per share which would be payable to such holders pursuant to Section 2 if all consideration received by the Corporation and its stockholders

in connection with such event were being distributed in a liquidation of the Corporation; provided, however, that if upon the occurrence of such event, the assets and funds thus distributed among the holders of the Series D Preferred Stock, Series E Preferred Stock, Series F Preferred Stock and Series G Preferred Stock shall be insufficient to permit the payment to such holders of the full preferential amount set forth in Section 2(a) above with respect to each outstanding share of Series D Preferred Stock, Series E Preferred Stock, Series F Preferred Stock and Series G Preferred Stock, then the entire assets and funds of the Corporation legally available for distribution shall be distributed ratably and with equal priority among the holders of the Series D Preferred Stock, Series E Preferred Stock, Series F Preferred Stock and Series G Preferred Stock in proportion to the amount each holder is otherwise entitled to receive; provided further, that if upon the occurrence of such event, and after payment has been made to the holders of the Series D Preferred Stock, Series E Preferred Stock, Series F Preferred Stock and Series G Preferred Stock of the full amounts to which they shall be entitled as provided in Section 2(a), the assets and funds thus distributed among the holders of the Series B Preferred Stock and Series C Preferred Stock shall be insufficient to permit the payment to such holders of the full preferential amount set forth in Section 2(b) above with respect to each outstanding share of Series B Preferred and Series C Preferred Stock, then the entire assets and funds of the Corporation legally available for distribution shall be distributed ratably and with equal priority among the holders of the Series B Preferred Stock and Series C Preferred Stock in proportion to the amount each holder is otherwise entitled to receive.

(b) Any securities to be delivered to the holders of the Preferred Stock and Common Stock pursuant to Section 5(a) above shall be valued as follows:

(i) Securities not subject to investment letter or other similar restrictions on free marketability:

(1) If traded on a securities exchange, the value shall be deemed to be the average of the security's closing prices on such exchange over the 30-day period ending three (3) days prior to the closing;

(2) If actively traded over-the-counter, the value shall be deemed to be the average of the closing bid prices over the 30-day period ending three (3) days prior to the closing, and

(3) If there is no active public market, the value shall be the fair market value thereof, as mutually determined by the Corporation and the holders of not less than a majority of the outstanding Series B Preferred Stock, outstanding Series C Preferred Stock, outstanding Series D Preferred Stock, outstanding Series E Preferred Stock, outstanding Series F Preferred Stock and outstanding Series G Preferred Stock; and

(ii) The method of valuation of securities subject to investment letter or other restrictions on free marketability shall be to make an appropriate discount from the market value determined as above in (i)(1), (2) or (3) to reflect the approximate fair market value thereof, as mutually determined by the Corporation and the holders of not less than a majority of the outstanding Preferred Stock.

(iii) In the event of any dispute between the Corporation and the holders of Preferred Stock regarding valuation issues as provided in this Section 5(b), such dispute shall be submitted to binding arbitration in accordance with the currently prevailing commercial arbitration rules of the American Arbitration Association. The decisions and awards rendered in such proceedings shall be final and conclusive and may be entered in any court having jurisdiction thereof.

(c) The Corporation shall give each holder of record of Preferred Stock written notice of such impending transaction not later than twenty (20) days prior to the stockholders' meeting called to approve such transaction or twenty (20) days prior to the closing of such transaction, whichever is earlier, and shall also notify such holders in writing of the final approval of such transaction. The first of said notices shall describe the material terms and conditions of the contemplated transaction as well as the terms and conditions of this Section 5, and the Corporation shall thereafter give such holders prompt notice of any material changes. The transaction shall in no event take place sooner than twenty (20) days after the mailing by the Corporation of the first notice provided for herein or sooner than fifteen (15) days after the mailing by the Corporation of any notice of material changes provided for herein; provided, however, that such periods may be shortened upon the written consent of the holders of at least a majority of the then outstanding Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series E Preferred Stock, Series F Preferred Stock and Series G Preferred Stock.

6. Amendment. Any term relating to the Preferred Stock may be amended and the observance of any term relating to the Preferred Stock may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the vote or written consent of holders of at least a majority of the shares of the Preferred Stock then outstanding and the written consent of the Corporation. Any amendment or waiver so effected shall be binding upon the Corporation and any holder of shares of the Preferred Stock. So long as any shares of Series D Preferred Stock remain outstanding, the Corporation shall not without the vote or written consent by the holders of at least seventy percent (70%) of the then outstanding shares of Series D Preferred Stock, voting together as a single class, amend (i) Section (B)(3)(b) of this Article FOURTH relating to the rights of the holders of Series D Preferred Stock to elect one (1) director to the Board of Directors or (ii) this sentence.

7. Restrictions and Limitations. So long as any shares of Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series E Preferred Stock, Series F Preferred Stock or Series G Preferred Stock remain outstanding, the Corporation shall not, without the vote or written consent by the holders of at least a majority of the then outstanding shares of Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series E Preferred Stock, Series F Preferred Stock and Series G Preferred Stock, voting together as a single class and on an as-converted to Common Stock basis:

(a) Alter or change the rights, preferences or privileges of the Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series E Preferred Stock, Series F Preferred Stock or Series G Preferred Stock; or

(b) Increase or decrease (other than by redemption or conversion) the total number of authorized shares of Series B Preferred Stock, Series C Preferred Stock, Series D

Preferred Stock, Series E Preferred Stock, Series F Preferred Stock or Series G Preferred Stock of the Corporation or the total numbers of such shares of Preferred Stock designated Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series E Preferred Stock, Series F Preferred Stock or Series G Preferred Stock; or

(c) Authorize or issue, or obligate itself to issue, any other equity security senior to or on a parity with the Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series E Preferred Stock, Series F Preferred Stock or Series G Preferred Stock as to dividend or redemption rights, liquidation preferences, conversion rights, voting rights or otherwise, or create any obligation or security convertible into or exchangeable for, or having any option rights to purchase, any such equity security which is senior to or on a parity with the Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series E Preferred Stock, Series F Preferred Stock or Series G Preferred Stock; or

(d) Purchase, redeem or otherwise acquire (or pay into or set aside for a sinking fund for such purpose), any of the Common Stock or Preferred Stock (or other capital stock or rights to acquire capital stock) of the Corporation, provided, however, that this restriction shall not apply to the repurchase of shares of Common Stock or Preferred Stock (or other capital stock or rights to acquire capital stock) of the Corporation from directors, officers, consultants or employees of the Corporation or any subsidiary pursuant to agreements approved by the Corporation's Board of Directors under which the Corporation has the option to repurchase such shares upon the occurrence of certain events, including termination of employment or services; or

(e) Amend or waive any provision of this Article FOURTH; or

(f) Effect a merger or reorganization if such action would result in the stockholders of the Corporation immediately prior to such action holding less than majority of the voting power of the stock of the Corporation immediately after such action; or

(g) Authorize or take any action which result in taxation of the holders of the Preferred Stock under Section 305 of the Internal Revenue Code of 1986, as amended; or

(h) Declare or pay any dividends (other than dividends payable solely in shares of its own Common Stock) on account of any shares of Common Stock now or hereafter outstanding.

8. No Reissuance of Preferred Stock. No share or shares of Preferred Stock acquired by the Corporation by reason of redemption, purchase, conversion or otherwise shall be reissued, and all such shares shall be canceled, retired and eliminated from the shares which the Corporation shall be authorized to issue.

C. Except as provided in Section (B) of this Article FOURTH, the rights, preferences, privileges, restrictions and other matters relating to the Common Stock of the Corporation are as follows:

1. Dividends. Dividends may be paid upon the Common Stock as and when declared by the Board of Directors out of any funds legally available therefor.

2. Liquidation. Upon any liquidation, dissolution or winding up of the Corporation, subject to the payment of all amounts due to the holders of Preferred Stock as provided in Section (B) 2 of this Article FOURTH, the holders Common Stock shall be entitled to receive any and all assets of the Corporation remaining to be paid or distributed.

3. Voting Rights. Except as otherwise provided by statute or by any express provision of this Restated Certificate (including Section (B)3 of this Article FOURTH), all rights to vote and all voting power shall be exclusively vested in the Common Stock and the holders thereof shall be entitled to one vote for each share of Common Stock for the election of directors and upon all other matters.

4. Registered Owners. The Corporation shall be entitled to treat the person in whose name any share, right or option is registered as the owner thereof, for all purposes, and shall not be bound to recognize any equitable or other claim to or interest in such share, right or option on the part of any other person, whether or not the Corporation shall have notice thereof, save as may be expressly provided by the laws of the State of Delaware.

FIFTH

A. The number of directors of the Corporation which shall constitute the whole Board of Directors of the Corporation shall be as set forth in Article FOURTH, Section (B)3 of this Restated Certificate. Except as may otherwise be required by law and subject to the terms of any agreement to the contrary between the Corporation and its stockholders, vacancies in the Board of Directors of the Corporation and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director.

B. All corporate powers of the Corporation shall be exercised by the Board of Directors except as otherwise provided herein or by law.

SIXTH

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter or repeal the By-laws of the Corporation unless and to the extent such authority is specifically and expressly limited in the By-laws.

SEVENTH

A. No director shall have any personal liability to the Corporation or its stockholders for any monetary damages for breach of fiduciary duty as a director, except that this Article shall not eliminate or limit the liability of each director (i) for any breach of such director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the

Delaware General Corporation Law, or (iv) for any transaction from which such director derived an improper personal benefit.

B. It being the intention of the foregoing provision to eliminate the liability of the Corporation's directors to the fullest extent permitted by Section 102(b)(7) of the General Corporation Law of the State of Delaware, as amended from time to time, any repeal or modification of the foregoing Section A of this Article SEVENTH by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

C. If the General Corporation Law of the State of Delaware is amended after approval by the stockholders of this Article SEVENTH to authorize corporate action further eliminating or limiting the personal liability of directors, then a director of the Corporation, in addition to the circumstances in which he is not now personally liable, shall be free of liability to the fullest extent permitted by the General Corporation Law of the State of Delaware as so amended.

D. Each director, officer, employee and agent, past or present, of the Corporation, and each person who serves or may have served at the request of the Corporation as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, and their respective heirs, administrators and executors, shall be indemnified by the Corporation in accordance with, and to the fullest extent permitted by, the provisions of the General Corporation Law of the State of Delaware as it may from time to time be amended. The provisions of this subparagraph D shall apply to any member of any committee appointed by the Board of Directors as fully as though such person shall have been an officer or director of the Corporation.

E. The provisions of this Article SEVENTH shall be in addition to and not in limitation of any other rights, indemnities, or limitations of liability to which any director, officer or other person may be entitled, as a matter of law or under the By-laws of the Corporation.

F. The Corporation shall pay expenses incurred by an officer or director in defending a civil or criminal action, suit or proceeding in advance of the final disposition of such action, suit or proceeding upon receipt of any undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this Restated Certificate.

G. Neither any amendment nor repeal of this Article SEVENTH, nor the adoption of any provision of this Restated Certificate inconsistent with this Article SEVENTH, shall eliminate or reduce the effect of this Article SEVENTH in respect of any matter occurring, or any cause of action, suit or claim accruing or arising or that, but for this Article SEVENTH, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

EIGHTH

Elections of directors need not be by written ballot unless the By-laws of the Corporation shall so provide.

IN WITNESS WHEREOF, the Corporation has caused this Restated Certificate of Incorporation to be executed on its behalf by Jens Meyerhoff, its Chief Financial Officer and Assistant Secretary, this 4th day of July 2001.

FORMFACTOR, INC.

By: /s/ Jens Meyerhoff

Jens Meyerhoff, Chief
Financial Officer and
Assistant Secretary

CERTIFICATE OF AMENDMENT
OF
RESTATED CERTIFICATE OF INCORPORATION
OF
FORMFACTOR, INC.

FormFactor, Inc., a Delaware corporation, does hereby certify that the following amendment to the corporation's Restated Certificate of Incorporation has been duly adopted in accordance with the provisions of Section 242 of the Delaware General Corporation Law, with the approval of such amendment by the corporation's stockholders having been given by written consent without a meeting in accordance with Sections 228(d) and 242 of the Delaware General Corporation Law:

Section (B)(3)(b) of the Article FOURTH is amended to read in its entirety as follows:

(b) The Board of Directors of the Corporation shall consist of seven (7) members. Notwithstanding Section 3(a) above, for so long as any shares of Series B Preferred Stock or Series D Preferred Stock shall be outstanding, election of directors of the corporation shall be as provided in the remainder of this paragraph. The holders of Series B Preferred Stock shall have the right, voting together as a separate class, to elect one (1) director to the Board of Directors. The holders of the Common Stock and Series A Preferred Stock shall have the right, voting together as a separate class and on an as-converted to Common Stock basis, to elect two (2) directors to the Board of Directors. The holders of at least seventy percent (70%) of Series D Preferred Stock shall have the right, voting together as a separate class, to elect one (1) director to the Board of Directors. The remaining directors shall be elected by the holders of the Common Stock, Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series E Preferred Stock, Series F Preferred Stock and Series G 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. In the case of any vacancy in the office of a director occurring among the directors elected by the holders of a class and/or series as aforesaid, such vacancy shall be filled by the remaining director or directors elected by that class and/or series, if any, or if no such director remains, by the affirmative vote of the holders of the applicable class and/or series as provided above. Any director elected by the holders of a class and/or series of stock may be removed, either with or without cause, by and only by the affirmative vote of the holders of the shares of the class and/or series of stock as provided above which elected such director or directors.

IN WITNESS WHEREOF, said corporation has caused this Certificate of Amendment to be signed by its duly authorized officer and the foregoing facts stated herein are true and correct.

Dated: April 10, 2002 FORMFACTOR, INC.

By: /s/ Igor Khandros

Name: Igor Khandros
Title: President and Chief Executive Officer

EXHIBIT 3.03

AMENDED AND RESTATED
BY-LAWS
OF
FORMFACTOR, INC.

(a Delaware corporation)

As adopted on January 3, 1994, and
As amended on April 10, 1997, and
As amended on May 13, 1999 and
As amended on March 14, 2002

AMENDED AND RESTATED
BY-LAWS
OF
FORMFACTOR, INC.

(a Delaware corporation)

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AMENDED AND RESTATED
BY-LAWS
OF
FORMFACTOR, INC.

(A Delaware corporation)
(as adopted on January 3, 1994, and
as amended on April 10, 1997, and
as amended on May 13, 1999 and
as amended on March 14, 2002)

ARTICLE I

STOCKHOLDERS

Section 1.1: Annual Meetings. An annual meeting of stockholders shall be held for the election of directors at such date, time and place, either within or without the State of Delaware or by means of remote communication, as the Board of Directors in its sole discretion may determine from time to time. Any other proper business may be transacted at the annual meeting.

Section 1.2: Special Meetings. Special meetings of stockholders for any purpose or purposes may be called at any time by the Board of Directors, and shall be called upon the request of the Chairperson of the Board of Directors, the Chief Executive Officer, the President, or by a majority of the members of the Board of Directors. Special meetings may not be called by any other person or persons. If a special meeting of stockholders is called at the request of the Chairperson of the Board of Directors, the Chief Executive Officer or the President, then such person shall request such meeting by delivering a written request to call such meeting to each member of the Board of Directors, and the Board of Directors shall then determine the time, date and place of such special meeting, which shall be held not more than one hundred twenty (120) nor less than thirty-five (35) days after the written request to call such special meeting was delivered to each member of the Board of Directors. Special meetings may be held at such time and place, within or without the State of Delaware or by means of remote communication, as shall be stated in the notice of such meeting or in a duly executed waiver of notice thereof.

Section 1.3: Notice of Meetings. Written notice of all meetings of stockholders stating the place, date and time of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given in writing, by electronic transmission in the manner provided by law (including without limitation as set forth in Article VII, Section 7.1 of these Bylaws) or in any other form or manner that is allowable by law. Unless otherwise required by applicable law or the Certificate of Incorporation of the Corporation, such notice shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder of record entitled to vote at such meeting.

Section 1.4: Adjournments. Any meeting of stockholders may adjourn from time to time to reconvene at the same or another place, and notice need not be given of any such adjourned meeting if the time, date and place thereof are announced at the meeting at which the adjournment is taken; provided, however, that if the adjournment is for more than thirty (30)

days, or if after the adjournment a new record date is fixed for the adjourned meeting, then a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. At the adjourned meeting the Corporation may transact any business that might have been transacted at the original meeting.

Section 1.5: Quorum. At each meeting of stockholders the holders of a majority of the shares of stock entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business, except if otherwise required by applicable law. If a quorum shall fail to attend any meeting, the chairperson of the meeting or the holders of a majority of the shares entitled to vote who are present, in person or by proxy, at the meeting may adjourn the meeting. Shares of the Corporation's stock belonging to the Corporation (or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation are held, directly or indirectly, by the Corporation), shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of the Corporation or any other corporation to vote any shares of the Corporation's stock held by it in a fiduciary capacity.

Section 1.6: Organization. Meetings of stockholders shall be presided over by such person as the Board of Directors may designate, or, in the absence of such a person, the Chief Executive Officer, or, in the absence of such person, the President of the Corporation, or, in the absence of such person, such person as may be chosen by the holders of a majority of the shares entitled to vote who are present, in person or by proxy, at the meeting. Such person shall be chairperson of the meeting and, subject to Section 1.10 hereof, shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seems to him or her to be in order, and shall have the power to adjourn the meeting to another time, date and place (if any). The Secretary of the Corporation shall act as secretary of the meeting, but in such person's absence the chairperson of the meeting may appoint any person to act as secretary of the meeting.

Section 1.7: Voting; Proxies. Unless otherwise provided by law or the Certificate of Incorporation, and subject to the provisions of Section 1.8 of these Bylaws, each stockholder shall be entitled to one (1) vote for each share of stock held by such stockholder. Each stockholder entitled to vote at a meeting of stockholders, or to express consent or dissent to corporate action in writing without a meeting, may authorize another person or persons to act for such stockholder by proxy. Such a proxy may be prepared, transmitted and delivered in any manner permitted by applicable law. Voting at meetings of stockholders need not be by written ballot unless such is demanded at the meeting before voting begins by a stockholder or stockholders holding shares representing at least one percent (1%) of the votes entitled to vote at such meeting, or by such stockholder's or stockholders' proxy; provided, however, that an election of directors shall be by written ballot if demand is so made by any stockholder at the meeting before voting begins. If a vote is to be taken by written ballot, then each such ballot shall state the name of the stockholder or proxy voting and such other information as the chairperson of the meeting deems appropriate and, if authorized by the Board of Directors, the ballot may be submitted by electronic transmission in the manner provided by law. Directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Unless otherwise provided by applicable law, the Certificate of Incorporation or these Bylaws, every matter other than the election of directors shall be decided by the affirmative vote of the holders of a majority of the

shares of stock entitled to vote thereon that are present in person or represented by proxy at the meeting and are voted for or against the matter.

Section 1.8: Fixing Date for Determination of Stockholders of Record. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. If no record date is fixed by the Board of Directors, then the record date shall be as provided by applicable law. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 1.9: List of Stockholders Entitled to Vote. A complete list of stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder, shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, either on a reasonably accessible electronic network as permitted by law (provided that the information required to gain access to the list is provided with the notice of the meeting) or during business hours for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present at the meeting. If the meeting is held solely by means of remote communication, then the list shall be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access the list shall be provided with the notice of the meeting.

Section 1.10: Inspectors of Elections.

(a) Applicability. Unless otherwise provided in the Corporation's Certificate of Incorporation or required by the Delaware General Corporation Law, the following provisions of this Section 1.10 shall apply only if and when the Corporation has a class of voting stock that is: (i) listed on a national securities exchange; (ii) authorized for quotation on an automated interdealer quotation system of a registered national securities association; or (iii) held of record by more than 2,000 stockholders; in all other cases, observance of the provisions of this Section 1.10 shall be optional, and at the discretion of the Corporation.

(b) Appointment. The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors of election to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of

stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting.

(c) Inspector's Oath. Each inspector of election, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of such inspector's ability.

(d) Duties of Inspectors. At a meeting of stockholders, the inspectors of election shall (i) ascertain the number of shares outstanding and the voting power of each share, (ii) determine the shares represented at a meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period of time a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares represented at the meeting, and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors.

(e) Opening and Closing of Polls. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced by the chairperson of the meeting. No ballot, proxies or votes, nor any revocations thereof or changes thereto, shall be accepted by the inspectors after the closing of the polls unless the Court of Chancery upon application by a stockholder shall determine otherwise.

(f) Determinations. In determining the validity and counting of proxies and ballots, the inspectors shall be limited to an examination of the proxies, any envelopes submitted with those proxies, any information provided in connection with proxies in accordance with Section 212(c)(2) of the Delaware General Corporation Law, ballots and the regular books and records of the Corporation, except that the inspectors may consider other reliable information for the limited purpose of reconciling proxies and ballots submitted by or on behalf of banks, brokers, their nominees or similar persons which represent more votes than the holder of a proxy is authorized by the record owner to cast or more votes than the stockholder holds of record. If the inspectors consider other reliable information for the limited purpose permitted herein, the inspectors at the time they make their certification of their determinations pursuant to this Section 1.10 shall specify the precise information considered by them, including the person or persons from whom they obtained the information, when the information was obtained, the means by which the information was obtained and the basis for the inspectors' belief that such information is accurate and reliable.

Section 1.11: Notice of Stockholder Business; Nominations.

(a) Annual Meeting of Stockholders.

(i) Nominations of persons for election to the Board of Directors and the proposal of business to be considered by the stockholders shall be made at an annual meeting of stockholders (A) pursuant to the Corporation's notice of such meeting, (B) by or at the direction of the Board of Directors or (C) by any stockholder of the Corporation who was a stockholder of record at the time of giving of the notice provided for in this Section 1.11, who is entitled to vote at such meeting and who complies with the notice procedures set forth in this Section 1.11.

(ii) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (C) of subparagraph (a)(i) of this Section 1.11, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice must be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the seventy-fifth (75th) day nor earlier than the close of business on the one hundred-fifth (105th) day prior to the first anniversary of the preceding year's annual meeting (except in the case of the Corporation's first annual meeting following the closing of the Initial Public Offering (as defined in Section 2.2 herein), for which such notice shall be timely if delivered in the same time period as if such meeting were a special meeting governed by subparagraph (b) of this Section 1.11); provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the one hundred-fifth (105th) day prior to such annual meeting and not later than the close of business on the later of the seventy-fifth (75th) day prior to such annual meeting or the close of business on the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation. Such stockholder's notice shall set forth: (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (1) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, and (2) the class and number of shares of the Corporation that are owned beneficially and held of record by such stockholder and such beneficial owner.

(iii) Notwithstanding anything in the second sentence of subparagraph (a)(ii) of this Section 1.11 to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased board of directors at least seventy five (75) days prior to the first anniversary of the preceding year's annual meeting (or, if the annual meeting is held more than thirty (30) days before or sixty (60) days after such anniversary date, at least seventy five (75) days prior to such annual meeting), a stockholder's notice required by this Section 1.11 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary of the Corporation at the principal executive office of the Corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation.

(b) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of such meeting. Nominations of persons for election to the Board of

Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of such meeting (i) by or at the direction of the Board of Directors or (ii) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice of the special meeting, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 1.11. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice required by subparagraph (a)(ii) of this Section 1.11 shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not earlier than the one hundred-fifth (105th) day prior to such special meeting and not later than the close of business on the later of the seventy-fifth (75th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

(c) General.

(i) Only such persons who are nominated in accordance with the procedures set forth in this Section 1.11 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 1.11. Except as otherwise provided by law or these Bylaws, the chairperson of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 1.11 and, if any proposed nomination or business is not in compliance herewith, to declare that such defective proposal or nomination shall be disregarded.

(ii) For purposes of this Section 1.11, the term "PUBLIC ANNOUNCEMENT" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to section 13, 14 or 15(d) of the Exchange Act.

(iii) Notwithstanding the foregoing provisions of this Section 1.11, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth herein. Nothing in this Section 1.11 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

ARTICLE II

BOARD OF DIRECTORS

Section 2.1: Number; Qualifications. The Board of Directors shall consist of one or more members. The initial number of directors shall be seven (7), and thereafter shall be fixed from time to time by resolution of the Board of Directors. No decrease in the authorized number

of directors constituting the Board of Directors shall shorten the term of any incumbent director. Directors need not be stockholders of the Corporation.

Section 2.2: Election; Resignation; Removal; Vacancies. The Board of Directors shall initially consist of the person or persons elected by the incorporator or named in the Corporation's initial Certificate of Incorporation. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, following the closing of the Corporation's initial public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of Common Stock to the public (the "INITIAL PUBLIC OFFERING"), the directors shall be divided, with respect to the time for which they severally hold office, into three classes designated as Class I, Class II and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors, with the number of directors in each class to be divided as equally as reasonably possible. No one class shall have more than one director more than any other class. The term of office of the Class I directors shall expire at the Corporation's first annual meeting of stockholders following the closing of the Initial Public Offering, the term of office of the Class II directors shall expire at the Corporation's second annual meeting of stockholders following the closing of the Initial Public Offering, and the term of office of the Class III directors shall expire at the Corporation's third annual meeting of stockholders following the closing of the Initial Public Offering. At each annual meeting of stockholders commencing with the first annual meeting of stockholders following the closing of the Initial Public Offering, each director elected to succeed a director of the class whose term then expires shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after his or her election, or until such director's earlier death, resignation or removal. Subject to the provisions of the Corporation's then effective Certificate of Incorporation, prior to the closing of the Initial Public Offering, each director shall hold office until the next annual meeting of stockholders and until such director's successor is elected and qualified, or until such director's earlier death, resignation or removal. Any director may resign at any time upon notice to the Corporation given in writing or by electronic transmission. Subject to the rights of the holders of any series of Preferred Stock then outstanding, and unless otherwise required by law, any director or the entire Board of Directors may be removed only for cause and only by the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the shares then entitled to vote at an election of directors. Subject to the rights of the holders of any series of Preferred Stock then outstanding, any vacancy occurring in the Board of Directors for any cause, and any newly created directorship resulting from any increase in the authorized number of directors, shall, unless (i) the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by the stockholders, or (ii) as otherwise provided by law, be filled only by the affirmative vote of a majority of the directors then in office, although less than a quorum, or by a sole remaining director, and not by the stockholders.

Section 2.3: Regular Meetings. Regular meetings of the Board of Directors may be held at such places, within or without the State of Delaware, and at such times as the Board of Directors may from time to time determine. Notice of regular meetings need not be given if the date, times and places thereof are fixed by resolution of the Board of Directors.

Section 2.4: Special Meetings. Special meetings of the Board of Directors may be called by the Chairperson of the Board of Directors, the President or a majority of the members

of the Board of Directors then in office and may be held at any time, date or place, within or without the State of Delaware, as the person or persons calling the meeting shall fix. Notice of the time, date and place of such meeting shall be given, orally, in writing or by electronic transmission (including electronic mail), by the person or persons calling the meeting to all directors at least four (4) days before the meeting if the notice is mailed, or at least twelve (12) hours before the meeting if such notice is given by telephone, hand delivery, telegram, telex, mailgram, facsimile, electronic mail or other means of electronic transmission, or in any other form or by any other manner allowable by law. Unless otherwise indicated in the notice, any and all business may be transacted at a special meeting.

Section 2.5: Remote Meetings Permitted. Members of the Board of Directors, or any committee of the Board, may participate in a meeting of the Board or such committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to conference telephone or similar communications equipment shall constitute presence in person at such meeting.

Section 2.6: Quorum; Vote Required for Action. At all meetings of the Board of Directors a majority of the total number of authorized directors shall constitute a quorum for the transaction of business. Except as otherwise provided herein or in the Certificate of Incorporation, or required by law, the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 2.7: Organization. Meetings of the Board of Directors shall be presided over by the Chairperson of the Board of Directors, or in such person's absence by the Chief Executive Officer, or in such person's absence by a chairperson chosen at the meeting. The Secretary shall act as secretary of the meeting, but in such person's absence the chairperson of the meeting may appoint any person to act as secretary of the meeting.

Section 2.8: Written Action by Directors. Any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board or such committee, as the case may be, consent thereto in writing, by electronic transmission or any other form allowable by law, and the writing or writings, the electronic transmission or transmissions or any other form or format allowable by law are filed with the minutes of proceedings of the Board or committee, respectively. Such filing shall be in paper form if the minutes are maintained in paper form, shall be in electronic form if the minutes are maintained in electronic form and, in any case, shall be in any other format allowable by law and being used to maintain the minutes.

Section 2.9: Powers. The Board of Directors may, except as otherwise required by law or the Certificate of Incorporation, exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

Section 2.10: Compensation of Directors. Directors, as such, may receive, pursuant to a resolution of the Board of Directors, fees and other compensation for their services as directors, including without limitation their services as members of committees of the Board of Directors.

ARTICLE III

COMMITTEES

Section 3.1: Committees. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members thereof present at any meeting of such committee who are not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent provided in a resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the Delaware General Corporation Law to be submitted to stockholders for approval or (ii) adopting, amending or repealing any bylaw of the Corporation.

Section 3.2: Committee Rules. Unless the Board of Directors otherwise provides, each committee designated by the Board of Directors may make, alter and repeal rules for the conduct of its business. In the absence of such rules each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to Article II of these Bylaws.

ARTICLE IV

OFFICERS

Section 4.1: Generally. The officers of the Corporation shall consist of a Chief Executive Officer and/or a President, a Secretary, a Treasurer and such other officers as may from time to time be appointed by the Board of Directors. All officers shall be elected by the Board of Directors; provided, however, that the Board of Directors may empower the Chief Executive Officer of the Corporation to appoint officers other than the Chairperson of the Board, the Chief Executive Officer, the President, the Chief Financial Officer or the Treasurer. Each officer shall hold office until such person's successor is elected and qualified or until such person's earlier resignation or removal. Any number of offices may be held by the same person. Any officer may resign at any time upon written notice to the Corporation. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise may be filled by the Board of Directors.

Section 4.2: Chief Executive Officer. Subject to the control of the Board of Directors and such supervisory powers, if any, as may be given by the Board of Directors, the powers and duties of the Chief Executive Officer of the Corporation are:

(a) To act as the general manager and, subject to the control of the Board of Directors, to have general supervision, direction and control of the business and affairs of the Corporation;

(b) To preside at all meetings of the stockholders;

(c) To call meetings of the stockholders to be held at such times and, subject to the limitations prescribed by law or by these Bylaws, at such places as he or she shall deem proper; and

(d) To affix the signature of the Corporation to all deeds, conveyances, mortgages, guarantees, leases, obligations, bonds, certificates and other papers and instruments in writing which have been authorized by the Board of Directors or which, in the judgment of the Chief Executive Officer, should be executed on behalf of the Corporation; to sign certificates for shares of stock of the Corporation; and, subject to the direction of the Board of Directors, to have general charge of the property of the Corporation and to supervise and control all officers, agents and employees of the Corporation.

The President shall be the Chief Executive Officer of the Corporation unless the Board of Directors shall designate another officer to be the Chief Executive Officer. If there is no President, and the Board of Directors has not designated any other officer to be the Chief Executive Officer, then the Chairperson of the Board of Directors shall be the Chief Executive Officer.

Section 4.3: Chairperson of the Board. The Chairperson of the Board of Directors shall have the power to preside at all meetings of the Board of Directors and shall have such other powers and duties as provided in these Bylaws and as the Board of Directors may from time to time prescribe.

Section 4.4: President. The President shall be the Chief Executive Officer of the Corporation unless the Board of Directors shall have designated another officer as the Chief Executive Officer of the Corporation. Subject to the provisions of these Bylaws and to the direction of the Board of Directors, and subject to the supervisory powers of the Chief Executive Officer (if the Chief Executive Officer is an officer other than the President), and subject to such supervisory powers and authority as may be given by the Board of Directors to the Chairperson of the Board of Directors, and/or to any other officer, the President shall have the responsibility for the general management the control of the business and affairs of the Corporation and the general supervision and direction of all of the officers, employees and agents of the Corporation (other than the Chief Executive Officer, if the Chief Executive Officer is an officer other than the President) and shall perform all duties and have all powers that are commonly incident to the office of President or that are delegated to the President by the Board of Directors.

Section 4.5: Vice President. Each Vice President shall have all such powers and duties as are commonly incident to the office of Vice President, or that are delegated to him or her by the Board of Directors or the Chief Executive Officer. A Vice President may be designated by the Board to perform the duties and exercise the powers of the Chief Executive Officer in the event of the Chief Executive Officer's absence or disability.

Section 4.6: Chief Financial Officer. The Chief Financial Officer shall be the Treasurer of the Corporation unless the Board of Directors shall have designated another officer as the Treasurer of the Corporation. Subject to the direction of the Board of Directors and the

Chief Executive Officer, the Chief Financial Officer shall perform all duties and have all powers that are commonly incident to the office of Chief Financial Officer.

Section 4.7: Treasurer. The Treasurer shall have custody of all monies and securities of the Corporation. The Treasurer shall make such disbursements of the funds of the Corporation as are authorized and shall render from time to time an account of all such transactions. The Treasurer shall also perform such other duties and have such other powers as are commonly incident to the office of Treasurer, or as the Board of Directors or the Chief Executive Officer may from time to time prescribe.

Section 4.8: Secretary. The Secretary shall issue or cause to be issued all authorized notices for, and shall keep, or cause to be kept, minutes of all meetings of the stockholders and the Board of Directors. The Secretary shall have charge of the corporate minute books and similar records and shall perform such other duties and have such other powers as are commonly incident to the office of Secretary, or as the Board of Directors or the Chief Executive Officer may from time to time prescribe.

Section 4.9: Delegation of Authority. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officers or agents, notwithstanding any provision hereof.

Section 4.10: Removal. Any officer of the Corporation shall serve at the pleasure of the Board of Directors and may be removed at any time, with or without cause, by the Board of Directors. Such removal shall be without prejudice to the contractual rights of such officer, if any, with the Corporation.

ARTICLE V

STOCK

Section 5.1: Certificates. Every holder of stock shall be entitled to have a certificate signed by or in the name of the Corporation by the Chairperson or Vice-Chairperson of the Board of Directors, or the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, of the Corporation, certifying the number of shares owned by such stockholder in the Corporation. Any or all of the signatures on the certificate may be a facsimile.

Section 5.2: Lost, Stolen or Destroyed Stock Certificates; Issuance of New Certificates. The Corporation may issue a new certificate of stock in the place of any certificate previously issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to agree to indemnify the Corporation and/or to give the Corporation a bond sufficient to indemnify it, against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

Section 5.3: Other Regulations. The issue, transfer, conversion and registration of stock certificates shall be governed by such other regulations as the Board of Directors may establish.

ARTICLE VI

INDEMNIFICATION

Section 6.1 Indemnification of Officers and Directors. Each person who was or is made a party to, or is threatened to be made a party to, or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "PROCEEDING"), by reason of the fact that such person (or a person of whom such person is the legal representative), is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another corporation, or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, shall be indemnified and held harmless by the Corporation to the fullest extent permitted by the Delaware General Corporation Law, against all expenses, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes and penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith, provided such person acted in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful. Such indemnification shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of such person's heirs, executors and administrators. Notwithstanding the foregoing, the Corporation shall indemnify any such person seeking indemnity in connection with a Proceeding (or part thereof) initiated by such person only if such Proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

Section 6.2: Advance of Expenses. The Corporation shall pay all expenses (including attorneys' fees) incurred by such a director or officer in defending any such Proceeding as they are incurred in advance of its final disposition; provided, however, that if the Delaware General Corporation Law then so requires, the payment of such expenses incurred by such a director or officer in advance of the final disposition of such Proceeding shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it should be determined ultimately that such director or officer is not entitled to be indemnified under this Article VI or otherwise; and provided, further, that the Corporation shall not be required to advance any expenses to a person against whom the Corporation directly brings a claim, in a Proceeding, alleging that such person has breached such person's duty of loyalty to the Corporation, committed an act or omission not in good faith or that involves intentional misconduct or a knowing violation of law, or derived an improper personal benefit from a transaction.

Section 6.3: Non-Exclusivity of Rights. The rights conferred on any person in this Article VI shall not be exclusive of any other right that such person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaw, agreement, vote or consent of stockholders or disinterested directors, or otherwise. Additionally, nothing in this Article VI shall limit the ability of the Corporation, in its discretion, to indemnify or advance expenses to persons whom the Corporation is not obligated to indemnify or advance expenses pursuant to this Article VI.

Section 6.4: Indemnification Contracts. The Board of Directors is authorized to cause the Corporation to enter into indemnification contracts with any director, officer, employee or

agent of the Corporation, or any person serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including employee benefit plans, providing indemnification rights to such person. Such rights may be greater than those provided in this Article VI.

Section 6.5: Effect of Amendment. Any amendment, repeal or modification of any provision of this Article VI shall be prospective only, and shall not adversely affect any right or protection conferred on a person pursuant to this Article VI and existing at the time of such amendment, repeal or modification.

ARTICLE VII

NOTICES

Section 7.1: Notice. Except as otherwise specifically provided herein or required by law, all notices required to be given pursuant to these Bylaws shall be in writing and may in every instance be effectively given by hand delivery (including use of a delivery service), by depositing such notice in the mail, postage prepaid, or by sending such notice by prepaid telegram, telex, overnight express courier, mailgram, or facsimile. Any such notice shall be addressed to the person to whom notice is to be given at such person's address as it appears on the records of the Corporation. The notice shall be deemed given (i) in the case of hand delivery, when received by the person to whom notice is to be given or by any person accepting such notice on behalf of such person, (ii) in the case of delivery by mail, upon deposit in the mail, (iii) in the case of delivery by overnight express courier, when dispatched, and (iv) in the case of delivery via telegram, telex, mailgram, or fax when dispatched. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the Corporation under any provision of the Delaware General Corporation Law, the Certificate of Incorporation, or these Bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation. Any such consent shall be deemed revoked if (i) the Corporation is unable to deliver by electronic transmission two consecutive notices given by the Corporation in accordance with such consent and (ii) such inability becomes known to the Secretary or an Assistant Secretary of the Corporation or to the transfer agent, or other person responsible for the giving of notice; provided, however, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action. Notice given pursuant to this Section 7.1 shall be deemed given: (i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice; (ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (iii) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and (iv) if by any other form of electronic transmission, when directed to the stockholder. An affidavit of the Secretary or an Assistant Secretary or of the transfer agent or other agent of the Corporation that the notice has been given in writing or by a form of electronic transmission shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

Section 7.2: Waiver of Notice. Whenever notice is required to be given under any provision of these Bylaws, a written waiver of notice, signed by the person entitled to notice, or

waiver by electronic transmission by such person, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors or members of a committee of directors need be specified in any written waiver of notice.

ARTICLE VIII

INTERESTED DIRECTORS

Section 8.1: Interested Directors; Quorum. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof that authorizes the contract or transaction, or solely because his, her or their votes are counted for such purpose, if: (i) the material facts as to his, her or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; (ii) the material facts as to his, her or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee thereof, or the stockholders. Interested or common directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

ARTICLE IX

MISCELLANEOUS

Section 9.1: Fiscal Year. The fiscal year of the Corporation shall be determined by resolution of the Board of Directors.

Section 9.2: Seal. The Board of Directors may provide for a corporate seal, which shall have the name of the Corporation inscribed thereon and shall otherwise be in such form as may be approved from time to time by the Board of Directors.

Section 9.3: Form of Records. Any records maintained by the Corporation in the regular course of its business, including its stock ledger, books of account and minute books, may be kept on, or be in the form of, magnetic tape, diskettes, photographs, microphotographs or any other information storage device, provided that the records so kept can be converted into clearly legible form within a reasonable time. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect such records pursuant to any provision of the Delaware General Corporation Law.

Section 9.4: Reliance Upon Books and Records. A member of the Board of Directors, or a member of any committee designated by the Board of Directors shall, in the performance of such person's duties, be fully protected in relying in good faith upon records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of the Corporation's officers or employees, or committees of the Board of Directors, or by any other person as to matters the member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

Section 9.5: Certificate of Incorporation Governs. In the event of any conflict between the provisions of the Corporation's Certificate of Incorporation and Bylaws, the provisions of the Certificate of Incorporation shall govern.

Section 9.6: Severability. If any provision of these Bylaws shall be held to be invalid, illegal, unenforceable or in conflict with the provisions of the Corporation's Certificate of Incorporation, then such provision shall nonetheless be enforced to the maximum extent possible consistent with such holding and the remaining provisions of these Bylaws (including without limitation, all portions of any section of these Bylaws containing any such provision held to be invalid, illegal, unenforceable or in conflict with the Certificate of Incorporation, that are not themselves invalid, illegal, unenforceable or in conflict with the Certificate of Incorporation) shall remain in full force and effect.

ARTICLE X

AMENDMENT

Section 10.1: Amendments. Following the closing of the Initial Public Offering, stockholders of the Corporation holding at least sixty-six and two-thirds percent (66-2/3%) of the Corporation's outstanding voting stock then entitled to vote at an election of directors shall have the power to adopt, amend or repeal Bylaws. Prior to the Initial Public Offering, stockholders of the Corporation holding a majority of the Corporation's outstanding voting stock then entitled to vote at an election of directors shall have the power to adopt, amend or repeal Bylaws. To the extent provided in the Corporation's Certificate of Incorporation, the Board of Directors of the Corporation shall also have the power to adopt, amend or repeal Bylaws of the Corporation.

CERTIFICATION OF AMENDED AND RESTATED

BY-LAWS

OF

FORMFACTOR, INC.

(A DELAWARE CORPORATION)

KNOW ALL BY THESE PRESENTS:

I, Jens Meyerhoff, certify that I am Secretary of FormFactor, Inc., a Delaware corporation (the "COMPANY"), that I am duly authorized to make and deliver this certification, and that the attached Restated Bylaws are a true and correct copy of the Restated Bylaws of the Company in effect as of the date of this certificate.

Dated: April 22, 2002

By: /s/ Jens Meyerhoff

Jens Meyerhoff, Secretary

SIXTH AMENDED AND RESTATED RIGHTS AGREEMENT

THIS SIXTH AMENDED AND RESTATED RIGHTS AGREEMENT (this "AGREEMENT") is entered into as of the 13th day of July 2001, by and among FormFactor, Inc., a Delaware corporation (the "COMPANY"), Igor Khandros (the "FOUNDER"), the purchasers of the Company's originally designated Series A Preferred Stock issued under the Purchase Agreement (such purchasers being the "ORIGINAL INVESTORS"), the holders of the Series B Warrants (such holders being the "SERIES B WARRANTHOLDERS"), the holders of the Company's Series C Preferred Stock issued under the Series C Agreement (such holders being the "SERIES C INVESTORS"), the holders of the Company's Series D Preferred Stock issued under the Series D Agreement and of the Company's Series D Preferred Stock issued upon exercise of the Series D Warrant (such holders being the "SERIES D INVESTORS"), the holders of the Company's Series E Preferred Stock issued under the Series E Agreement and of the Series E Warrants (such holders being the "SERIES E INVESTORS"), the holders of the Company's Series F Preferred Stock issued under the Series F Agreement and of the Series F Warrant (such holders being the "SERIES F Investors"), the purchasers of the Company's Series G Preferred Stock issued under the Series G Agreement listed on Exhibit A attached hereto (such purchasers being the "SERIES G INVESTORS", and collectively with the Series F Investors, the Series E Investors, the Series D Investors, the Series C Investors, the Series B Warrantholders and the Original Investors, the "INVESTORS") and the holder of the Imperial Bank Warrant, with reference to the following:

WHEREAS, the Company and the Original Investors entered into a Series A Preferred Stock Purchase Agreement dated April 11, 1995 (the "PURCHASE AGREEMENT"), pursuant to which the Company sold and the Original Investors acquired shares of the Company's Series A Preferred Stock (currently, redesignated as Series B Preferred Stock). The Company has granted the Series B Warrantholders rights under warrants dated April 12, 1996 (the "SERIES B WARRANTS") to purchase shares of Series B Preferred Stock of the Company. The Company and the Series C Investors entered into a Series C Preferred Stock Purchase Agreement dated May 17, 1996 (the "SERIES C AGREEMENT"), pursuant to which the Company sold and the Series C Investors acquired shares of the Company's Series C Preferred Stock. The Company and the Series D Investors entered into a Series D Preferred Stock Purchase Agreement dated April 11, 1997 (the "SERIES D AGREEMENT"), pursuant to which the Company sold and the Series D Investors acquired shares of the Company's Series D Preferred Stock. The Company issued a warrant dated June 30, 1997 to Imperial Bank (as amended, the "IMPERIAL BANK WARRANT") to purchase a total of 14,212 shares of the Company's Series D Preferred Stock. The Company issued a warrant to purchase shares of the Company's Series D Preferred Stock (the "SERIES D Warrant") pursuant to a Warrant Purchase Agreement dated August 7, 1997, upon exercise of which the Company issued and one of the Series D Investors acquired 326,545 shares of the Company's Series D Preferred Stock. The Company and the Series E Investors entered into a Series E Preferred Stock Purchase Agreement dated July 30, 1999 (the "SERIES E AGREEMENT"), pursuant to which the Company sold and the Series E Investors acquired shares of the Company's Series E Preferred Stock. The Company issued warrants dated July 30, 1999 to purchase a total of 133,332 shares of Series E Preferred Stock to certain Series E Investors which are business partners or licensees of the Company (the "SERIES E WARRANTS"). The Company and the Series F Investors entered into a Series F Preferred Stock Purchase Agreement dated September 22, 2000 (the "SERIES F AGREEMENT"), pursuant to which the Company sold and the Series F Investors acquired shares of the Company's Series F Preferred Stock. Additionally, the

Company issued a warrant dated September 22, 2000 to purchase a total of 45,500 shares of Series F Preferred Stock to a certain Series F Investor (the "SERIES F WARRANT"). The Company and the Series G Investors are entering into a Series G Preferred Stock Purchase Agreement dated of even date herewith (the "SERIES G AGREEMENT"), pursuant to which the Company will sell and the Series G Investors will acquire shares of the Company's Series G Preferred Stock. The shares of Series G Preferred Stock issued under the Series G Agreement, the shares of Series F Preferred Stock issued under the Series F Agreement, the shares of Series F Preferred Stock issuable upon exercise of the Series F Warrant, the shares of Series E Preferred Stock issued under the Series E Agreement, the shares of Series E Preferred Stock issuable upon exercise of the Series E Warrants, the shares of Series D Preferred Stock issued under the Series D Agreement, the shares of Series D Preferred Stock issuable upon exercise of the Series D Warrant, the shares of Series D Preferred Stock issuable upon exercise of the Imperial Bank Warrant, the shares of Series C Preferred Stock issued under the Series C Agreement, the shares of Series B Preferred Stock issued (as Series A Preferred Stock) under the Purchase Agreement and the shares of Series B Preferred Stock issuable upon exercise of the Series B Warrants, shall be collectively referred to as the "SHARES;"

WHEREAS, the parties desire that the Investors be granted certain registration and other rights pursuant to the terms and conditions of this Agreement;

NOW THEREFORE, the parties agree as follows:

1. Termination of Prior Rights. Upon execution of this Agreement by the Company and the Investors, the Fifth Amended and Restated Rights Agreement dated as of September 22, 2000 between the Company, the Founder, the Original Investors, the Series C Investors, the Series B Warrantholders, the Series D Investors, the Series E Investors and the Series F Investors shall be terminated, be of no further force and effect and shall, in all respects, be superseded by the provisions of this Agreement.

2. Restrictions on Transferability. The Shares and the Common Stock of the Company ("COMMON STOCK") issuable upon conversion of the Shares shall not be sold, assigned, transferred or pledged except upon conditions specified in the Series G Agreement, which conditions are intended to ensure compliance with the provisions of the Securities Act of 1933, as amended (the "SECURITIES ACT"). Each Investor will cause any proposed purchaser, assignee, transferee or pledgee of the Shares to agree to take and hold such securities subject to the provisions specified in this Agreement.

3. Registration Rights.

3.1 Definitions. As used in this Agreement:

(a) The terms "REGISTER," "REGISTERED," and "REGISTRATION" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act and the subsequent declaration or ordering of the effectiveness of such registration statement.

(b) The term "REGISTRABLE SECURITIES" means (i) the shares of Common Stock issuable or issued upon conversion of the Shares, and (ii) any other shares of Common

Stock issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, the Shares, excluding in all cases, however, any Registrable Securities sold by a person in a transaction in which his or her rights under this Agreement are not assigned; provided, however, that Common Stock or other securities shall only be treated as Registrable Securities if and so long as they have not been (A) sold to or through a broker, dealer or underwriter in a public distribution or a public securities transaction, or (B) sold in a transaction exempt from the registration and prospectus delivery requirements of Section 4(1) of the Securities Act so that all transfer restrictions, and restrictive legends with respect thereto, if any, are removed upon the consummation of such sale.

(c) The number of shares of "REGISTRABLE SECURITIES THEN OUTSTANDING" shall be determined by the number of shares of Common Stock outstanding which are, and the number of shares of Common Stock issuable pursuant to then exercisable or convertible securities which are, Registrable Securities.

(d) The term "HOLDER" means any holder of outstanding Registrable Securities who acquired such Registrable Securities in a transaction or series of transactions not involving any registered public offering.

(e) The term "FORM S-3" means such form under the Securities Act as in effect on the date hereof or any registration form under the Securities Act subsequently adopted by the Securities and Exchange Commission (the "SEC") which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

3.2 Requested Registration.

(a) If the Company shall receive at any time after the earlier to occur of December 31, 2002 and one hundred eighty (180) days after the effective date of the Company's initial public offering, a written request from the Holders of forty percent (40%) of the Registrable Securities then outstanding that the Company file a registration statement under the Securities Act covering Registrable Securities then outstanding, then the Company shall, within ten (10) days of the receipt thereof, give written notice of such request to all Holders and shall, subject to the limitations of this Section 3.2, effect as soon as practicable, and in any event within ninety (90) days of the receipt of such request, the registration under the Securities Act of all Registrable Securities which the Holders requested to be registered within twenty (20) days of the giving of such notice by the Company in accordance with Section 5.6 hereof; provided, however, that the Registrable Securities requested by all Holders to be registered pursuant to such request must have an anticipated aggregate public offering price (before any underwriting discounts and commissions) of not less than $10,000,000.

(b) If the Holders initiating the registration request hereunder (the "INITIATING Holders") intend to distribute the Registrable Securities covered by their request by means of an underwriting they shall so advise the Company as a part of their request made pursuant to this Section 3.2 and the Company shall include such information in the written notice referred to in Subsection 3.2(a) hereof. In such event, the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder's participation

in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company as provided in Subsection 3.4(e) hereof) enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by a majority in interest of the Initiating Holders. Notwithstanding any other provision of this Section 3.2, if the underwriter advises the Initiating Holders in writing that it requires a limitation of the number of shares to be underwritten, then the Initiating Holders shall so advise all Holders of Registrable Securities which would otherwise be underwritten pursuant hereto, and the number of shares of Registrable Securities that may be included in the underwriting shall be allocated among all Holders thereof, including the Initiating Holders, in proportion (as nearly as practicable) to the amount of Registrable Securities of the Company owned by each Holder.

(c) The Company is obligated to effect only two (2) such registrations pursuant to this Section 3.2.

(d) Notwithstanding the foregoing, if the Company shall furnish to Holders requesting a registration pursuant to this Section 3.2, a certificate signed by the president of the Company stating that in the good faith judgment of the board of directors of the Company (the "BOARD OF DIRECTORS"), it would be materially detrimental to the Company and its stockholders for such registration statement to be filed and it is therefore reasonable to defer the filing of such registration statement, the Company shall have the right to defer such filing for a period of not more than one hundred twenty (120) days after receipt of the request of the Initiating Holders; provided, however, that the Company may not utilize this right more than once in any twelve (12) month period.

(e) If at the time of the request to register Registrable Securities the Company gives notice within thirty (30) days of such request that it intends to initiate a firm underwritten registered initial public offering within forty-five (45) days of the time of the request, in which offering the Holders may include Registrable Securities pursuant to Sections 3.2 or 3.3 hereof, then the Company shall have the right to defer such filing provided that it makes such filing within such forty-five (45) day period.

3.3 Company Registration. If (but without any obligation to do so) the Company proposes to register (including for this purpose a registration effected by the Company for stockholders other than the Holders) any of its Common Stock or other securities under the Securities Act in connection with the public offering of such securities solely for cash (other than a registration relating either to the sale of securities to participants in a Company stock option, stock purchase or similar plan or to a SEC Rule 145 transaction), the Company shall, at such time, promptly give each Holder written notice of such registration. Upon the written request of each Holder given within twenty (20) days after giving of such notice by the Company in accordance with Section 5.6 hereof, the Company shall, subject to the provisions of Section 3.8 hereof, cause to be registered under the Securities Act all of the Registrable Securities that each such Holder has requested to be registered.

3.4 Obligations of the Company. Whenever required under this Section 3 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to one hundred twenty (120) days.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

(c) Furnish to the Holders such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(g) Furnish, at the request of any Holder requesting registration of Registrable Securities pursuant to this Section 3, on the date that such Registrable Securities are delivered to the underwriters for sale in connection with a registration pursuant to this Section 3, if such securities are being sold through underwriters, or if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective: (i) an opinion, dated such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities and (ii) a letter dated such date, from the independent certified public accountants of the Company, in form and substance as is

customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities.

3.5 Furnish Information. The Holder or Holders of Registrable Securities included in any registration shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be required to effect the registration of such Holder's Registrable Securities.

3.6 Expenses of Demand Registration. All expenses other than underwriting discounts, commissions incurred in connection with registrations, filings or qualifications pursuant to Section 3.2 hereof, including (without limitation) all registration, filing and qualification fees, printers and accounting fees, the fees and disbursements of counsel for the Company and the reasonable fees and expenses of one special counsel of the selling stockholders (provided, however that the maximum expense of such special counsel which the Company shall be obligated to pay shall be $25,000) shall be borne by the Company; provided, however, that the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 3.2 hereof if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered (in which case all participating Holders shall bear such expenses), unless the Holders of a majority of the Registrable Securities agree to forfeit their right to one demand registration pursuant to Section 3.2 hereof; provided further, however, that if at the time of such withdrawal, the Holders have learned of a material adverse change in the condition, business, or prospects of the Company from that known to the Holders at the time of their request, then the Holders shall not be required to pay any such expenses and shall retain their rights pursuant to Section 3.2 hereof.

3.7 Expenses of Company Registration. The Company shall bear and pay all expenses incurred in connection with any registration, filing or qualification of Registrable Securities with respect to the registrations pursuant to Section 3.3 hereof for each Holder (which right may be assigned as provided in Section 3.13 hereof), including (without limitation) all registration, filing, and qualification fees, printers, accounting fees relating or apportionable thereto and the reasonable fees and expenses of one special counsel of the selling stockholders (provided, however, that the maximum expense of such special counsel which the Company shall be obligated to pay shall be $25,000), but excluding underwriting discounts and commissions relating to the Registrable Securities.

3.8 Underwriting Requirements. In connection with any offering involving an underwriting of shares being issued by the Company, the Company shall not be required under Section 3.3 hereof to include any of the Holders of securities in such underwriting unless they accept the terms of the underwriting as agreed upon between the Company and the underwriters selected by it, and then only in such quantity as will not, in the opinion of the underwriters, jeopardize the success of the offering by the Company. If the total amount of securities, including Registrable Securities, requested by stockholders to be included in such offering exceeds the amount of securities that the underwriters reasonably believe is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, which the underwriters believe will not jeopardize the success of the offering (the securities so included to be apportioned pro rata

among the selling stockholders according to the total amount of securities entitled to be included therein owned by each selling stockholder or in such other proportions as shall mutually be agreed to by such selling stockholders); but in no event shall the amount of securities of all of the selling stockholders including Holders included in the offering be reduced below twenty-five percent (25%) of the total amount of securities included in such offering, unless such offering is the initial public offering of the Company's securities in which case the selling stockholders may be excluded if the underwriters make the determination described above and no other stockholder's securities are included. For purposes of the preceding parenthetical concerning apportionment, for any selling stockholder which is a Holder of Registrable Securities and which is a partnership or corporation, the partners, retired partners and stockholders of such Holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single "selling stockholder," and any pro rata reduction with respect to such "selling stockholder" shall be based upon the aggregate amount of shares carrying registration rights owned by all entities and individuals included in such "selling stockholder," as defined in this sentence.

3.9 Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 3.

3.10 Indemnification. In the event any Registrable Securities are included in a registration statement under this Section 3:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Securities Exchange Act of 1934, as amended (the "1934 ACT"), against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the 1934 Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (each a "Violation"): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the 1934 Act, any state securities law or any rule or regulation promulgated under the Securities Act, the 1934 Act or any state securities law; and the Company will pay as incurred to each such Holder, underwriter or controlling person, any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this Subsection 3.10(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability, or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder, underwriter or controlling person.

(b) To the extent permitted by law, each selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter, any other Holder selling securities in such registration statement and any controlling person of any such underwriter or other Holder, against any losses, claims, damages, or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Securities Act, the 1934 Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will pay, as incurred, any legal or other expenses reasonably incurred by any person intended to be indemnified pursuant to this Subsection 3.10(b) in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this Subsection 3.10(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; provided that in no event shall any indemnity under this Subsection 3.10(b) exceed the proceeds from the offering received by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 3.10 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 3.10, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 3.10, but the omission to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 3.10.

(d) The foregoing indemnity agreements of the Company and Holders are subject to the condition that, insofar as they relate to any Violation made in a preliminary prospectus but eliminated or remedied in the amended prospectus on file with the SEC at the time the registration statement in question becomes effective or the amended prospectus filed with the SEC pursuant to SEC Rule 424(b) (the "FINAL PROSPECTUS"), such indemnity agreement shall not inure to the benefit of any person if a copy of the Final Prospectus was furnished to the indemnified party and was not furnished to the person asserting the loss, liability, claim or damage at or prior to the time such action is required by the Securities Act.

(e) In order to provide for just and equitable contribution to joint liability under the Securities Act in any case in which either (i) any Holder exercising rights under this Agreement, or any controlling person of any such Holder, makes a claim for indemnification pursuant to this Section 3.10 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Section 3.10 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any such selling Holder or any such controlling person in circumstances for which indemnification is provided under this Section 3.10; then, and in each such case, the Company and such Holder will contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (after contribution from others) in such proportion so that such Holder is responsible for the portion represented by the percentage that the public offering price of its Registrable Securities offered by and sold under the registration statement bears to the public offering price of all securities offered by and sold under such registration statement, and the Company and other selling Holders are responsible for the remaining portion; provided, however, that, in any such case, (A) no such Holder will be required to contribute any amount in excess of the public offering price of all such Registrable Securities offered and sold by such Holder pursuant to such registration statement; and (B) no person or entity guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any person or entity who was not guilty of such fraudulent misrepresentation.

(f) The obligations of the Company and the Holders under this Section 3.10 shall survive the completion of any offering of Registrable Securities in a registration statement under this Section 3.

3.11 Reports Under 1934 Act. With a view to making available to the Holders the benefits of SEC Rule 144 promulgated under the Securities Act and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company agrees to use its best efforts to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144, at all times after ninety (90) days after the effective date of the first registration statement filed by the Company for the offering of its securities to the general public;

(b) take such action, including the voluntary registration of its Common Stock under Section 12 of the 1934 Act, as is necessary to enable the Holders to utilize Form S-3 for the sale of their Registrable Securities, such action to be taken as soon as practicable after the end of the fiscal year in which the first registration statement filed by the Company for the offering of its securities to the general public is declared effective;

(c) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the 1934 Act; and

(d) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied

with the reporting requirements of SEC Rule 144 (at any time after ninety (90) days after the effective date of the first registration statement filed by the Company), the Securities Act and the 1934 Act (at any time after it has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S--3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC which permits the selling of any such securities without registration or pursuant to such form.

3.12 Form S-3 Registration. In case the Company shall receive from a Holder or Holders of Registrable Securities collectively representing not less than one percent (1%) of the then-outstanding stock of the Company on an as-converted to Common Stock basis, a written request or requests that the Company effect a registration on Form S-3 and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company will:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders; and

(b) as soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within fifteen (15) days after receipt of such written notice from the Company; provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance, pursuant to this Section 3.12, (1) if Form S-3 is not available for such offering by the Holders; (2) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public (net of any underwriters' discounts or commissions) of less than $1,000,000; (3) if the Company shall furnish to the Holders a certificate signed by the president of the Company stating that in the good faith judgment of the Board of Directors, it would be materially detrimental to the Company and its stockholders for such Form S-3 Registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than ninety (90) days after receipt of the request of the Holder or Holders under this Section 3.12; provided, however, that the Company shall not utilize this right more than once in any twelve (12) month period; (4) if the Company has already effected two (2) registrations on Form S-3 for the Holders pursuant to this Section 3.12; (5) for any Holder if such Holder can sell all of its Registrable Securities for which registration is requested within a three month period pursuant to SEC Rule 144 or otherwise free of the registration requirements of the Securities Act; or (6) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance.

(c) Subject to the foregoing, the Company shall file a registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders. All expenses

incurred in connection with a registration requested pursuant to this Section 3.12, including (without limitation) all registration, filing, qualification, printers and accounting fees and the reasonable fees and disbursements of counsel for the Company, shall be borne by the Company. Registrations effected pursuant to this Section 3.12 shall not be counted as demands for registration or registrations effected pursuant to Sections 3.2 or 3.3 hereof.

3.13 Assignment of Registration Rights. The rights to cause the Company to register Registrable Securities pursuant to this Section 3 may only be assigned by a Holder to a transferee or assignee of the Shares or Common Stock into which such Shares are convertible provided that (i) no party may be assigned any of the foregoing rights unless the Company is given written notice by the transferring or assigning party at the time of such transfer or assignment stating the name and address of the transferee or assignee and identifying the securities of the Company as to which the rights in question are being assigned; (ii) any such transferee or assignee shall receive such assigned rights subject to all the terms and conditions of this Agreement, including without limitation the provisions of this Section 3; (iii) such transferee or assignee acquires from such Holder at least 100,000 Shares and/or Common Stock into which such Shares are convertible unless such transferee or assignee is a partner or affiliate of such Holder in which case there shall be no minimum amount; and (iv) such assignment shall be effective only if immediately following such transfer the further disposition of such securities by the transferee or assignee is restricted under the Securities Act.

3.14 Limitations on Subsequent Registration Rights. From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders of a majority of the outstanding Registrable Securities, enter into any agreement with any holder or prospective holder of any securities of the Company which would grant rights to such holder or prospective holder any more favorable than are provided herein or which otherwise would result in or permit the modification or amendment of the terms hereof.

3.15 "Market Stand-off" Agreement. Each Holder hereby agrees that during the one hundred eighty (180) day period following the effective date of a registration statement of the Company filed under the Securities Act, it shall not, to the extent requested by the Company and its underwriter, sell or otherwise transfer or dispose of (other than to donees who agree to be similarly bound) any Common Stock of the Company held by it at any time during such period except Common Stock included in such registration; provided, however, that:

(a) such agreement shall be applicable only to the first such registration statement of the Company which covers Common Stock (or other securities) sold on its behalf to the public in an underwritten offering; and

(b) all officers and directors of the Company and all other Holders holding Registrable Securities exceeding one percent (1%) of the outstanding stock of the Company whether or not pursuant to this Agreement enter into similar agreements.

To enforce the foregoing covenant, the Company may impose stop transfer instructions with respect to the Registrable Securities of the Investors (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period.

3.16 Termination of Registration Rights. No Holder shall be entitled to exercise any right provided for in this Section 3 (a) after five (5) years following the consummation of the Company's sale of its Common Stock in a bona fide, firm commitment underwriting pursuant to a registration statement on Form S-1 under the Securities Act which results in aggregate gross cash proceeds to the Company in excess of $10,000,000 (other than a registration statement relating either to the sale of securities to employees of the Company, pursuant to a stock option, stock purchase or similar plan or a SEC Rule 145 transaction) or (b) at and after such time following the Company's initial public offering as such Holder holds Registrable Securities equal to one percent (1%) or less of the outstanding stock of the Company.

4. Additional Rights.

4.1 Pre-emptive Right. Subject to the terms and conditions specified in this Section 4.1, the Company hereby grants to each Original Investor, Series C Investor, Series D Investor, Series E Investor, Series F Investor and Series G Investor (each a "RIGHTHOLDER" and collectively, the "RIGHTHOLDERS"), a pre-emptive right with respect to future sales by the Company of its New Securities (as hereinafter defined). For purposes of this Section 4.1, the term Rightholder includes any partners, stockholders or affiliates of such Original Investor, Series C Investor, Series D Investor, Series E Investor, Series F Investor or Series G Investor. A Rightholder shall be entitled to apportion the pre-emptive right hereby granted among itself and its partners, stockholders and affiliates in such proportions as it deems appropriate.

(a) In the event the Company proposes to issue New Securities, it shall give the Rightholders written notice (the "4.1 NOTICE") of its intention stating (i) a description of the New Securities it proposes to issue, (ii) the number of shares of New Securities it proposes to offer, (iii) the price per share at which, and other terms on which, it proposes to offer such New Securities and (iv) the number of shares that each Rightholder has the right to purchase under this Section 4.1, based on such Rightholder's Percentage (as defined in Subsection 4.1(d)(ii) hereof).

(b) Within thirty (30) days after the 4.1 Notice is given (in accordance with Section 5.6 hereof), each Rightholder may elect to purchase, at the price specified in the 4.1 Notice, up to the number of shares of the New Securities proposed to be issued that the Rightholder has the right to purchase as specified in the 4.1 Notice. An election to purchase shall be made in writing and must be given to the Company within such thirty (30) day period (in accordance with Section 5.6 hereof). The closing of the sale of New Securities by the Company to the participating Rightholders upon exercise of the rights under this Section 4.1 shall take place simultaneously with the closing of the sale of New Securities to third parties.

(c) After the last date on which the Rightholders' pre-emptive right lapses, the Company shall have ninety (90) days to enter into an agreement (pursuant to which the sale of New Securities covered thereby shall be closed, if at all, within forty-five (45) days from the execution thereof) to sell the New Securities which the Rightholders did not elect to purchase under this Section 4.1, at or above the price and upon terms not materially more favorable to the purchasers of such securities than the terms specified in the initial 4.1 Notice given in connection with such sale. In the event the Company has not entered into an agreement to sell the New Securities within such ninety (90) day period (or sold and issued New Securities in accordance with the foregoing within forty-five (45) days from the date of said agreement), the

Company shall not thereafter issue or sell any New Securities without first offering such New Securities to the Rightholders in the manner provided in this Section 4.1

(d) (i) "NEW SECURITIES" shall mean any shares of, or securities convertible into or exercisable for any shares of, any class of the Company's capital stock; provided that "New Securities" does not include: (i) the Shares or Common Stock issuable upon conversion thereof; (ii) securities issued pursuant to the acquisition of another business entity by the Company by merger, purchase of substantially all of the assets of such entity, or other reorganization whereby the Company owns not less than a majority of the voting power of such entity; (iii) shares, or options to purchase shares, of Common Stock and the shares of Common Stock issuable upon exercise of such options, issued pursuant to any arrangement approved by the Board of Directors to employees, officers and directors of, or consultants, advisors or other persons performing services for the Company; (iv) shares of Common Stock or Preferred Stock of any series issued in connection with any stock split, stock dividend or recapitalization of the Company; (v) Common Stock issued upon exercise of warrants, options or convertible securities if the issuance of such warrants, options or convertible securities was a result of the exercise of the pre-emptive right granted under this Section 4.1 or was subject to the pre-emptive right granted under this Section 4.1, (vi) capital stock or warrants or options for the purchase of shares of capital stock issued by the Company to a lender in connection with any loan or lease financing transaction or to a business partner or licensee of the Company; and (vii) securities sold to the public in an offering pursuant to a registration statement filed with the SEC under the Securities Act.

(ii) The applicable "PERCENTAGE" for each Rightholder shall be applied to the number of shares of New Securities and calculated by dividing (i) the total number of shares of Common Stock owned by such Rightholder (assuming conversion of all shares of Preferred Stock) by (ii) the total number of shares of Common Stock outstanding at the time the 4.1 Notice is given (assuming conversion of all shares of Preferred Stock and exercise of all outstanding options and warrants).

4.2 Co-Sale Rights.

(a) With respect to this Section 4.2, "CO-SALE STOCK" shall mean any shares of, or securities convertible into or exercisable for any shares of, any class of the Company's capital stock now owned or subsequently acquired by the Founder or, as described below, by the Rightholders.

(b) If the Founder proposes to sell or transfer any shares of Co-Sale Stock for value, then he shall promptly give written notice (the "4.2 NOTICE") to the Company and the Rightholders at least thirty (30) days prior to the closing of such proposed sale or transfer. The 4.2 Notice shall describe in reasonable detail the proposed sale or transfer for value including, without limitation, the number of shares of Co-Sale Stock to be sold or transferred, the nature of such sale or transfer, the consideration to be paid, and the name and address of each prospective purchaser or transferee.

(c) The Rightholders shall have the right (the "CO-SALE RIGHT"), exercisable upon written notice to the Founder within thirty (30) days after the Rightholders'

receipt of the 4.2 Notice, to participate in such sale of Co-Sale Stock on the same terms and conditions, to the extent set forth in paragraphs (d) and (e) below.

(d) The Rightholders each may sell all or any part of that number of shares of Co-Sale Stock proposed for sale or transfer by the Founder equal to the product obtained by multiplying (i) the aggregate number of shares of Co-Sale Stock covered by the 4.2 Notice by (ii) a fraction, the numerator of which is the number of shares of Common Stock owned by such holder (assuming conversion of all shares of Preferred Stock) at the time of the proposed sale or transfer, and the denominator of which is the total number of all shares of Common Stock Stock owned by the Founder and the Rightholders (assuming conversion of all shares of Preferred Stock) at the time of the sale or transfer.

(e) The Rightholders shall effect their participation in the sale by promptly delivering to the Founder for transfer to the prospective purchaser one or more certificates, properly endorsed for transfer, which represent the number of shares of Co-Sale Stock which the Rightholders elect to sell.

(f) The stock certificate or certificates that the Rightholders deliver to the Founder pursuant to paragraph (e) of this Section 4.2 shall be transferred to the prospective purchaser in consummation of the sale of the Co-Sale Stock pursuant to the terms and conditions specified in the 4.2 Notice, and the Founder shall concurrently therewith remit to the Rightholders that portion of the sale proceeds to which the Rightholders are entitled by reason of their participation in such sale. To the extent that any prospective purchasers refuse to purchase shares or other securities from the Rightholders in exercising their Co-Sale Right hereunder, the Founder shall not sell to such prospective purchasers any Co-Sale Stock unless and until, simultaneously with such sale, the Founder shall purchase such shares or other securities from such Rightholders on the same terms and conditions.

(g) The exercise or non-exercise of the rights of the Rightholders hereunder to participate in one or more sales of Co-Sale Stock made by the Founder shall not adversely affect their rights to participate in subsequent sales of Co-Sale Stock subject to this Section 4.2.

(h) Notwithstanding the foregoing, the Co-Sale Rights herein shall not apply to any transfer by the Founder of up to 450,000 of the shares of Series A Preferred Stock (and any Common Stock into which such stock may be converted) held by him as of the date of the Initial Closing as defined in the Purchase Agreement, as adjusted to reflect any stock dividends, splits, combinations, recapitalizations or other similar events, provided that the Founder shall inform the Company and the Rightholders of such transfer prior to effecting it.

(i) Notwithstanding any other provisions hereof, this Section 4.2 shall not apply to the sale of any Co-Sale Stock to the public pursuant to a registration statement filed with, and declared effective by, the SEC under the Securities Act.

(j) In the event the Founder should sell any Co-Sale Stock in contravention of the Co-Sale Right (a "PROHIBITED TRANSFER"), the Rightholders, in addition to such other remedies as may be available at law, in equity or hereunder, shall have the put option provided below, and the Founder shall be bound by the applicable provisions of such option.

(k) In the event of a Prohibited Transfer, the Rightholders shall have the right, but not the obligation, to sell to the Founder the type and number of shares of Co-Sale Stock equal to the number of shares the Rightholders would have been entitled to transfer to the purchaser under Subsection 4.2(d) hereof had such Prohibited Transfer been effected pursuant to and in compliance with the terms hereof. Such sale shall be made on the following terms and conditions:

(i) The price per share at which the shares are to be sold to the Founder shall equal the price per share paid by the purchaser to the Founder in the Prohibited Transfer. The Founder shall also reimburse the Rightholders for any and all fees and expenses, including legal fees and expenses, incurred pursuant to the exercise or the attempted exercise or any enforcement (including litigation) of the Rightholders' rights under Section 4.2 hereof.

(ii) Within ninety (90) days after the later of the dates on which the Rightholders (A) received notice of the Prohibited Transfer or (B) otherwise became aware of the Prohibited Transfer, the Rightholders shall, if exercising the put option created hereby, deliver to the Founder the certificates representing the amount of the shares to be sold, each certificate to be properly endorsed for transfer.

(iii) The Founder shall, upon receipt of the certificate or certificates for the shares to be sold by Investors, pursuant to this paragraph (k) of Section 4.2, pay the aggregate purchase price therefor and the amount of reimbursable fees and expenses, as specified in subparagraph 4.2(k)(i), in cash or by other means acceptable to the Rightholders.

(iv) Notwithstanding the foregoing, any attempt by the Founder to transfer Co-Sale Stock in violation of this Section 4.2 hereof shall be void and the Company agrees it will not effect such a transfer nor will it treat any alleged transferee as the holder of such shares without the written consent of the Rightholders.

4.3 Termination. The rights granted under Sections 4.1 and 4.2 hereof shall expire upon the consummation of the Company's sale of its Common Stock in a bona fide, firm commitment underwritten offering pursuant to a registration statement on Form S-1 under the Securities Act which results in aggregate gross cash proceeds to the Company in excess of $10,000,000 (other than a registration statement relating either to the sale of securities to employees of the Company pursuant to a stock option, stock purchase or similar plan or an SEC Rule 145 transaction) or (ii) the closing of (A) a business combination transaction in which the Company is sold or merged and as a result of such transaction, the holders of Common Stock (assuming conversion of all Preferred Stock) prior to such transaction do not own or control a majority of the outstanding shares of the successor corporation or (B) a sale by the Company of all or substantially all of its assets.

4.4 Assignment of Rights. Subject to compliance with all applicable securities laws, the rights granted under Sections 4.1 and 4.2 hereof may be assigned by a Rightholder to a transferee or assignee of such party's shares of the Company's stock; provided however that any such transferee or assignee shall receive such assigned rights subject to all the terms and conditions of this Agreement, including without limitation the provisions of this Section 4. In the event that the Rightholder shall assign its rights pursuant to Section 4.1 or 4.2 hereof in

connection with the transfer of less than all of its shares of the Company's stock, the Rightholder shall also retain its rights as to the proportion of shares not transferred.

5. Miscellaneous.

5.1 Assignment. Subject to the provisions of Section 3.13 and 4.4 hereof, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto.

5.2 New Investors. Notwithstanding anything herein to the contrary, if pursuant to Section 1.4 of the Series G Agreement, additional parties purchase shares of Series G Preferred Stock as "Investors" thereunder, then each such new investor shall become a party to this Agreement as an "Investor" hereunder, without the need of any consent, approval or signature of any Investor when such Investor has both: (i) purchased shares of Series G Preferred Stock under the Series G Agreement and paid the Company all consideration payable for such shares and (ii) executed, with the Company's consent, one or more counterpart signature pages to this Agreement as an "Investor". If in connection with the above, any such new Investor receives additional or more favorable registration rights, preemptive rights or co-sale rights than those granted herein, then all the then current Series G Investors shall receive such rights without the need of any consent, approval or signature of any Investor. In addition, if the Company hereinafter issues any warrants for the Company's capital stock and grants the holders of such warrants registration rights with respect to the underlying capital stock, then each such new warrantholder shall become a party to this Agreement with respect to Sections 3 and 5 hereof, without the need of any consent, approval or signature of any Investor, when such warrantholder has executed, with the Company's consent, one or more counterpart signature pages to this Agreement.

5.3 Third Parties. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided herein.

5.4 Governing Law. This Agreement shall be governed by and construed under the laws of the State of California without regard to principles of conflicts of laws.

5.5 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

5.6 Notices. Unless otherwise provided, any notice required or permitted by this Agreement shall be given in writing and shall be deemed effectively given upon personal delivery to the party to be notified or when sent by telex or facsimile transmission (confirming the same by mail) to the party to be notified, or four (4) days (or seven (7) days if the addressee or transmitter is located outside of the United States) after deposit with the relevant post office, by registered or certified mail, postage prepaid and addressed to the party to be notified at the address set forth below such party's signature on this Agreement or on Schedule A hereto, or at such other address as such party may designate by ten (10) days advance notice.

5.7 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, portions of such provisions, or such provisions in their entirety, to the extent necessary, shall be severed from this Agreement, and the balance of this Agreement shall be enforceable in accordance with its terms.

5.8 Amendment and Waiver. Any provision of this Agreement may be amended with the written consent of the Company and the Holders of at least a majority of the Registrable Securities. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each Holder of Registrable Securities and the Company.

5.9 Effect of Amendment or Waiver. Investors and their respective successors and assigns acknowledge that by the operation of Section 5.8 hereof the Holders of a majority of the Registrable Securities, acting in conjunction with the Company, will have the right and power to diminish or eliminate all rights pursuant to this Agreement.

5.10 Rights of Holders. Each Holder of Registrable Securities shall have the absolute right to exercise or refrain from exercising any right or rights that such Holder may have by reason of this Agreement, including, without limitation, the right to consent to the waiver or modification of any obligation under this Agreement, and such Holder shall not incur any liability to any other Holder of any securities of the Company as a result of exercising or refraining from exercising any such right or rights.

5.11 Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any party to this Agreement, upon any breach or default of any other party, shall impair any such right, power or remedy of such non-breaching party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be made in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, or by law or otherwise afforded to any holder, shall be cumulative and not alternative.

5.12 Attorney's Fees. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

The parties have executed this Agreement as of the date first written above.

COMPANY:

FORMFACTOR, INC.

By: /s/ Jens Meyerhoff

Name: Jens Meyerhoff

Title: CFO

Address: 5666 La Ribera Street
Livermore, CA 94550
Phone: (925) 294-4300
Fax (925) 294-8147

INVESTOR:

Advantest Corporation

Print Investor's Name

By: /s/ Kiyoshi Miyasaka

Name: Kiyoshi Miyasaka

Title: Senior Managing Director

The parties have executed this Agreement as of the date first written above.

COMPANY:

FORMFACTOR, INC.

By: _____

Name: _____

Title: _____

Address: 5666 La Ribera Street
Livermore, CA 94550
Phone: (925) 294-4300
Fax (925) 294-8147

INVESTOR:

/s/ Shigenobu Kanagawa
- _____
Print Investor's Name

By: NGK Spark Plug Co., Ltd.
_____

Name: Shigenobu Kanagawa
_____

Title: CEO, President
_____

The parties have executed this Agreement as of the date first written above.

COMPANY:

FORMFACTOR, INC.

By: _____

Name: _____

Title: _____

Address: 5666 La Ribera Street
Livermore, CA 94550
Phone: (925) 294-4300
Fax (925) 294-8147

INVESTOR:

SHINKO ELECTRIC INDUSTRIES CO., LTD.

Print Investor's Name

By: /s/ Jun-ichi Mogi

Name: Jun-ichi Mogi

Title: President

The parties have executed this Agreement as of the date first written above.

COMPANY:

FORMFACTOR, INC.

By: _____

Name: _____

Title: _____

Address: 5666 La Ribera Street
Livermore, CA 94550
Phone: (925) 294-4300
Fax (925) 294-8147

INVESTOR:

Tokyo Semitsu Co., Ltd.
- _____
Print Investor's Name

By: /s/ Sadakatsu Suzuki

Name: Sadakatsu Suzuki

Title: Representative Director C.O.O.

SIGNATURE PAGE FOR FORMFACTOR, INC.
SIXTH AMENDED AND RESTATED RIGHTS AGREEMENT

The parties have executed this Agreement as of the date first written above.

COMPANY:

FORMFACTOR, INC.

By: _____

Name: _____

Title: _____

Address: 5666 La Ribera Street
Livermore, CA 94550
Phone: (925) 294-4300
Fax (925) 294-8147

INVESTOR:

Teradyne, Inc.
_____
Print Investor's Name

By: /s/ Thomas S. Grilk
_____

Name: Thomas S. Grilk
_____

Title: VP / General Counsel
_____

SIGNATURE PAGE FOR FORMFACTOR, INC.
SIXTH AMENDED AND RESTATED RIGHTS AGREEMENT

The parties have executed this Agreement as of the date first written above.

COMPANY:

FORMFACTOR, INC.

By:

Name:

Title:

Address: 5666 La Ribera Street
Livermore, CA 94550
Phone: (925) 294-4300
Fax (925) 294-8147

INVESTOR:

Institutional Venture Partners VII
by its General Partner
Institutional Venture Management VII

By: /s/ T. Peter Thomas

T. Peter Thomas, General Partner

IVP Founders Fund I, L.P.
by its General Partner
Institutional Venture Management VI

By: /s/ T. Peter Thomas

T. Peter Thomas, General Partner

INSTITUTIONAL VENTURE MANAGEMENT VII

By: /s/ T. Peter Thomas

T. Peter Thomas, General Partner

The parties have executed this Agreement as of the date first written above.

COMPANY:

FORMFACTOR, INC.

By: _____

Name: _____

Title: _____

Address: 5666 La Ribera Street
Livermore, CA 94550
Phone: (925) 294-4300
Fax (925) 294-8147

INVESTOR:

Mohr, Davidow Ventures IV, L.P.
By: Fourth MDV Partners, L.L.C., General Partner

By: /s/ William Davidow
_____
William Davidow, Member

MDV IV Entrepreneurs' Network, L.P.
By: Fourth MDV Partners, L.L.C., General Partner

By: /s/ William Davidow
_____
William Davidow, Member

The parties have executed this Agreement as of the date first written above.

COMPANY:

FORMFACTOR, INC.

By: _____

Name: _____

Title: _____

Address: 5666 La Ribera Street
Livermore, CA 94550
Phone: (925) 294-4300
Fax (925) 294-8147

INVESTOR:

MORGAN STANLEY VENTURE PARTNERS III, L.P.
MORGAN STANLEY VENTURE INVESTORS III, L.P.
THE MORGAN STANLEY VENTURE PARTNERS ENTREPRENEUR FUND, L.P.

By: Morgan Stanley Venture Partners III, L.L.C.
as General Partner of each of the limited
partnerships named above

By: Morgan Stanley Venture Capital III, Inc.,
as Member

By: /s/ William Harding

William Harding

SCHEDULE A

SCHEDULE OF INVESTORS

INVESTOR NAMES AND ADDRESSES	CLASS OF SECURITIES	NUMBER OF SHARES
Advantest Kiyoshi Miyasaka 336-1 Ohwa, Meiwa-machi Ora-gun, Gunma, 370-0718 Japan	Series G	333,334
Anderson, Larry & Michelle 1201 Via Di Salerno Pleasanton, CA 94566	Series F	10,000
Baxley, Charles E., P.C. 59 John Street, 5th Floor New York, NY 10038	Series A Series C Series F	31,722 10,528 1,000
Bayview Investors, Ltd. c/o Robertson Stephens & Company 555 California Street, Suite 2600 San Francisco, CA 94104 Attn: Daniel Klesken	Series D	44,927
Bloch, Susan 25 Haciendas Road Orinda, CA 94563	Series A	3,000,000
Brandemuehl, Mark 2709 Fairbrook Drive Mountain View, CA 94040	Series F	6,000
Capion, Denis and Denise 10 rue des Pastoureaux 94440 Marolles en Brie France	Series F	45,470
Chairmanship Enterprises Co., Ltd. No. 6, Technology Road 5 Science-Based Industrial Park Hsinchu 30077, Taiwan R.O.C. Attn: Jennifer Lu	Series E	400,000
Chaplinsky, Robert 3237 Novara Way Pleasanton, CA 94566	Series D Series F	1,449 10,037
Chen Yu-Liang Spirox Corp. 6F-1, No. 69, Tze You Rd. Hsinchu, Taiwan R.O.C.	Series E	40,000

INVESTOR NAMES AND ADDRESSES	CLASS OF SECURITIES	NUMBER OF SHARES
Davidson, James A. Silver Lake Partners 2725 Sand Hill Road, Bldg. C, Suite 150 Menlo Park, CA 94025	Series D Series E Series F	1,449 4,000 141
DBS Technology Ventures, L.L.C. c/o ABS Ventures One South Street, Suite 2150 Baltimore, MD 21202	Series D	123,188
DMG Technology Partners c/o CSFB 2400 Hanover Street Palo Alto, CA 94304 Attn: Frank Quattrone	Series D	21,740
Dozier, Thomas and Pamela 5801 Arlene Way Livermore, CA 94550	Series F	10,000
Eldridge, Ben 651 Sheri Lane Danville, CA 94526	Series A	31,722
Ell & Co. c/o Tami Nason Charlesbank Capital Partners 600 Atlantic Ave., 26th Floor Boston, MA 02210-2203 AND c/o Linda H. Lynch Lucent Technologies Inc. 24 Federal Street, Suite 600 Boston, MA 02110	Series D Series E	532,920 245,143
F&W Investments 1996-II c/o Fenwick & West LLP Two Palo Alto Square Palo Alto, CA 94306 Attn: Laird Simons	Series D	14,493
F&W Investments LLC c/o Fenwick & West LLP Two Palo Alto Square Palo Alto, CA 94306 Attn: Laird Simons	Series F	9,181
Gotoh, Hajime 57 Matsugaoka Kanagawa-ku Yokohama-city Kanagawa-ken JAPAN 221-0843	Series D	10,000

INVESTOR NAMES AND ADDRESSES	CLASS OF SECURITIES	NUMBER OF SHARES
Gotoh, Kenichi 57 Matsugaoka Kanagawa-ku Yokohama-city Kanagawa-ken JAPAN 221-0843	Series D	10,000
Gustafson, Jeffrey 2794 Filbert Street San Francisco, CA 94123	Series D Series E Series F	1,449 113 40
Hambrecht & Quist California c/o JP Morgan H&Q One Bush Street, 18th Floor San Francisco, CA 94104 Attn: Thomas Szymoniak	Series D Series E Series F	15,459 2,226 459
Hambrecht & Quist Employee Venture Fund, L.P. c/o JP Morgan H&Q One Bush Street, 18th Floor San Francisco, CA 94104 Attn: Thomas Szymoniak	Series D	7,730
Hambrecht & Quist Employee Venture Fund, L.P. II c/o JP Morgan H&Q One Bush Street, 18th Floor San Francisco, CA 94104 Attn: Thomas Szymoniak	Series E	2,226
H&Q Employee Venture Fund 2000, L.P. c/o JP Morgan H&Q One Bush Street, 18th Floor San Francisco, CA 94104 Attn: Thomas Szymoniak	Series F	257
Hao, Kenneth Y. Silver Lake Partners 320 Park Avenue New York, NY 10022	Series D Series E	1,449 1,000
Hatsukano, Yoshikazu 4-24-55-318 Takanawa, Minato-ku Tokyo, 108-0074, JAPAN	Series F	5,000
Heck, Carson 2145 Green Street #101 San Francisco, CA 94123-4756	Series E	20,000
Hoffman, Richard M. c/o Kaplan & Seiler LLP 875 Third Avenue New York, NY 10022-6225	Series A Series C Series D	226,281 90,886 7,246

INVESTOR NAMES AND ADDRESSES	CLASS OF SECURITIES	NUMBER OF SHARES
Infineon Technologies AG Attn: Andreas Demlietner 53 St.-Martin-Str. P.O. Box 80 09 49 D-81609 Munich GERMANY	Series F	455,000
Innotech Corporation Planning Department 3-17-6, Shinyokohama, Kohoku-ku Yokohama, Kanagawa 222-8580 JAPAN	Series E	200,000
Institutional Venture Management VII, L.P. 3000 Sand Hill Road Building 2, Suite 290 Menlo Park, CA 94025 Attn: T. Peter Thomas	Series C Series D Series E	27,273 8,696 667
Institutional Venture Partners VII, L.P. 3000 Sand Hill Road Building 2, Suite 290 Menlo Park, CA 94025 Attn: T. Peter Thomas	Series C Series D Series E	1,727,273 408,696 32,667
Intel Corporation 2200 Mission College Blvd., SC-4-210 Santa Clara, CA 95052 Attn: George Powlick	Series D	1,449,276
InveStar Semiconductor Development Fund RM#1201, 12F, 333 Keelung Road, Sec. 1, Taipei, Taiwan R.O.C.	Series E	266,666
IVP Founders Fund I, L.P. 3000 Sand Hill Road Building 2, Suite 290 Menlo Park, CA 94025 Attn: T. Peter Thomas	Series C Series D	63,636 17,391
Kamo, Tom 3-1-5-501 Moto Azabu, Minato-ku Tokyo, 106 JAPAN	Series A	45,000
Khandros, Igor Y. 25 Haciendas Road Orinda, CA 94563	Series A	3,000,000

INVESTOR NAMES AND ADDRESSES	CLASS OF SECURITIES	NUMBER OF SHARES
Leeway & Co. JP Morgan Investment Management 522 Fifth Avenue, 11th Floor New York, NY 10036 Attn: Laureen Costa	Series D Series E	336,646 154,857
MDV IV Entrepreneurs' Network Fund, L.P. 2775 Sand Hill Road, Suite 240 Menlo Park, CA 94025 Attn: William H. Davidow	Series B Series C Series D Series E	114,942 48,828 21,739 2,329
Mohr, Davidow Ventures IV, L.P. 2775 Sand Hill Road, Suite 240 Menlo Park, CA 94025 Attn: William H. Davidow	Series B Series C Series D Series E	3,275,880 1,171,903 413,044 44,255
Morgan Stanley Venture Investors III, L.P. 3000 Sand Hill Road, 4-250 Menlo Park, CA 94025 Attn: William J. Harding	Series D Series E	177,746 2,920
Morgan Stanley Venture Partners III, L.P. 3000 Sand Hill Road, 4-250 Menlo Park, CA 94025 Attn: William J. Harding	Series D Series E	1,851,240 30,414
Novitsky, John 168 Bardet Road Woodside, CA 94062	Series F	10,500
NGK Spark Plug Co., Ltd. G. Hashimoto 14-18 Takatsuji-cho, Mizuho-ku Nagoya, Japan 467-8525	Series G	133,334
Ohring, Milton 281 Griggs Avenue Teaneck, NJ 07666	Series A Series C Series D Series E Series F	54,378 11,622 15,000 3,000 1,000
Oriens Investment & Advisory Limited c/o Oriens Capital Limited 12th Floor, Samsung Life Building 150, 2-Ka, Taepyung-Ro Chung-Ku, Seoul, KOREA	Series E	40,000
Park, JC c/o AAJU Exim Inc. 3f, KEC Bldg, Yangjae-Dong, Seocho ku Seoul, KOREA	Series E	26,666

INVESTOR NAMES AND ADDRESSES	CLASS OF SECURITIES	NUMBER OF SHARES
Patterson, James 356 Buchman Court Los Gatos, CA 95030	Series D	40,000
Prestridge 1989 Family Trust Attn: James A. Prestridge P.O. Box 20470 Cheyenne, WY 82003-7011	Series E Series F	13,400 348
Retirement Accounts, Inc. Cust. FBO: Eugene J. Norrett, Jr. (13676) 5307 Vicenza Way San Jose, CA 95138	Series C Series D Series F	25,000 10,000 6,000
Rhines, Walden C. 01605 S.W. Comus Street Portland, OR 97219	Series C	121,212
Roshko, Peter 70 Kite Hill Lane Mill Valley, CA 94941	Series D Series E	10,000 786
Samho Engineering c/o AJU Exim Inc. 3f, KEC Bldg, Yangjae-Dong, Seocho ku Seoul, KOREA	Series E	53,333
Shin, M.S. c/o AJU Exim Inc. 3f, KEC Bldg, Yangjae-Dong, Seocho ku Seoul, KOREA	Series E	13,333
Shinko Electric Industries Co., Ltd. 80 Oshimada-machi Nagano-shi, 381-2287 Japan	Series G	133,334
Siml, Eberhard Moosstrasse 5, 82194 Groebenzell GERMANY	Series F	55,671
Spirox Cayman Corporation Attn: Davis Hsu 10F, Tze You Road Hsinchu, Taiwan R.O.C.	Series E	400,000
Stanford University Stanford Management Company 2770 Sand Hill Road Menlo Park, CA 94025 Attn: Carol Gilmer	Series B	57,471

INVESTOR NAMES AND ADDRESSES	CLASS OF SECURITIES	NUMBER OF SHARES
Teradyne, Inc. 321 Harrison Avenue MS-L53 Boston, MA 02118	Series E Series F Series G	266,666 6,929 13,003
Tokyo Seimitsu Co., Ltd. S. Yoshioka 9-7-1, Shimorenjaku, Mitaka-city Tokyo 181-8515 Japan	Series G	66,667
Twin Leaf International Ltd. c/o Merrill Lynch Attn: Fao Alexandra Dillon Belgravia House 34-44 Circular Road Douglas, Isle of Man 1M1 1QW UNITED KINGDOM	Series E	133,333
Vanguard International Semiconductor Corp. 123, Park Ave-3rd., Science-Based Industrial Park Hsinchu 30077, Taiwan R.O.C. Attn: Robert Hsieh	Series E	266,666

EXHIBIT 4.03

STOCKHOLDERS AGREEMENT

AGREEMENT, dated as of February 9, 1994, among FORMFACTOR, INC., a corporation organized under the laws of the State of Delaware (the "Corporation"), IGOR KHANDROS, having an address at 175 Clearbrook Road, Elmsford, New York 10523 ("IK"); SUSAN BLOCH, having an address at 175 Clearbrook Road, Elmsford, New York 10523 ("SB"; IK and SB are sometimes hereinafter referred to collectively as the "Principal Stockholders"); and RICHARD M. HOFFMAN, having an address at 60 Brite Avenue, Scarsdale, New York 10583 (the "Other Stockholder"; the Principal Stockholders and the Other Stockholder are sometimes hereinafter referred to collectively as the "Stockholders").

W I T N E S S E T H:

WHEREAS, each of the Stockholders is the holder of the number of shares of the Corporation's common stock, no par value (the "Common Stock"), set forth on SCHEDULE A annexed hereto and made a part hereof; and

WHEREAS, the Stockholders desire to provide for continuity and stability in the affairs of the Corporation and to impose certain restrictions with respect to the transfer or other disposition of the Common Stock upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises, and the mutual representations, warranties, covenants, and agreements contained herein, the parties hereby agree as follows:

1. Restrictions on Disposition of Shares.

(a) The Other Stockholder shall not at any time during the period after the date of this Agreement and prior to the second (2nd) anniversary of the date of this Agreement (the "Initial Holding Period"), sell, assign, transfer, grant a proxy to any person to vote or

otherwise act in respect of, grant a participation in, grant a security interest in, pledge, encumber or otherwise dispose of, whether by operation of law or otherwise (any of the foregoing being referred to hereinafter as .a "Disposition"), any shares of Common Stock, now owned or hereafter acquired by the Other Stockholder, other than to the Principal Stockholders or their designee or to an Other Stockholder Affiliate (as defined in Section 1(c) hereof), except with the Principal Stockholders, prior written consent.

(b) (i) At any time after the Initial Holding Period, the Other Stockholder shall not, without the prior written consent of the Principal Stockholders, effect a Disposition of any shares of Common Stock, now owned or hereafter acquired by the Other Stockholder, other than to the Principal Stockholders or their designee, or to the Corporation except upon the following terms and conditions: Notwithstanding the foregoing, if at any time after the expiration of the Initial Holding Period, the Other Stockholder desires to sell all or any portion of the shares of Common Stock held by the Other Stockholder (the "Offered Shares"), and the Other Stockholder shall have received an irrevocable bona fide, arm's-length, written offer (the "Bona Fide Offer") for the purchase of the Offered Shares, for cash, notes or other consideration, or any combination thereof, from a prospective purchaser (the "Prospective Purchaser"), the Other Stockholder shall give a notice in writing (the "Option Notice") to each of the Corporation and the Principal Stockholders containing a copy of the original executed Bona Fide Offer, setting forth the price and terms and conditions of the proposed sale, the name and address of the Prospective Purchaser, and the effective date of such Option Notice. For a period of 20 business days following the effective date of such Option Notice (the "Principal Stockholders' Option Period"), the Principal Stockholders shall have an option, on the terms and conditions set forth in this Section 1(b), to purchase all or any portion of the

Offered Shares. The Principal Stockholder's option may be exercised by giving a written counter-notice (a "Notice of Exercise") to the other Stockholder within the Principal Stockholders' Option Period, setting forth the number of the Offered Shares with respect to which the Principal Stockholders' option is exercised. If, upon the expiration of the Principal Stockholders' Option Period, the Principal Stockholders have failed to exercise their option to purchase all of the Offered Shares, then for a period of 15 business days following the expiration of the Principal Stockholders' Option Period (the "Corporation's Option Period"), the Corporation shall have an option on the terms and conditions set forth in this Section 1(b), to purchase all of the remaining Offered Shares.

The Corporation's option may be exercised by giving a Notice of Exercise to the Other Stockholder within the Corporation's Option Period, setting forth the number of the Offered Shares with respect to which the Corporation's option is exercised.

(ii) Upon the timely giving of the Notice of Exercise by the Principal Stockholders and/or the Corporation, the Principal Stockholders and/or the Corporation, as the case may be, shall be obligated to purchase from the Other Stockholder, and the Other Stockholder shall be obligated to sell to the Principal Stockholders and/or the Corporation, as the case may be, the number of the Offered Shares with respect to which each such party's option has been exercised, at the price and on the terms and conditions specified in the Bona Fide Offer; provided, however, that if the Principal Stockholders and/or the Corporation do not give Notice(s) of Exercise setting forth their intention to purchase all of the Offered Shares, then in such event any Notice(s) of Exercise shall be null and void. If the Bona Fide Offer was for consideration consisting of other than cash or notes (or a combination thereof), or for consideration consisting in part of other than cash or notes (or a combination thereof), then the

consideration to be paid by the Principal Stockholders and/or the Corporation, as the case may be, for the Offered Shares shall consist of cash or notes, to the extent that the consideration in the Bona Fide Offer consisted of cash or notes, and, to the extent such consideration consisted of other than cash or notes, a cash consideration equal to the fair market value of such non-cash or non-note consideration set forth in the Bona Fide Offer, which fair market value shall promptly be determined by an investment banker mutually acceptable to the Other Stockholder, the Principal Stockholders and the Corporation. If such parties are unable to agree within 60 days after the expiration of the Corporation's Option Period, the appraisal shall be conducted by an investment banker designated, upon the application of the Other Stockholder, the Principal Stockholders or the Corporation, by the American Arbitration Association in New York, New York. The cost of the appraisal shall be borne equally by the Other Stockholder, on the one hand, and the Principal Stockholders and/or the Corporation, on the other hand (such share of the Principal Stockholders and/or the Corporation to be borne by each of such parties in proportion to the number of the Offered Shares with respect to which each such party's option has been exercised). The decision of such investment banker shall be final and binding upon the Other Stockholder, the Principal Stockholders and the Corporation, and each of their respective heirs, legatees, administrators, executors, successors and assigns.

(iii) If the Notice(s) of Exercise shall not have been duly given as to all of the Offered Shares as aforesaid by the Principal Stockholders and the Corporation, the Other Stockholder may, within a period of 60 days after the expiration of the Corporation's Option Period, sell the Offered Shares to the Prospective Purchaser upon the terms and conditions, and for a price not lower than the price, set forth in the Bona Fide Offer; provided, however, that if the sale to the Prospective Purchaser is not completed within such 60-day

period, the Offered Shares shall continue to remain subject to all the provisions of this Section 1(b). If the Other Stockholder obtains the right to sell the Offered Shares to a Prospective Purchaser pursuant to this Section 1(b), such Prospective Purchaser shall, as a condition to such sale, be required to execute and deliver a counterpart of this Agreement, whereby such Prospective Purchaser agrees to be subject to and bound by all of the terms and provisions of this Agreement to the same extent as the Stockholders party hereto.

(iv) The closing of any purchase by the Principal Stockholders or the Corporation under this Section 1(b) shall take place at the office of the Corporation or at such other place designated by the Corporation or the Principal Stockholders, as the case may be, on a date designated by the Corporation or the Principal Stockholders, as the case may be, which date shall not be more than 30 days following the expiration of the Principal Stockholders' or the Corporation's Option Period, as the case may be.

(c) Notwithstanding anything to the contrary contained herein, the Other Stockholder and any Other Stockholder Affiliate shall have the right at any time during the term of this Agreement and at any time during such party's lifetime or upon such party's death to transfer, whether by sale, by gift inter vivos, by will, or by laws of descent and distribution, or otherwise, all or any portion of the shares of Common Stock of the Corporation then owned by it to (i) the Other Stockholder's spouse, children or grandchildren, or (ii) a trust for the benefit of the Other Stockholder's spouse, children or grandchildren (each of the foregoing parties described in clauses (i)-(ii) above being an "Other Stockholder Affiliate" and being deemed to be included in the definition of the Other Stockholder for all purposes of this Agreement) and the provisions of Section 1(b) hereof shall not apply to any such transfer. Any permitted assignee or designee of the Other Stockholder or an Other Stockholder Affiliate

pursuant to this Section 1(c) shall, as a condition to such transfer, be required to execute and deliver a counterpart of this Agreement, whereby such party agrees to be subject to and bound by all of the terms and provisions of this Agreement to the same extent as the Stockholders party hereto, and unless such an agreement is so executed and delivered, such transfer shall be null and void.

2. Certain Prohibited Transfers. Notwithstanding anything to the contrary contained herein, the Other Stockholder shall not, at any time during the term of this Agreement, effect a Disposition of any shares of Common Stock, now owned or hereafter acquired by the Other Stockholder, to any person or entity engaged in any business that is competitive with any business then engaged in by the Corporation, or to any person or entity which directly or indirectly controls, or is controlled by, or is under common control with, any such person or entity.

3. Legend on Share Certificates. All certificates representing shares of Common Stock now or hereafter issued by the Corporation to any Stockholder or to any of such Stockholder's permitted assignees or designees shall be subject to this Agreement and shall bear the following legends:

> "The shares evidenced by this certificate or any certificate issued in exchange or transfer therefor are and will be subject to, and may not be transferred except in accordance with, the terms of a certain Stockholders Agreement, dated as of February 9, 1994 (as the same may be subsequently amended, modified, restated or supplemented), by and among certain stockholders of the Corporation and the Corporation, which agreement provides, among other things, for restrictions on the sale, transfer and disposition of the shares of the Corporation, an executed copy of which agreement is on file at the principal office of the Corporation."
>
> "The shares evidenced by this certificate have not been registered under the Securities Act of 1933, as amended, or the securities laws of any state and may be offered and sold only if so

registered or if the Corporation has been furnished with an opinion of counsel, reasonably satisfactory to the Corporation, to the effect that an exemption from such registration is available to the holder of the shares."

4. Term. The term of this Agreement shall commence as of the date first above written and shall continue until the earliest to occur of (a) the tenth (10th) anniversary of the date hereof; (b) the Corporation being adjudicated bankrupt or insolvent, or an order being entered, remaining unstayed by appeal or otherwise for 120 days, appointing a receiver or trustee for the Corporation, or for substantially all of its property, or approving a petition seeking reorganization or other similar relief under the bankruptcy or other similar laws of the United States or of any state, or the Corporation filing a petition seeking any of the foregoing or consenting thereto, or filing a petition to take advantage of any debtors' acts, or making a general assignment for the benefit of creditors, or admitting in writing its inability to pay its debts as they mature; (c) the consummation of an underwritten public offering of equity securities of the Corporation pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act") that provides gross proceeds to the Corporation of not less than $5,000,000; and (d) the termination of this Agreement pursuant to a written agreement executed by all of the parties hereto; provided, however, that the Stockholders' rights under Section 9 hereof shall survive any termination of this Agreement; and provided, further, however, that Section 1 of this Agreement shall terminate in any event on the fifth (5th) anniversary of the date hereof.

5. Representations and Warranties of the Corporation. The Corporation hereby acknowledges, represents and warrants to the Stockholders as follows:

(a) The Corporation is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware with full corporate power and authority

to enter into this Agreement and to consummate the transactions contemplated hereby. The Corporation's authorized capital stock consists of One Thousand Five Hundred (1,500) shares of Common Stock, of which 202.1147 shares are issued and outstanding. True and correct copies of the Certificate of Incorporation and the Restated By-laws of the Corporation are annexed hereto as SCHEDULES B and C, respectively.

(b) The Corporation has full power and authority (corporate or otherwise) to execute, deliver and perform this Agreement, and the execution, delivery and performance of this Agreement will not result in (i) the breach of or default under, with or without the giving of notice or passage of time, or both, its Certificate of Incorporation, By-Laws, any mortgage, indenture, contract, agreement or other arrangement to which it is a party or by which it or its properties may be bound, (ii) the violation of any law, statute, rule, decree, order, judgment or regulation binding upon it, or (iii) (except as contemplated by this Agreement) the creation or imposition of any lien or encumbrance on any of its properties or assets.

(c) This Agreement and all transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Corporation and constitute a legal, valid and binding obligation of the Corporation enforceable against it in accordance with its terms. The Board of Directors of the Corporation has adopted appropriate resolutions authorizing the Corporation to enter into this Agreement and undertaking to fulfill all the terms of this Agreement.

(d) The Corporation owns of record the patent applications listed on SCHEDULE D annexed hereto; provided, however, that the Corporation makes no representation or warranty with respect to the patentability of any invention claimed on such

SCHEDULE D or the validity or enforceability of any patent that may be issued to the Corporation.

6. Representations and Warranties of the Stockholders. Each of the Stockholders hereby acknowledges, represents and warrants to the remaining Stockholders and to the Corporation as follows:

(a) Such Stockholder owns the number of shares of the Common Stock set forth on SCHEDULE A annexed hereto, free and clear of all liens, claims, encumbrances, proxies, pledges, security interests, charges, encumbrances, title retention agreements or any other liability, claim or restriction on transferability of any nature whatsoever, other than pursuant to this Agreement.

(b) Such Stockholder has full power and authority to execute, deliver and perform this Agreement, and the execution, delivery and performance of this Agreement will not result in (i) the breach of or default under, with or without the giving of notice or passage of time, or both, any mortgage, indenture, contract, agreement or other arrangement to which it is a party or by which it or its properties may be bound, (ii) the violation of any law, statute, rule, decree, order, judgment or regulation binding upon it, or (iii) (except as contemplated by this Agreement) the creation or imposition of any lien or encumbrance on any of its properties or assets.

7. Tag Along Rights.

(a) Subject to the provisions of Section 7(c) hereof, neither of the Principal Stockholders shall, during the term of this Agreement, sell, transfer or otherwise dispose of any of the shares of Common Stock either of them beneficially owns in the Corporation to any party if such sale, transfer or other disposition would cause the aggregate number of shares of

Common Stock proposed to be sold and previously sold, transferred or otherwise disposed of by the Principal Stockholders to any party or parties (other than a Principal Stockholders Affiliate, as hereinafter defined) to exceed fifteen (15%) percent of the aggregate number of shares of Common Stock in the Corporation held by the Principal Stockholders on the date hereof as set forth on SCHEDULE A hereof (subject to appropriate adjustment, upward or downward, to reflect any subsequent stock dividend, stock split, combination of shares, recapitalization or other similar event (collectively "Subsequent Events")) unless the Principal Stockholders shall first notify the Other Stockholder in writing of the terms and conditions of such proposed sale, transfer or other disposition which, together with any shares of Common Stock previously sold, transferred or otherwise disposed of by the Principal Stockholders, would cause the Principal Stockholders to have disposed of more than 15% of the aggregate number of shares of Common Stock in the Corporation held by the Principal Stockholders on the date hereof as set forth on SCHEDULE A hereof (subject to appropriate adjustment, upward or downward, to reflect Subsequent Events) and shall obtain for the other Stockholder prior to any such sale, transfer or other disposition, a put option for a period of at least 15 days to sell, transfer or otherwise dispose to such person on the same per share terms and at the same per share price as the proposed sale, transfer or other disposition by the Principal Stockholders, up to that number of shares of Common Stock then owned by the Other Stockholder that bears the same proportion to the total number of shares of Common Stock at the time owned by the Other Stockholder as the number of shares of Common Stock being sold, transferred or otherwise disposed of by the Principal Stockholders bears to the total number of shares of Common Stock at the time owned by the Principal Stockholders.

(b) In order to exercise such put option, the other Stockholder must, within 15 days after the giving of the notice of a proposed sale, transfer or other disposition of the Common Stock by the Principal Stockholders referred to in Section 6(a) hereof, deliver to the Principal Stockholders written notice that the Other Stockholder has elected to sell, transfer or otherwise dispose of the Other Stockholder's shares of Common Stock pursuant to this Section 7 upon the same terms and at the same per share price as the proposed sale, transfer or other disposition by the Principal Stockholders, whereupon such sale, transfer or other disposition by the Other Stockholder shall be completed contemporaneously with the proposed sale, transfer or other disposition by the Principal Stockholders.

(c) Notwithstanding anything to the contrary contained in this Section 7, either or both of the Principal Stockholders, or any Principal Stockholders Affiliate, shall have the right at any time during the term of this Agreement to transfer, whether by sale, by gift inter vivos, by will, or by laws of descent and distribution, or otherwise, all or any portion of the shares of Common Stock of the Corporation then owned by it to (i) any such party's spouse, children or grandchildren, or (ii) a trust for the benefit of any such party or such party's spouse, children or grandchildren (each of the foregoing parties described in clauses (i)-(ii) above being a "Principal Stockholders Affiliate" and being deemed to be included in the definition of the Principal Stockholders for all purposes of this Agreement) and the provisions of Section 7(a) hereof shall not apply to any such transfer. Any permitted assignee or designee of either or both of the Principal Stockholders or any Principal Stockholders Affiliate thereof pursuant to this Section 7(c) shall, as a condition to such transfer, be required to execute and deliver a counterpart of this Agreement, whereby such party agrees to be subject to and bound by all of the terms and provisions of this Agreement to the same extent as the Stockholders

party hereto, and unless such an agreement is so executed and delivered, such transfer shall be null and void.

8. Drag Along. At any time prior to the time the Principal Stockholders cease to own less than forty (40%) percent of the issued and outstanding shares of Common Stock of the Corporation, the Principal Stockholders may, if they elect (the "Drag Along Election") at any time during such period to sell all of their shares of Common Stock to a bona fide third-party purchaser not related to, controlled by or under common control with the Principal Stockholders, cause a sale of all of the then issued and outstanding shares of Common Stock of the Corporation owned by the Other Stockholder to be made to such third-party purchaser in an arm's-length transaction for cash and/or registered, freely marketable securities. Any such sale of all of the issued and outstanding shares of the Corporation held by the Other Stockholder must be made on the same terms and conditions, including the price per share, upon which the Principal Stockholders have agreed to sell all of their shares of Common Stock to the third-party purchaser. The Principal Stockholders can trigger a Drag Along Election by providing a written notice of such election (the "Drag Along Notice") to the Other Stockholder, such Drag Along Notice to include the price per share being paid to the Principal Stockholders by such third-party purchaser and the other material terms and conditions of such sale. Upon the Other Stockholder's receipt of a Drag Along Notice, the Other Stockholder shall fully cooperate with the Principal Stockholders and shall take all actions and steps to effect such sale as the Principal Stockholders may deem necessary, desirable or appropriate, including, without limitation, the prompt delivery to the Principal Stockholders of duly endorsed stock powers with respect to all of the shares of Common Stock at such time owned by the Other Stockholder.

9. Registration Rights.

(a) As used in this Section 9, the following terms shall have the following respective meanings:

"Commission" shall mean the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Public Offering" shall mean a firm commitment underwritten public offering of the Common Stock having aggregate minimum gross proceeds to the Corporation of $5,000,000 (based upon the then current market price or fair value estimated by the Corporation's underwriter or underwriters).

"Register", "registered" and "registration" shall refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act and the applicable rules and regulations promulgated thereunder, and the applicable rules and regulations promulgated thereunder, and the declaration or ordering of the effectiveness of such registration statement.

"Registration Expenses" shall mean all of the costs, fees and expenses incurred by the Corporation in compliance with this Section 9, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel for the Corporation (but not counsel for any Stockholder participating in the registration), blue sky fees and the expense of any audits incident to or required by any such registration.

(b) Piggyback Registrations.

(i) Right to Piggyback. Whenever the Corporation proposes to effectuate a Public Offering or to otherwise register any of its securities under the Securities

Act (other than a registration (A) on Form S-8 or S-4 or any successor or similar form, (B) relating to Common Stock issuable upon exercise of employee stock options or in connection with any employee benefit or similar plan of the Corporation, or (C) in connection with a direct or indirect acquisition by the Corporation of another company in a manner which would permit registration of Common Stock for sale to the public under the Securities Act) and the registration form to be used may be used for the registration of the shares of Common Stock of the Corporation (a "Piggyback Registration"), the Corporation will give prompt written notice (the "Piggyback Registration Notice") to each Stockholder and the other stockholders of the Corporation, if any, who may have similar piggyback registration rights of its intention to effect such a registration and will, subject to Section 9(b)(ii) hereof, use its best efforts to include in such registration all of the shares of Common Stock with respect to which the Corporation has received written requests from any Stockholder and such other stockholders of the Corporation for inclusion therein within 45 days after the date of the Corporation's Piggyback Registration Notice to the Stockholders and such other stockholders.

(ii) Priority on Piggyback Registrations. Notwithstanding any provision to the contrary contained herein, if a Piggyback Registration is an underwritten primary registration on behalf of the Corporation, and the Corporation's underwriter or underwriters advise the Corporation in writing that the number of securities requested to be included in such registration by the Corporation and the Stockholders and other stockholders of the Corporation exceeds the number of securities which in the estimation of such underwriter or underwriters can reasonably be expected to be sold in such offering, or if such underwriter determines that the sale of shares by selling stockholders in such offering would in any way adversely affect the offering by the Corporation, the Corporation will include in such

registration (1) first, the securities the Corporation proposes to sell, and (2) second, if and only if additional shares of Common Stock can be included in such registration in the estimation of the Corporation's underwriter or underwriters, the shares of Common Stock, if any, which were requested by the Stockholders and the other stockholders to be included in such registration, on a pro rata basis with respect to each such Stockholder and other stockholders based upon its respective percentage ownership of the aggregate number of shares of Common Stock requested to be included in such registration by all of the stockholders of the Corporation electing to participate in such registration. No such reduction shall reduce the securities being offered by the Corporation for its own account to be included in the registration and underwriting. If any Stockholder or any other stockholder disapproves of the terms of any such underwriting, it may elect to withdraw therefrom by written notice to the Corporation and the Corporation's underwriter, delivered at least 25 days prior to the effective date of the registration statement. Any shares of Common Stock excluded or withdrawn from such underwriting shall be withdrawn from the registration. All Stockholders and other stockholders proposing to distribute their shares of Common Stock through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected by the Corporation for such underwriting.

(c) Registration Expenses. In the event of a Piggyback Registration, the Corporation shall bear all of the Registration Expenses except that each Stockholder and each of the other stockholders of the Corporation participating in a Piggyback Registration shall be responsible for (i) its own legal fees and expenses in connection with such registration and (ii) its proportionate share of all fees and commissions payable to brokers and underwriters in connection with such registration, such proportionate share to be equal to a fraction the

numerator of which is the number of shares of Common Stock being so registered by such Stockholder or other stockholder, as the case may be, and the denominator of which is the aggregate number of shares of Common Stock being registered by the Corporation and all of the stockholders of the Corporation (including the Stockholders) participating in such registration.

(d) Registration Procedures. In connection with any Piggyback Registration, the Corporation will use its best efforts to effect the registration and the sale of the securities offered thereby and the Corporation will as expeditiously as possible:

(i) prepare and file with the Commission a registration statement with respect to such securities, which registration statement will state that the Stockholders and other stockholders covered thereby may sell their shares of Common Stock under such registration statement and use its best efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements thereto, the Corporation will furnish to the counsel selected by a majority of the selling stockholders covered by such registration statement copies of all such documents proposed to be filed, which documents will be subject to the review of such counsel);

(ii) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for the period set forth in subparagraph (d)(vi) hereof and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement during such period;

(iii) furnish to each stockholder participating in such registration such number of copies of such registration statement, each amendment and supplement thereto, the

prospectus included in such registration statement (including each preliminary prospectus) and such other documents as such stockholder may reasonably request in order to facilitate the public offering of the securities covered by such registration statement;

(iv) use its best efforts to register or qualify the shares of Common Stock offered pursuant to such registration by the Stockholders under such other securities or blue sky laws of such jurisdictions as any Stockholder reasonably requests and do any and all other acts and things which may be reasonably necessary or advisable to enable each Stockholder to consummate the disposition in such jurisdictions of the shares of Common Stock owned by such Stockholder (provided that the Corporation will not be required to (1) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subparagraph, (2) subject itself to taxation in any such jurisdiction, or (3) consent to general service of process in any such jurisdiction, and provided further that notwithstanding any provision to the contrary contained herein, if any jurisdiction in which such shares of Common Stock shall be qualified shall require that expenses in that jurisdiction be borne by the stockholders participating in the registration rather than the Corporation, then such expenses shall be payable by the stockholders participating in the registration pro rata (based upon the percentage ownership of each stockholder of shares of Common Stock being registered with respect to all of the shares of Common Stock being registered by all of the stockholders), to the extent required by such jurisdiction);

(v) notify each stockholder selling shares of Common Stock, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such registration statement contains an untrue statement of a material fact or omits to state any fact necessary to

make the statements contained therein not misleading, and, at the request of any such stockholder, the Corporation will prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such securities, such prospectus will not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading; and

(vi) keep such registration effective for a period of 90 days or until the selling stockholders have completed the distribution described in the registration statement relating thereto, whichever first occurs.

(e) Indemnification.

(i) The Corporation will indemnify each Stockholder, if participating in a Piggyback Registration, and each of its agents, employees, controlling persons within the meaning of the Securities Act, officers, directors and partners and each underwriter, if any, participating in such registration and each person which controls any such underwriter within the meaning of the Securities Act, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement, prospectus, offering circular or other document incident to any such registration or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements contained therein not misleading, or any violation by the Corporation of the Securities Act or any rule or regulation thereunder applicable to the Corporation in connection with any such registration and will reimburse such Stockholder, each of its agents, employees, officers, directors and partners, and each person controlling such Stockholder and each such underwriter and each person which controls any such underwriter, for any legal and any other expenses

reasonably incurred by any such party in connection with investigating or defending any such claim, loss, damage, liability or action; provided, however, that the Corporation will not be liable in any such case to the extent that any such claim, loss, damage, liability, action or expense arises out of or is based on any untrue statement or omission based upon written information furnished to the Corporation by such Stockholder, or any such agent, employee, officer, director, partner or controlling person or any underwriter or controlling person thereof and stated to be specifically for use therein.

(ii) Each Stockholder will, if shares of Common Stock held by it are included in the securities as to which a Piggyback Registration is being effected, indemnify the Corporation and each of its employees, agents, controlling persons within the meaning of the Securities Act, directors, partners and officers and each underwriter, if any, participating in such registration and each person which controls any such underwriter within the meaning of the Securities Act, and each other stockholder participating in such registration and each of their agents, employees, controlling persons within the meaning of the Securities Act, officers, directors and partners, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement, prospectus, offering circular or other document incident to such registration or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements contained therein not misleading, or any violation by such Stockholder of the Securities Act or any rule or regulation thereunder applicable to such Stockholder in connection with any such registration and will reimburse the Corporation and such other stockholders and each of their agents, employees, directors, officers, partners, underwriters and control persons for any legal

or any other expenses reasonably incurred by any such party in connection with investigating or defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement, prospectus, offering circular or other document in reliance upon and in conformity with written information furnished to the Corporation by such Stockholder or any agent, employee, officer, director, partner or controlling person thereof and stated to be specifically for use therein; provided, however, that the obligations of each Stockholder hereunder are several only and not joint and the aggregate obligations of each Stockholder hereunder shall be limited to an amount equal to the gross proceeds received by such Stockholder from the offering of the shares of Common Stock registered by such Stockholder.

(iii) Each party entitled to indemnification under this Section 9(e) (the "Indemnified Party") shall give notice to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom; provided that the Indemnified Party may participate in such defense at such Indemnified Party's expense, and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section 9(e). The parties to this Agreement reserve any rights to make a claim under this Agreement for damages actually incurred by reason of any failure of the Indemnified Party to give prompt notice of a claim. To the extent counsel for the Indemnifying Party shall have a conflict in representing both an Indemnified Party and the Indemnifying Party or if an Indemnifying Party does not

assume the defense of any such claim or litigation, the Indemnified Party shall be entitled to separate counsel at the expense of the Indemnifying Party. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the prior consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation and the acknowledgement by the claimant or plaintiff to such Indemnified Party that there was no wrongdoing or culpability on the part of the Indemnified Party in respect to such claim or litigation. Each Indemnified Party shall furnish such information regarding itself or the claim in question as an Indemnifying Party may reasonably request in writing and as shall be reasonably required in connection with the defense of such claim and litigation resulting therefrom.

(f) Information Provided by Stockholders. Each Stockholder holding shares of Common Stock included in any Piggyback Registration shall furnish to the Corporation such information regarding such Stockholder and the intended method of disposition of its shares of Common Stock proposed by such Stockholder as the Corporation may reasonably request in writing and as shall be reasonably required in connection with any such Piggyback Registration. Each Stockholder agrees to sell its securities in accordance with the terms of any underwriting arrangements approved pursuant to Section 9(g) hereof and shall complete and execute all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably and customarily required under the terms of such underwriting arrangements.

(g) Selection of Underwriters. The Corporation shall have the right, in its sole discretion, to select the investment banker(s) and manager(s) in connection with any

Piggyback Registration (such banker(s) and manager(s) to be a firm or firms of nationally recognized standing), to administer the offering of any such registration of securities of the Corporation pursuant to this Section 9.

(h) Holdback Agreements. Each Stockholder hereby agrees that it shall not, to the extent requested by the Corporation or any underwriter of securities of the Corporation, sell or otherwise transfer or dispose of any shares of Common Stock for a period of up to 180 days following the effective date of a registration statement of the Corporation filed under the Securities Act.

(i) Delay of Registration. No Stockholder shall have any right to obtain or seek an injunction restraining or otherwise delaying any registration of the securities of the Corporation as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 9.

10. Preemptive Rights of the Other Stockholder.

(a) If at any time during the term of this Agreement the Corporation proposes to offer, issue, sell or otherwise dispose of shares of the Common Stock or any other class or series of common stock or preferred stock of the Company, or options, rights, warrants, conversion rights or appreciation rights relating thereto, or any other type of equity security that the Corporation may lawfully issue (collectively, the "Equity Securities") to any person or entity, (i) the Corporation shall, prior to any such issuance or sale, give written notice (a "Preemptive Notice") to the Other Stockholder setting forth the purchase price of such Equity Securities, the type and aggregate number of Equity Securities to be so offered, issued, sold or otherwise disposed of, the terms and conditions of such offer, issuance, sale or other disposition and the rights, powers and duties inhering in such additional Equity Securities

and (ii) the Other Stockholder shall have the right (the "Preemptive Right") to acquire the percentage of such Equity Securities proposed to be so offered, issued, sold or otherwise disposed of equal to the number of shares of Common Stock then held by the Other Stockholder (other than shares of Common Stock acquired through the exercise of stock options) divided by the aggregate number of shares of the Corporation's Common Stock and Preferred Stock outstanding immediately prior to such offer, issuance, sale or other disposition of Equity Securities; provided, however, that the terms and conditions of this Section 10 shall not apply to any offer, issuance, sale or other disposition of (i) Equity Securities or rights to acquire Equity Securities to any person or entity (other than the Principal Stockholders) pursuant to a stock option plan established by the Corporation for the benefit of its employees, officers, directors, agents or consultants, or otherwise granted to an employee of the Corporation (other than the Principal Stockholders) in connection with such person or entity's employment by the Corporation; (ii) Equity Securities or rights to acquire Equity Securities to a person or entity (other than the Principal Stockholders, or entities controlled by any of them) in connection with the acquisition by the Corporation of all or a substantial portion of the stock, assets or business of such person or entity; (iii) Equity Securities or rights to acquire Equity Securities to a financial institution in connection with the making of, or the agreement to make, loans to, or other financial arrangements with, the Corporation by such financial institution; (iv) Equity Securities or rights to acquire Equity Securities to a person or entity (other than the Principal Stockholders) in connection with license arrangements or other arm's-length business arrangements, so long as the aggregate number of Equity Securities issued in one or more transactions pursuant to this clause (iv) does not exceed twenty (20%) percent of the outstanding Equity Securities of the Company at any time; and (v) Equity Securities or

rights to acquire Equity Securities pursuant to any underwritten public offering of Equity Securities of the Corporation pursuant to an effective registration statement under the Securities Act.

(b) The Other Stockholder may exercise such Preemptive Right, in whole or in part, on the terms and conditions and for the purchase price set forth in the Preemptive Notice, by giving to the Corporation notice to such effect, within 20 days after the giving of the Preemptive Notice. After the expiration of such 20-day period, the Corporation shall have the power to offer, issue, sell and otherwise dispose of any or all of the Equity Securities referred to in the applicable Preemptive Notice as to which no Preemptive Right has been exercised but only upon the terms and conditions, and for a purchase price not lower than the purchase price, set forth in the Preemptive Notice. If the Corporation does not offer, issue, sell or otherwise dispose of the Equity Securities referred to in the applicable Preemptive Notice on the terms and conditions set forth in such Preemptive Notice within 120 days after the expiration of such 20-day period, then any subsequent proposal by the Corporation to offer, issue, sell or otherwise dispose of Equity Securities shall be subject to this Section 10.

11. Notices. All notices, offers and acceptances ("Notices") hereunder shall be in writing, signed by the party giving or making the same, and shall be delivered personally or sent by internationally recognized courier service or by telex or facsimile transmission to each party entitled to receive the same, at such party's last known address on the books of the Corporation, unless such party shall have previously notified in writing the party sending such Notice of a change of address, in which case it shall be sent to the new address. A copy of each such Notice shall also be sent in similar fashion to the Corporation and Rubin Baum Levin Constant & Friedman, 30 Rockefeller Plaza, 29th Floor, New York, New York 10112,

Attention: Barry A. Adelman, Esq. All Notices shall be deemed given when delivered, sent or transmitted in accordance herewith.

12. Miscellaneous.

(a) This Agreement contains the entire understanding of the parties hereto concerning the subject matter hereof and supersedes any and all prior agreements made by the parties with respect thereto and may not be amended, terminated or discharged, except by an instrument in writing, signed by the party to be charged.

(b) The provisions of this Agreement shall apply, to the full extent set forth herein with respect to the shares of Common Stock now or hereinafter owned by each Stockholder, to any and all securities of the Company or any successor or assign of the Company (whether by merger, consolidation or otherwise) that may be issued in respect of, in exchange for, or in substitution of such shares of Common Stock, and shall be appropriately adjusted for any stock dividends, stock splits, reverse splits, combinations, recapitalizations and the like occurring after the date hereof.

(c) This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, legatees, distributees, executors, administrators, successors and permitted assigns. This Agreement shall be binding upon any person to whom shares of Common Stock are transferred in violation of the provisions hereof, and the successors, assigns, heirs, legatees, distributees, executors and administrators of such transferee and the Corporation may refuse to permit the transfer of such stock on its books.

(d) Each of the parties agrees to execute and deliver any and all documents or other instruments and shall do or cause to be done all such acts or things as may reasonably be necessary or proper to carry out the purposes of this Agreement.

(e) This Agreement may be executed in counterparts, each of which shall be deemed an original, but which shall together constitute a single instrument.

(f) The parties hereto irrevocably consent that any suit, legal action or proceeding with respect to any of the rights or obligations arising directly or indirectly under or relating to this Agreement may be brought in any New York State or United States federal court located in the Borough of Manhattan, City and State of New York, and by execution and delivery of this Agreement each party hereby irrevocably submits to and accepts with regard to any such suit, legal action or proceeding, for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. Each party irrevocably consents to the service of process in any such suit, legal action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, return receipt requested, to it at its address set forth herein. The foregoing shall not limit the right of any party to serve process in any other manner permitted by law. Each party hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any suit, legal action or proceeding arising directly or indirectly under or relating to this Agreement in any court located in the Borough of Manhattan, City and State of New York is not a convenient forum for any such suit, legal action or proceeding. Each party hereby (i) irrevocably waives any right it may have under the laws of any jurisdiction to commence by publication any suit, legal action or proceeding with respect to this Agreement, and (ii) irrevocably agrees that any suit, legal action or proceeding commenced by it with respect to any rights or obligations arising directly or indirectly under or relating to this Agreement shall be brought exclusively in any New York State or United States federal court located in the Borough of Manhattan, City and State of New York.

(g) This Agreement shall be governed by the laws of the State of New York applicable to contracts made and wholly performed within that State.

(h) All captions and headings contained in this Agreement are for the convenience of the parties only and shall not affect the interpretation or construction of this Agreement.

IN WITNESS WHEREOF, the parties have signed and sealed this Agreement.

FORMFACTOR, INC.

By: /s/ Igor Y. Khandros

Igor Y. Khandros, Chairman
of the Board, Chief Executive Officer
and President

/s/ Igor Y. Khandros

IGOR KHANDROS

/s/ Susan Bloch

SUSAN BLOCH

/s/ Richard M. Hoffman

RICHARD M. HOFFMAN

SCHEDULE A

Stockholders' Ownership of
Common Stock of FormFactor, Inc.

Stockholder	No. of Shares of Common Stock Owned
Igor Khandros	100
Susan Bloch	100
Richard M. Hoffman	2.1147

EXHIBIT 4.04

STOCKHOLDERS AGREEMENT

AGREEMENT, dated as of April 11, 1994, among FORMFACTOR, INC., a corporation organized under the laws of the State of Delaware (the "Corporation"), IGOR KHANDROS, having an address at 175 Clearbrook Road, Elmsford, New York 10523 ("IK"); SUSAN BLOCH, having an address at 175 Clearbrook Road, Elmsford, New York 10523 ("SB"; IK and SB are sometimes hereinafter referred to collectively as the "Principal Stockholders"); and MILTON OHRING, having an address at 281 Griggs Avenue, Teaneck, New Jersey 07666 (the "Other Stockholder"; the Principal Stockholders and the Other Stockholder are sometimes hereinafter referred to collectively as the "Stockholders").

W I T N E S S E T H:

WHEREAS, each of the Stockholders is the holder of the number of shares of the Corporation's common stock, no par value (the "Common Stock"), set forth on SCHEDULE A annexed hereto and made a part hereof; and

WHEREAS, the Stockholders desire to provide for continuity and stability in the affairs of the Corporation and to impose certain restrictions with respect to the transfer or other disposition of the Common Stock upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises, and the mutual representations, warranties, covenants, and agreements contained herein, the parties hereby agree as follows:

1. Restrictions on Disposition of Shares.

(a) The Other Stockholder shall not at any time during the period after the date of this Agreement and prior to the second (2nd) anniversary of the date of this Agreement (the "Initial Holding Period"), sell, assign, transfer, grant a proxy to any person to vote or

otherwise act in respect of, grant a participation in, grant a security interest in, pledge, encumber or otherwise dispose of, whether by operation of law or otherwise (any of the foregoing being referred to hereinafter as a "Disposition"), any shares of Common Stock, now owned or hereafter acquired by the Other Stockholder, other than to the Principal Stockholders or their designee or to an Other Stockholder Affiliate (as defined in Section 1(c) hereof), except with the Principal Stockholders, prior written consent.

(b) (i) At any time after the Initial Holding Period, the Other Stockholder shall not, without the prior written consent of the Principal Stockholders, effect a Disposition of any shares of Common Stock, now owned or hereafter acquired by the Other Stockholder, other than to the Principal Stockholders or their designee, or to the Corporation except upon the following terms and conditions: Notwithstanding the foregoing, if at any time after the expiration of the Initial Holding Period, the Other Stockholder desires to sell all or any portion of the shares of Common Stock held by the Other Stockholder (the "Offered Shares"), and the Other Stockholder shall have received an irrevocable bona fide, arm's-length, written offer (the "Bona Fide Offer") for the purchase of the Offered Shares, for cash, notes or other consideration, or any combination thereof, from a prospective purchaser (the "Prospective Purchaser"), the Other Stockholder shall give a notice in writing (the "Option Notice") to each of the Corporation and the Principal Stockholders containing a copy of the original executed Bona Fide Offer, setting forth the price and terms and conditions of the proposed sale, the name and address of the Prospective Purchaser, and the effective date of such Option Notice. For a period of 20 business days following the effective date of such Option Notice (the "Principal Stockholders' Option Period"), the Principal Stockholders shall have an option, on the terms and conditions set forth in this Section 1(b), to purchase all or any portion of the

Offered Shares. The Principal Stockholder's option may be exercised by giving a written counter-notice (a "Notice of Exercise") to the other Stockholder within the Principal Stockholders' Option Period, setting forth the number of the Offered Shares with respect to which the Principal Stockholders' option is exercised. If, upon the expiration of the Principal Stockholders' Option Period, the Principal Stockholders have failed to exercise their option to purchase all of the Offered Shares, then for a period of 15 business days following the expiration of the Principal Stockholders' Option Period (the "Corporation's Option Period"), the Corporation shall have an option on the terms and conditions set forth in this Section 1(b), to purchase all of the remaining Offered Shares.

The Corporation's option may be exercised by giving a Notice of Exercise to the Other Stockholder within the Corporation's Option Period, setting forth the number of the Offered Shares with respect to which the Corporation's option is exercised.

(ii) Upon the timely giving of the Notice of Exercise by the Principal Stockholders and/or the Corporation, the Principal Stockholders and/or the Corporation, as the case may be, shall be obligated to purchase from the Other Stockholder, and the Other Stockholder shall be obligated to sell to the Principal Stockholders and/or the Corporation, as the case may be, the number of the Offered Shares with respect to which each such party's option has been exercised, at the price and on the terms and conditions specified in the Bona Fide Offer; provided, however, that if the Principal Stockholders and/or the Corporation do not give Notice(s) of Exercise setting forth their intention to purchase all of the Offered Shares, then in such event any Notice(s) of Exercise shall be null and void. If the Bona Fide Offer was for consideration consisting of other than cash or notes (or a combination thereof), or for consideration consisting in part of other than cash or notes (or a combination thereof), then the

consideration to be paid by the Principal Stockholders and/or the Corporation, as the case may be, for the Offered Shares shall consist of cash or notes, to the extent that the consideration in the Bona Fide Offer consisted of cash or notes, and, to the extent such consideration consisted of other than cash or notes, a cash consideration equal to the fair market value of such non-cash or non-note consideration set forth in the Bona Fide Offer, which fair market value shall promptly be determined by an investment banker mutually acceptable to the Other Stockholder, the Principal Stockholders and the Corporation. If such parties are unable to agree within 60 days after the expiration of the Corporation's Option Period, the appraisal shall be conducted by an investment banker designated, upon the application of the Other Stockholder, the Principal Stockholders or the Corporation, by the American Arbitration Association in New York, New York. The cost of the appraisal shall be borne equally by the Other Stockholder, on the one hand, and the Principal Stockholders and/or the Corporation, on the other hand (such share of the Principal Stockholders and/or the Corporation to be borne by each of such parties in proportion to the number of the Offered Shares with respect to which each such party's option has been exercised). The decision of such investment banker shall be final and binding upon the Other Stockholder, the Principal Stockholders and the Corporation, and each of their respective heirs, legatees, administrators, executors, successors and assigns.

(iii) If the Notice(s) of Exercise shall not have been duly given as to all of the Offered Shares as aforesaid by the Principal Stockholders and the Corporation, the Other Stockholder may, within a period of 60 days after the expiration of the Corporation's Option Period, sell the Offered Shares to the Prospective Purchaser upon the terms and conditions, and for a price not lower than the price, set forth in the Bona Fide Offer; provided, however, that if the sale to the Prospective Purchaser is not completed within such 60-day

period, the Offered Shares shall continue to remain subject to all the provisions of this Section 1(b). If the Other Stockholder obtains the right to sell the Offered Shares to a Prospective Purchaser pursuant to this Section 1(b), such Prospective Purchaser shall, as a condition to such sale, be required to execute and deliver a counterpart of this Agreement, whereby such Prospective Purchaser agrees to be subject to and bound by all of the terms and provisions of this Agreement to the same extent as the Stockholders party hereto.

(iv) The closing of any purchase by the Principal Stockholders or the Corporation under this Section 1(b) shall take place at the office of the Corporation or at such other place designated by the Corporation or the Principal Stockholders, as the case may be, on a date designated by the Corporation or the Principal Stockholders, as the case may be, which date shall not be more than 30 days following the expiration of the Principal Stockholders' or the Corporation's Option Period, as the case may be.

(c) Notwithstanding anything to the contrary contained herein, the Other Stockholder and any Other Stockholder Affiliate shall have the right at any time during the term of this Agreement and at any time during such party's lifetime or upon such party's death to transfer, whether by sale, by gift inter vivos, by will, or by laws of descent and distribution, or otherwise, all or any portion of the shares of Common Stock of the Corporation then owned by it to (i) the Other Stockholder's spouse, children or grandchildren, or (ii) a trust for the benefit of the Other Stockholder's spouse, children or grandchildren (each of the foregoing parties described in clauses (i)-(ii) above being an "Other Stockholder Affiliate" and being deemed to be included in the definition of the Other Stockholder for all purposes of this Agreement) and the provisions of Section 1(b) hereof shall not apply to any such transfer. Any permitted assignee or designee of the Other Stockholder or an Other Stockholder Affiliate

pursuant to this Section 1(c) shall, as a condition to such transfer, be required to execute and deliver a counterpart of this Agreement, whereby such party agrees to be subject to and bound by all of the terms and provisions of this Agreement to the same extent as the Stockholders party hereto, and unless such an agreement is so executed and delivered, such transfer shall be null and void.

2. Certain Prohibited Transfers. Notwithstanding anything to the contrary contained herein, the Other Stockholder shall not, at any time during the term of this Agreement, effect a Disposition of any shares of Common Stock, now owned or hereafter acquired by the Other Stockholder, to any person or entity engaged in any business that is competitive with any business then engaged in by the Corporation, or to any person or entity which directly or indirectly controls, or is controlled by, or is under common control with, any such person or entity.

3. Legend on Share Certificates. All certificates representing shares of Common Stock now or hereafter issued by the Corporation to any Stockholder or to any of such Stockholder's permitted assignees or designees shall be subject to this Agreement and shall bear the following legends:

> "The shares evidenced by this certificate or any certificate issued in exchange or transfer therefor are and will be subject to, and may not be transferred except in accordance with, the terms of a certain Stockholders Agreement, dated as of April 11, 1994 (as the same may be subsequently amended, modified, restated or supplemented), by and among certain stockholders of the Corporation and the Corporation, which agreement provides, among other things, for restrictions on the sale, transfer and disposition of the shares of the Corporation, an executed copy of which agreement is on file at the principal office of the Corporation."
>
> "The shares evidenced by this certificate have not been registered under the Securities Act of 1933, as amended, or the securities laws of any state and may be offered and sold only if so

registered or if the Corporation has been furnished with an opinion of counsel, reasonably satisfactory to the Corporation, to the effect that an exemption from such registration is available to the holder of the shares."

4. Term. The term of this Agreement shall commence as of the date first above written and shall continue until the earliest to occur of (a) the tenth (10th) anniversary of the date hereof; (b) the Corporation being adjudicated bankrupt or insolvent, or an order being entered, remaining unstayed by appeal or otherwise for 120 days, appointing a receiver or trustee for the Corporation, or for substantially all of its property, or approving a petition seeking reorganization or other similar relief under the bankruptcy or other similar laws of the United States or of any state, or the Corporation filing a petition seeking any of the foregoing or consenting thereto, or filing a petition to take advantage of any debtors' acts, or making a general assignment for the benefit of creditors, or admitting in writing its inability to pay its debts as they mature; (c) the consummation of an underwritten public offering of equity securities of the Corporation pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act") that provides gross proceeds to the Corporation of not less than $5,000,000; and (d) the termination of this Agreement pursuant to a written agreement executed by all of the parties hereto; provided, however, that the Stockholders' rights under Section 9 hereof shall survive any termination of this Agreement; and provided, further, however, that Section 1 of this Agreement shall terminate in any event on the fifth (5th) anniversary of the date hereof.

5. Representations and Warranties of the Corporation. The Corporation hereby acknowledges, represents and warrants to the Stockholders as follows:

(a) The Corporation is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware with full corporate power and authority

to enter into this Agreement and to consummate the transactions contemplated hereby. The Corporation's authorized capital stock consists of One Thousand Five Hundred (1,500) shares of Common Stock, of which 203.9273 shares are issued and outstanding. True and correct copies of the Certificate of Incorporation and the Restated By-laws of the Corporation are annexed hereto as SCHEDULES B and C, respectively.

(b) The Corporation has full power and authority (corporate or otherwise) to execute, deliver and perform this Agreement, and the execution, delivery and performance of this Agreement will not result in (i) the breach of or default under, with or without the giving of notice or passage of time, or both, its Certificate of Incorporation, By-Laws, any mortgage, indenture, contract, agreement or other arrangement to which it is a party or by which it or its properties may be bound, (ii) the violation of any law, statute, rule, decree, order, judgment or regulation binding upon it, or (iii) (except as contemplated by this Agreement) the creation or imposition of any lien or encumbrance on any of its properties or assets.

(c) This Agreement and all transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Corporation and constitute a legal, valid and binding obligation of the Corporation enforceable against it in accordance with its terms. The Board of Directors of the Corporation has adopted appropriate resolutions authorizing the Corporation to enter into this Agreement and undertaking to fulfill all the terms of this Agreement.

(d) The Corporation owns of record the patent applications listed on SCHEDULE D annexed hereto; provided, however, that the Corporation makes no representation or warranty with respect to the patentability of any invention claimed on such

SCHEDULE D or the validity or enforceability of any patent that may be issued to the Corporation.

6. Representations and Warranties of the Stockholders. Each of the Stockholders hereby acknowledges, represents and warrants to the remaining Stockholders and to the Corporation as follows:

(a) Such Stockholder owns the number of shares of the Common Stock set forth on SCHEDULE A annexed hereto, free and clear of all liens, claims, encumbrances, proxies, pledges, security interests, charges, encumbrances, title retention agreements or any other liability, claim or restriction on transferability of any nature whatsoever, other than pursuant to this Agreement.

(b) Such Stockholder has full power and authority to execute, deliver and perform this Agreement, and the execution, delivery and performance of this Agreement will not result in (i) the breach of or default under, with or without the giving of notice or passage of time, or both, any mortgage, indenture, contract, agreement or other arrangement to which it is a party or by which it or its properties may be bound, (ii) the violation of any law, statute, rule, decree, order, judgment or regulation binding upon it, or (iii) (except as contemplated by this Agreement) the creation or imposition of any lien or encumbrance on any of its properties or assets.

7. Tag Along Rights.

(a) Subject to the provisions of Section 7(c) hereof, neither of the Principal Stockholders shall, during the term of this Agreement, sell, transfer or otherwise dispose of any of the shares of Common Stock either of them beneficially owns in the Corporation to any party if such sale, transfer or other disposition would cause the aggregate number of shares of

Common Stock proposed to be sold and previously sold, transferred or otherwise disposed of by the Principal Stockholders to any party or parties (other than a Principal Stockholders Affiliate, as hereinafter defined) to exceed fifteen (15%) percent of the aggregate number of shares of Common Stock in the Corporation held by the Principal Stockholders on the date hereof as set forth on SCHEDULE A hereof (subject to appropriate adjustment, upward or downward, to reflect any subsequent stock dividend, stock split, combination of shares, recapitalization or other similar event (collectively "Subsequent Events")) unless the Principal Stockholders shall first notify the Other Stockholder in writing of the terms and conditions of such proposed sale, transfer or other disposition which, together with any shares of Common Stock previously sold, transferred or otherwise disposed of by the Principal Stockholders, would cause the Principal Stockholders to have disposed of more than 15% of the aggregate number of shares of Common Stock in the Corporation held by the Principal Stockholders on the date hereof as set forth on SCHEDULE A hereof (subject to appropriate adjustment, upward or downward, to reflect Subsequent Events) and shall obtain for the other Stockholder prior to any such sale, transfer or other disposition, a put option for a period of at least 15 days to sell, transfer or otherwise dispose to such person on the same per share terms and at the same per share price as the proposed sale, transfer or other disposition by the Principal Stockholders, up to that number of shares of Common Stock then owned by the Other Stockholder that bears the same proportion to the total number of shares of Common Stock at the time owned by the Other Stockholder as the number of shares of Common Stock being sold, transferred or otherwise disposed of by the Principal Stockholders bears to the total number of shares of Common Stock at the time owned by the Principal Stockholders.

(b) In order to exercise such put option, the other Stockholder must, within 15 days after the giving of the notice of a proposed sale, transfer or other disposition of the Common Stock by the Principal Stockholders referred to in Section 6(a) hereof, deliver to the Principal Stockholders written notice that the Other Stockholder has elected to sell, transfer or otherwise dispose of the Other Stockholder's shares of Common Stock pursuant to this Section 7 upon the same terms and at the same per share price as the proposed sale, transfer or other disposition by the Principal Stockholders, whereupon such sale, transfer or other disposition by the Other Stockholder shall be completed contemporaneously with the proposed sale, transfer or other disposition by the Principal Stockholders.

(c) Notwithstanding anything to the contrary contained in this Section 7, either or both of the Principal Stockholders, or any Principal Stockholders Affiliate, shall have the right at any time during the term of this Agreement to transfer, whether by sale, by gift inter vivos, by will, or by laws of descent and distribution, or otherwise, all or any portion of the shares of Common Stock of the Corporation then owned by it to (i) any such party's spouse, children or grandchildren, or (ii) a trust for the benefit of any such party or such party's spouse, children or grandchildren (each of the foregoing parties described in clauses (i)-(ii) above being a "Principal Stockholders Affiliate" and being deemed to be included in the definition of the Principal Stockholders for all purposes of this Agreement) and the provisions of Section 7(a) hereof shall not apply to any such transfer. Any permitted assignee or designee of either or both of the Principal Stockholders or any Principal Stockholders Affiliate thereof pursuant to this Section 7(c) shall, as a condition to such transfer, be required to execute and deliver a counterpart of this Agreement, whereby such party agrees to be subject to and bound by all of the terms and provisions of this Agreement to the same extent as the Stockholders

party hereto, and unless such an agreement is so executed and delivered, such transfer shall be null and void.

8. Drag Along. At any time prior to the time the Principal Stockholders cease to own less than forty (40%) percent of the issued and outstanding shares of Common Stock of the Corporation, the Principal Stockholders may, if they elect (the "Drag Along Election") at any time during such period to sell all of their shares of Common Stock to a bona fide third-party purchaser not related to, controlled by or under common control with the Principal Stockholders, cause a sale of all of the then issued and outstanding shares of Common Stock of the Corporation owned by the Other Stockholder to be made to such third-party purchaser in an arm's-length transaction for cash and/or registered, freely marketable securities. Any such sale of all of the issued and outstanding shares of the Corporation held by the Other Stockholder must be made on the same terms and conditions, including the price per share, upon which the Principal Stockholders have agreed to sell all of their shares of Common Stock to the third-party purchaser. The Principal Stockholders can trigger a Drag Along Election by providing a written notice of such election (the "Drag Along Notice") to the Other Stockholder, such Drag Along Notice to include the price per share being paid to the Principal Stockholders by such third-party purchaser and the other material terms and conditions of such sale. Upon the Other Stockholder's receipt of a Drag Along Notice, the Other Stockholder shall fully cooperate with the Principal Stockholders and shall take all actions and steps to effect such sale as the Principal Stockholders may deem necessary, desirable or appropriate, including, without limitation, the prompt delivery to the Principal Stockholders of duly endorsed stock powers with respect to all of the shares of Common Stock at such time owned by the Other Stockholder.

9. Registration Rights.

(a) As used in this Section 9, the following terms shall have the following respective meanings:

"Commission" shall mean the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Public Offering" shall mean a firm commitment underwritten public offering of the Common Stock having aggregate minimum gross proceeds to the Corporation of $5,000,000 (based upon the then current market price or fair value estimated by the Corporation's underwriter or underwriters).

"Register", "registered" and "registration" shall refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act and the applicable rules and regulations promulgated thereunder, and the applicable rules and regulations promulgated thereunder, and the declaration or ordering of the effectiveness of such registration statement.

"Registration Expenses" shall mean all of the costs, fees and expenses incurred by the Corporation in compliance with this Section 9, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel for the Corporation (but not counsel for any Stockholder participating in the registration), blue sky fees and the expense of any audits incident to or required by any such registration.

(b) Piggyback Registrations.

(i) Right to Piggyback. Whenever the Corporation proposes to effectuate a Public Offering or to otherwise register any of its securities under the Securities

Act (other than a registration (A) on Form S-8 or S-4 or any successor or similar form, (B) relating to Common Stock issuable upon exercise of employee stock options or in connection with any employee benefit or similar plan of the Corporation, or (C) in connection with a direct or indirect acquisition by the Corporation of another company in a manner which would permit registration of Common Stock for sale to the public under the Securities Act) and the registration form to be used may be used for the registration of the shares of Common Stock of the Corporation (a "Piggyback Registration"), the Corporation will give prompt written notice (the "Piggyback Registration Notice") to each Stockholder and the other stockholders of the Corporation, if any, who may have similar piggyback registration rights of its intention to effect such a registration and will, subject to Section 9(b)(ii) hereof, use its best efforts to include in such registration all of the shares of Common Stock with respect to which the Corporation has received written requests from any Stockholder and such other stockholders of the Corporation for inclusion therein within 45 days after the date of the Corporation's Piggyback Registration Notice to the Stockholders and such other stockholders.

(ii) Priority on Piggyback Registrations. Notwithstanding any provision to the contrary contained herein, if a Piggyback Registration is an underwritten primary registration on behalf of the Corporation, and the Corporation's underwriter or underwriters advise the Corporation in writing that the number of securities requested to be included in such registration by the Corporation and the Stockholders and other stockholders of the Corporation exceeds the number of securities which in the estimation of such underwriter or underwriters can reasonably be expected to be sold in such offering, or if such underwriter determines that the sale of shares by selling stockholders in such offering would in any way adversely affect the offering by the Corporation, the Corporation will include in such

registration (1) first, the securities the Corporation proposes to sell, and (2) second, if and only if additional shares of Common Stock can be included in such registration in the estimation of the Corporation's underwriter or underwriters, the shares of Common Stock, if any, which were requested by the Stockholders and the other stockholders to be included in such registration, on a pro rata basis with respect to each such Stockholder and other stockholders based upon its respective percentage ownership of the aggregate number of shares of Common Stock requested to be included in such registration by all of the stockholders of the Corporation electing to participate in such registration. No such reduction shall reduce the securities being offered by the Corporation for its own account to be included in the registration and underwriting. If any Stockholder or any other stockholder disapproves of the terms of any such underwriting, it may elect to withdraw therefrom by written notice to the Corporation and the Corporation's underwriter, delivered at least 25 days prior to the effective date of the registration statement. Any shares of Common Stock excluded or withdrawn from such underwriting shall be withdrawn from the registration. All Stockholders and other stockholders proposing to distribute their shares of Common Stock through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected by the Corporation for such underwriting.

(c) Registration Expenses. In the event of a Piggyback Registration, the Corporation shall bear all of the Registration Expenses except that each Stockholder and each of the other stockholders of the Corporation participating in a Piggyback Registration shall be responsible for (i) its own legal fees and expenses in connection with such registration and (ii) its proportionate share of all fees and commissions payable to brokers and underwriters in connection with such registration, such proportionate share to be equal to a fraction the

numerator of which is the number of shares of Common Stock being so registered by such Stockholder or other stockholder, as the case may be, and the denominator of which is the aggregate number of shares of Common Stock being registered by the Corporation and all of the stockholders of the Corporation (including the Stockholders) participating in such registration.

(d) Registration Procedures. In connection with any Piggyback Registration, the Corporation will use its best efforts to effect the registration and the sale of the securities offered thereby and the Corporation will as expeditiously as possible:

(i) prepare and file with the Commission a registration statement with respect to such securities, which registration statement will state that the Stockholders and other stockholders covered thereby may sell their shares of Common Stock under such registration statement and use its best efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements thereto, the Corporation will furnish to the counsel selected by a majority of the selling stockholders covered by such registration statement copies of all such documents proposed to be filed, which documents will be subject to the review of such counsel);

(ii) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for the period set forth in subparagraph (d)(vi) hereof and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement during such period;

(iii) furnish to each stockholder participating in such registration such number of copies of such registration statement, each amendment and supplement thereto, the

prospectus included in such registration statement (including each preliminary prospectus) and such other documents as such stockholder may reasonably request in order to facilitate the public offering of the securities covered by such registration statement;

(iv) use its best efforts to register or qualify the shares of Common Stock offered pursuant to such registration by the Stockholders under such other securities or blue sky laws of such jurisdictions as any Stockholder reasonably requests and do any and all other acts and things which may be reasonably necessary or advisable to enable each Stockholder to consummate the disposition in such jurisdictions of the shares of Common Stock owned by such Stockholder (provided that the Corporation will not be required to (1) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subparagraph, (2) subject itself to taxation in any such jurisdiction, or (3) consent to general service of process in any such jurisdiction, and provided further that notwithstanding any provision to the contrary contained herein, if any jurisdiction in which such shares of Common Stock shall be qualified shall require that expenses in that jurisdiction be borne by the stockholders participating in the registration rather than the Corporation, then such expenses shall be payable by the stockholders participating in the registration pro rata (based upon the percentage ownership of each stockholder of shares of Common Stock being registered with respect to all of the shares of Common Stock being registered by all of the stockholders), to the extent required by such jurisdiction);

(v) notify each stockholder selling shares of Common Stock, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such registration statement contains an untrue statement of a material fact or omits to state any fact necessary to

make the statements contained therein not misleading, and, at the request of any such stockholder, the Corporation will prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such securities, such prospectus will not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading; and

(vi) keep such registration effective for a period of 90 days or until the selling stockholders have completed the distribution described in the registration statement relating thereto, whichever first occurs.

(e) Indemnification.

(i) The Corporation will indemnify each Stockholder, if participating in a Piggyback Registration, and each of its agents, employees, controlling persons within the meaning of the Securities Act, officers, directors and partners and each underwriter, if any, participating in such registration and each person which controls any such underwriter within the meaning of the Securities Act, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement, prospectus, offering circular or other document incident to any such registration or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements contained therein not misleading, or any violation by the Corporation of the Securities Act or any rule or regulation thereunder applicable to the Corporation in connection with any such registration and will reimburse such Stockholder, each of its agents, employees, officers, directors and partners, and each person controlling such Stockholder and each such underwriter and each person which controls any such underwriter, for any legal and any other expenses

reasonably incurred by any such party in connection with investigating or defending any such claim, loss, damage, liability or action; provided, however, that the Corporation will not be liable in any such case to the extent that any such claim, loss, damage, liability, action or expense arises out of or is based on any untrue statement or omission based upon written information furnished to the Corporation by such Stockholder, or any such agent, employee, officer, director, partner or controlling person or any underwriter or controlling person thereof and stated to be specifically for use therein.

(ii) Each Stockholder will, if shares of Common Stock held by it are included in the securities as to which a Piggyback Registration is being effected, indemnify the Corporation and each of its employees, agents, controlling persons within the meaning of the Securities Act, directors, partners and officers and each underwriter, if any, participating in such registration and each person which controls any such underwriter within the meaning of the Securities Act, and each other stockholder participating in such registration and each of their agents, employees, controlling persons within the meaning of the Securities Act, officers, directors and partners, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement, prospectus, offering circular or other document incident to such registration or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements contained therein not misleading, or any violation by such Stockholder of the Securities Act or any rule or regulation thereunder applicable to such Stockholder in connection with any such registration and will reimburse the Corporation and such other stockholders and each of their agents, employees, directors, officers, partners, underwriters and control persons for any legal

or any other expenses reasonably incurred by any such party in connection with investigating or defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement, prospectus, offering circular or other document in reliance upon and in conformity with written information furnished to the Corporation by such Stockholder or any agent, employee, officer, director, partner or controlling person thereof and stated to be specifically for use therein; provided, however, that the obligations of each Stockholder hereunder are several only and not joint and the aggregate obligations of each Stockholder hereunder shall be limited to an amount equal to the gross proceeds received by such Stockholder from the offering of the shares of Common Stock registered by such Stockholder.

(iii) Each party entitled to indemnification under this Section 9(e) (the "Indemnified Party") shall give notice to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom; provided that the Indemnified Party may participate in such defense at such Indemnified Party's expense, and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section 9(e). The parties to this Agreement reserve any rights to make a claim under this Agreement for damages actually incurred by reason of any failure of the Indemnified Party to give prompt notice of a claim. To the extent counsel for the Indemnifying Party shall have a conflict in representing both an Indemnified Party and the Indemnifying Party or if an Indemnifying Party does not

assume the defense of any such claim or litigation, the Indemnified Party shall be entitled to separate counsel at the expense of the Indemnifying Party. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the prior consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation and the acknowledgement by the claimant or plaintiff to such Indemnified Party that there was no wrongdoing or culpability on the part of the Indemnified Party in respect to such claim or litigation. Each Indemnified Party shall furnish such information regarding itself or the claim in question as an Indemnifying Party may reasonably request in writing and as shall be reasonably required in connection with the defense of such claim and litigation resulting therefrom.

(f) Information Provided by Stockholders. Each Stockholder holding shares of Common Stock included in any Piggyback Registration shall furnish to the Corporation such information regarding such Stockholder and the intended method of disposition of its shares of Common Stock proposed by such Stockholder as the Corporation may reasonably request in writing and as shall be reasonably required in connection with any such Piggyback Registration. Each Stockholder agrees to sell its securities in accordance with the terms of any underwriting arrangements approved pursuant to Section 9(g) hereof and shall complete and execute all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably and customarily required under the terms of such underwriting arrangements.

(g) Selection of Underwriters. The Corporation shall have the right, in its sole discretion, to select the investment banker(s) and manager(s) in connection with any

Piggyback Registration (such banker(s) and manager(s) to be a firm or firms of nationally recognized standing), to administer the offering of any such registration of securities of the Corporation pursuant to this Section 9.

(h) Holdback Agreements. Each Stockholder hereby agrees that it shall not, to the extent requested by the Corporation or any underwriter of securities of the Corporation, sell or otherwise transfer or dispose of any shares of Common Stock for a period of up to 180 days following the effective date of a registration statement of the Corporation filed under the Securities Act.

(i) Delay of Registration. No Stockholder shall have any right to obtain or seek an injunction restraining or otherwise delaying any registration of the securities of the Corporation as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 9.

10. Preemptive Rights of the Other Stockholder.

(a) If at any time during the term of this Agreement the Corporation proposes to offer, issue, sell or otherwise dispose of shares of the Common Stock or any other class or series of common stock or preferred stock of the Company, or options, rights, warrants, conversion rights or appreciation rights relating thereto, or any other type of equity security that the Corporation may lawfully issue (collectively, the "Equity Securities") to any person or entity, (i) the Corporation shall, prior to any such issuance or sale, give written notice (a "Preemptive Notice") to the Other Stockholder setting forth the purchase price of such Equity Securities, the type and aggregate number of Equity Securities to be so offered, issued, sold or otherwise disposed of, the terms and conditions of such offer, issuance, sale or other disposition and the rights, powers and duties inhering in such additional Equity Securities

and (ii) the Other Stockholder shall have the right (the "Preemptive Right") to acquire the percentage of such Equity Securities proposed to be so offered, issued, sold or otherwise disposed of equal to the number of shares of Common Stock then held by the Other Stockholder (other than shares of Common Stock acquired through the exercise of stock options) divided by the aggregate number of shares of the Corporation's Common Stock and Preferred Stock outstanding immediately prior to such offer, issuance, sale or other disposition of Equity Securities; provided, however, that the terms and conditions of this Section 10 shall not apply to any offer, issuance, sale or other disposition of (i) Equity Securities or rights to acquire Equity Securities to any person or entity (other than the Principal Stockholders) pursuant to a stock option plan established by the Corporation for the benefit of its employees, officers, directors, agents or consultants, or otherwise granted to an employee of the Corporation (other than the Principal Stockholders) in connection with such person or entity's employment by the Corporation; (ii) Equity Securities or rights to acquire Equity Securities to a person or entity (other than the Principal Stockholders, or entities controlled by any of them) in connection with the acquisition by the Corporation of all or a substantial portion of the stock, assets or business of such person or entity; (iii) Equity Securities or rights to acquire Equity Securities to a financial institution in connection with the making of, or the agreement to make, loans to, or other financial arrangements with, the Corporation by such financial institution; (iv) Equity Securities or rights to acquire Equity Securities to a person or entity (other than the Principal Stockholders) in connection with license arrangements or other arm's-length business arrangements, so long as the aggregate number of Equity Securities issued in one or more transactions pursuant to this clause (iv) does not exceed twenty (20%) percent of the outstanding Equity Securities of the Company at any time; and (v) Equity Securities or

rights to acquire Equity Securities pursuant to any underwritten public offering of Equity Securities of the Corporation pursuant to an effective registration statement under the Securities Act.

(b) The Other Stockholder may exercise such Preemptive Right, in whole or in part, on the terms and conditions and for the purchase price set forth in the Preemptive Notice, by giving to the Corporation notice to such effect, within 20 days after the giving of the Preemptive Notice. After the expiration of such 20-day period, the Corporation shall have the power to offer, issue, sell and otherwise dispose of any or all of the Equity Securities referred to in the applicable Preemptive Notice as to which no Preemptive Right has been exercised but only upon the terms and conditions, and for a purchase price not lower than the purchase price, set forth in the Preemptive Notice. If the Corporation does not offer, issue, sell or otherwise dispose of the Equity Securities referred to in the applicable Preemptive Notice on the terms and conditions set forth in such Preemptive Notice within 120 days after the expiration of such 20-day period, then any subsequent proposal by the Corporation to offer, issue, sell or otherwise dispose of Equity Securities shall be subject to this Section 10.

11. Notices. All notices, offers and acceptances ("Notices") hereunder shall be in writing, signed by the party giving or making the same, and shall be delivered personally or sent by internationally recognized courier service or by telex or facsimile transmission to each party entitled to receive the same, at such party's last known address on the books of the Corporation, unless such party shall have previously notified in writing the party sending such Notice of a change of address, in which case it shall be sent to the new address. A copy of each such Notice shall also be sent in similar fashion to the Corporation and Rubin Baum Levin Constant & Friedman, 30 Rockefeller Plaza, 29th Floor, New York, New York 10112,

Attention: Barry A. Adelman, Esq. All Notices shall be deemed given when delivered, sent or transmitted in accordance herewith.

12. Miscellaneous.

(a) This Agreement contains the entire understanding of the parties hereto concerning the subject matter hereof and supersedes any and all prior agreements made by the parties with respect thereto and may not be amended, terminated or discharged, except by an instrument in writing, signed by the party to be charged.

(b) The provisions of this Agreement shall apply, to the full extent set forth herein with respect to the shares of Common Stock now or hereinafter owned by each Stockholder, to any and all securities of the Company or any successor or assign of the Company (whether by merger, consolidation or otherwise) that may be issued in respect of, in exchange for, or in substitution of such shares of Common Stock, and shall be appropriately adjusted for any stock dividends, stock splits, reverse splits, combinations, recapitalizations and the like occurring after the date hereof.

(c) This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, legatees, distributees, executors, administrators, successors and permitted assigns. This Agreement shall be binding upon any person to whom shares of Common Stock are transferred in violation of the provisions hereof, and the successors, assigns, heirs, legatees, distributees, executors and administrators of such transferee and the Corporation may refuse to permit the transfer of such stock on its books.

(d) Each of the parties agrees to execute and deliver any and all documents or other instruments and shall do or cause to be done all such acts or things as may reasonably be necessary or proper to carry out the purposes of this Agreement.

(e) This Agreement may be executed in counterparts, each of which shall be deemed an original, but which shall together constitute a single instrument.

(f) The parties hereto irrevocably consent that any suit, legal action or proceeding with respect to any of the rights or obligations arising directly or indirectly under or relating to this Agreement may be brought in any New York State or United States federal court located in the Borough of Manhattan, City and State of New York, and by execution and delivery of this Agreement each party hereby irrevocably submits to and accepts with regard to any such suit, legal action or proceeding, for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. Each party irrevocably consents to the service of process in any such suit, legal action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, return receipt requested, to it at its address set forth herein. The foregoing shall not limit the right of any party to serve process in any other manner permitted by law. Each party hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any suit, legal action or proceeding arising directly or indirectly under or relating to this Agreement in any court located in the Borough of Manhattan, City and State of New York is not a convenient forum for any such suit, legal action or proceeding. Each party hereby (i) irrevocably waives any right it may have under the laws of any jurisdiction to commence by publication any suit, legal action or proceeding with respect to this Agreement, and (ii) irrevocably agrees that any suit, legal action or proceeding commenced by it with respect to any rights or obligations arising directly or indirectly under or relating to this Agreement shall be brought exclusively in any New York State or United States federal court located in the Borough of Manhattan, City and State of New York.

(g) This Agreement shall be governed by the laws of the State of New York applicable to contracts made and wholly performed within that State.

(h) All captions and headings contained in this Agreement are for the convenience of the parties only and shall not affect the interpretation or construction of this Agreement.

IN WITNESS WHEREOF, the parties have signed and sealed this Agreement.

FORMFACTOR, INC.

By: /s/ Igor Y. Khandros

Igor Y. Khandros, Chairman
of the Board, Chief Executive Officer
and President

/s/ Igor Y. Khandros

IGOR KHANDROS

/s/ Susan Bloch

SUSAN BLOCH

/s/ Milton Ohring

MILTON OHRING

SCHEDULE A
Stockholders' Ownership of
Common Stock of FormFactor, Inc.

Stockholder	No. of Shares of Common Stock Owned
Igor Khandros	100
Susan Bloch	100
Milton Ohring	1.8126

EXHIBIT 4.05

STOCKHOLDERS AGREEMENT

AGREEMENT, dated as of August 12, 1994, among FORMFACTOR, INC., a corporation organized under the laws of the State of Delaware (the "Corporation"), IGOR KHANDROS, having an address at 175 Clearbrook Road, Elmsford, New York 10523 ("IK"); SUSAN BLOCH, having an address at 175 Clearbrook Road, Elmsford, New York 10523 ("SB"; IK and SB are sometimes hereinafter referred to collectively as the "Principal Stockholders"); and BENJAMIN ELDRIDGE, having an address at 11 High Ridge Road, Hopewell Junction, New York 12533 (the "Other Stockholder"; the Principal Stockholders and the Other Stockholder are sometimes hereinafter referred to collectively as the "Stockholders").

W I T N E S S E T H:

WHEREAS, each of the Stockholders is the holder of the number of shares of the Corporation's common stock, no par value (the "Common Stock"), set forth on SCHEDULE A annexed hereto and made a part hereof; and

WHEREAS, the Stockholders desire to provide for continuity and stability in the affairs of the Corporation and to impose certain restrictions with respect to the transfer or other disposition of the Common Stock upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises, and the mutual representations, warranties, covenants, and agreements contained herein, the parties hereby agree as follows:

1. Restrictions on Disposition of Shares.

(a) The Other Stockholder shall not at any time during the period after the date of this Agreement and prior to the second (2nd) anniversary of the date of this Agreement (the "Initial Holding Period"), sell, assign, transfer, grant a proxy to any person to vote or

otherwise act in respect of, grant a participation in, grant a security interest in, pledge, encumber or otherwise dispose of, whether by operation of law or otherwise (any of the foregoing being referred to hereinafter as a "Disposition"), any shares of Common Stock, now owned or hereafter acquired by the Other Stockholder, other than to the Principal Stockholders or their designee or to an Other Stockholder Affiliate (as defined in Section 1(c) hereof), except with the Principal Stockholders, prior written consent.

(b) (i) At any time after the Initial Holding Period, the Other Stockholder shall not, without the prior written consent of the Principal Stockholders, effect a Disposition of any shares of Common Stock, now owned or hereafter acquired by the Other Stockholder, other than to the Principal Stockholders or their designee, or to the Corporation except upon the following terms and conditions: Notwithstanding the foregoing, if at any time after the expiration of the Initial Holding Period, the Other Stockholder desires to sell all or any portion of the shares of Common Stock held by the Other Stockholder (the "Offered Shares"), and the Other Stockholder shall have received an irrevocable bona fide, arm's-length, written offer (the "Bona Fide Offer") for the purchase of the Offered Shares, for cash, notes or other consideration, or any combination thereof, from a prospective purchaser (the "Prospective Purchaser"), the Other Stockholder shall give a notice in writing (the "Option Notice") to each of the Corporation and the Principal Stockholders containing a copy of the original executed Bona Fide Offer, setting forth the price and terms and conditions of the proposed sale, the name and address of the Prospective Purchaser, and the effective date of such Option Notice. For a period of 20 business days following the effective date of such Option Notice (the "Principal Stockholders' Option Period"), the Principal Stockholders shall have an option, on the terms and conditions set forth in this Section 1(b), to purchase all or any portion of the

Offered Shares. The Principal Stockholder's option may be exercised by giving a written counter-notice (a "Notice of Exercise") to the other Stockholder within the Principal Stockholders' Option Period, setting forth the number of the Offered Shares with respect to which the Principal Stockholders' option is exercised. If, upon the expiration of the Principal Stockholders' Option Period, the Principal Stockholders have failed to exercise their option to purchase all of the Offered Shares, then for a period of 15 business days following the expiration of the Principal Stockholders' Option Period (the "Corporation's Option Period"), the Corporation shall have an option on the terms and conditions set forth in this Section 1(b), to purchase all of the remaining Offered Shares.

The Corporation's option may be exercised by giving a Notice of Exercise to the Other Stockholder within the Corporation's Option Period, setting forth the number of the Offered Shares with respect to which the Corporation's option is exercised.

(ii) Upon the timely giving of the Notice of Exercise by the Principal Stockholders and/or the Corporation, the Principal Stockholders and/or the Corporation, as the case may be, shall be obligated to purchase from the Other Stockholder, and the Other Stockholder shall be obligated to sell to the Principal Stockholders and/or the Corporation, as the case may be, the number of the Offered Shares with respect to which each such party's option has been exercised, at the price and on the terms and conditions specified in the Bona Fide Offer; provided, however, that if the Principal Stockholders and/or the Corporation do not give Notice(s) of Exercise setting forth their intention to purchase all of the Offered Shares, then in such event any Notice(s) of Exercise shall be null and void. If the Bona Fide Offer was for consideration consisting of other than cash or notes (or a combination thereof), or for consideration consisting in part of other than cash or notes (or a combination thereof), then the

consideration to be paid by the Principal Stockholders and/or the Corporation, as the case may be, for the Offered Shares shall consist of cash or notes, to the extent that the consideration in the Bona Fide Offer consisted of cash or notes, and, to the extent such consideration consisted of other than cash or notes, a cash consideration equal to the fair market value of such non-cash or non-note consideration set forth in the Bona Fide Offer, which fair market value shall promptly be determined by an investment banker mutually acceptable to the Other Stockholder, the Principal Stockholders and the Corporation. If such parties are unable to agree within 60 days after the expiration of the Corporation's Option Period, the appraisal shall be conducted by an investment banker designated, upon the application of the Other Stockholder, the Principal Stockholders or the Corporation, by the American Arbitration Association in New York, New York. The cost of the appraisal shall be borne equally by the Other Stockholder, on the one hand, and the Principal Stockholders and/or the Corporation, on the other hand (such share of the Principal Stockholders and/or the Corporation to be borne by each of such parties in proportion to the number of the Offered Shares with respect to which each such party's option has been exercised). The decision of such investment banker shall be final and binding upon the Other Stockholder, the Principal Stockholders and the Corporation, and each of their respective heirs, legatees, administrators, executors, successors and assigns.

(iii) If the Notice(s) of Exercise shall not have been duly given as to all of the Offered Shares as aforesaid by the Principal Stockholders and the Corporation, the Other Stockholder may, within a period of 60 days after the expiration of the Corporation's Option Period, sell the Offered Shares to the Prospective Purchaser upon the terms and conditions, and for a price not lower than the price, set forth in the Bona Fide Offer; provided, however, that if the sale to the Prospective Purchaser is not completed within such 60-day

period, the Offered Shares shall continue to remain subject to all the provisions of this Section 1(b). If the Other Stockholder obtains the right to sell the Offered Shares to a Prospective Purchaser pursuant to this Section 1(b), such Prospective Purchaser shall, as a condition to such sale, be required to execute and deliver a counterpart of this Agreement, whereby such Prospective Purchaser agrees to be subject to and bound by all of the terms and provisions of this Agreement to the same extent as the Stockholders party hereto.

(iv) The closing of any purchase by the Principal Stockholders or the Corporation under this Section 1(b) shall take place at the office of the Corporation or at such other place designated by the Corporation or the Principal Stockholders, as the case may be, on a date designated by the Corporation or the Principal Stockholders, as the case may be, which date shall not be more than 30 days following the expiration of the Principal Stockholders' or the Corporation's Option Period, as the case may be.

(c) Notwithstanding anything to the contrary contained herein, the Other Stockholder and any Other Stockholder Affiliate shall have the right at any time during the term of this Agreement and at any time during such party's lifetime or upon such party's death to transfer, whether by sale, by gift inter vivos, by will, or by laws of descent and distribution, or otherwise, all or any portion of the shares of Common Stock of the Corporation then owned by it to (i) the Other Stockholder's spouse, children or grandchildren, or (ii) a trust for the benefit of the Other Stockholder's spouse, children or grandchildren (each of the foregoing parties described in clauses (i)-(ii) above being an "Other Stockholder Affiliate" and being deemed to be included in the definition of the Other Stockholder for all purposes of this Agreement) and the provisions of Section 1(b) hereof shall not apply to any such transfer. Any permitted assignee or designee of the Other Stockholder or an Other Stockholder Affiliate

pursuant to this Section 1(c) shall, as a condition to such transfer, be required to execute and deliver a counterpart of this Agreement, whereby such party agrees to be subject to and bound by all of the terms and provisions of this Agreement to the same extent as the Stockholders party hereto, and unless such an agreement is so executed and delivered, such transfer shall be null and void.

2. Certain Prohibited Transfers. Notwithstanding anything to the contrary contained herein, the Other Stockholder shall not, at any time during the term of this Agreement, effect a Disposition of any shares of Common Stock, now owned or hereafter acquired by the Other Stockholder, to any person or entity engaged in any business that is competitive with any business then engaged in by the Corporation, or to any person or entity which directly or indirectly controls, or is controlled by, or is under common control with, any such person or entity.

3. Legend on Share Certificates. All certificates representing shares of Common Stock now or hereafter issued by the Corporation to any Stockholder or to any of such Stockholder's permitted assignees or designees shall be subject to this Agreement and shall bear the following legends:

> "The shares evidenced by this certificate or any certificate issued in exchange or transfer therefor are and will be subject to, and may not be transferred except in accordance with, the terms of a certain Stockholders Agreement, dated as of August 12, 1994 (as the same may be subsequently amended, modified, restated or supplemented), by and among certain stockholders of the Corporation and the Corporation, which agreement provides, among other things, for restrictions on the sale, transfer and disposition of the shares of the Corporation, an executed copy of which agreement is on file at the principal office of the Corporation."

> "The shares evidenced by this certificate have not been registered under the Securities Act of 1933, as amended, or the securities laws of any state and may be offered and sold only if so

registered or if the Corporation has been furnished with an opinion of counsel, reasonably satisfactory to the Corporation, to the effect that an exemption from such registration is available to the holder of the shares."

4. Term. The term of this Agreement shall commence as of the date first above written and shall continue until the earliest to occur of (a) the tenth (10th) anniversary of the date hereof; (b) the Corporation being adjudicated bankrupt or insolvent, or an order being entered, remaining unstayed by appeal or otherwise for 120 days, appointing a receiver or trustee for the Corporation, or for substantially all of its property, or approving a petition seeking reorganization or other similar relief under the bankruptcy or other similar laws of the United States or of any state, or the Corporation filing a petition seeking any of the foregoing or consenting thereto, or filing a petition to take advantage of any debtors' acts, or making a general assignment for the benefit of creditors, or admitting in writing its inability to pay its debts as they mature; (c) the consummation of an underwritten public offering of equity securities of the Corporation pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act") that provides gross proceeds to the Corporation of not less than $5,000,000; and (d) the termination of this Agreement pursuant to a written agreement executed by all of the parties hereto; provided, however, that the Stockholders' rights under Section 9 hereof shall survive any termination of this Agreement; and provided, further, however, that Section 1 of this Agreement shall terminate in any event on the fifth (5th) anniversary of the date hereof.

5. Representations and Warranties of the Corporation. The Corporation hereby acknowledges, represents and warrants to the Stockholders as follows:

(a) The Corporation is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware with full corporate power and authority

to enter into this Agreement and to consummate the transactions contemplated hereby. The Corporation's authorized capital stock consists of One Thousand Five Hundred (1,500) shares of Common Stock, of which 209.02524 shares are issued and outstanding. True and correct copies of the Certificate of Incorporation and the Restated By-laws of the Corporation are annexed hereto as SCHEDULES B and C, respectively.

(b) The Corporation has full power and authority (corporate or otherwise) to execute, deliver and perform this Agreement, and the execution, delivery and performance of this Agreement will not result in (i) the breach of or default under, with or without the giving of notice or passage of time, or both, its Certificate of Incorporation, By-Laws, any mortgage, indenture, contract, agreement or other arrangement to which it is a party or by which it or its properties may be bound, (ii) the violation of any law, statute, rule, decree, order, judgment or regulation binding upon it, or (iii) (except as contemplated by this Agreement) the creation or imposition of any lien or encumbrance on any of its properties or assets.

(c) This Agreement and all transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Corporation and constitute a legal, valid and binding obligation of the Corporation enforceable against it in accordance with its terms. The Board of Directors of the Corporation has adopted appropriate resolutions authorizing the Corporation to enter into this Agreement and undertaking to fulfill all the terms of this Agreement.

(d) The Corporation owns of record the patent applications listed on SCHEDULE D annexed hereto; provided, however, that the Corporation makes no representation or warranty with respect to the patentability of any invention claimed on such

SCHEDULE D or the validity or enforceability of any patent that may be issued to the Corporation.

6. Representations and Warranties of the Stockholders. Each of the Stockholders hereby acknowledges, represents and warrants to the remaining Stockholders and to the Corporation as follows:

(a) Such Stockholder owns the number of shares of the Common Stock set forth on SCHEDULE A annexed hereto, free and clear of all liens, claims, encumbrances, proxies, pledges, security interests, charges, encumbrances, title retention agreements or any other liability, claim or restriction on transferability of any nature whatsoever, other than pursuant to this Agreement.

(b) Such Stockholder has full power and authority to execute, deliver and perform this Agreement, and the execution, delivery and performance of this Agreement will not result in (i) the breach of or default under, with or without the giving of notice or passage of time, or both, any mortgage, indenture, contract, agreement or other arrangement to which it is a party or by which it or its properties may be bound, (ii) the violation of any law, statute, rule, decree, order, judgment or regulation binding upon it, or (iii) (except as contemplated by this Agreement) the creation or imposition of any lien or encumbrance on any of its properties or assets.

7. Tag Along Rights.

(a) Subject to the provisions of Section 7(c) hereof, neither of the Principal Stockholders shall, during the term of this Agreement, sell, transfer or otherwise dispose of any of the shares of Common Stock either of them beneficially owns in the Corporation to any party if such sale, transfer or other disposition would cause the aggregate number of shares of

Common Stock proposed to be sold and previously sold, transferred or otherwise disposed of by the Principal Stockholders to any party or parties (other than a Principal Stockholders Affiliate, as hereinafter defined) to exceed fifteen (15%) percent of the aggregate number of shares of Common Stock in the Corporation held by the Principal Stockholders on the date hereof as set forth on SCHEDULE A hereof (subject to appropriate adjustment, upward or downward, to reflect any subsequent stock dividend, stock split, combination of shares, recapitalization or other similar event (collectively "Subsequent Events")) unless the Principal Stockholders shall first notify the Other Stockholder in writing of the terms and conditions of such proposed sale, transfer or other disposition which, together with any shares of Common Stock previously sold, transferred or otherwise disposed of by the Principal Stockholders, would cause the Principal Stockholders to have disposed of more than 15% of the aggregate number of shares of Common Stock in the Corporation held by the Principal Stockholders on the date hereof as set forth on SCHEDULE A hereof (subject to appropriate adjustment, upward or downward, to reflect Subsequent Events) and shall obtain for the other Stockholder prior to any such sale, transfer or other disposition, a put option for a period of at least 15 days to sell, transfer or otherwise dispose to such person on the same per share terms and at the same per share price as the proposed sale, transfer or other disposition by the Principal Stockholders, up to that number of shares of Common Stock then owned by the Other Stockholder that bears the same proportion to the total number of shares of Common Stock at the time owned by the Other Stockholder as the number of shares of Common Stock being sold, transferred or otherwise disposed of by the Principal Stockholders bears to the total number of shares of Common Stock at the time owned by the Principal Stockholders.

(b) In order to exercise such put option, the other Stockholder must, within 15 days after the giving of the notice of a proposed sale, transfer or other disposition of the Common Stock by the Principal Stockholders referred to in Section 6(a) hereof, deliver to the Principal Stockholders written notice that the Other Stockholder has elected to sell, transfer or otherwise dispose of the Other Stockholder's shares of Common Stock pursuant to this Section 7 upon the same terms and at the same per share price as the proposed sale, transfer or other disposition by the Principal Stockholders, whereupon such sale, transfer or other disposition by the Other Stockholder shall be completed contemporaneously with the proposed sale, transfer or other disposition by the Principal Stockholders.

(c) Notwithstanding anything to the contrary contained in this Section 7, either or both of the Principal Stockholders, or any Principal Stockholders Affiliate, shall have the right at any time during the term of this Agreement to transfer, whether by sale, by gift inter vivos, by will, or by laws of descent and distribution, or otherwise, all or any portion of the shares of Common Stock of the Corporation then owned by it to (i) any such party's spouse, children or grandchildren, or (ii) a trust for the benefit of any such party or such party's spouse, children or grandchildren (each of the foregoing parties described in clauses (i)-(ii) above being a "Principal Stockholders Affiliate" and being deemed to be included in the definition of the Principal Stockholders for all purposes of this Agreement) and the provisions of Section 7(a) hereof shall not apply to any such transfer. Any permitted assignee or designee of either or both of the Principal Stockholders or any Principal Stockholders Affiliate thereof pursuant to this Section 7(c) shall, as a condition to such transfer, be required to execute and deliver a counterpart of this Agreement, whereby such party agrees to be subject to and bound by all of the terms and provisions of this Agreement to the same extent as the Stockholders

party hereto, and unless such an agreement is so executed and delivered, such transfer shall be null and void.

8. Drag Along. At any time prior to the time the Principal Stockholders cease to own less than forty (40%) percent of the issued and outstanding shares of Common Stock of the Corporation, the Principal Stockholders may, if they elect (the "Drag Along Election") at any time during such period to sell all of their shares of Common Stock to a bona fide third-party purchaser not related to, controlled by or under common control with the Principal Stockholders, cause a sale of all of the then issued and outstanding shares of Common Stock of the Corporation owned by the Other Stockholder to be made to such third-party purchaser in an arm's-length transaction for cash and/or registered, freely marketable securities. Any such sale of all of the issued and outstanding shares of the Corporation held by the Other Stockholder must be made on the same terms and conditions, including the price per share, upon which the Principal Stockholders have agreed to sell all of their shares of Common Stock to the third-party purchaser. The Principal Stockholders can trigger a Drag Along Election by providing a written notice of such election (the "Drag Along Notice") to the Other Stockholder, such Drag Along Notice to include the price per share being paid to the Principal Stockholders by such third-party purchaser and the other material terms and conditions of such sale. Upon the Other Stockholder's receipt of a Drag Along Notice, the Other Stockholder shall fully cooperate with the Principal Stockholders and shall take all actions and steps to effect such sale as the Principal Stockholders may deem necessary, desirable or appropriate, including, without limitation, the prompt delivery to the Principal Stockholders of duly endorsed stock powers with respect to all of the shares of Common Stock at such time owned by the Other Stockholder.

9. Registration Rights.

(a) As used in this Section 9, the following terms shall have the following respective meanings:

"Commission" shall mean the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Public Offering" shall mean a firm commitment underwritten public offering of the Common Stock having aggregate minimum gross proceeds to the Corporation of $5,000,000 (based upon the then current market price or fair value estimated by the Corporation's underwriter or underwriters).

"Register", "registered" and "registration" shall refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act and the applicable rules and regulations promulgated thereunder, and the applicable rules and regulations promulgated thereunder, and the declaration or ordering of the effectiveness of such registration statement.

"Registration Expenses" shall mean all of the costs, fees and expenses incurred by the Corporation in compliance with this Section 9, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel for the Corporation (but not counsel for any Stockholder participating in the registration), blue sky fees and the expense of any audits incident to or required by any such registration.

(b) Piggyback Registrations.

(i) Right to Piggyback. Whenever the Corporation proposes to effectuate a Public Offering or to otherwise register any of its securities under the Securities

Act (other than a registration (A) on Form S-8 or S-4 or any successor or similar form, (B) relating to Common Stock issuable upon exercise of employee stock options or in connection with any employee benefit or similar plan of the Corporation, or (C) in connection with a direct or indirect acquisition by the Corporation of another company in a manner which would permit registration of Common Stock for sale to the public under the Securities Act) and the registration form to be used may be used for the registration of the shares of Common Stock of the Corporation (a "Piggyback Registration"), the Corporation will give prompt written notice (the "Piggyback Registration Notice") to each Stockholder and the other stockholders of the Corporation, if any, who may have similar piggyback registration rights of its intention to effect such a registration and will, subject to Section 9(b)(ii) hereof, use its best efforts to include in such registration all of the shares of Common Stock with respect to which the Corporation has received written requests from any Stockholder and such other stockholders of the Corporation for inclusion therein within 45 days after the date of the Corporation's Piggyback Registration Notice to the Stockholders and such other stockholders.

(ii) Priority on Piggyback Registrations. Notwithstanding any provision to the contrary contained herein, if a Piggyback Registration is an underwritten primary registration on behalf of the Corporation, and the Corporation's underwriter or underwriters advise the Corporation in writing that the number of securities requested to be included in such registration by the Corporation and the Stockholders and other stockholders of the Corporation exceeds the number of securities which in the estimation of such underwriter or underwriters can reasonably be expected to be sold in such offering, or if such underwriter determines that the sale of shares by selling stockholders in such offering would in any way adversely affect the offering by the Corporation, the Corporation will include in such

registration (1) first, the securities the Corporation proposes to sell, and (2) second, if and only if additional shares of Common Stock can be included in such registration in the estimation of the Corporation's underwriter or underwriters, the shares of Common Stock, if any, which were requested by the Stockholders and the other stockholders to be included in such registration, on a pro rata basis with respect to each such Stockholder and other stockholders based upon its respective percentage ownership of the aggregate number of shares of Common Stock requested to be included in such registration by all of the stockholders of the Corporation electing to participate in such registration. No such reduction shall reduce the securities being offered by the Corporation for its own account to be included in the registration and underwriting. If any Stockholder or any other stockholder disapproves of the terms of any such underwriting, it may elect to withdraw therefrom by written notice to the Corporation and the Corporation's underwriter, delivered at least 25 days prior to the effective date of the registration statement. Any shares of Common Stock excluded or withdrawn from such underwriting shall be withdrawn from the registration. All Stockholders and other stockholders proposing to distribute their shares of Common Stock through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected by the Corporation for such underwriting.

(c) Registration Expenses. In the event of a Piggyback Registration, the Corporation shall bear all of the Registration Expenses except that each Stockholder and each of the other stockholders of the Corporation participating in a Piggyback Registration shall be responsible for (i) its own legal fees and expenses in connection with such registration and (ii) its proportionate share of all fees and commissions payable to brokers and underwriters in connection with such registration, such proportionate share to be equal to a fraction the

numerator of which is the number of shares of Common Stock being so registered by such Stockholder or other stockholder, as the case may be, and the denominator of which is the aggregate number of shares of Common Stock being registered by the Corporation and all of the stockholders of the Corporation (including the Stockholders) participating in such registration.

(d) Registration Procedures. In connection with any Piggyback Registration, the Corporation will use its best efforts to effect the registration and the sale of the securities offered thereby and the Corporation will as expeditiously as possible:

(i) prepare and file with the Commission a registration statement with respect to such securities, which registration statement will state that the Stockholders and other stockholders covered thereby may sell their shares of Common Stock under such registration statement and use its best efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements thereto, the Corporation will furnish to the counsel selected by a majority of the selling stockholders covered by such registration statement copies of all such documents proposed to be filed, which documents will be subject to the review of such counsel);

(ii) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for the period set forth in subparagraph (d)(vi) hereof and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement during such period;

(iii) furnish to each stockholder participating in such registration such number of copies of such registration statement, each amendment and supplement thereto, the

prospectus included in such registration statement (including each preliminary prospectus) and such other documents as such stockholder may reasonably request in order to facilitate the public offering of the securities covered by such registration statement;

(iv) use its best efforts to register or qualify the shares of Common Stock offered pursuant to such registration by the Stockholders under such other securities or blue sky laws of such jurisdictions as any Stockholder reasonably requests and do any and all other acts and things which may be reasonably necessary or advisable to enable each Stockholder to consummate the disposition in such jurisdictions of the shares of Common Stock owned by such Stockholder (provided that the Corporation will not be required to (1) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subparagraph, (2) subject itself to taxation in any such jurisdiction, or (3) consent to general service of process in any such jurisdiction, and provided further that notwithstanding any provision to the contrary contained herein, if any jurisdiction in which such shares of Common Stock shall be qualified shall require that expenses in that jurisdiction be borne by the stockholders participating in the registration rather than the Corporation, then such expenses shall be payable by the stockholders participating in the registration pro rata (based upon the percentage ownership of each stockholder of shares of Common Stock being registered with respect to all of the shares of Common Stock being registered by all of the stockholders), to the extent required by such jurisdiction);

(v) notify each stockholder selling shares of Common Stock, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such registration statement contains an untrue statement of a material fact or omits to state any fact necessary to

make the statements contained therein not misleading, and, at the request of any such stockholder, the Corporation will prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such securities, such prospectus will not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading; and

(vi) keep such registration effective for a period of 90 days or until the selling stockholders have completed the distribution described in the registration statement relating thereto, whichever first occurs.

(e) Indemnification.

(i) The Corporation will indemnify each Stockholder, if participating in a Piggyback Registration, and each of its agents, employees, controlling persons within the meaning of the Securities Act, officers, directors and partners and each underwriter, if any, participating in such registration and each person which controls any such underwriter within the meaning of the Securities Act, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement, prospectus, offering circular or other document incident to any such registration or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements contained therein not misleading, or any violation by the Corporation of the Securities Act or any rule or regulation thereunder applicable to the Corporation in connection with any such registration and will reimburse such Stockholder, each of its agents, employees, officers, directors and partners, and each person controlling such Stockholder and each such underwriter and each person which controls any such underwriter, for any legal and any other expenses

reasonably incurred by any such party in connection with investigating or defending any such claim, loss, damage, liability or action; provided, however, that the Corporation will not be liable in any such case to the extent that any such claim, loss, damage, liability, action or expense arises out of or is based on any untrue statement or omission based upon written information furnished to the Corporation by such Stockholder, or any such agent, employee, officer, director, partner or controlling person or any underwriter or controlling person thereof and stated to be specifically for use therein.

(ii) Each Stockholder will, if shares of Common Stock held by it are included in the securities as to which a Piggyback Registration is being effected, indemnify the Corporation and each of its employees, agents, controlling persons within the meaning of the Securities Act, directors, partners and officers and each underwriter, if any, participating in such registration and each person which controls any such underwriter within the meaning of the Securities Act, and each other stockholder participating in such registration and each of their agents, employees, controlling persons within the meaning of the Securities Act, officers, directors and partners, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement, prospectus, offering circular or other document incident to such registration or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements contained therein not misleading, or any violation by such Stockholder of the Securities Act or any rule or regulation thereunder applicable to such Stockholder in connection with any such registration and will reimburse the Corporation and such other stockholders and each of their agents, employees, directors, officers, partners, underwriters and control persons for any legal

or any other expenses reasonably incurred by any such party in connection with investigating or defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement, prospectus, offering circular or other document in reliance upon and in conformity with written information furnished to the Corporation by such Stockholder or any agent, employee, officer, director, partner or controlling person thereof and stated to be specifically for use therein; provided, however, that the obligations of each Stockholder hereunder are several only and not joint and the aggregate obligations of each Stockholder hereunder shall be limited to an amount equal to the gross proceeds received by such Stockholder from the offering of the shares of Common Stock registered by such Stockholder.

(iii) Each party entitled to indemnification under this Section 9(e) (the "Indemnified Party") shall give notice to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom; provided that the Indemnified Party may participate in such defense at such Indemnified Party's expense, and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section 9(e). The parties to this Agreement reserve any rights to make a claim under this Agreement for damages actually incurred by reason of any failure of the Indemnified Party to give prompt notice of a claim. To the extent counsel for the Indemnifying Party shall have a conflict in representing both an Indemnified Party and the Indemnifying Party or if an Indemnifying Party does not

assume the defense of any such claim or litigation, the Indemnified Party shall be entitled to separate counsel at the expense of the Indemnifying Party. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the prior consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation and the acknowledgement by the claimant or plaintiff to such Indemnified Party that there was no wrongdoing or culpability on the part of the Indemnified Party in respect to such claim or litigation. Each Indemnified Party shall furnish such information regarding itself or the claim in question as an Indemnifying Party may reasonably request in writing and as shall be reasonably required in connection with the defense of such claim and litigation resulting therefrom.

(f) Information Provided by Stockholders. Each Stockholder holding shares of Common Stock included in any Piggyback Registration shall furnish to the Corporation such information regarding such Stockholder and the intended method of disposition of its shares of Common Stock proposed by such Stockholder as the Corporation may reasonably request in writing and as shall be reasonably required in connection with any such Piggyback Registration. Each Stockholder agrees to sell its securities in accordance with the terms of any underwriting arrangements approved pursuant to Section 9(g) hereof and shall complete and execute all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably and customarily required under the terms of such underwriting arrangements.

(g) Selection of Underwriters. The Corporation shall have the right, in its sole discretion, to select the investment banker(s) and manager(s) in connection with any

Piggyback Registration (such banker(s) and manager(s) to be a firm or firms of nationally recognized standing), to administer the offering of any such registration of securities of the Corporation pursuant to this Section 9.

(h) Holdback Agreements. Each Stockholder hereby agrees that it shall not, to the extent requested by the Corporation or any underwriter of securities of the Corporation, sell or otherwise transfer or dispose of any shares of Common Stock for a period of up to 180 days following the effective date of a registration statement of the Corporation filed under the Securities Act.

(i) Delay of Registration. No Stockholder shall have any right to obtain or seek an injunction restraining or otherwise delaying any registration of the securities of the Corporation as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 9.

10. Preemptive Rights of the Other Stockholder.

(a) If at any time during the term of this Agreement the Corporation proposes to offer, issue, sell or otherwise dispose of shares of the Common Stock or any other class or series of common stock or preferred stock of the Company, or options, rights, warrants, conversion rights or appreciation rights relating thereto, or any other type of equity security that the Corporation may lawfully issue (collectively, the "Equity Securities") to any person or entity, (i) the Corporation shall, prior to any such issuance or sale, give written notice (a "Preemptive Notice") to the Other Stockholder setting forth the purchase price of such Equity Securities, the type and aggregate number of Equity Securities to be so offered, issued, sold or otherwise disposed of, the terms and conditions of such offer, issuance, sale or other disposition and the rights, powers and duties inhering in such additional Equity Securities

and (ii) the Other Stockholder shall have the right (the "Preemptive Right") to acquire the percentage of such Equity Securities proposed to be so offered, issued, sold or otherwise disposed of equal to the number of shares of Common Stock then held by the Other Stockholder (other than shares of Common Stock acquired through the exercise of stock options) divided by the aggregate number of shares of the Corporation's Common Stock and Preferred Stock outstanding immediately prior to such offer, issuance, sale or other disposition of Equity Securities; provided, however, that the terms and conditions of this Section 10 shall not apply to any offer, issuance, sale or other disposition of (i) Equity Securities or rights to acquire Equity Securities to any person or entity (other than the Principal Stockholders) pursuant to a stock option plan established by the Corporation for the benefit of its employees, officers, directors, agents or consultants, or otherwise granted to an employee of the Corporation (other than the Principal Stockholders) in connection with such person or entity's employment by the Corporation; (ii) Equity Securities or rights to acquire Equity Securities to a person or entity (other than the Principal Stockholders, or entities controlled by any of them) in connection with the acquisition by the Corporation of all or a substantial portion of the stock, assets or business of such person or entity; (iii) Equity Securities or rights to acquire Equity Securities to a financial institution in connection with the making of, or the agreement to make, loans to, or other financial arrangements with, the Corporation by such financial institution; (iv) Equity Securities or rights to acquire Equity Securities to a person or entity (other than the Principal Stockholders) in connection with license arrangements or other arm's-length business arrangements, so long as the aggregate number of Equity Securities issued in one or more transactions pursuant to this clause (iv) does not exceed twenty (20%) percent of the outstanding Equity Securities of the Company at any time; and (v) Equity Securities or

rights to acquire Equity Securities pursuant to any underwritten public offering of Equity Securities of the Corporation pursuant to an effective registration statement under the Securities Act.

(b) The Other Stockholder may exercise such Preemptive Right, in whole or in part, on the terms and conditions and for the purchase price set forth in the Preemptive Notice, by giving to the Corporation notice to such effect, within 20 days after the giving of the Preemptive Notice. After the expiration of such 20-day period, the Corporation shall have the power to offer, issue, sell and otherwise dispose of any or all of the Equity Securities referred to in the applicable Preemptive Notice as to which no Preemptive Right has been exercised but only upon the terms and conditions, and for a purchase price not lower than the purchase price, set forth in the Preemptive Notice. If the Corporation does not offer, issue, sell or otherwise dispose of the Equity Securities referred to in the applicable Preemptive Notice on the terms and conditions set forth in such Preemptive Notice within 120 days after the expiration of such 20-day period, then any subsequent proposal by the Corporation to offer, issue, sell or otherwise dispose of Equity Securities shall be subject to this Section 10.

11. Notices. All notices, offers and acceptances ("Notices") hereunder shall be in writing, signed by the party giving or making the same, and shall be delivered personally or sent by internationally recognized courier service or by telex or facsimile transmission to each party entitled to receive the same, at such party's last known address on the books of the Corporation, unless such party shall have previously notified in writing the party sending such Notice of a change of address, in which case it shall be sent to the new address. A copy of each such Notice shall also be sent in similar fashion to the Corporation and Rubin Baum Levin Constant & Friedman, 30 Rockefeller Plaza, 29th Floor, New York, New York 10112,

Attention: Barry A. Adelman, Esq. All Notices shall be deemed given when delivered, sent or transmitted in accordance herewith.

12. Miscellaneous.

(a) This Agreement contains the entire understanding of the parties hereto concerning the subject matter hereof and supersedes any and all prior agreements made by the parties with respect thereto and may not be amended, terminated or discharged, except by an instrument in writing, signed by the party to be charged.

(b) The provisions of this Agreement shall apply, to the full extent set forth herein with respect to the shares of Common Stock now or hereinafter owned by each Stockholder, to any and all securities of the Company or any successor or assign of the Company (whether by merger, consolidation or otherwise) that may be issued in respect of, in exchange for, or in substitution of such shares of Common Stock, and shall be appropriately adjusted for any stock dividends, stock splits, reverse splits, combinations, recapitalizations and the like occurring after the date hereof.

(c) This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, legatees, distributees, executors, administrators, successors and permitted assigns. This Agreement shall be binding upon any person to whom shares of Common Stock are transferred in violation of the provisions hereof, and the successors, assigns, heirs, legatees, distributees, executors and administrators of such transferee and the Corporation may refuse to permit the transfer of such stock on its books.

(d) Each of the parties agrees to execute and deliver any and all documents or other instruments and shall do or cause to be done all such acts or things as may reasonably be necessary or proper to carry out the purposes of this Agreement.

(e) This Agreement may be executed in counterparts, each of which shall be deemed an original, but which shall together constitute a single instrument.

(f) The parties hereto irrevocably consent that any suit, legal action or proceeding with respect to any of the rights or obligations arising directly or indirectly under or relating to this Agreement may be brought in any New York State or United States federal court located in the Borough of Manhattan, City and State of New York, and by execution and delivery of this Agreement each party hereby irrevocably submits to and accepts with regard to any such suit, legal action or proceeding, for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. Each party irrevocably consents to the service of process in any such suit, legal action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, return receipt requested, to it at its address set forth herein. The foregoing shall not limit the right of any party to serve process in any other manner permitted by law. Each party hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any suit, legal action or proceeding arising directly or indirectly under or relating to this Agreement in any court located in the Borough of Manhattan, City and State of New York is not a convenient forum for any such suit, legal action or proceeding. Each party hereby (i) irrevocably waives any right it may have under the laws of any jurisdiction to commence by publication any suit, legal action or proceeding with respect to this Agreement, and (ii) irrevocably agrees that any suit, legal action or proceeding commenced by it with respect to any rights or obligations arising directly or indirectly under or relating to this Agreement shall be brought exclusively in any New York State or United States federal court located in the Borough of Manhattan, City and State of New York.

(g) This Agreement shall be governed by the laws of the State of New York applicable to contracts made and wholly performed within that State.

(h) All captions and headings contained in this Agreement are for the convenience of the parties only and shall not affect the interpretation or construction of this Agreement.

IN WITNESS WHEREOF, the parties have signed and sealed this Agreement.

FORMFACTOR, INC.

By: /s/ Igor Y. Khandros

Igor Y. Khandros, Chairman
of the Board, Chief Executive Officer
and President

/s/ Igor Y. Khandros

IGOR KHANDROS

/s/ Susan Bloch

SUSAN BLOCH

/s/ Benjamin Eldridge

BENJAMIN ELDRIDGE

SCHEDULE A

Stockholders' Ownership of

Common Stock of FormFactor, Inc.

Stockholder	No. of Shares of Common Stock Owned
Igor Khandros	100
Susan Bloch	100
Benjamin Eldridge	1.05735

EXHIBIT 4.06

STOCKHOLDERS AGREEMENT

AGREEMENT, dated as of September 8, 1994, among FORMFACTOR, INC., a corporation organized under the laws of the State of Delaware (the "Corporation"), IGOR KHANDROS, having an address at 175 Clearbrook Road, Elmsford, New York 10523 ("IK"); SUSAN BLOCH, having an address at 175 Clearbrook Road, Elmsford, New York 10523 ("SB"; IK and SB are sometimes hereinafter referred to collectively as the "Principal Stockholders"); and CHARLES E. BAXLEY, P.C., a professional services corporation organized under the laws of the State of New York and having an address of 59 John Street, 5th Floor New York, New York 10038 (the "Other Stockholder"; the Principal Stockholders and the Other Stockholder are sometimes hereinafter referred to collectively as the "Stockholders").

W I T N E S S E T H:

WHEREAS, each of the Stockholders is the holder of the number of shares of the Corporation's common stock, no par value (the "Common Stock"), set forth on SCHEDULE A annexed hereto and made a part hereof; and

WHEREAS, the Stockholders desire to provide for continuity and stability in the affairs of the Corporation and to impose certain restrictions with respect to the transfer or other disposition of the Common Stock upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises, and the mutual representations, warranties, covenants, and agreements contained herein, the parties hereby agree as follows:

1. Restrictions on Disposition of Shares.

(a) The Other Stockholder shall not at any time during the period after the date of this Agreement and prior to the second (2nd) anniversary of the date of this Agreement

(the "Initial Holding Period"), sell, assign, transfer, grant a proxy to any person to vote or otherwise act in respect of, grant a participation in, grant a security interest in, pledge, encumber or otherwise dispose of, whether by operation of law or otherwise (any of the foregoing being referred to hereinafter as a "Disposition"), any shares of Common Stock, now owned or hereafter acquired by the Other Stockholder, other than to the Principal Stockholders or their designee or to an Other Stockholder Affiliate (as defined in Section 1(c) hereof), except with the Principal Stockholders' prior written consent.

(b) (i) At any time after the Initial Holding Period, the Other Stockholder shall not, without the prior written consent of the Principal Stockholders, effect a Disposition of any shares of Common Stock, now owned or hereafter acquired by the Other Stockholder, other than to the Principal Stockholders or their designee, or to the Corporation except upon the following terms and conditions: Notwithstanding the foregoing, if at any time after the expiration of the Initial Holding Period, the Other Stockholder desires to sell all or any portion of the shares of Common Stock held by the Other Stockholder (the "Offered Shares"), and the Other Stockholder shall have received an irrevocable bona fide, arm's-length, written offer (the "Bona Fide Offer") for the purchase of the Offered Shares, for cash, notes or other consideration, or any combination thereof, from a prospective purchaser (the "Prospective Purchaser"), the Other Stockholder shall give a notice in writing (the "Option Notice") to each of the Corporation and the Principal Stockholders containing a copy of the original executed Bona Fide Offer, setting forth the price and terms and conditions of the proposed sale, the name and address of the Prospective Purchaser, and the effective date of such Option Notice. For a period of 20 business days following the effective date of such Option Notice (the "Principal Stockholders' Option Period"), the Principal Stockholders shall have an option, on

the terms and conditions set forth in this Section 1(b), to purchase all or any portion of the Offered Shares. The Principal Stockholder's option may be exercised by giving a written counter-notice (a "Notice of Exercise") to the other Stockholder within the Principal Stockholders' Option Period, setting forth the number of the Offered Shares with respect to which the Principal Stockholders' option is exercised. If, upon the expiration of the Principal Stockholders' Option Period, the Principal Stockholders have failed to exercise their option to purchase all of the Offered Shares, then for a period of 15 business days following the expiration of the Principal Stockholders' Option Period (the "Corporation's Option Period"), the Corporation shall have an option on the terms and conditions set forth in this Section 1(b), to purchase all of the remaining Offered Shares.

The Corporation's option may be exercised by giving a Notice of Exercise to the Other Stockholder within the Corporation's Option Period, setting forth the number of the Offered Shares with respect to which the Corporation's option is exercised.

(i) Upon the timely giving of the Notice of Exercise by the Principal Stockholders and/or the Corporation, the Principal Stockholders and/or the Corporation, as the case may be, shall be obligated to purchase from the Other Stockholder, and the Other Stockholder shall be obligated to sell to the Principal Stockholders and/or the Corporation, as the case may be, the number of the Offered Shares with respect to which each such party's option has been exercised, at the price and on the terms and conditions specified in the Bona Fide Offer; provided, however, that if the Principal Stockholders and/or the Corporation do not give Notice(s) of Exercise setting forth their intention to purchase all of the Offered Shares, then in such event any Notice(s) of Exercise shall be null and void. If the Bona Fide Offer was for consideration consisting of other than cash or notes (or a combination thereof), or for

consideration consisting in part of other than cash or notes (or a combination thereof), then the consideration to be paid by the Principal Stockholders and/or the Corporation, as the case may be, for the Offered Shares shall consist of cash or notes, to the extent that the consideration in the Bona Fide Offer consisted of cash or notes, and, to the extent such consideration consisted of other than cash or notes, a cash consideration equal to the fair market value of such non-cash or non-note consideration set forth in the Bona Fide Offer, which fair market value shall promptly be determined by an investment banker mutually acceptable to the Other Stockholder, the Principal Stockholders and the Corporation. If such parties are unable to agree within 60 days after the expiration of the Corporation's Option Period, the appraisal shall be conducted by an investment banker designated, upon the application of the Other Stockholder, the Principal Stockholders or the Corporation, by the American Arbitration Association in New York, New York. The cost of the appraisal shall be borne equally by the Other Stockholder, on the one hand, and the Principal Stockholders and/or the Corporation, on the other hand (such share of the Principal Stockholders and/or the Corporation to be borne by each of such parties in proportion to the number of the Offered Shares with respect to which each such party's option has been exercised). The decision of such investment banker shall be final and binding upon the Other Stockholder, the Principal Stockholders and the Corporation, and each of their respective heirs, legatees, administrators, executors, successors and assigns.

(iii) If the Notice(s) of Exercise shall not have been duly given as to all of the Offered Shares as aforesaid by the Principal Stockholders and the Corporation, the Other Stockholder may, within a period of 60 days after the expiration of the Corporation's Option Period, sell the Offered Shares to the Prospective Purchaser upon the terms and conditions, and for a price not lower than the price, set forth in the Bona Fide Offer; provided,

however, that if the sale to the Prospective Purchaser is not completed within such 60-day period, the Offered Shares shall continue to remain subject to all the provisions of this Section 1(b). If the Other Stockholder obtains the right to sell the Offered Shares to a Prospective Purchaser pursuant to this Section 1(b), such Prospective Purchaser shall, as a condition to such sale, be required to execute and deliver a counterpart of this Agreement, whereby such Prospective Purchaser agrees to be subject to and bound by all of the terms and provisions of this Agreement to the same extent as the Stockholders party hereto.

(iv) The closing of any purchase by the Principal Stockholders or the Corporation under this Section 1(b) shall take place at the office of the Corporation or at such other place designated by the Corporation or the Principal Stockholders, as the case may be, on a date designated by the Corporation or the Principal Stockholders, as the case may be, which date shall not be more than 30 days following the expiration of the Principal Stockholders' or the Corporation's Option Period, as the case may be.

(c) Notwithstanding anything to the contrary contained herein, the Other Stockholder and any Other Stockholder Affiliate shall have the right at any time during the term of this Agreement and at any time during such party's lifetime or upon such party's death to transfer, whether by sale, by gift inter vivos, by will, or by laws of descent and distribution, or otherwise, all or any portion of the shares of Common Stock of the Corporation then owned by it to (i) the Other Stockholder's spouse, children or grandchildren, or (ii) a trust for the benefit of the Other Stockholder's spouse, children or grandchildren (each of the foregoing parties described in clauses (i)-(ii) above being an "Other Stockholder Affiliate" and being deemed to be included in the definition of the Other Stockholder for all purposes of this Agreement) and the provisions of Section 1(b) hereof shall not apply to any such transfer. Any

permitted assignee or designee of the Other Stockholder or an Other Stockholder Affiliate pursuant to this Section 1(c) shall, as a condition to such transfer, be required to execute and deliver a counterpart of this Agreement, whereby such party agrees to be subject to and bound by all of the terms and provisions of this Agreement to the same extent as the Stockholders party hereto, and unless such an agreement is so executed and delivered, such transfer shall be null and void.

2. Certain Prohibited Transfers. Notwithstanding anything to the contrary contained herein, the Other Stockholder shall not, at any time during the term of this Agreement, effect a Disposition of any shares of Common Stock, now owned or hereafter acquired by the Other Stockholder, to any person or entity engaged in any business that is competitive with any business then engaged in by the Corporation, or to any person or entity which directly or indirectly controls, or is controlled by, or is under common control with, any such person or entity.

3. Legend on Share Certificates. All certificates representing shares of Common Stock now or hereafter issued by the Corporation to any Stockholder or to any of such Stockholder's permitted assignees or designees shall be subject to this Agreement and shall bear the following legends:

> "The shares evidenced by this certificate or any certificate issued in exchange or transfer therefor are and will be subject to, and may not be transferred except in accordance with, the terms of a certain Stockholders Agreement, dated as of September 8, 1994 (as the same may be subsequently amended, modified, restated or supplemented), by and among certain stockholders of the Corporation and the Corporation, which agreement provides, among other things, for restrictions on the sale, transfer and disposition of the shares of the Corporation, an executed copy of which agreement is on file at the principal office of the Corporation."

"The shares evidenced by this certificate have not been registered under the Securities Act of 1933, as amended, or the securities laws of any state and may be offered and sold only if so registered or if the Corporation has been furnished with an opinion of counsel, reasonably satisfactory to the Corporation, to the effect that an exemption from such registration is available to the holder of the shares."

4. Term. The term of this Agreement shall commence as of the date first above written and shall continue until the earliest to occur of (a) the tenth (10th) anniversary of the date hereof; (b) the Corporation being adjudicated bankrupt or insolvent, or an order being entered, remaining unstayed by appeal or otherwise for 120 days, appointing a receiver or trustee for the Corporation, or for substantially all of its property, or approving a petition seeking reorganization or other similar relief under the bankruptcy or other similar laws of the United States or of any state, or the Corporation filing a petition seeking any of the foregoing or consenting thereto, or filing a petition to take advantage of any debtors' acts, or making a general assignment for the benefit of creditors, or admitting in writing its inability to pay its debts as they mature; (c) the consummation of an underwritten public offering of equity securities of the Corporation pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act") that provides gross proceeds to the Corporation of not less than $5,000,000; and (d) the termination of this Agreement pursuant to a written agreement executed by all of the parties hereto; provided, however, that the Stockholders' rights under Section 9 hereof shall survive any termination of this Agreement; and provided, further, however, that Section 1 of this Agreement shall terminate in any event on the fifth (5th) anniversary of the date hereof.

5. Representations and Warranties of the Corporation. The Corporation hereby acknowledges, represents and warrants to the Stockholders as follows:

(a) The Corporation is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware with full corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The Corporation's authorized capital stock consists of One Thousand Five Hundred (1,500) shares of Common Stock, of which 210.08259 shares are issued and outstanding. True and correct copies of the Certificate of Incorporation and the Restated By-laws of the Corporation are annexed hereto as SCHEDULES B and C, respectively.

(b) The Corporation has full power and authority (corporate or otherwise) to execute, deliver and perform this Agreement, and the execution, delivery and performance of this Agreement will not result in (i) the breach of or default under, with or without the giving of notice or passage of time, or both, its Certificate of Incorporation, By-Laws, any mortgage, indenture, contract, agreement or other arrangement to which it is a party or by which it or its properties may be bound, (ii) the violation of any law, statute, rule, decree, order, judgment or regulation binding upon it, or (iii) (except as contemplated by this Agreement) the creation or imposition of any lien or encumbrance on any of its properties or assets.

(c) This Agreement and all transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Corporation and constitute a legal, valid and binding obligation of the Corporation enforceable against it in accordance with its terms. The Board of Directors of the Corporation has adopted appropriate resolutions authorizing the Corporation to enter into this Agreement and undertaking to fulfill all the terms of this Agreement.

(d) The Corporation owns of record the patent applications listed on SCHEDULE D annexed hereto; provided, however, that the Corporation makes no

representation or warranty with respect to the patentability of any invention claimed on such SCHEDULE D or the validity or enforceability of any patent that may be issued to the Corporation.

6. Representations and Warranties of the Stockholders. Each of the Stockholders hereby acknowledges, represents and warrants to the remaining Stockholders and to the Corporation as follows:

(a) Such Stockholder owns the number of shares of the Common Stock set forth on SCHEDULE A annexed hereto, free and clear of all liens, claims, encumbrances, proxies, pledges, security interests, charges, encumbrances, title retention agreements or any other liability, claim or restriction on transferability of any nature whatsoever, other than pursuant to this Agreement.

(b) Such Stockholder has full power and authority to execute, deliver and perform this Agreement, and the execution, delivery and performance of this Agreement will not result in (i) the breach of or default under, with or without the giving of notice or passage of time, or both, any mortgage, indenture, contract, agreement or other arrangement to which it is a party or by which it or its properties may be bound, (ii) the violation of any law, statute, rule, decree, order, judgment or regulation binding upon it, or (iii) (except as contemplated by this Agreement) the creation or imposition of any lien or encumbrance on any of its properties or assets.

7. Tag Along Rights.

(a) Subject to the provisions of Section 7(c) hereof, neither of the Principal Stockholders shall, during the term of this Agreement, sell, transfer or otherwise dispose of any of the shares of Common Stock either of them beneficially owns in the Corporation to any

party if such sale, transfer or other disposition would cause the aggregate number of shares of Common Stock proposed to be sold and previously sold, transferred or otherwise disposed of by the Principal Stockholders to any party or parties (other than a Principal Stockholders Affiliate, as hereinafter defined) to exceed fifteen (15%) percent of the aggregate number of shares of Common Stock in the Corporation held by the Principal Stockholders on the date hereof as set forth on SCHEDULE A hereof (subject to appropriate adjustment, upward or downward, to reflect any subsequent stock dividend, stock split, combination of shares, recapitalization or other similar event (collectively "Subsequent Events")) unless the Principal Stockholders shall first notify the Other Stockholder in writing of the terms and conditions of such proposed sale, transfer or other disposition which, together with any shares of Common Stock previously sold, transferred or otherwise disposed of by the Principal Stockholders, would cause the Principal Stockholders to have disposed of more than 15% of the aggregate number of shares of Common Stock in the Corporation held by the Principal Stockholders on the date hereof as set forth on SCHEDULE A hereof (subject to appropriate adjustment, upward or downward, to reflect Subsequent Events) and shall obtain for the other Stockholder prior to any such sale, transfer or other disposition, a put option for a period of at least 15 days to sell, transfer or otherwise dispose to such person on the same per share terms and at the same per share price as the proposed sale, transfer or other disposition by the Principal Stockholders, up to that number of shares of Common Stock then owned by the Other Stockholder that bears the same proportion to the total number of shares of Common Stock at the time owned by the Other Stockholder as the number of shares of Common Stock being sold, transferred or otherwise disposed of by the Principal Stockholders bears to the total number of shares of Common Stock at the time owned by the Principal Stockholders.

(b) In order to exercise such put option, the other Stockholder must, within 15 days after the giving of the notice of a proposed sale, transfer or other disposition of the Common Stock by the Principal Stockholders referred to in Section 6(a) hereof, deliver to the Principal Stockholders written notice that the Other Stockholder has elected to sell, transfer or otherwise dispose of the Other Stockholder's shares of Common Stock pursuant to this Section 7 upon the same terms and at the same per share price as the proposed sale, transfer or other disposition by the Principal Stockholders, whereupon such sale, transfer or other disposition by the Other Stockholder shall be completed contemporaneously with the proposed sale, transfer or other disposition by the Principal Stockholders.

(c) Notwithstanding anything to the contrary contained in this Section 7, either or both of the Principal Stockholders, or any Principal Stockholders Affiliate, shall have the right at any time during the term of this Agreement to transfer, whether by sale, by gift inter vivos, by will, or by laws of descent and distribution, or otherwise, all or any portion of the shares of Common Stock of the Corporation then owned by it to (i) any such party's spouse, children or grandchildren, or (ii) a trust for the benefit of any such party or such party's spouse, children or grandchildren (each of the foregoing parties described in clauses (i)-(ii) above being a "Principal Stockholders Affiliate" and being deemed to be included in the definition of the Principal Stockholders for all purposes of this Agreement) and the provisions of Section 7(a) hereof shall not apply to any such transfer. Any permitted assignee or designee of either or both of the Principal Stockholders or any Principal Stockholders Affiliate thereof pursuant to this Section 7(c) shall, as a condition to such transfer, be required to execute and deliver a counterpart of this Agreement, whereby such party agrees to be subject to and bound by all of the terms and provisions of this Agreement to the same extent as the Stockholders

party hereto, and unless such an agreement is so executed and delivered, such transfer shall be null and void.

8. Drag Along. At any time prior to the time the Principal Stockholders cease to own less than forty (40%) percent of the issued and outstanding shares of Common Stock of the Corporation, the Principal Stockholders may, if they elect (the "Drag Along Election") at any time during such period to sell all of their shares of Common Stock to a bona fide third-party purchaser not related to, controlled by or under common control with the Principal Stockholders, cause a sale of all of the then issued and outstanding shares of Common Stock of the Corporation owned by the Other Stockholder to be made to such third-party purchaser in an arm's-length transaction for cash and/or registered, freely marketable securities. Any such sale of all of the issued and outstanding shares of the Corporation held by the Other Stockholder must be made on the same terms and conditions, including the price per share, upon which the Principal Stockholders have agreed to sell all of their shares of Common Stock to the third-party purchaser. The Principal Stockholders can trigger a Drag Along Election by providing a written notice of such election (the "Drag Along Notice") to the Other Stockholder, such Drag Along Notice to include the price per share being paid to the Principal Stockholders by such third-party purchaser and the other material terms and conditions of such sale. Upon the Other Stockholder's receipt of a Drag Along Notice, the Other Stockholder shall fully cooperate with the Principal Stockholders and shall take all actions and steps to effect such sale as the Principal Stockholders may deem necessary, desirable or appropriate, including, without limitation, the prompt delivery to the Principal Stockholders of duly endorsed stock powers with respect to all of the shares of Common Stock at such time owned by the Other Stockholder.

9. Registration Rights.

(a) As used in this Section 9, the following terms shall have the following respective meanings:

"Commission" shall mean the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Public Offering" shall mean a firm commitment underwritten public offering of the Common Stock having aggregate minimum gross proceeds to the Corporation of $5,000,000 (based upon the then current market price or fair value estimated by the Corporation's underwriter or underwriters).

"Register", "registered" and "registration" shall refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act and the applicable rules and regulations promulgated thereunder, and the applicable rules and regulations promulgated thereunder, and the declaration or ordering of the effectiveness of such registration statement.

"Registration Expenses" shall mean all of the costs, fees and expenses incurred by the Corporation in compliance with this Section 9, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel for the Corporation (but not counsel for any Stockholder participating in the registration), blue sky fees and the expense of any audits incident to or required by any such registration.

(b) Piggyback Registrations.

(i) Right to Piggyback. Whenever the Corporation proposes to effectuate a Public Offering or to otherwise register any of its securities under the Securities

Act (other than a registration (A) on Form S-8 or S-4 or any successor or similar form, (B) relating to Common Stock issuable upon exercise of employee stock options or in connection with any employee benefit or similar plan of the Corporation, or (C) in connection with a direct or indirect acquisition by the Corporation of another company in a manner which would permit registration of Common Stock for sale to the public under the Securities Act) and the registration form to be used may be used for the registration of the shares of Common Stock of the Corporation (a "Piggyback Registration"), the Corporation will give prompt written notice (the "Piggyback Registration Notice") to each Stockholder and the other stockholders of the Corporation, if any, who may have similar piggyback registration rights of its intention to effect such a registration and will, subject to Section 9(b)(ii) hereof, use its best efforts to include in such registration all of the shares of Common Stock with respect to which the Corporation has received written requests from any Stockholder and such other stockholders of the Corporation for inclusion therein within 45 days after the date of the Corporation's Piggyback Registration Notice to the Stockholders and such other stockholders.

(ii) Priority on Piggyback Registrations. Notwithstanding any provision to the contrary contained herein, if a Piggyback Registration is an underwritten primary registration on behalf of the Corporation, and the Corporation's underwriter or underwriters advise the Corporation in writing that the number of securities requested to be included in such registration by the Corporation and the Stockholders and other stockholders of the Corporation exceeds the number of securities which in the estimation of such underwriter or underwriters can reasonably be expected to be sold in such offering, or if such underwriter determines that the sale of shares by selling stockholders in such offering would in any way adversely affect the offering by the Corporation, the Corporation will include in such

registration (1) first, the securities the Corporation proposes to sell, and (2) second, if and only if additional shares of Common Stock can be included in such registration in the estimation of the Corporation's underwriter or underwriters, the shares of Common Stock, if any, which were requested by the Stockholders and the other stockholders to be included in such registration, on a pro rata basis with respect to each such Stockholder and other stockholders based upon its respective percentage ownership of the aggregate number of shares of Common Stock requested to be included in such registration by all of the stockholders of the Corporation electing to participate in such registration. No such reduction shall reduce the securities being offered by the Corporation for its own account to be included in the registration and underwriting. If any Stockholder or any other stockholder disapproves of the terms of any such underwriting, it may elect to withdraw therefrom by written notice to the Corporation and the Corporation's underwriter, delivered at least 25 days prior to the effective date of the registration statement. Any shares of Common Stock excluded or withdrawn from such underwriting shall be withdrawn from the registration. All Stockholders and other stockholders proposing to distribute their shares of Common Stock through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected by the Corporation for such underwriting.

(c) Registration Expenses. In the event of a Piggyback Registration, the Corporation shall bear all of the Registration Expenses except that each Stockholder and each of the other stockholders of the Corporation participating in a Piggyback Registration shall be responsible for (i) its own legal fees and expenses in connection with such registration and (ii) its proportionate share of all fees and commissions payable to brokers and underwriters in connection with such registration, such proportionate share to be equal to a fraction the

numerator of which is the number of shares of Common Stock being so registered by such Stockholder or other stockholder, as the case may be, and the denominator of which is the aggregate number of shares of Common Stock being registered by the Corporation and all of the stockholders of the Corporation (including the Stockholders) participating in such registration.

(d) Registration Procedures. In connection with any Piggyback Registration, the Corporation will use its best efforts to effect the registration and the sale of the securities offered thereby and the Corporation will as expeditiously as possible:

(i) prepare and file with the Commission a registration statement with respect to such securities, which registration statement will state that the Stockholders and other stockholders covered thereby may sell their shares of Common Stock under such registration statement and use its best efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements thereto, the Corporation will furnish to the counsel selected by a majority of the selling stockholders covered by such registration statement copies of all such documents proposed to be filed, which documents will be subject to the review of such counsel);

(ii) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for the period set forth in subparagraph (d)(vi) hereof and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement during such period;

(iii) furnish to each stockholder participating in such registration such number of copies of such registration statement, each amendment and supplement thereto, the

prospectus included in such registration statement (including each preliminary prospectus) and such other documents as such stockholder may reasonably request in order to facilitate the public offering of the securities covered by such registration statement;

(iv) use its best efforts to register or qualify the shares of Common Stock offered pursuant to such registration by the Stockholders under such other securities or blue sky laws of such jurisdictions as any Stockholder reasonably requests and do any and all other acts and things which may be reasonably necessary or advisable to enable each Stockholder to consummate the disposition in such jurisdictions of the shares of Common Stock owned by such Stockholder (provided that the Corporation will not be required to (1) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subparagraph, (2) subject itself to taxation in any such jurisdiction, or (3) consent to general service of process in any such jurisdiction, and provided further that notwithstanding any provision to the contrary contained herein, if any jurisdiction in which such shares of Common Stock shall be qualified shall require that expenses in that jurisdiction be borne by the stockholders participating in the registration rather than the Corporation, then such expenses shall be payable by the stockholders participating in the registration pro rata (based upon the percentage ownership of each stockholder of shares of Common Stock being registered with respect to all of the shares of Common Stock being registered by all of the stockholders), to the extent required by such jurisdiction);

(v) notify each stockholder selling shares of Common Stock, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such registration statement contains an untrue statement of a material fact or omits to state any fact necessary to

make the statements contained therein not misleading, and, at the request of any such stockholder, the Corporation will prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such securities, such prospectus will not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading; and

(vi) keep such registration effective for a period of 90 days or until the selling stockholders have completed the distribution described in the registration statement relating thereto, whichever first occurs.

(e) Indemnification.

(i) The Corporation will indemnify each Stockholder, if participating in a Piggyback Registration, and each of its agents, employees, controlling persons within the meaning of the Securities Act, officers, directors and partners and each underwriter, if any, participating in such registration and each person which controls any such underwriter within the meaning of the Securities Act, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement, prospectus, offering circular or other document incident to any such registration or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements contained therein not misleading, or any violation by the Corporation of the Securities Act or any rule or regulation thereunder applicable to the Corporation in connection with any such registration and will reimburse such Stockholder, each of its agents, employees, officers, directors and partners, and each person controlling such Stockholder and each such underwriter and each person which controls any such underwriter, for any legal and any other expenses

reasonably incurred by any such party in connection with investigating or defending any such claim, loss, damage, liability or action; provided, however, that the Corporation will not be liable in any such case to the extent that any such claim, loss, damage, liability, action or expense arises out of or is based on any untrue statement or omission based upon written information furnished to the Corporation by such Stockholder, or any such agent, employee, officer, director, partner or controlling person or any underwriter or controlling person thereof and stated to be specifically for use therein.

(ii) Each Stockholder will, if shares of Common Stock held by it are included in the securities as to which a Piggyback Registration is being effected, indemnify the Corporation and each of its employees, agents, controlling persons within the meaning of the Securities Act, directors, partners and officers and each underwriter, if any, participating in such registration and each person which controls any such underwriter within the meaning of the Securities Act, and each other stockholder participating in such registration and each of their agents, employees, controlling persons within the meaning of the Securities Act, officers, directors and partners, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement, prospectus, offering circular or other document incident to such registration or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements contained therein not misleading, or any violation by such Stockholder of the Securities Act or any rule or regulation thereunder applicable to such Stockholder in connection with any such registration and will reimburse the Corporation and such other stockholders and each of their agents, employees, directors, officers, partners, underwriters and control persons for any legal

or any other expenses reasonably incurred by any such party in connection with investigating or defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement, prospectus, offering circular or other document in reliance upon and in conformity with written information furnished to the Corporation by such Stockholder or any agent, employee, officer, director, partner or controlling person thereof and stated to be specifically for use therein; provided, however, that the obligations of each Stockholder hereunder are several only and not joint and the aggregate obligations of each Stockholder hereunder shall be limited to an amount equal to the gross proceeds received by such Stockholder from the offering of the shares of Common Stock registered by such Stockholder.

(iii) Each party entitled to indemnification under this Section 9(e) (the "Indemnified Party") shall give notice to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom; provided that the Indemnified Party may participate in such defense at such Indemnified Party's expense, and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section 9(e). The parties to this Agreement reserve any rights to make a claim under this Agreement for damages actually incurred by reason of any failure of the Indemnified Party to give prompt notice of a claim. To the extent counsel for the Indemnifying Party shall have a conflict in representing both an Indemnified Party and the Indemnifying Party or if an Indemnifying Party does not

assume the defense of any such claim or litigation, the Indemnified Party shall be entitled to separate counsel at the expense of the Indemnifying Party. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the prior consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation and the acknowledgement by the claimant or plaintiff to such Indemnified Party that there was no wrongdoing or culpability on the part of the Indemnified Party in respect to such claim or litigation. Each Indemnified Party shall furnish such information regarding itself or the claim in question as an Indemnifying Party may reasonably request in writing and as shall be reasonably required in connection with the defense of such claim and litigation resulting therefrom.

(f) Information Provided by Stockholders. Each Stockholder holding shares of Common Stock included in any Piggyback Registration shall furnish to the Corporation such information regarding such Stockholder and the intended method of disposition of its shares of Common Stock proposed by such Stockholder as the Corporation may reasonably request in writing and as shall be reasonably required in connection with any such Piggyback Registration. Each Stockholder agrees to sell its securities in accordance with the terms of any underwriting arrangements approved pursuant to Section 9(g) hereof and shall complete and execute all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably and customarily required under the terms of such underwriting arrangements.

(g) Selection of Underwriters. The Corporation shall have the right, in its sole discretion, to select the investment banker(s) and manager(s) in connection with any

Piggyback Registration (such banker(s) and manager(s) to be a firm or firms of nationally recognized standing), to administer the offering of any such registration of securities of the Corporation pursuant to this Section 9.

(h) Holdback Agreements. Each Stockholder hereby agrees that it shall not, to the extent requested by the Corporation or any underwriter of securities of the Corporation, sell or otherwise transfer or dispose of any shares of Common Stock for a period of up to 180 days following the effective date of a registration statement of the Corporation filed under the Securities Act.

(i) Delay of Registration. No Stockholder shall have any right to obtain or seek an injunction restraining or otherwise delaying any registration of the securities of the Corporation as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 9.

10. Preemptive Rights of the Other Stockholder.

(a) If at any time during the term of this Agreement the Corporation proposes to offer, issue, sell or otherwise dispose of shares of the Common Stock or any other class or series of common stock or preferred stock of the Company, or options, rights, warrants, conversion rights or appreciation rights relating thereto, or any other type of equity security that the Corporation may lawfully issue (collectively, the "Equity Securities") to any person or entity, (i) the Corporation shall, prior to any such issuance or sale, give written notice (a "Preemptive Notice") to the Other Stockholder setting forth the purchase price of such Equity Securities, the type and aggregate number of Equity Securities to be so offered, issued, sold or otherwise disposed of, the terms and conditions of such offer, issuance, sale or other disposition and the rights, powers and duties inhering in such additional Equity Securities

and (ii) the Other Stockholder shall have the right (the "Preemptive Right") to acquire the percentage of such Equity Securities proposed to be so offered, issued, sold or otherwise disposed of equal to the number of shares of Common Stock then held by the Other divided by the aggregate number of shares of the Corporation's Common Stock and Preferred Stock outstanding immediately prior to such offer, issuance, sale or other disposition of Equity Securities; provided, however, that the terms and conditions of this Section 10 shall not apply to any offer, issuance, sale or other disposition of (i) Equity Securities or rights to acquire Equity Securities to any person or entity (other than the Principal Stockholders) pursuant to a stock option plan established by the Corporation for the benefit of its employees, officers, directors, agents or consultants, or otherwise granted to an employee of the Corporation (other than the Principal Stockholders) in connection with such person or entity's employment by the Corporation; (ii) Equity Securities or rights to acquire Equity Securities to a person or entity (other than the Principal Stockholders, or entities controlled by any of them) in connection with the acquisition by the Corporation of all or a substantial portion of the stock, assets or business of such person or entity; (iii) Equity Securities or rights to acquire Equity Securities to a financial institution in connection with the making of, or the agreement to make, loans to, or other financial arrangements with, the Corporation by such financial institution; (iv) Equity Securities or rights to acquire Equity Securities to a person or entity (other than the Principal Stockholders) in connection with license arrangements or other arm's-length business arrangements, so long as the aggregate number of Equity Securities issued in one or more transactions pursuant to this clause (iv) does not exceed twenty (20%) percent of the outstanding Equity Securities of the Company at any time; and (v) Equity Securities or rights

to acquire Equity Securities pursuant to any underwritten public offering of Equity Securities of the Corporation pursuant to an effective registration statement under the Securities Act.

(b) The Other Stockholder may exercise such Preemptive Right, in whole or in part, on the terms and conditions and for the purchase price set forth in the Preemptive Notice, by giving to the Corporation notice to such effect, within 20 days after the giving of the Preemptive Notice. After the expiration of such 20-day period, the Corporation shall have the power to offer, issue, sell and otherwise dispose of any or all of the Equity Securities referred to in the applicable Preemptive Notice as to which no Preemptive Right has been exercised but only upon the terms and conditions, and for a purchase price not lower than the purchase price, set forth in the Preemptive Notice. If the Corporation does not offer, issue, sell or otherwise dispose of the Equity Securities referred to in the applicable Preemptive Notice on the terms and conditions set forth in such Preemptive Notice within 120 days after the expiration of such 20-day period, then any subsequent proposal by the Corporation to offer, issue, sell or otherwise dispose of Equity Securities shall be subject to this Section 10.

11. Notices. All notices, offers and acceptances ("Notices") hereunder shall be in writing, signed by the party giving or making the same, and shall be delivered personally or sent by internationally recognized courier service or by telex or facsimile transmission to each party entitled to receive the same, at such party's last known address on the books of the Corporation, unless such party shall have previously notified in writing the party sending such Notice of a change of address, in which case it shall be sent to the new address. A copy of each such Notice shall also be sent in similar fashion to the Corporation and Rubin Baum Levin Constant & Friedman, 30 Rockefeller Plaza, 29th Floor, New York, New York 10112,

Attention: Barry A. Adelman, Esq. All Notices shall be deemed given when delivered, sent or transmitted in accordance herewith.

12. Miscellaneous.

(a) This Agreement contains the entire understanding of the parties hereto concerning the subject matter hereof and supersedes any and all prior agreements made by the parties with respect thereto and may not be amended, terminated or discharged, except by an instrument in writing, signed by the party to be charged.

(b) The provisions of this Agreement shall apply, to the full extent set forth herein with respect to the shares of Common Stock now or hereinafter owned by each Stockholder, to any and all securities of the Company or any successor or assign of the Company (whether by merger, consolidation or otherwise) that may be issued in respect of, in exchange for, or in substitution of such shares of Common Stock, and shall be appropriately adjusted for any stock dividends, stock splits, reverse splits, combinations, recapitalizations and the like occurring after the date hereof.

(c) This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, legatees, distributees, executors, administrators, successors and permitted assigns. This Agreement shall be binding upon any person to whom shares of Common Stock are transferred in violation of the provisions hereof, and the successors, assigns, heirs, legatees, distributees, executors and administrators of such transferee and the Corporation may refuse to permit the transfer of such stock on its books.

(d) Each of the parties agrees to execute and deliver any and all documents or other instruments and shall do or cause to be done all such acts or things as may reasonably be necessary or proper to carry out the purposes of this Agreement.

(e) This Agreement may be executed in counterparts, each of which shall be deemed an original, but which shall together constitute a single instrument.

(f) The parties hereto irrevocably consent that any suit, legal action or proceeding with respect to any of the rights or obligations arising directly or indirectly under or relating to this Agreement may be brought in any New York State or United States federal court located in the Borough of Manhattan, City and State of New York, and by execution and delivery of this Agreement each party hereby irrevocably submits to and accepts with regard to any such suit, legal action or proceeding, for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. Each party irrevocably consents to the service of process in any such suit, legal action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, return receipt requested, to it at its address set forth herein. The foregoing shall not limit the right of any party to serve process in any other manner permitted by law. Each party hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any suit, legal action or proceeding arising directly or indirectly under or relating to this Agreement in any court located in the Borough of Manhattan, City and State of New York is not a convenient forum for any such suit, legal action or proceeding. Each party hereby (i) irrevocably waives any right it may have under the laws of any jurisdiction to commence by publication any suit, legal action or proceeding with respect to this Agreement, and (ii) irrevocably agrees that any suit, legal action or proceeding commenced by it with respect to any rights or obligations arising directly or indirectly under or relating to this Agreement shall be brought exclusively in any New York State or United States federal court located in the Borough of Manhattan, City and State of New York.

(g) This Agreement shall be governed by the laws of the State of New York applicable to contracts made and wholly performed within that State.

(h) All captions and headings contained in this Agreement are for the convenience of the parties only and shall not affect the interpretation or construction of this Agreement.

IN WITNESS WHEREOF, the parties have signed and sealed this Agreement.

FORMFACTOR, INC.

By: /s/ Igor Y. Khandros

Igor Y. Khandros, Chairman
of the Board, Chief Executive Officer
and President

/s/ Igor Y. Khandros

IGOR KHANDROS

/s/ Susan Bloch

SUSAN BLOCH
CHARLES E. BAXLEY, P.C.

By: /s/ Charles E. Baxley

Title: President

SCHEDULE A

Stockholders' Ownership of

Common Stock of FormFactor, Inc.

Stockholder	No. of Shares of Common Stock Owned
Igor Khandros	100
Susan Bloch	100
Charles E. Baxley, P.C.	1.05735

EXHIBIT 10.02

FORMFACTOR, INC.

1995 STOCK PLAN

1. Purposes of the Plan. The purposes of this Stock Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees and Consultants of the Company and its Subsidiaries and to promote the success of the Company's business. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant of an Option and subject to the applicable provisions of Section 422 of the Code and the regulations promulgated thereunder. Stock Purchase Rights may also be granted under the Plan.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Administrator" means the Board or any of its Committees appointed pursuant to Section 4 of the Plan.

(b) "Board" means the Board of Directors of the Company.

(c) "Code" means the Internal Revenue Code of 1986, as amended.

(d) "Committee" means a Committee appointed by the Board of Directors in accordance with Section 4 of the Plan.

(e) "Common Stock" means the Common Stock of the Company.

(f) "Company" means FormFactor, Inc., a Delaware corporation.

(g) "Consultant" means any person who is engaged by the Company or any Parent or Subsidiary to render consulting or advisory services and is compensated for such services, and any Director of the Company whether compensated for such services or not. If the Company registers any class of any equity security pursuant to the Exchange Act, the term Consultant shall thereafter not include Directors who are not compensated for their services or are paid only a Director's fee by the Company.

(h) "Continuous Status as an Employee or Consultant" means that the employment or consulting relationship with the Company, any Parent or Subsidiary is not interrupted or terminated. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor. A leave of absence approved by the Company shall include sick leave, military leave, or any other personal leave approved by an authorized representative of the Company. For purposes of Incentive Stock Options, no such leave may exceed ninety (90) days, unless reemployment upon expiration of such leave is guaranteed by statute or contract, including Company policies. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, on the ninety-first (91st) day of such leave any Incentive Stock

Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option.

(i) "Director" means a member of the Board of Directors of the Company.

(j) "Employee" means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. The payment of a Director's fee by the Company shall not be sufficient to constitute "employment" by the Company.

(k) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(l) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day prior to the time of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean between the high bid and low asked prices for the Common Stock on the last market trading day prior to the day of determination; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Administrator.

(m) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(n) "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(o) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(p) "Option" means a stock option granted pursuant to the Plan.

(q) "Optioned Stock" means the Common Stock subject to an Option or a Stock Purchase Right.

(r) "Optionee" means an Employee or Consultant who receives an Option or Stock Purchase Right.

(s) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(t) "Plan" means this 1995 Stock Plan.

(u) "Restricted Stock" means shares of Common Stock acquired pursuant to a grant of a Stock Purchase Right under Section 11 below.

(v) "Section 16(b)" means Section 16(b) of the Securities Exchange Act of 1934, as amended.

(w) "Share" means a share of the Common Stock, as adjusted in accordance with Section 12 below.

(x) "Stock Purchase Right" means a right to purchase Common Stock pursuant to Section 11 below.

(y) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan. Subject to the provisions of Section 12 of the Plan, the maximum aggregate number of Shares which may be subject to option and sold under the Plan is 1,800,000 Shares. The Shares may be authorized but unissued, or reacquired Common Stock.

If an Option or Stock Purchase Right expires or becomes unexercisable without having been exercised in full, or is surrendered pursuant to an option exchange program, the unpurchased Shares which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated). However, Shares that have actually been issued under the Plan, upon exercise of either an Option or Stock Purchase Right, shall not be returned to the Plan and shall not become available for future distribution under the Plan, except that if Shares of Restricted Stock are repurchased by the Company at their original purchase price, and the original purchaser of such Shares did not receive any benefits of ownership of such Shares, such Shares shall become available for future grant under the Plan. For purposes of the preceding sentence, voting rights shall not be considered a benefit of Share ownership.

4. Administration of the Plan.

(a) Initial Plan Procedure. Prior to the date, if any, upon which the Company becomes subject to the Exchange Act, the Plan shall be administered by the Board or a Committee appointed by the Board.

(b) Plan Procedure After the Date, if any, upon Which the Company becomes Subject to the Exchange Act.

(i) Multiple Administrative Bodies. If permitted by Rule 16b-3, the Plan may be administered by different bodies with respect to Directors, Officers and Employees who are neither Directors nor Officers.

(ii) Administration With Respect to Directors and Officers. With respect to grants of Options and Stock Purchase Rights to Employees who are also Officers or Directors of the Company, the Plan shall be administered by (A) the Board if the Board may administer the Plan in compliance with the rules under Rule 16b-3 promulgated under the Exchange Act or any successor thereto ("Rule 16b-3") relating to the disinterested administration of employee benefit plans under which Section 16(b) exempt discretionary grants and awards of equity securities are to be made, or (B) a Committee designated by the Board to administer the Plan, which Committee shall be constituted to comply with the rules under Rule 16b-3 relating to the disinterested administration of employee benefit plans under which Section 16(b) exempt discretionary grants and awards of equity securities are to be made. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies, however caused, and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by the rules under Rule 16b-3 relating to the disinterested administration of employee benefit plans under which Section 16(b) exempt discretionary grants and awards of equities securities are to be made.

(iii) Administration With Respect to Other Employees and Consultants. With respect to grants of Options and Stock Purchase Rights to Employees or Consultants who are neither Directors nor Officers of the Company, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which committee shall be constituted in such a manner as to satisfy the legal requirements relating to the administration of incentive stock option plans, if any, of Delaware corporate and securities laws, of the Code, and of any applicable stock exchange (the "Applicable Laws"). Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies, however caused, and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by the Applicable Laws.

(c) Powers of the Administrator. Subject to the provisions of the Plan and, in the case of a Committee, the specific duties delegated by the Board to such Committee, and subject to the approval of any relevant authorities, including the approval, if required, of any stock exchange upon which the Common Stock is listed, the Administrator shall have the authority in its discretion:

(i) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(l) of the Plan;

(ii) to select the Consultants and Employees to whom Options and Stock Purchase Rights may from time to time be granted hereunder;

(iii) to determine whether and to what extent Options and Stock Purchase Rights or any combination thereof are granted hereunder;

(iv) to determine the number of Shares to be covered by each such award granted hereunder;

(v) to approve forms of agreement for use under the Plan;

(vi) to determine the terms and conditions of any award granted hereunder;

(vii) to determine whether and under what circumstances an Option may be settled in cash under subsection 9(f) instead of Common Stock;

(viii) to reduce the exercise price of any Option to the then current Fair Market Value if the Fair Market Value of the Common Stock covered by such Option has declined since the date the Option was granted; and

(ix) to construe and interpret the terms of the Plan and awards granted pursuant to the Plan.

(d) Effect of Administrator's Decision. All decisions, determinations and interpretations of the Administrator shall be final and binding on all Optionees and any other holders of any Options or Stock Purchase Rights.

5. Eligibility.

(a) Nonstatutory Stock Options and Stock Purchase Rights may be granted to Employees and Consultants. Incentive Stock Options may be granted only to Employees. An Employee or Consultant who has been granted an Option or Stock Purchase Right may, if otherwise eligible, be granted additional Options or Stock Purchase Rights.

(b) Each Option shall be designated in the written option agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Optionee during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds $100,000, such Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 5(b), Incentive Stock Options shall be taken into account in the order in which they were granted. The Fair Market Value of the Shares shall be determined as of the time the Option with respect to such Shares is granted.

(c) Neither the Plan nor any Option or Stock Purchase Right shall confer upon any Optionee any right with respect to continuation of his or her employment or consulting relationship with the Company, nor shall it interfere in any way with his or her right or the Company's right to terminate his or her employment or consulting relationship at any time, with or without cause.

(d) Upon the Company or a successor corporation issuing any class of common equity securities required to be registered under Section 12 of the Exchange Act or upon the Plan being assumed by a corporation having a class of common equity securities required to

be registered under Section 12 of the Exchange Act, the following limitations shall apply to grants of Options and Stock Purchase Rights to Employees:

(i) The foregoing limitations shall be adjusted proportionately in connection with any change in the Company's capitalization as described in Section 12.

(ii) If an Option or Stock Purchase Right is canceled in the same fiscal year of the Company in which it was granted (other than in connection with a transaction described in Section 12), the canceled Option or Stock Purchase Right shall be counted against the limit set forth in subsection (i) above. For this purpose, if the exercise price of an Option or Stock Purchase Right is reduced, such reduction will be treated as a cancellation of the Option or Stock Purchase Right and the grant of a new Option or Stock Purchase Right.

6. Term of Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board of Directors or its approval by the shareholders of the Company, as described in Section 18 of the Plan. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 14 of the Plan.

7. Term of Option. The term of each Option shall be the term stated in the Option Agreement; provided, however, that the term shall be no more than ten (10) years from the date of grant thereof. In the case of an Incentive Stock Option granted to an Optionee who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Option shall be five (5) years from the date of grant thereof or such shorter term as may be provided in the Option Agreement.

8. Option Exercise Price and Consideration.

(a) The per share exercise price for the Shares to be issued upon exercise of an Option shall be such price as is determined by the Administrator, but shall be subject to the following:

(i) In the case of an Incentive Stock Option

(A) granted to an Employee who, at the time of grant of such Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.

(B) granted to any other Employee, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Nonstatutory Stock Option

(A) granted to a person who, at the time of grant of such Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of the grant.

(B) granted to any other person, the per Share exercise price shall be no less than 85% of the Fair Market Value per Share on the date of grant.

(b) The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined at the time of grant). Such consideration may consist of (1) cash, (2) check, (3) promissory note, (4) other Shares which (x) in the case of Shares acquired upon exercise of an Option, have been owned by the Optionee for more than six months on the date of surrender, and (y) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option shall be exercised, (5) delivery of a properly executed exercise notice together with such other documentation as the Administrator and a broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price, or (6) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company.

9. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator, including performance criteria with respect to the Company and/or the Optionee, and as shall be permissible under the terms of the Plan, but in no case at a rate of less than 20% per year over five (5) years from the date the Option is granted.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment may, as authorized by the Administrator, consist of any consideration and method of payment allowable under Section 8(b) hereof. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote, receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate promptly upon exercise of the Option. No adjustment shall be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 12 hereof.

Exercise of an Option in any manner shall result in a decrease in the number of Shares which thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Employment or Consulting Relationship. In the event of termination of an Optionee's Continuous Status as an Employee or Consultant (but not in the event of an Optionee's change of status from Employee to Consultant (in which case an Employee's Incentive Stock Option shall automatically convert to a Nonstatutory Stock Option

on the date three (3) months and one day following such change of status) or from Consultant to Employee), such Optionee may, but only within such period of time as is determined by the Administrator, within a period of at least thirty (30) days, with such determination in the case of an Incentive Stock Option not exceeding three (3) months after the date of such termination (but in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), exercise his or her Option to the extent that the Optionee was entitled to exercise it at the date of such termination. To the extent that the Optionee was not entitled to exercise the Option at the date of such termination, or if the Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate.

(c) Disability of Optionee. In the event of termination of an Optionee's Continuous Status as an Employee or Consultant as a result of his or her disability, the Optionee may, but only within twelve (12) months from the date of such termination (and in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), exercise the Option to the extent otherwise entitled to exercise it at the date of such termination. If such disability is not a "disability" as such term is defined in Section 22(e)(3) of the Code, in the case of an Incentive Stock Option such Incentive Stock Option shall automatically cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option on the day three months and one day following such termination. To the extent that the Optionee was not entitled to exercise the Option at the date of termination, or if the Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(d) Death of Optionee. In the event of the death of an Optionee, the Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant) by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent that the Optionee was entitled to exercise the Option on the date of death. If, at the time of death, the Optionee was not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall immediately revert to the Plan. If, after the Optionee's death, the Optionee's estate or a person who acquires the right to exercise the Option by bequest or inheritance does not exercise the Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(e) Rule 16b-3. Options granted to persons subject to Section 16(b) of the Exchange Act must comply with Rule 16b-3 and shall contain such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

(f) Buyout Provisions. The Administrator may at any time offer to buy out for a payment in cash or Shares, an Option previously granted, based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

10. Non-Transferability of Options and Stock Purchase Rights. Options and Stock Purchase Rights may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in

any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

11. Stock Purchase Rights.

(a) Rights to Purchase. Stock Purchase Rights may be issued either alone, in addition to, or in tandem with other awards granted under the Plan and/or cash awards made outside of the Plan. After the Administrator determines that it will offer Stock Purchase Rights under the Plan, it shall advise the offeree in writing of the terms, conditions and restrictions related to the offer, including the number of Shares that such person shall be entitled to purchase, the price to be paid, and the time within which such person must accept such offer, which shall in no event exceed thirty (30) days from the date upon which the Administrator makes the determination to grant the Stock Purchase Right. The offer shall be accepted by execution of a Restricted Stock purchase agreement in the form determined by the Administrator. Shares purchased pursuant to the grant of a Stock Purchase Right shall be referred to herein as "Restricted Stock."

(b) Repurchase Option. Unless the Administrator determines otherwise, the Restricted Stock purchase agreement shall grant the Company a repurchase option exercisable upon the voluntary or involuntary termination of the purchaser's employment with the Company for any reason (including death or disability). The purchase price for Shares repurchased pursuant to the Restricted Stock purchase agreement shall be the original price paid by the purchaser and may be paid by cancellation of any indebtedness of the purchaser to the Company. The repurchase option shall lapse at such rate as the Administrator may determine, but in no case at a rate of less than 20% per year over five years from the date of purchase.

(c) Other Provisions. The Restricted Stock purchase agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator in its sole discretion. In addition, the provisions of Restricted Stock purchase agreements need not be the same with respect to each purchaser.

(d) Rights as a Shareholder. Once the Stock Purchase Right is exercised, the purchaser shall have rights equivalent to those of a shareholder and shall be a shareholder when his or her purchase is entered upon the records of the duly authorized transfer agent of the Company. No adjustment shall be made for a dividend or other right for which the record date is prior to the date the Stock Purchase Right is exercised, except as provided in Section 12 of the Plan.

12. Adjustments Upon Changes in Capitalization or Merger.

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, the number of shares of Common Stock covered by each outstanding Option or Stock Purchase Right, and the number of shares of Common Stock which have been authorized for issuance under the Plan but as to which no Options or Stock Purchase Rights have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option or Stock Purchase Right, as well as the price per share of Common Stock covered by each such outstanding Option or Stock Purchase Right, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting

from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company. The 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 Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance 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 or Stock Purchase Right.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify the Optionee at least fifteen (15) days prior to such proposed action. To the extent it has not been previously exercised, the Option or Stock Purchase Right shall terminate immediately prior to the consummation of such proposed action.

(c) Merger. In the event of a merger of the Company with or into another corporation, each outstanding Option or Stock Purchase Right may be assumed or an equivalent option or right may be substituted by such successor corporation or a parent or subsidiary of such successor corporation. If, in such event, an Option or Stock Purchase Right is not assumed or substituted, the Option or Stock Purchase Right shall terminate as of the date of the closing of the merger. For the purposes of this paragraph, the Option or Stock Purchase Right shall be considered assumed if, following the merger, the Option or Stock Purchase Right confers the right to purchase or receive, for each Share of Optioned Stock subject to the Option or Stock Purchase Right immediately prior to the merger, the consideration (whether stock, cash, or other securities or property) received in the merger by holders of Common Stock for each Share held on the effective date of the transaction (and if the holders are offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares). If such consideration received in the merger is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option or Stock Purchase Right, for each Share of Optioned Stock subject to the Option or Stock Purchase Right, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger.

13. Time of Granting Options and Stock Purchase Rights. The date of grant of an Option or Stock Purchase Right shall, for all purposes, be the date on which the Administrator makes the determination granting such Option or Stock Purchase Right, or such other date as is determined by the Administrator. Notice of the determination shall be given to each Employee or Consultant to whom an Option or Stock Purchase Right is so granted within a reasonable time after the date of such grant.

14. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or discontinue the Plan, but no amendment, alteration, suspension or discontinuation shall be made which would impair the rights of any Optionee under any grant theretofore made,

without his or her consent. In addition, to the extent necessary and desirable to comply with Rule 16b-3 under the Exchange Act or with Section 422 of the Code (or any other applicable law or regulation, including the requirements of the NASD or an established stock exchange), the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required.

(b) Effect of Amendment or Termination. Any such amendment or termination of the Plan shall not affect Options or Stock Purchase Rights already granted, and such Options and Stock Purchase Rights shall remain in full force and effect as if this Plan had not been amended or terminated, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and the Company.

15. Conditions Upon Issuance of Shares. Shares shall not be issued pursuant to the exercise of an Option or Stock Purchase Right unless the exercise of such Option or Stock Purchase Right and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange 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.

As a condition to the exercise of an Option or Stock Purchase Right, the Company may require the person exercising such Option or Stock Purchase Right to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned relevant provisions of law.

16. Reservation of Shares. The Company, during the term of this Plan, shall at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

17. Agreements. Options and Stock Purchase Rights shall be evidenced by written agreements in such form as the Administrator shall approve from time to time.

18. Shareholder Approval. Continuance of the Plan shall be subject to approval by the shareholders of the Company within twelve (12) months before or after the date the Plan is adopted. Such shareholder approval shall be obtained in the degree and manner required under applicable state and federal law and the rules of any stock exchange upon which the Common Stock is listed.

19. Information to Optionees and Purchasers. The Company shall provide to each Optionee and to each individual who acquires Shares pursuant to the Plan, not less frequently than annually during the period such Optionee or purchaser has one or more Options or Stock Purchase Rights outstanding, and, in the case of an individual who acquires Shares pursuant to the Plan, during the period such individual owns such Shares, copies of annual financial statements. The Company shall not be required to provide such statements to key employees whose duties in connection with the Company assure their access to equivalent information.

1995 FORMFACTOR, INC.
STOCK PLAN
STOCK OPTION AGREEMENT

Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Option Agreement.

I. NOTICE OF STOCK OPTION GRANT

You have been granted an option to purchase Common Stock of the Company, subject to the terms and conditions of the Plan and this Option Agreement, as follows:

Date of Grant _____

Vesting Commencement Date _____

Exercise Price per Share _____

Total Number of Shares Granted _____

Total Exercise Price _____

Type of Option: _____ Incentive Stock Option

_____ Nonstatutory Stock Option

Term/Expiration Date: _____

Vesting Schedule:

This Option may be exercised, in whole or in part, in accordance with the following schedule:

The Option shall not be exercisable during the first twelve months after the Vesting Commencement Date. On the first anniversary of the Vesting Commencement Date, provided the Optionee is then employed by the Company or any of its subsidiaries, the Option shall be exercisable as to twenty five (25%) percent of the shares covered by the Option.

The remaining Shares subject to the Option shall then vest on a monthly basis commencing one year after the Vesting Commencement Date in increments of 1/36 of the remaining Shares subject to the Option.

Termination Period:

This Option may be exercised for 30 days after termination of your employment or consulting relationship, or such longer period as may be applicable upon death or disability of Optionee as provided in the Plan. In the event of the Optionee's change in status from Employee to Consultant or Consultant to Employee, this Option Agreement shall remain in effect (although it may change from an Incentive Stock Option to a Nonstatutory Stock Option by virtue thereof). In no event shall this Option be exercised later than the Term/Expiration Date as provided above.

II. AGREEMENT

1. Grant of Option. FormFactor, Inc., a Delaware corporation (the "Company"), hereby grants to the Optionee named in the Notice of Grant (the "Optionee"), an option (the "Option") to purchase the total number of shares of Common Stock (the "Shares") set forth in the Notice of Grant, at the exercise price per share set forth in the Notice of Grant (the "Exercise Price") subject to the terms, definitions and provisions of the 1995 FormFactor Stock Plan (the "Plan") adopted by the Company, which is incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Option Agreement.

If designated in the Notice of Grant as an Incentive Stock Option ("ISO"), this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code. Nevertheless, to the extent that it exceeds the $100,000 rule of Code Section 422(d), this Option shall be treated as a Nonstatutory Stock Option ("NSO").

2. Exercise of Option.

(a) Right to Exercise. This Option shall be exercisable during its term in accordance with the Vesting Schedule set forth above in the Notice of Grant and with the applicable provisions of the Plan and this Option Agreement. In the event of Optionee's death, disability or other termination of the employment or consulting relationship, this Option shall be exercisable in accordance with the applicable provisions of the Plan and this Option Agreement. This Option may be exercised in whole or in part at any time as to shares which have not yet vested under the above vesting schedule; provided, however, that the Optionee shall execute as a condition to such exercise of this Option, a Restricted Stock Purchase Agreement with the Company.

(b) Method of Exercise. This Option shall be exercisable by written notice (in the form attached as Exhibit A) which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised, and such other representations and agreements as to the holder's investment intent with respect to such shares of Common Stock as may be required by the Company pursuant to the provisions of the Plan. Such written notice shall be signed by the Optionee and shall be delivered in person or by certified mail to the Secretary of the Company. The written notice shall be accompanied by payment of the Exercise Price. This Option shall be deemed to be exercised upon receipt by the Company of such written notice accompanied by the Exercise Price.

No Shares will be issued pursuant to the exercise of an Option unless such issuance and such exercise shall comply with all relevant provisions of law and the requirements of any stock exchange upon which the Shares may then be listed. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to the Optionee on the date on which the Option is exercised with respect to such Shares.

3. Optionee's Representations. In the event the Shares purchasable pursuant to the exercise of this Option have not been registered under the Securities Act of 1933, as amended, at the time this Option is exercised, Optionee shall, if required by the Company, concurrently with the exercise of all or any portion of this Option, deliver to the Company his or her Investment Representation Statement in the form attached hereto as Exhibit B, and shall read the applicable rules of the Commissioner of Corporations attached to such Investment Representation Statement.

4. Method of Payment. Payment of the Exercise Price shall be by any of the following, or a combination thereof, at the election of the Optionee:

(a) cash;

(b) check;

(c) surrender of other shares of Common Stock of the Company which (A) in the case of Shares acquired pursuant to the exercise of a Company option, have been owned by the Optionee for more than six (6) months on the date of surrender, and (B) have a Fair Market Value on the date of surrender equal to the Exercise Price of the Shares as to which the Option is being exercised; or

(d) delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the Exercise Price.

5. Restrictions on Exercise. This Option may not be exercised until such time as the Plan has been approved by the shareholders of the Company, or if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulation, including any rule under Part 207 of Title 12 of the Code of Federal Regulations ("Regulation G") as promulgated by the Federal Reserve Board.

6. Termination of Relationship. In the event an Optionee's Continuous Status as an Employee or Consultant terminates, Optionee may, to the extent otherwise so entitled at the date of such termination (the "Termination Date"), exercise this Option during the Termination Period set out

in the Notice of Grant. To the extent that Optionee was not entitled to exercise this Option at the date of such termination, or if Optionee does not exercise this Option within the time specified herein, the Option shall terminate.

7. Disability of Optionee. Notwithstanding the provisions of Section 6 above, in the event of termination of an Optionee's consulting relationship or Continuous Status as an Employee as a result of his or her disability. Optionee may, but only within twelve (12) months from the date of such termination (and in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), exercise the Option to the extent otherwise entitled to exercise it at the date of such termination; provided, however, that if such disability is not a "disability" as such term is defined in Section 22(e)(3) of the Code, in the case of an Incentive Stock Option such Incentive Stock Option shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option on the day three months and one day following such termination. To the extent that Optionee was not entitled to exercise the Option at the date of termination, or if Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

8. Death of Optionee. In the event of termination of Optionee's Continuous Status as an Employee or Consultant as a result of the death of Optionee, the Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the date of expiration of the term of this Option as set forth in Section 10 below), by Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent the Optionee could exercise the Option at the date of death.

9. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by Optionee. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

10. Term of Option. This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option. The limitations set out in Section 7 of the Plan regarding Options designated as Incentive Stock Options and Options granted to more than ten percent (10%) shareholders shall apply to this Option.

11. Tax Consequences. Set forth below is a brief summary as of the date of this Option of some of the federal and applicable state tax consequences of exercise of this Option and disposition of the Shares. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(a) Exercise of ISO. If this Option qualifies as an ISO, there will be no regular federal income tax liability or applicable state income tax liability upon the exercise of the Option, although the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price will be treated as an adjustment to the alternative minimum tax for federal tax purposes and may subject the Optionee to the alternative minimum tax in the year of exercise.

(b) Exercise of ISO Following Disability. If the Optionee's Continuous Status as an Employee or Consultant terminates as a result of disability that is not total and permanent disability

as defined in Section 22(e)(3) of the Code, to the extent permitted on the date of termination, the Optionee must exercise an ISO within three months of such termination for the ISO to be qualified as an ISO.

(c) Exercise of Nonstatutory Stock Option. There may be a regular federal income tax liability and applicable state income tax liability upon the exercise of a Nonstatutory Stock Option. The Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price. If Optionee is an Employee or a former Employee, the Company will be required to withhold from Optionee's compensation or collect from Optionee and pay to the applicable taxing authorities an amount in cash equal to a percentage of this compensation income at the time of exercise, and may refuse to honor the exercise and refuse to deliver Shares if such withholding amounts are not delivered at the time of exercise.

(d) Disposition of Shares. In the case of an NSO, if Shares are held for at least one year, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal and applicable state income tax purposes. In the case of an ISO, if Shares transferred pursuant to the Option are held for at least one year after exercise and are disposed of at least two years after the Date of Grant, any gain realized on disposition of the Shares will also be treated as long-term capital gain for federal and applicable state income tax purposes. If Shares purchased under an ISO are disposed of within such one-year period or within two years after the Date of Grant, any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates) to the extent of the difference between the Exercise Price and the lesser of (1) the Fair Market Value of the Shares on the date of exercise, or (2) the sale price of the Shares.

(e) Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Optionee herein is an ISO, and if Optionee sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (1) the date two years after the Date of Grant, or (2) the date one year after the date of exercise, the Optionee shall immediately notify the Company in writing of such disposition. Optionee agrees that Optionee may be subject to income tax withholding by the Company on the compensation income recognized by the Optionee.

(f) Section 83(b) Election for Unvested Shares Purchased Pursuant to Nonqualified Stock Options. With respect to the exercise of a nonqualified stock option for unvested Shares, an election may be filed by the Optionee with the Internal Revenue Service and, if necessary, the proper state taxing authorities, within 30 days of the purchase of the Shares, electing pursuant to Section 83(b) of the Code (and similar state tax provisions if applicable) to be taxed currently on any difference between the purchase price of the Shares and their Fair Market Value on the date of purchase. This will result in a recognition of taxable income to the Optionee on the date of exercise, measured by the excess, if any, of the fair market value of the Shares, at the time the Option is exercised over the purchase price for the Shares. Absent such an election, taxable income will be measured and recognized by Optionee at the time or times on which the Company's Repurchase Option lapses. Optionee is strongly encouraged to seek the advice of his or her own tax consultants in connection with the purchase of the Shares and the advisability of filing of the Election under Section 83(b) and similar tax provisions. A form of Election under Section 83(b) is attached hereto as Exhibit C for reference.

(g) Section 83(b) Election for Unvested Shares Purchased Pursuant to Incentive Stock Options. With respect to the exercise of an incentive stock option for unvested Shares, an election may be filed by the Optionee with the Internal Revenue Service and, if necessary, the proper state taxing authorities, within 30 days of the purchase of the Shares, electing pursuant to Section 83(b) of the Code (and similar state tax provisions if applicable) to be taxed currently on any difference between the purchase price of the Shares and their Fair Market Value on the date of purchase for alternative minimum tax purposes. This will result in a recognition of income to the Optionee on the date of exercise, for alternative minimum tax purposes, measured by the excess, if any, of the fair market value of the Shares, at the time the option is exercised, over the purchase price for the Shares. Absent such an election, alternative minimum taxable income will be measured and recognized by Optionee at the time or times on which the Company's Repurchase Option lapses. Optionee is strongly encouraged to seek the advice of his or her tax consultants in connection with the purchase of the Shares and the advisability of filing of the Election under Section 83(b) and similar tax provisions. A form of Election under Section 83(b) for alternative minimum tax purposes is attached hereto as Exhibit C for reference.

12. Entire Agreement: Governing Law. The Plan is incorporated herein by reference. The Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to the Optionee's interest except by means of a writing signed by the Company and Optionee. This agreement is governed by Delaware law except for that body of law pertaining to conflict of laws.

FormFactor, Inc., a Delaware corporation

By:

Igor Y. Khandros, President and CEO

OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE OPTION HEREOF IS EARNED ONLY BY CONTINUING CONSULTANCY OR EMPLOYMENT AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER). OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS AGREEMENT, NOR IN THE COMPANY'S STOCK OPTION PLAN WHICH IS INCORPORATED HEREIN BY REFERENCE, SHALL CONFER UPON OPTIONEE ANY RIGHT WITH RESPECT TO CONTINUATION OF EMPLOYMENT OR CONSULTANCY BY THE COMPANY NOR SHALL IT INTERFERE IN ANY WAY WITH OPTIONEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE OPTIONEE'S EMPLOYMENT OR CONSULTANCY AT ANY TIME WITH OR WITHOUT CAUSE.

Optionee acknowledges receipt of a copy of the Plan and represents that he is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions thereof. Optionee has reviewed the Plan and this Option in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option and fully understands all provisions of the

Option. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Option. Optionee further agrees to notify the Company upon any change in the residence address indicated below.

Dated: _____, 1997

Residence Address:

1995 FORMFACTOR, INC.
STOCK PLAN
STOCK OPTION AGREEMENT

Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Option Agreement.

I. NOTICE OF STOCK OPTION GRANT

You have been granted an option to purchase Common Stock of the Company, subject to the terms and conditions of the Plan and this Option Agreement, as follows:

Date of Grant _____

Vesting Commencement Date _____

Exercise Price per Share _____

Total Number of Shares Granted _____

Total Exercise Price _____

Type of Option: _____ Incentive Stock Option

_____ Nonstatutory Stock Option

Term/Expiration Date: _____

Vesting Schedule:

This Option is exercisable immediately, in whole or in part, conditioned upon Optionee entering into a Restricted Stock Purchase Agreement, in substantially the form attached hereto as Exhibit D, with respect to any unvested Option Shares. The Shares subject to this option shall vest and/or be released from the Company's repurchase option as set forth in the Restricted Stock Purchase Amendment, according to the following schedule:

The Shares subject to this Option shall not vest during the first twelve months after the Vesting Commencement Date. On the first anniversary of the Vesting Commencement Date, provided the Optionee is then employed by the Company or any of its subsidiaries, the Option shall be vested as to twenty five (25%) percent of the shares covered by the Option.

The remaining Shares subject to the Option shall then vest on a monthly basis commencing one year after the Vesting Commencement Date in increments of 1/36 of the remaining Shares subject to the Option.

Termination Period:

This Option may be exercised for 30 days after termination of your employment or consulting relationship, or such longer period as may be applicable upon death or disability of Optionee as provided in the Plan. In the event of the Optionee's change in status from Employee to Consultant or Consultant to Employee, this Option Agreement shall remain in effect (although it may change from an Incentive Stock Option to a Nonstatutory Stock Option by virtue thereof). In no event shall this Option be exercised later than the Term/Expiration Date as provided above.

II. AGREEMENT

1. Grant of Option. FormFactor, Inc., a Delaware corporation (the "Company"), hereby grants to the Optionee named in the Notice of Grant (the "Optionee"), an option (the "Option") to purchase the total number of shares of Common Stock (the "Shares") set forth in the Notice of Grant, at the exercise price per share set forth in the Notice of Grant (the "Exercise Price") subject to the terms, definitions and provisions of the 1995 FormFactor Stock Plan (the "Plan") adopted by the Company, which is incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Option Agreement.

If designated in the Notice of Grant as an Incentive Stock Option ("ISO"), this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code. Nevertheless, to the extent that it exceeds the $100,000 rule of Code Section 422(d), this Option shall be treated as a Nonstatutory Stock Option ("NSO").

2. Exercise of Option.

(a) Right to Exercise. This Option shall be exercisable during its term in accordance with the Vesting Schedule set forth above in the Notice of Grant and with the applicable provisions of the Plan and this Option Agreement. In the event of Optionee's death, disability or other termination of the employment or consulting relationship, this Option shall be exercisable in accordance with the applicable provisions of the Plan and this Option Agreement.

(b) Method of Exercise. This Option shall be exercisable either (i) by written notice in the form attached as Exhibit A or (ii) execution and delivery to the Company of a Restricted Stock Purchase Agreement in the form attached hereto as Exhibit D which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised, and such other representations and agreements as to the holder's investment intent with respect to such shares of Common Stock as may be required by the Company pursuant to the provisions of the Plan. Such written notice shall be signed by the Optionee and shall be delivered in person or by certified mail to the Secretary of the Company. The written notice shall be accompanied by payment of the Exercise Price. This Option shall be deemed to be exercised upon receipt by the Company of such written notice accompanied by the Exercise Price.

No Shares will be issued pursuant to the exercise of an Option unless such issuance and such exercise shall comply with all relevant provisions of law and the requirements of any stock exchange upon which the Shares may then be listed. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to the Optionee on the date on which the Option is exercised with respect to such Shares.

3. Optionee's Representations. In the event the Shares purchasable pursuant to the exercise of this Option have not been registered under the Securities Act of 1933, as amended, at the time this Option is exercised, Optionee shall, if required by the Company, concurrently with the exercise of all or any portion of this Option, deliver to the Company his or her Investment Representation Statement in the form attached hereto as Exhibit B, and shall read the applicable rules of the Commissioner of Corporations attached to such Investment Representation Statement.

4. Method of Payment. Payment of the Exercise Price shall be by any of the following, or a combination thereof, at the election of the Optionee:

(a) cash;

(b) check;

(c) promissory note;

(d) surrender of other shares of Common Stock of the Company which (A) in the case of Shares acquired pursuant to the exercise of a Company option, have been owned by the Optionee for more than six (6) months on the date of surrender, and (B) have a Fair Market Value on the date of surrender equal to the Exercise Price of the Shares as to which the Option is being exercised; or

(e) delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the Exercise Price.

5. Restrictions on Exercise. This Option may not be exercised until such time as the Plan has been approved by the shareholders of the Company, or if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulation, including any rule under Part 207 of Title 12 of the Code of Federal Regulations ("Regulation G") as promulgated by the Federal Reserve Board.

6. Termination of Relationship. In the event an Optionee's Continuous Status as an Employee or Consultant terminates, Optionee may, to the extent otherwise so entitled at the date of such termination (the "Termination Date"), exercise this Option during the Termination Period set out in the Notice of Grant. To the extent that Optionee was not entitled to exercise this Option at the date of such termination, or if Optionee does not exercise this Option within the time specified herein, the Option shall terminate.

7. Disability of Optionee. Notwithstanding the provisions of Section 6 above, in the event of termination of an Optionee's consulting relationship or Continuous Status as an Employee as a result of his or her disability, the Option shall be immediately exercisable as to the full number of shares covered by the Option, whether or not under the provisions of Section 1 hereof the Option was otherwise exercisable as of the date of disability. If the Option already has been exercised pursuant to Section 2(b)(ii) above by means of execution and delivery of Exhibit D hereof, then in the event of such disability all shares shall be released from the repurchase option referenced in Sections 3 and 4 of such Exhibit D. Optionee may exercise this Option within twelve (12) months from the date of such termination (and in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), to the extent otherwise entitled to exercise it at the date of such termination. If such disability is not a "disability" as such term is defined in Section 22(e)(3) of the Code, in the case of an Incentive Stock Option such Incentive Stock Option shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option on the day three months and one day following such termination. If Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

8. Death of Optionee. In the event of termination of Optionee's Continuous Status as an Employee or Consultant as a result of the death of Optionee, the Option may be immediately exercisable as to the full number of shares covered thereby, whether or not under the provisions of Section 1 hereof the Optionee was entitled to do so at the date of his death, by the executor, administrator or personal representative of the Optionee, or by any person or persons who acquired the right to exercise such Option by bearer or inheritance or by reason of the death of the Optionee, at any time within twelve (12) months following the date of death (but in no event later than the date of expiration of the term of this Option as set forth in Section 10 below), but only to the extent the Optionee could exercise the Option at the date of death.

9. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by Optionee. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

10. Term of Option. This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option. The limitations set out in Section 7 of the Plan regarding Options designated as Incentive Stock Options and Options granted to more than ten percent (10%) shareholders shall apply to this Option.

11. Tax Consequences. Set forth below is a brief summary as of the date of this Option of some of the federal and applicable state tax consequences of exercise of this Option and disposition of the Shares. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND

REGULATIONS ARE SUBJECT TO CHANGE. OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(a) Exercise of ISO. If this Option qualifies as an ISO, there will be no regular federal income tax liability or applicable state income tax liability upon the exercise of the Option, although the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price will be treated as an adjustment to the alternative minimum tax for federal tax purposes and may subject the Optionee to the alternative minimum tax in the year of exercise.

(b) Exercise of ISO Following Disability. If the Optionee's Continuous Status as an Employee or Consultant terminates as a result of disability that is not total and permanent disability as defined in Section 22(e)(3) of the Code, to the extent permitted on the date of termination, the Optionee must exercise an ISO within three months of such termination for the ISO to be qualified as an ISO.

(c) Exercise of Nonstatutory Stock Option. There may be a regular federal income tax liability and applicable state income tax liability upon the exercise of a Nonstatutory Stock Option. The Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price. If Optionee is an Employee or a former Employee, the Company will be required to withhold from Optionee's compensation or collect from Optionee and pay to the applicable taxing authorities an amount in cash equal to a percentage of this compensation income at the time of exercise, and may refuse to honor the exercise and refuse to deliver Shares if such withholding amounts are not delivered at the time of exercise.

(d) Disposition of Shares. In the case of an NSO, if Shares are held for at least one year, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal and applicable state income tax purposes. In the case of an ISO, if Shares transferred pursuant to the Option are held for at least one year after exercise and are disposed of at least two years after the Date of Grant, any gain realized on disposition of the Shares will also be treated as long-term capital gain for federal and applicable state income tax purposes. If Shares purchased under an ISO are disposed of within such one-year period or within two years after the Date of Grant, any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates) to the extent of the difference between the Exercise Price and the lesser of (1) the Fair Market Value of the Shares on the date of exercise, or (2) the sale price of the Shares.

(e) Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Optionee herein is an ISO, and if Optionee sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (1) the date two years after the Date of Grant, or (2) the date one year after the date of exercise, the Optionee shall immediately notify the Company in writing of such disposition. Optionee agrees that Optionee may be subject to income tax withholding by the Company on the compensation income recognized by the Optionee.

(f) Section 83(b) Election for Unvested Shares Purchased Pursuant to Nonqualified Stock Options. With respect to the exercise of a nonqualified stock option for unvested Shares, an election may be filed by the Optionee with the Internal Revenue Service and, if necessary, the proper state taxing authorities, within 30 days of the purchase of the Shares, electing pursuant to Section 83(b) of the Code (and similar state tax provisions if applicable) to be taxed currently on any

difference between the purchase price of the Shares and their Fair Market Value on the date of purchase. This will result in a recognition of taxable income to the Optionee on the date of exercise, measured by the excess, if any, of the fair market value of the Shares, at the time the Option is exercised over the purchase price for the Shares. Absent such an election, taxable income will be measured and recognized by Optionee at the time or times on which the Company's Repurchase Option lapses. Optionee is strongly encouraged to seek the advice of his or her own tax consultants in connection with the purchase of the Shares and the advisability of filing of the Election under Section 83(b) and similar tax provisions. A form of Election under Section 83(b) is attached hereto as Exhibit C for reference.

(g) Section 83(b) Election for Unvested Shares Purchased Pursuant to Incentive Stock Options. With respect to the exercise of an incentive stock option for unvested Shares, an election may be filed by the Optionee with the Internal Revenue Service and, if necessary, the proper state taxing authorities, within 30 days of the purchase of the Shares, electing pursuant to Section 83(b) of the Code (and similar state tax provisions if applicable) to be taxed currently on any difference between the purchase price of the Shares and their Fair Market Value on the date of purchase for alternative minimum tax purposes. This will result in a recognition of income to the Optionee on the date of exercise, for alternative minimum tax purposes, measured by the excess, if any, of the fair market value of the Shares, at the time the option is exercised, over the purchase price for the Shares. Absent such an election, alternative minimum taxable income will be measured and recognized by Optionee at the time or times on which the Company's Repurchase Option lapses. Optionee is strongly encouraged to seek the advice of his or her tax consultants in connection with the purchase of the Shares and the advisability of filing of the Election under Section 83(b) and similar tax provisions. A form of Election under Section 83(b) for alternative minimum tax purposes is attached hereto as Exhibit C for reference.

12. Entire Agreement: Governing Law. The Plan is incorporated herein by reference. The Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to the Optionee's interest except by means of a writing signed by the Company and Optionee. This agreement is governed by Delaware law except for that body of law pertaining to conflict of laws.

FormFactor, Inc., a Delaware corporation

By:

Igor Y. Khandros, President and CEO

OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE OPTION HEREOF IS EARNED ONLY BY CONTINUING CONSULTANCY OR EMPLOYMENT AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER). OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS AGREEMENT, NOR IN THE COMPANY'S STOCK OPTION PLAN WHICH IS

INCORPORATED HEREIN BY REFERENCE, SHALL CONFER UPON OPTIONEE ANY RIGHT WITH RESPECT TO CONTINUATION OF EMPLOYMENT OR CONSULTANCY BY THE COMPANY NOR SHALL IT INTERFERE IN ANY WAY WITH OPTIONEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE OPTIONEE'S EMPLOYMENT OR CONSULTANCY AT ANY TIME, WITH OR WITHOUT CAUSE.

Optionee acknowledges receipt of a copy of the Plan and represents that he is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions thereof. Optionee has reviewed the Plan and this Option in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option and fully understands all provisions of the Option. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Option.

Dated: _____, 1997

_____
Optionee

Residence Address:

FORMFACTOR, INC.

RESTRICTED STOCK PURCHASE AGREEMENT

THIS AGREEMENT is made as of _____ ____, 199__, at Livermore, California, between FormFactor, Inc., a Delaware corporation (the "Company"), and _____ (the "Purchaser").

WHEREAS in order to give the Purchaser an opportunity to acquire an equity interest in the Company and as an incentive for the Purchaser to participate in the affairs of the Company, the Company is willing to sell to the Purchaser and the Purchaser desires to purchase shares of Common Stock according to the terms and conditions contained herein.

THEREFORE, the parties agree as follows:

1. Sale of Stock. The Company hereby agrees to sell to the Purchaser and the Purchaser hereby agrees to purchase an aggregate of _____ (_____) shares of the Company's Common Stock (the "Shares"), at the price of $_____ per share for an aggregate purchase price of _____ ($_____). This Restricted Stock Purchase Agreement shall in all cases be subject to the terms and conditions of that Stock Option Agreement dated _____, 199__ by and between Company and Purchaser.

2. Payment of Purchase Price. The purchase price for the Shares may be paid by any of the methods of payment as set forth in Section 4 of that Stock Option Agreement dated _____, 199__, by and between the Company and Purchaser.

3. Purchase Option. In the event of any voluntary or involuntary termination of the Purchaser's employment by or services to the Company for any or no reason (including death or disability) before all of the Shares are released from the Company's repurchase option (see Section 4), the Company shall, upon the date of such termination (as reasonably fixed and determined by the Company) have an irrevocable, exclusive option for a period of 90 days from such date to repurchase all (but not less than all) of the Shares that shall constitute the Unreleased Shares (as defined in Section 4) at such time, at the original purchase price of $_____ per share (the "Repurchase Price"). Such option shall be exercised by the Company by written notice to the Purchaser or the Purchaser's executor (with a copy to the Escrow Holder) and, at the Company's option, (i) by delivery to the Purchaser or the Purchaser's executor with such notice of a check in the amount of the purchase price for the Shares being repurchased, or (ii) by cancellation by the Company of an amount of the Purchaser's indebtedness to the Company equal to the purchase price for the Shares being repurchased, or (iii) by a combination of (i) and (ii) so that the combined payment and cancellation of indebtedness equals the aggregate Repurchase Price. Upon delivery of such notice and the payment of the purchase price in any of the ways described above, the Company shall become the legal and beneficial owner of the Shares being repurchased and all rights and interests therein or relating thereto, and the Company shall have the right to retain and transfer to its own name the number of Shares being repurchased by the Company.

4. Release of Shares From Repurchase Option.

(a) The release of Shares hereunder shall in all cases be subject to acceleration as provided in the Option Grant Agreement. Of the total number of Shares purchased pursuant to this

Agreement, 25% of the Shares shall be released from the Company's repurchase option twelve months from the Vesting Commencement Date, as set forth in the Purchaser's Stock Option Agreement dated _____ and an additional 1/36th of the total number of Shares (rounded down to the nearest whole share) shall be released therefrom each month thereafter provided in each case that the Purchaser's employment with the Company or services to the Company as a consultant, advisor or a member of its Board has not been terminated prior to the date of any such release.

(b) Any of the Shares which have not yet been released from the Company's repurchase option are referred to herein as "Unreleased Shares."

(c) The Shares which (i) have been released from the Company's repurchase option and (ii) have been paid for in full shall be delivered from time to time to the Purchaser at the Purchaser's request (see Section 6).

5. Restriction on Transfer. None of the Shares or any beneficial interest therein shall be transferred, encumbered or otherwise disposed of in any manner, except for the deposit of the Shares into escrow pursuant to Sections 2 and 6 hereof or the release of the Shares to the Company pursuant to such provisions, until the release of such Shares from the Company's repurchase option in accordance with the provisions of this Agreement.

6. Escrow of Shares. The Unreleased Shares issued under this Agreement shall be held by the Escrow Holder, along with a stock assignment executed by the Purchaser in blank in the form attached hereto as Exhibit A pursuant to the terms of the Joint Escrow Instructions attached hereto as Exhibit B.

7. Company's Right of First Refusal. Before any Shares held by Purchaser or any transferee (either being sometimes referred to herein as the "Holder") may be sold or otherwise transferred (including transfer by gift or operation of law), the Company or its assignee(s) shall have a right of first refusal to purchase the Shares on the terms and conditions set forth in this Section (the "Right of First Refusal").

(a) Notice of Proposed Transfer. The holder of the Shares shall deliver to the Company a written notice (the "Notice") stating: (i) the Holder's bona fide intention to sell or otherwise transfer such Shares; (ii) the name of each proposed purchaser or other transferee ("Proposed Transferee"); (iii) the number of Shares to be transferred to each Proposed Transferee; and (iv) the bona fide cash price or other consideration for which the Holder proposes to transfer the Shares (the "Offered Price"), and the Holder shall offer the Shares at the Offered Price to the Company or its assignee(s).

(b) Exercise of Right of First Refusal. At any time within thirty (30) days after receipt of the Notice, the Company and/or its assignee(s) may, by giving written notice to the Holder, elect to purchase all, but not less than all, of the Shares proposed to be transferred to any one or more of the Proposed Transferees, at the purchase price determined in accordance with subsection (c) below.

(c) Purchase Price. The purchase price ("Purchase Price") for the shares purchased by the Company or its assignee(s) under this Section shall be the Offered Price. If the Offered Price includes consideration other than cash, the cash equivalent value of the non-cash consideration shall be determined by the Board of Directors of the Company in good faith.

(d) Payment. Payment of the Purchase Price shall be made, at the option of the Company or its assignee(s), in cash (by check), by cancellation of all or a portion of any outstanding indebtedness of the Holder to the Company (or, in the case of repurchase by an assignee, to the assignee), or by any combination thereof within 30 days after receipt of the Notice or in the manner and at the times set forth in the Notice.

(e) Holder's Right to Transfer. If all of the shares proposed in the Notice to be transferred to a given Proposed Transferee are not purchased by the Company and/or its assignee(s) as provided in this Section, then the Holder may sell or otherwise transfer such Shares to that Proposed Transferee at the Offered Price or at a higher price, provided that such sale or other transfer is consummated within 60 days after the date of the Notice and provided further that any such sale or other transfer is effected in accordance with any applicable securities laws and the Proposed Transferee agrees in writing that the provisions of this Section shall continue to apply to the Shares in the hands of such Proposed Transferee. If the Shares described in the Notice are not transferred to the Proposed Transferee within such period, a new Notice shall be given to the Company, and the Company and/or its assignees shall again be offered the Right of First Refusal before any Shares held by the Holder may be sold or otherwise transferred.

(f) Exception for Certain Family Transfers. Anything to the contrary contained in this Section notwithstanding, the transfer of any or all of the Shares during the Purchaser's lifetime or on the Purchaser's death by will or intestacy to the Purchaser's immediate family or a trust for the benefit of the Purchaser's immediate family shall be exempt from the provisions to this section. "Immediate Family" as used herein shall mean spouse, lineal descendant or antecedent, father, mother, brother or sister. In such case, the transferee or other recipient shall receive and hold the Shares so transferred subject to the provisions of this Section, and there shall be no further transfer of such Shares except in accordance with the terms of this Section.

8. Investment Representations. In connection with the purchase of the Shares, the Purchaser represents to the Company the following:

(a) The Purchaser is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the securities. The Purchaser is purchasing these securities for investment for the Purchaser's own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act").

(b) The Purchaser understands that the securities have not been registered under the Securities Act by reason of a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of the Purchaser's investment intent as expressed herein. In this connection, the Purchaser understands that, in view of the Securities and Exchange Commission (the "Commission"), the statutory basis for such exemption may not be present if the Purchaser's representations meant that the Purchaser's present intention was to hold these securities for a minimum capital gains period under the tax statutes, for a deferred sale, for a market rise, for a sale if the market does not rise, or for a year or any other fixed period in the future.

(c) The Purchaser further acknowledges and understands that the securities must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption

from such registration is available. The Purchaser further acknowledges and understands that the Company is under no obligation to register the securities. The Purchaser understands that the certificate evidencing the securities will be imprinted with a legend which prohibits the transfer of the securities unless they are registered or such registration is not required in the opinion of counsel satisfactory to the Company.

9. Stock Certificate Legends. The share certificate evidencing the Shares issued hereunder shall be endorsed with the following legends:

(a) THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISPOSITION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933.

(b) THE SHARES REPRESENTED BY THIS CERTIFICATE MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE SHAREHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

(c) Any legend required by any applicable state securities laws.

10. Market Stand-Off Agreement. The Purchaser agrees in connection with any registration of the Company's securities (other than a registration of securities in a Rule 145 transaction or with respect to an employee benefit plan), upon request of the Company or the underwriters managing any underwritten offering of the Company's securities, not to sell, make any short sale of, loan, pledge (or otherwise encumber or hypothecate), grant any option for the purchase of, or otherwise dispose of any shares (other than those included in the registration) without the prior written consent of the Company and such underwriters, as the case may be, for such period of time as the Board of Directors establishes pursuant to its good faith negotiations with such managing underwriters; provided, however, that the Purchaser shall not be subject to such lockup unless the officers and directors of the Company who own stock of the Company shall also be bound by such restrictions.

11. Adjustment for Stock Split. All references to the number of Shares and the purchase price of the Shares in this Agreement shall be appropriately adjusted to reflect any stock split, stock dividend or other change in the Shares which may be made by the Company after the date of this Agreement.

12. Tax Consequences. The Purchaser has reviewed with the purchaser's own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. The Purchaser is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Purchaser understands that the Purchaser (and not the Company) shall be responsible for the Purchaser's own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement. The Purchaser understands that Section 83 of the Internal Revenue Code of 1986, as amended (the "Code"), taxes as ordinary income both (i) the difference between the fair market value of the Shares when the Company granted the Purchaser the right to purchase the Shares and the fair market value of the

Shares on the date of this Agreement, and (ii) the difference between the amount paid for the Shares and the fair market value of the Shares as of the date any restrictions on the Shares lapse. In this context, "restriction" includes the right of the Company to buy back the Shares pursuant to its repurchase option. In the event the Company has registered under the Exchange Act, "restriction" with respect to officers, directors and 10% shareholders also means the period after the purchase of the Shares during which such officers, directors and 10% shareholders could be subject to suit under Section 16(b) of the Exchange Act. The Purchaser understands that the Purchaser may elect to be taxed at the time the Shares are purchased rather than when and as the Company's repurchase option or the Section 16(b) period expires by filing an election under Section 83(b) of the Code with the Internal Revenue Service within 30 days from the date of purchase.

THE PURCHASER ACKNOWLEDGES THAT IT IS THE PURCHASER'S SOLE RESPONSIBILITY AND NOT THE COMPANY'S TO FILE TIMELY THE ELECTION UNDER SECTION 83(b), EVEN IF THE PURCHASER REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON THE PURCHASER'S BEHALF.

13. 1995 Stock Plan. This Agreement and the Purchaser's rights hereunder and with respect to the Shares shall be governed in all respects by the provisions of the Company's 1995 Stock Plan. All capitalized terms used herein and not otherwise defined herein shall have the respective meanings defined in the Plan.

14. General Provisions.

(a) This Agreement shall be governed by the laws of the State of California as they apply to contracts entered into and wholly to be performed in such state. This Agreement represents the entire agreement between the parties with respect to the purchase of Common Stock by the Purchaser and may only be modified or amended in writing signed by both parties.

(b) Any dispute, claim or controversy of any kind (including but not limited to tort, contract and statute) arising under, in connection with, or relating to this Agreement shall at the request of either party be resolved exclusively by binding arbitration in Santa Clara County, California, in accordance with the Commercial Rules of the American Arbitration Association then in effect. The Purchaser and the Company agree to waive any objection to personal jurisdiction or venue in any forum located in Santa Clara County, California. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

(c) Any notice, demand or request required or permitted to be given by either the Company or the Purchaser pursuant to the terms of this Agreement shall be in writing and shall be deemed given when delivered personally or deposited in the U.S. Mail, First Class with postage prepaid, and addressed to the parties at the addresses of the parties set forth at the end of this Agreement or such other address as a party may request by notifying the other in writing.

(d) The rights and benefits of the Company under this Agreement shall be transferable to any one or more persons or entities, and all covenants and agreements hereunder shall inure to the benefit of, and be enforceable by the Company's successors and assigns. The rights and obligations of the Purchaser under this Agreement may only be assigned with the prior written consent of the Company.

(e) Either party's failure to enforce any provision or provisions of this Agreement shall not in any way be construed as a waiver of any such provision or provisions, nor prevent that party thereafter from enforcing each and every other provision of this Agreement. The rights granted both parties herein are cumulative and shall not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.

(f) The Purchaser agrees upon request to execute any further documents or instruments necessary or desirable to carry out the purposes or intent of this Agreement.

(g) PURCHASER ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO SECTION 4 HEREOF IS EARNED ONLY BY CONTINUING SERVICE AS AN EMPLOYEE OR CONSULTANT AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED AT THIS DATE, AND NOT THROUGH PURCHASING SHARES HEREUNDER). PURCHASER FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS AN EMPLOYEE OR CONSULTANT FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE WITH PURCHASER'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE PURCHASER'S EMPLOYMENT OR CONSULTING RELATIONSHIP AT ANY TIME, WITH OR WITHOUT CAUSE.

(h) Purchaser has reviewed this Agreement in its entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of this Agreement.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the day and year first set forth above.

FORMFACTOR, INC. a Delaware corporation	PURCHASER:
By: ---	--- (Signature)
Title: ---	--- (Type or Print Name)
	--- (Address)

FORMFACTOR, INC.

RESTRICTED STOCK PURCHASE AGREEMENT

THIS AGREEMENT is made as of _____ ____, 199__, at Livermore, California, between FormFactor, Inc., a Delaware corporation (the "Company"), and _____ (the "Purchaser").

WHEREAS in order to give the Purchaser an opportunity to acquire an equity interest in the Company and as an incentive for the Purchaser to participate in the affairs of the Company, the Company is willing to sell to the Purchaser and the Purchaser desires to purchase shares of Common Stock according to the terms and conditions contained herein.

THEREFORE, the parties agree as follows:

1. Sale of Stock. The Company hereby agrees to sell to the Purchaser and the Purchaser hereby agrees to purchase an aggregate of _____ (_____) shares of the Company's Common Stock (the "Shares"), at the price of $_____ per share for an aggregate purchase price of _____ ($_____). This Restricted Stock Purchase Agreement shall in all cases be subject to the terms and conditions of that Stock Option Agreement dated _____, 199__ by and between Company and Purchaser.

2. Payment of Purchase Price. The purchase price for the Shares may be paid by delivery to the Company at the time of execution of this Agreement of a promissory note (the "Note") of Purchaser in the amount of the purchase price together with the execution and delivery by the Purchaser of the Security Agreement attached hereto as Exhibit A; the Note shall be in the form attached hereto as Exhibit B, shall contain the terms and be payable as set forth therein, shall bear interest at a rate (compounded semiannually) not less than the rate required to insure that there will be no "unstated interest" with respect to the purchase of shares under this Agreement, pursuant to the applicable provisions of the Code and the regulations in effect thereunder at the time of such purchase, and shall be secured by a pledge of the Shares purchased by the Note pursuant to the Security Agreement.

3. Purchase Option. In the event of any voluntary or involuntary termination of the Purchaser's employment by or services to the Company for any or no reason (including death or disability) before all of the Shares are released from the Company's repurchase option (see Section 4), the Company shall, upon the date of such termination (as reasonably fixed and determined by the Company) have an irrevocable, exclusive option for a period of 90 days from such date to repurchase all (but not less than all) of the Shares that shall constitute the Unreleased Shares (as defined in Section 4) at such time, at the original purchase price of $_____ per share (the "Repurchase Price"). Such option shall be exercised by the Company by written notice to the Purchaser or the Purchaser's executor (with a copy to the Escrow Holder) and, at the Company's option, (i) by delivery to the Purchaser or the Purchaser's executor with such notice of a check in the amount of the purchase price for the Shares being repurchased, or (ii) by cancellation by the Company of an amount of the Purchaser's indebtedness to the Company equal to the purchase price for the Shares being repurchased, or (iii) by a combination of (i) and (ii) so that the combined payment and cancellation of indebtedness equals the aggregate Repurchase Price. Upon delivery of such notice and the payment of the purchase price in any of the ways described above, the Company shall become the legal and beneficial owner of the Shares being repurchased and all rights and interests therein or relating thereto, and the Company

shall have the right to retain and transfer to its own name the number of Shares being repurchased by the Company.

4. Release of Shares From Repurchase Option.

(a) The release of Shares hereunder shall in all cases be subject to acceleration as provided in the Option Grant Agreement. Of the total number of Shares purchased pursuant to this Agreement, 25% of the Shares shall be released from the Company's repurchase option twelve months from the Vesting Commencement Date, as set forth in the Purchaser's Stock Option Agreement dated _____ and an additional 1/36th of the total number of Shares (rounded down to the nearest whole share) shall be released therefrom each month thereafter provided in each case that the Purchaser's employment with the Company or services to the Company as a consultant, advisor or a member of its Board has not been terminated prior to the date of any such release.

(b) Any of the Shares which have not yet been released from the Company's repurchase option are referred to herein as "Unreleased Shares."

(c) The Shares which (i) have been released from the Company's repurchase option and (ii) have been paid for in full shall be delivered from time to time to the Purchaser at the Purchaser's request (see Section 6).

5. Restriction on Transfer. None of the Shares or any beneficial interest therein shall be transferred, encumbered or otherwise disposed of in any manner, except for the deposit of the Shares into escrow pursuant to Sections 2 and 6 hereof or the release of the Shares to the Company pursuant to such provisions, until the release of such Shares from the Company's repurchase option in accordance with the provisions of this Agreement.

6. Escrow of Shares. The Unreleased Shares issued under this Agreement shall be held by the Escrow Holder, along with a stock assignment executed by the Purchaser in blank in the form attached hereto as Exhibit C pursuant to the terms of the Joint Escrow Instructions attached hereto as Exhibit D.

7. Company's Right of First Refusal. Before any Shares held by Purchaser or any transferee (either being sometimes referred to herein as the "Holder") may be sold or otherwise transferred (including transfer by gift or operation of law), the Company or its assignee(s) shall have a right of first refusal to purchase the Shares on the terms and conditions set forth in this Section (the "Right of First Refusal").

(a) Notice of Proposed Transfer. The holder of the Shares shall deliver to the Company a written notice (the "Notice") stating: (i) the Holder's bona fide intention to sell or otherwise transfer such Shares; (ii) the name of each proposed purchaser or other transferee ("Proposed Transferee"); (iii) the number of Shares to be transferred to each Proposed Transferee; and (iv) the bona fide cash price or other consideration for which the Holder proposes to transfer the Shares (the "Offered Price"), and the Holder shall offer the Shares at the Offered Price to the Company or its assignee(s).

(b) Exercise of Right of First Refusal. At any time within thirty (30) days after receipt of the Notice, the Company and/or its assignee(s) may, by giving written notice to the Holder, elect to purchase all, but not less than all, of the Shares proposed to be transferred to any one or more

of the Proposed Transferees, at the purchase price determined in accordance with subsection (c) below.

(c) Purchase Price. The purchase price ("Purchase Price") for the shares purchased by the Company or its assignee(s) under this Section shall be the Offered Price. If the Offered Price includes consideration other than cash, the cash equivalent value of the non-cash consideration shall be determined by the Board of Directors of the Company in good faith.

(d) Payment. Payment of the Purchase Price shall be made, at the option of the Company or its assignee(s), in cash (by check), by cancellation of all or a portion of any outstanding indebtedness of the Holder to the Company (or, in the case of repurchase by an assignee, to the assignee), or by any combination thereof within 30 days after receipt of the Notice or in the manner and at the times set forth in the Notice.

(e) Holder's Right to Transfer. If all of the shares proposed in the Notice to be transferred to a given Proposed Transferee are not purchased by the Company and/or its assignee(s) as provided in this Section, then the Holder may sell or otherwise transfer such Shares to that Proposed Transferee at the Offered Price or at a higher price, provided that such sale or other transfer is consummated within 60 days after the date of the Notice and provided further that any such sale or other transfer is effected in accordance with any applicable securities laws and the Proposed Transferee agrees in writing that the provisions of this Section shall continue to apply to the Shares in the hands of such Proposed Transferee. If the Shares described in the Notice are not transferred to the Proposed Transferee within such period, a new Notice shall be given to the Company, and the Company and/or its assignees shall again be offered the Right of First Refusal before any Shares held by the Holder may be sold or otherwise transferred.

(f) Exception for Certain Family Transfers. Anything to the contrary contained in this Section notwithstanding, the transfer of any or all of the Shares during the Purchaser's lifetime or on the Purchaser's death by will or intestacy to the Purchaser's immediate family or a trust for the benefit of the Purchaser's immediate family shall be exempt from the provisions to this section. "Immediate Family" as used herein shall mean spouse, lineal descendant or antecedent, father, mother, brother or sister. In such case, the transferee or other recipient shall receive and hold the Shares so transferred subject to the provisions of this Section, and there shall be no further transfer of such Shares except in accordance with the terms of this Section.

8. Investment Representations. In connection with the purchase of the Shares, the Purchaser represents to the Company the following:

(a) The Purchaser is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the securities. The Purchaser is purchasing these securities for investment for the Purchaser's own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act").

(b) The Purchaser understands that the securities have not been registered under the Securities Act by reason of a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of the Purchaser's investment intent as expressed herein. In this connection, the Purchaser understands that, in view of the Securities and Exchange Commission (the

"Commission"), the statutory basis for such exemption may not be present if the Purchaser's representations meant that the Purchaser's present intention was to hold these securities for a minimum capital gains period under the tax statutes, for a deferred sale, for a market rise, for a sale if the market does not rise, or for a year or any other fixed period in the future.

(c) The Purchaser further acknowledges and understands that the securities must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. The Purchaser further acknowledges and understands that the Company is under no obligation to register the securities. The Purchaser understands that the certificate evidencing the securities will be imprinted with a legend which prohibits the transfer of the securities unless they are registered or such registration is not required in the opinion of counsel satisfactory to the Company.

9. Stock Certificate Legends. The share certificate evidencing the Shares issued hereunder shall be endorsed with the following legends:

(a) THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISPOSITION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933.

(b) THE SHARES REPRESENTED BY THIS CERTIFICATE MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE SHAREHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

(c) Any legend required by any applicable state securities laws.

10. Market Stand-Off Agreement. The Purchaser agrees in connection with any registration of the Company's securities (other than a registration of securities in a Rule 145 transaction or with respect to an employee benefit plan), upon request of the Company or the underwriters managing any underwritten offering of the Company's securities, not to sell, make any short sale of, loan, pledge (or otherwise encumber or hypothecate), grant any option for the purchase of, or otherwise dispose of any shares (other than those included in the registration) without the prior written consent of the Company and such underwriters, as the case may be, for such period of time as the Board of Directors establishes pursuant to its good faith negotiations with such managing underwriters; provided, however, that the Purchaser shall not be subject to such lockup unless the officers and directors of the Company who own stock of the Company shall also be bound by such restrictions.

11. Adjustment for Stock Split. All references to the number of Shares and the purchase price of the Shares in this Agreement shall be appropriately adjusted to reflect any stock split, stock dividend or other change in the Shares which may be made by the Company after the date of this Agreement.

12. Tax Consequences. The Purchaser has reviewed with the purchaser's own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions

contemplated by this Agreement. The Purchaser is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Purchaser understands that the Purchaser (and not the Company) shall be responsible for the Purchaser's own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement. The Purchaser understands that Section 83 of the Internal Revenue Code of 1986, as amended (the "Code"), taxes as ordinary income both (i) the difference between the fair market value of the Shares when the Company granted the Purchaser the right to purchase the Shares and the fair market value of the Shares on the date of this Agreement, and (ii) the difference between the amount paid for the Shares and the fair market value of the Shares as of the date any restrictions on the Shares lapse. In this context, "restriction" includes the right of the Company to buy back the Shares pursuant to its repurchase option. In the event the Company has registered under the Exchange Act, "restriction" with respect to officers, directors and 10% shareholders also means the period after the purchase of the Shares during which such officers, directors and 10% shareholders could be subject to suit under Section 16(b) of the Exchange Act. The Purchaser understands that the Purchaser may elect to be taxed at the time the Shares are purchased rather than when and as the Company's repurchase option or the Section 16(b) period expires by filing an election under Section 83(b) of the Code with the Internal Revenue Service within 30 days from the date of purchase.

THE PURCHASER ACKNOWLEDGES THAT IT IS THE PURCHASER'S SOLE RESPONSIBILITY AND NOT THE COMPANY'S TO FILE TIMELY THE ELECTION UNDER SECTION 83(b), EVEN IF THE PURCHASER REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON THE PURCHASER'S BEHALF.

13. 1995 Stock Plan. This Agreement and the Purchaser's rights hereunder and with respect to the Shares shall be governed in all respects by the provisions of the Company's 1995 Stock Plan. All capitalized terms used herein and not otherwise defined herein shall have the respective meanings defined in the Plan.

14. General Provisions.

(a) This Agreement shall be governed by the laws of the State of California as they apply to contracts entered into and wholly to be performed in such state. This Agreement represents the entire agreement between the parties with respect to the purchase of Common Stock by the Purchaser and may only be modified or amended in writing signed by both parties.

(b) Any dispute, claim or controversy of any kind (including but not limited to tort, contract and statute) arising under, in connection with, or relating to this Agreement shall at the request of either party be resolved exclusively by binding arbitration in Santa Clara County, California, in accordance with the Commercial Rules of the American Arbitration Association then in effect. The Purchaser and the Company agree to waive any objection to personal jurisdiction or venue in any forum located in Santa Clara County, California. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

(c) Any notice, demand or request required or permitted to be given by either the Company or the Purchaser pursuant to the terms of this Agreement shall be in writing and shall be deemed given when delivered personally or deposited in the U.S. Mail, First Class with postage prepaid, and addressed to the parties at the addresses of the parties set forth at the end of this Agreement or such other address as a party may request by notifying the other in writing.

(d) The rights and benefits of the Company under this Agreement shall be transferable to any one or more persons or entities, and all covenants and agreements hereunder shall inure to the benefit of, and be enforceable by the Company's successors and assigns. The rights and obligations of the Purchaser under this Agreement may only be assigned with the prior written consent of the Company.

(e) Either party's failure to enforce any provision or provisions of this Agreement shall not in any way be construed as a waiver of any such provision or provisions, nor prevent that party thereafter from enforcing each and every other provision of this Agreement. The rights granted both parties herein are cumulative and shall not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.

(f) The Purchaser agrees upon request to execute any further documents or instruments necessary or desirable to carry out the purposes or intent of this Agreement.

(g) PURCHASER ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO SECTION 4 HEREOF IS EARNED ONLY BY CONTINUING SERVICE AS AN EMPLOYEE OR CONSULTANT AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED AT THIS DATE, AND NOT THROUGH PURCHASING SHARES HEREUNDER). PURCHASER FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS AN EMPLOYEE OR CONSULTANT FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE WITH PURCHASER'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE PURCHASER'S EMPLOYMENT OR CONSULTING RELATIONSHIP AT ANY TIME, WITH OR WITHOUT CAUSE.

(h) Purchaser has reviewed this Agreement in its entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of this Agreement.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the day and year first set forth above.

FORMFACTOR, INC. a Delaware corporation	PURCHASER:
By: ----------	---------- (Signature)
Title: ----------	---------- (Type or Print Name)
	---------- (Address)

FORMFACTOR, INC.

1996 STOCK OPTION PLAN

AS APPROVED BY THE BOARD OF DIRECTORS ON JULY 24, 1997
AND AS AMENDED ON MARCH 12, 1998, APRIL 14, 1998, MAY 13, 1999,
SEPTEMBER 18, 2000 AND JANUARY 16, 2001

1. Purposes of the Plan. The purposes of this 1996 Stock Option Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees and Consultants of the Company and its Subsidiaries and to promote the success of the Company's business. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant of an Option and subject to the applicable provisions of Section 422 of the Code and the regulations promulgated thereunder. Stock Purchase Rights may also be granted under the Plan. This Plan is intended to be a written compensatory benefit plan within the meaning of Rule 701 promulgated under the Securities Act and is intended to comply with Section 25102(o) of the California Corporations Code.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Award Agreement" means with respect to Options and Stock Purchase Rights, the signed written agreement between the Company and the Optionee setting forth the terms and conditions of the Option or Stock Purchase Right, as the case may be.

(b) "Administrator" means the Board or its Committee appointed pursuant to Section 4 of the Plan.

(c) "Board" means the Board of Directors of the Company.

(d) "Cause" means termination because of (i) any willful material violation by the Optionee of any law or regulation applicable to the business of the Company or a Parent or Subsidiary of the Company, the Optionee's conviction for, or guilty plea to, a felony or a crime involving moral turpitude, any willful perpetration by the Optionee of a common law fraud, (ii) the Optionee's commission of an act of personal dishonesty which involves personal profit in connection with the Company or any other entity having a business relationship with the Company, (iii) any material breach by the Optionee of any provision of any agreement or understanding between the Company or any Parent or Subsidiary of the Company and the Optionee regarding the terms of the Optionee's service as an employee, director or consultant to the Company or a Parent or Subsidiary of the Company including, without limitation, the willful and continued failure or refusal of the Optionee to perform the material duties required of such Optionee as an employee, director or consultant of the Company or a Parent or Subsidiary of the Company, other than as a result of having a Disability, or a breach of any applicable invention assignment and confidentiality agreement or similar agreement between the Company and the Optionee, (iv) Optionee's disregard of the policies of the Company or any Parent or Subsidiary of the Company so as to cause loss, damage or injury to the property, reputation or employees of

the Company or a Parent or Subsidiary of the Company, or (v) any other misconduct by the Optionee which is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company or a Parent or Subsidiary of the Company.

(e) "Code" means the Internal Revenue Code of 1986, as amended.

(f) "Committee" means a Committee appointed by the Board of Directors in accordance with Section 4 of the Plan.

(g) "Common Stock" means the Common Stock of the Company.

(h) "Company" means FormFactor, Inc., a Delaware corporation.

(i) "Consultant" means any person who is engaged by the Company or any Parent or Subsidiary to render consulting or advisory services and is compensated for such services, and any Director of the Company whether compensated for such services or not. If the Company registers any class of any equity security pursuant to the Exchange Act, the term Consultant shall thereafter not include Directors who are not compensated for their services or are paid only a Director's fee by the Company.

(j) "Continuous Status as an Employee or Consultant" means that the employment or consulting relationship with the Company, any Parent or Subsidiary is not interrupted or terminated. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor. A leave of absence approved by the Company shall include sick leave, military leave, or any other personal leave approved by an authorized representative of the Company. For purposes of Incentive Stock Options, no such leave may exceed ninety (90) days, unless reemployment upon expiration of such leave is guaranteed by statute or contract, including Company policies. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, on the ninety-first (91st) day of such leave any Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option.

(k) "Director" means a member of the Board of Directors of the Company.

(l) "Employee" means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. The payment of a Director's fee by the Company shall not be sufficient to constitute "employment" by the Company.

(m) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(n) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The

Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day prior to the time of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean between the high bid and low asked prices for the Common Stock on the last market trading day prior to the day of determination; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Administrator.

(o) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(p) "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(q) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(r) "Option" means a stock option granted pursuant to the Plan.

(s) "Optioned Stock" means the Common Stock subject to an Option or a Stock Purchase Right.

(t) "Optionee" means an Employee or Consultant who receives an Option or Stock Purchase Right.

(u) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(v) "Plan" means this 1996 Stock Option Plan.

(w) "Restricted Stock" means shares of Common Stock acquired pursuant to a grant of a Stock Purchase Right under Section 11 below.

(x) "Section 16(b)" means Section 16(b) of the Securities Exchange Act of 1934, as amended.

(y) "Share" means a share of the Common Stock, as adjusted in accordance with Section 13 below.

(z) "Stock Purchase Right" means a right to purchase Common Stock pursuant to Section 11 below.

(aa) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

(bb) "Unvested Shares" means "Unvested Shares" as defined in the Award Agreement.

(cc) "Vested Shares" means "Vested Shares" as defined in the Award Agreement.

3. Stock Subject to the Plan. Subject to the provisions of Section 13 of the Plan, the maximum aggregate number of Shares reserved for issuance under the Plan is 5,930,500 Shares or such lesser number of Shares as permitted under Section 260.140.45 of Title 10 of the California Code of Regulations. The Shares may be authorized but unissued Common Stock.

If an Option or Stock Purchase Right expires or becomes unexercisable without having been exercised in full, or is surrendered pursuant to an option exchange program, the unpurchased Shares which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated). However, Shares that have actually been issued under the Plan, upon exercise of either an Option or Stock Purchase Right, shall not be returned to the Plan and shall not become available for future distribution under the Plan.

4. Administration of the Plan. The Plan shall be administered by the Board or a Committee appointed by the Board. Subject to the provisions of the Plan and, in the case of a Committee, the specific duties delegated by the Board to such Committee, and subject to the approval of any relevant authorities, including the approval, if required, of any stock exchange upon which the Common Stock is listed, the Administrator shall have the authority in its discretion:

(i) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(n) of the Plan;

(ii) to select the Consultants and Employees to whom Options and Stock Purchase Rights may from time to time be granted hereunder;

(iii) to determine whether and to what extent Options and Stock Purchase Rights or any combination thereof are granted hereunder;

(iv) to determine the number of Shares to be covered by each such award granted hereunder;

(v) to approve forms of agreement for use under the Plan;

(vi) to determine the terms and conditions of any award granted hereunder;

(vii) to determine whether and under what circumstances an Option may be settled in cash under subsection 9(f) instead of Common Stock;

(viii) to reduce the exercise price of any Option to the then current Fair Market Value if the Fair Market Value of the Common Stock covered by such Option has declined since the date the Option was granted; and

(ix) to construe and interpret the terms of the Plan and awards granted pursuant to the Plan.

Effect of Administrator's Decision. All decisions, determinations and interpretations of the Administrator shall be final and binding on all Optionees and any other holders of any Options or Stock Purchase Rights.

5. Eligibility.

(a) Nonstatutory Stock Options and Stock Purchase Rights may be granted to Employees and Consultants. Incentive Stock Options may be granted only to Employees. An Employee or Consultant who has been granted an Option or Stock Purchase Right may, if otherwise eligible, be granted additional Options or Stock Purchase Rights.

(b) Each Option shall be designated in the written option agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Optionee during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds $100,000, such Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 5(b), Incentive Stock Options shall be taken into account in the order in which they were granted. The Fair Market Value of the Shares shall be determined as of the time the Option with respect to such Shares is granted.

(c) Neither the Plan nor any Option or Stock Purchase Right shall confer upon any Optionee any right with respect to continuation of his or her employment or consulting relationship with the Company, nor shall it interfere in any way with his or her right or the Company's right to terminate his or her employment or consulting relationship at any time, with or without cause.

6. Term of Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board of Directors or its approval by the shareholders of the Company, as described in Section 20 of the Plan. It shall continue in effect for a term of ten (10) years from the effective date unless sooner terminated under Section 16 of the Plan.

7. Term of Option. The term of each Option shall be the term stated in the Option Agreement; provided, however, that the term shall be no more than ten (10) years from the date of grant thereof. In the case of an Incentive Stock Option granted to an Optionee who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Option shall be five (5) years from the date of grant thereof or such shorter term as may be provided in the Option Agreement.

8. Option Exercise Price and Consideration.

(a) The per share exercise price for the Shares to be issued upon exercise of an Option shall be such price as is determined by the Administrator, but shall be subject to the following:

(i) In the case of an Incentive Stock Option

(A) granted to an Employee who, at the time of grant of such Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.

(B) granted to any other Employee, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Nonstatutory Stock Option

(A) granted to a person who, at the time of grant of such Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of the grant.

(B) granted to any other person, the per Share exercise price shall be no less than 85% of the Fair Market Value per Share on the date of grant.

(b) The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator at the time of grant. Such consideration may consist of (1) cash, (2) check, (3) promissory note, (4) other Shares which (x) in the case of Shares acquired upon exercise of an Option, have been owned by the Optionee for more than six months on the date of surrender, and (y) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option shall be exercised, (5) delivery of a properly executed exercise notice together with such other documentation as the Administrator and a broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price, or (6) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company.

(c) Withholding Taxes. Whenever Shares are to be issued in satisfaction of Options or Stock Purchase Awards granted under this Plan, the Company may require the Optionee 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 Options or Stock Purchase Rights are to be made in cash, such payment will be net of an amount sufficient to satisfy federal, state, and local withholding tax requirements.

9. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator, including performance criteria with respect to the Company and/or the Optionee, and as shall be permissible under the terms of the Plan, but in the case of an Optionee who is not an officer, director or consultant of the Company or of a Parent or Subsidiary of the Company, at the rate of at least 20% per year over five (5) years from the date the Option is granted.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment may, as authorized by the Administrator, consist of any consideration and method of payment allowable under Section 8(b) hereof. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote, receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate promptly upon exercise of the Option. The Company shall comply with Section 260.140.1 of Title 10 of the California Code of Regulations with respect to the voting rights of Common Stock. No adjustment shall be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 13 hereof.

Exercise of an Option in any manner shall result in a decrease in the number of Shares which thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Employment or Consulting Relationship. Except as otherwise set forth in this Section 9, in the event of termination of an Optionee's Continuous Status as an Employee or Consultant, such Optionee may, within a period of at least thirty (30) days as determined by the Administrator, exercise his or her Option to the extent that the Optionee was entitled to exercise it at the date of such termination. Such period in the case of an Incentive Stock Option shall not exceed three (3) months after the date of such termination. However, in no event shall such period extend later than the expiration date of the term of such Option as set forth in the Award Agreement. To the extent that the Optionee was not entitled to exercise the Option at the date of such termination, or if the Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate. However, the preceding provisions of this paragraph will not apply in the event of an Optionee's change of status from Employee to Consultant (in which case an Employee's Incentive Stock Option shall automatically convert to a Nonstatutory Stock Option on the date three (3) months and one day following such change of status) or from Consultant to Employee.

(c) Termination for Cause. In the event of termination for Cause of Optionee's Continuous Status as an Employee or Consultant, the Optionee's Options shall expire on such Optionee's termination date, or at such later time and on such conditions as determined by the Committee.

(d) Disability of Optionee. In the event of termination of an Optionee's Continuous Status as an Employee or Consultant as a result of his or her disability, the Optionee may, but only within twelve (12) months from the date of such termination (and in no event later than the expiration date of the term of such Option as set forth in the Award Agreement), exercise the Option to the extent otherwise entitled to exercise it at the date of such termination. If such disability is not a "disability" as such term is defined in Section 22(e)(3) of the Code, in the case of an Incentive Stock Option such Incentive Stock Option shall automatically cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option on the day three months and one day following such termination. To the extent that the Optionee was not entitled to exercise the Option at the date of termination, or if the Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(e) Death of Optionee. In the event of the death of an Optionee, the Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement) by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent that the Optionee was entitled to exercise the Option on the date of death. If, at the time of death, the Optionee was not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall immediately revert to the Plan. If, after the Optionee's death, the Optionee's estate or a person who acquires the right to exercise the Option by bequest or inheritance does not exercise the Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(f) Buyout Provisions. The Administrator may at any time offer to buy out for a payment in cash or Shares, an Option previously granted, based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

10. Non-Transferability of Options and Stock Purchase Rights. Options and Stock Purchase Rights may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

11. Stock Purchase Rights.

(a) Rights to Purchase. Stock Purchase Rights may be issued either alone, in addition to, or in tandem with other awards granted under the Plan and/or cash awards made outside of the Plan. After the Administrator determines that it will offer Stock Purchase Rights under the Plan, it shall advise the offeree in writing of the terms, conditions and restrictions (not inconsistent with Section 25102(o) of the California Corporations Code) related to the offer, including the number of Shares that such person shall be entitled to purchase, the price to be paid, and the time within which such person must accept such offer, which shall in no event exceed thirty (30) days from the date upon which the Administrator makes the determination to grant the Stock Purchase Right. The offer shall be accepted by execution of a Restricted Stock

purchase agreement in the form determined by the Administrator. Shares purchased pursuant to the grant of a Stock Purchase Right shall be referred to herein as "Restricted Stock. "

(b) Purchase Price. The purchase price of stock sold pursuant to a Stock Purchase Right will be determined by the Administrator and will be at least 85% of the Fair Market Value of the Shares on the date the Stock Purchase Right is granted or at the time the purchase is consummated, except in the case of an Optionee who owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the company or any Parent or Subsidiary, in which case the purchase price will be 100% of the Fair Market Value on the date the Stock Purchase Right is granted or at the time the purchase is consummated. Payment of the purchase price may be made in accordance with Section 8(b) of this Plan.

(c) Other Provisions. The Restricted Stock purchase agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan or Section 25102(o) of the California Corporations Code as may be determined by the Administrator in its sole discretion. In addition, the provisions of Restricted Stock purchase agreements need not be the same with respect to each purchaser.

(d) Rights as a Shareholder. Once the Stock Purchase Right is exercised, the purchaser shall have rights equivalent to those of a shareholder and shall be a shareholder when his or her purchase is entered upon the records of the duly authorized transfer agent of the Company. No adjustment shall be made for a dividend or other right for which the record date is prior to the date the Stock Purchase Right is exercised, except as provided in Section 13 of the Plan. The Company shall comply with Section 260.140.1 of Title 10 of the California Code of Regulations with respect to the voting rights of Common Stock.

12. Restrictions on Shares. At the discretion of the Administrator, the Company may reserve to itself and/or its assignee(s) in the Award Agreement (a) a right of first refusal to purchase all Shares that an Optionee (or a subsequent transferee) may propose to transfer to a third party, unless otherwise not permitted by Section 25102(o) of the California Corporations Code, provided, that such right of first refusal terminates when the Company's securities become publicly traded and/or (b) a right to repurchase Unvested Shares held by an Optionee for cash and/or cancellation of purchase money indebtedness following such Optionee's termination at any time within the later of ninety (90) days after Optionee's termination date and the date the Optionee purchases the Shares, at the Optionee's exercise price or purchase price, as the case may be, provided, that, unless the Optionee is an officer, director or consultant of the Company or of a Parent or Subsidiary of the Company, such right of repurchase lapses at the rate of at least twenty percent (20%) per year over five (5) years from: (A) the date of grant of the Option or (B) in the case of Stock Purchase Rights, the date the Optionee purchases the Shares.

13. Adjustments Upon Changes in Capitalization or Merger

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, upon any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination, recapitalization or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the

Company, the following will be proportionately adjusted: (1) the number of shares of Common Stock covered by each outstanding Option or Stock Purchase Right, (2) the number of shares of Common Stock which have been authorized for issuance under the Plan but as to which no Options or Stock Purchase Rights have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option or Stock Purchase Right or upon repurchase of Unvested Shares, and (3) the price per share of Common Stock covered by each such outstanding Option or Stock Purchase Right. The 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 Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance 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 or Stock Purchase Right.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify the Optionee at least fifteen (15) days prior to such proposed action. To the extent it has not been previously exercised, the Option or Stock Purchase Right shall terminate immediately prior to the consummation of such proposed action.

(c) Merger. In the event of a merger of the Company with or into another corporation, each outstanding Option or Stock Purchase Right may be assumed or an equivalent option or right may be substituted by such successor corporation or a parent or subsidiary of such successor corporation. If, in such event, an Option or Stock Purchase Right is not assumed or substituted, the Option or Stock Purchase Right shall terminate as of the date of the closing of the merger. For the purposes of this paragraph, the Option or Stock Purchase Right shall be considered assumed if, following the merger, the Option or Stock Purchase Right confers the right to purchase or receive, for each Share of Optioned Stock subject to the Option or Stock Purchase Right immediately prior to the merger, the consideration (whether stock, cash, or other securities or property) received in the merger by holders of Common Stock for each Share held on the effective date of the transaction (and if the holders are offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares). If such consideration received in the merger is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option or Stock Purchase Right, for each Share of Optioned Stock subject to the Option or Stock Purchase Right, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger.

14. Escrow; Pledge of Shares. To enforce any restrictions on a Optionee's Shares, the Administrator may require the Optionee to deposit all certificates representing Shares, together with stock powers or other instruments of transfer approved by the Administrator, 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 Administrator may cause a legend or legends referencing such restrictions to be placed on the certificates. Any Optionee 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 Optionee's obligation to the Company under

the promissory note; provided, however, that the Administrator 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 Optionee under the promissory note. In connection with any pledge of the Shares, Optionee will be required to execute and deliver a written pledge agreement in such form as the Administrator 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. Time of Granting Options and Stock Purchase Rights. The date of grant of an Option or Stock Purchase Right shall, for all purposes, be the date on which the Administrator makes the determination granting such Option or Stock Purchase Right, or such other date as is determined by the Administrator. Notice of the determination shall be given to each Employee or Consultant to whom an Option or Stock Purchase Right is so granted within a reasonable time after the date of such grant.

16. Amendment and Termination of the Plan.

(a) Amendment and Termination. This Plan is intended to comply with Section 25102(o) of the California Corporations Code. Any provision of the Plan which is inconsistent with Section 25102(o) shall, without further act or amendment by the Company or the Board, be reformed to comply with the requirements of Section 25102(o). The Board may at any time amend, alter, suspend or discontinue the Plan, but no amendment, alteration, suspension or discontinuation shall be made which would impair the rights of any Optionee under any grant theretofore made, without his or her consent. In addition, to the extent necessary and desirable to comply with Section 422 of the Code (or any other applicable law or regulation, including the requirements of the NASD or an established stock exchange), the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required.

(b) Effect of Amendment or Termination. Any such amendment or termination of the Plan shall not affect Options or Stock Purchase Rights already granted, and such Options and Stock Purchase Rights shall remain in full force and effect as if this Plan had not been amended or terminated, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and the Company.

17. Conditions Upon Issuance of Shares. Shares shall not be issued pursuant to the exercise of an Option or Stock Purchase Right unless the exercise of such Option or Stock Purchase Right and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange 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.

As a condition to the exercise of an Option or Stock Purchase Right, the Company may require the person exercising such Option or Stock Purchase Right to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the

Company, such a representation is required by any of the aforementioned relevant provisions of law.

18. Reservation of Shares. The Company, during the term of this Plan, shall at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan

The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

19. Agreements. Options and Stock Purchase Rights shall be evidenced by written agreements in such form as the Administrator shall approve from time to time.

20. Shareholder Approval. This Plan shall be approved by the shareholders of the Company (excluding Shares issued pursuant to this Plan) within twelve (12) months before or after the date the Plan is adopted. Such shareholder approval shall be obtained in the degree and manner required under applicable state and federal law and the rules of any stock exchange upon which the Common Stock is listed. Upon the effective date, the Board may grant Options and Stock Purchase Rights pursuant to this Plan. In the event that shareholder approval is not obtained within twelve (12) months before or after the date this Plan is adopted by the Board, all Options and Stock Purchase Rights granted hereunder will be canceled, any Shares issued pursuant to any Option or Stock Purchase Right will be canceled and any purchase of Shares hereunder will be rescinded.

21. Information to Optionees and Purchasers. The Company shall provide to each Optionee and to each individual who acquires Shares pursuant to the Plan, not less frequently than annually during the period such Optionee or purchaser has one or more Options or Stock Purchase Rights outstanding, and, in the case of an individual who acquires Shares pursuant to the Plan, during the period such individual owns such Shares, copies of annual financial statements. The Company shall not be required to provide such statements to key employees whose duties in connection with the Company assure their access to equivalent information.

22. Insider Trading Policy. Each Employee, Consultant and Director who receives an Option or Stock Purchase Right shall comply with any policy, adopted by the Company from time to time and in effect following the closing of the sale of Common Stock in a public offering registered under the Securities Act of 1933, as amended, covering transactions in the Company's securities by employees, officers and/or directors of the Company.

1996 FORMFACTOR, INC.

STOCK OPTION PLAN

STOCK OPTION AGREEMENT

Unless otherwise defined herein, the terms defined in the 1996 FormFactor, Inc. Stock Option Plan, as amended (the "PLAN") shall have the same defined meanings in this Option Agreement.

I. NOTICE OF STOCK OPTION GRANT

_____

_____

_____

You have been granted an option to purchase Common Stock of the Company, subject to the terms and conditions of the Plan and this Option Agreement, as follows:

Date of Grant	_____
Vesting Commencement Date	_____
Exercise Price per Share	_____
Total Number of Shares Granted	_____
Total Exercise Price	$_____
Type of Option:	_____ Incentive Stock Option
	_____ Nonstatutory Stock Option
Term/Expiration Date:	_____

Vesting Schedule:

This Option is immediately exercisable although the shares issued upon exercise of the Option will be subject to the restrictions on transfer and Repurchase Option set forth in this Option Agreement. This Option will vest in accordance with the following schedule:

The Option shall not vest during the first twelve months after the Vesting Commencement Date. On the first anniversary of the Vesting Commencement Date, provided the Optionee is a Consultant or Employee of the Company or any of its Subsidiaries, the Option shall vest as to twenty five (25%) percent of the shares covered by the Option.

The remaining Shares subject to the Option shall then vest on a monthly basis commencing one year after the Vesting Commencement Date in increments of 1/36th of the remaining Shares subject to the Option.

In addition to the vesting provided herein, the Option and Shares subject to the 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 Change of Control (as defined below) 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 and exercisability is referred to herein as the "Change of Control Vesting"). A "Change of Control" shall mean the occurrence of any of the following events: (i) a merger, reorganization or consolidation of the Company in which the stockholders of the Company immediately before such merger, reorganization or consolidation own immediately after such merger, reorganization or consolidation less than fifty percent (50%) of the outstanding voting equity securities of the Company or entity surviving such merger, reorganization or consolidation, or (ii) a sale or other transfer of all or substantially all of the assets of the Company. "Non-Justifiable Termination" means any termination by the Company, or any Parent or Subsidiary of the Company, of Optionee's Continuous Status as an Employee or Consultant 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; (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 (iv) the death or disability of Optionee. Notwithstanding anything to the contrary set forth in the Option Agreement, if a Change of Control Vesting occurs by reason of a Non-Justifiable Termination, then the Option may be exercised by Optionee up to, but no later than, 30 days after the date of such Non-Justifiable Termination, but in any event no later than the Term/Expiration Date.

In the event of termination of the Optionee's Continuous Status as an Employee or Consultant 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 during the twelve (12)

months following the date of such termination; provided, however, such vested Option must be exercised no later than twelve (12) months from the date of such termination.

Termination Period:

This Option may be exercised for 30 days after termination other than for Cause (as defined under the Plan) of the Optionee's Continuous Status as an Employee or Consultant, or such longer period as may be applicable upon death or termination due to disability of Optionee as provided in the Plan. If the Optionee's Continuous Status as an Employee or Consultant is terminated for Cause, this Option shall terminate on the Optionee's termination date. In the event of the Optionee's change in status from Employee to Consultant or Consultant to Employee, this Option Agreement shall remain in effect (although it may change from an Incentive Stock Option to a Nonstatutory Stock Option by virtue thereof). In no event shall this Option be exercised later than the Term/Expiration Date as provided above.

II. AGREEMENT

1. Grant of Option. FormFactor, Inc., a Delaware corporation (the "COMPANY"), hereby grants to the Optionee named in the Notice of Grant (the "OPTIONEE"), an option (the "OPTION") to purchase the total number of shares of Common Stock (the "SHARES") set forth in the Notice of Grant, at the exercise price per share set forth in the Notice of Grant (the "EXERCISE PRICE") subject to the terms, definitions and provisions of the 1996 FormFactor Stock Option Plan (the "PLAN") adopted by the Company, which is incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Option Agreement.

If designated in the Notice of Grant as an Incentive Stock Option ("ISO"), this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code. Nevertheless, to the extent that it exceeds the $100,000 rule of Code Section 422(d), this Option shall be treated as a Nonstatutory Stock Option ("NSO").

2. Exercise of Option.

(a) Right to Exercise. This Option is immediately exercisable although the Shares issued upon exercise of the Option will be subject to the restrictions on transfer and Repurchase Option set forth in this Option agreement. Notwithstanding any provision in the Plan or this Option Agreement to the contrary, Options for Unvested Shares will not be exercisable on or after an Optionee's termination date. This Option shall vest during its term in accordance with the Vesting Schedule set forth above in the Notice of Grant and with the applicable provisions of the Plan and this Option Agreement. In the event of Optionee's death, disability or other termination of the employment or consulting relationship, this Option shall be exercisable in accordance with the applicable provisions of the Plan and this Option Agreement.

(b) Vesting of Options. Shares that are vested pursuant to the schedule set forth in the Notice of Grant are "Vested Shares." Shares that are not vested pursuant to the

schedule set forth in the Notice of Grant are "UNVESTED SHARES." Unvested Shares may not be sold or otherwise transferred by the Optionee without the Company's prior written consent.

(c) Method of Exercise. This Option shall be exercisable by written notice (in the form attached as Exhibit A) which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised, and such other representations and agreements as to the Optionee's investment intent with respect to such shares of Common Stock as may be required by the Company pursuant to the provisions of the Plan. Such written notice shall be signed by the Optionee and shall be delivered in person or by certified mail to the Chief Financial Officer of the Company. The written notice shall be accompanied by payment of the Exercise Price. This Option shall be deemed to be exercised upon receipt by the Company of such written notice accompanied by the Exercise Price.

No Shares will be issued pursuant to the exercise of an Option unless such issuance and such exercise shall comply with all relevant provisions of law and the requirements of any stock exchange upon which the Shares may then be listed. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to the Optionee on the date on which the Option is exercised with respect to such Shares.

(d) Optionee's Representations. In the event the Shares purchasable pursuant to the exercise of this Option have not been registered under the Securities Act of 1933, as amended, at the time this Option is exercised, Optionee shall, if required by the Company, concurrently with the exercise of all or any portion of this Option, deliver to the Company his or her Investment Representation Statement in the form attached hereto as Exhibit B.

3. Method of Payment. Payment of the Exercise Price shall be by any of the following, or a combination thereof, at the election of the Optionee:

(a) cash;

(b) check;

(c) surrender of other shares of Common Stock of the Company which (A) in the case of Shares acquired pursuant to the exercise of a Company option, have been owned by the Optionee for more than six (6) months on the date of surrender, and (B) have a Fair Market Value on the date of surrender equal to the Exercise Price of the Shares as to which the Option is being exercised;

(d) delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the Exercise Price;

(e) full recourse promissory note together with a security agreement and other ancillary documents approved by the Company.

4. Restrictions on Exercise. This Option may not be exercised if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulation, including any rule under Part 207 of Title 12 of the Code of Federal Regulations ("REGULATION G") as promulgated by the Federal Reserve Board.

5. Termination of Relationship. In the event an Optionee's Continuous Status as an Employee or Consultant terminates, Optionee may, to the extent otherwise so entitled at the date of such termination (the "TERMINATION DATE"), exercise this Option during the Termination Period set out in the Notice of Grant. To the extent that Optionee was not entitled to exercise this Option at the date of such termination, or if Optionee does not exercise this Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

6. Disability of Optionee. Notwithstanding the provisions of Section 5 above, in the event of termination of an Optionee's Continuous Status as an Employee or Consultant as a result of his or her disability, Optionee may, but only within twelve (12) months from the date of such termination (and in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), exercise the Option to the extent otherwise entitled to exercise it at the date of such termination; provided, however, that if such disability is not a "disability" as such term is defined in Section 22(e)(3) of the Code, in the case of an ISO such ISO shall cease to be treated as an ISO and shall be treated for tax purposes as a NSO on the day three months and one day following such termination. To the extent that Optionee was not entitled to exercise the Option at the date of termination, or if Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

7. Death of Optionee. Notwithstanding the provisions of Section 5 above, in the event of termination of Optionee's Continuous Status as an Employee or Consultant as a result of the death of Optionee, the Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the date of expiration of the term of this Option as set forth in Section 12 below), by Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent the Optionee could exercise the Option at the date of death. To the extent that the Optionee was not entitled to exercise the Option at the date of death, or if the Option is not exercised within the time period specified herein, the Option shall terminate and the Shares covered by such Option shall revert to the Plan.

8. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by Optionee. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

9. Company's Repurchase Option for Unvested Shares. The Company, or its assignee, shall have the option to repurchase Optionee's Unvested Shares on the terms and conditions set forth in this Section (the "REPURCHASE OPTION") if Optionee's Continuous Status

as an Employee or Consultant terminates for any reason, or no reason, including without limitation Optionee's death, disability, voluntary resignation or termination by the Company with or without Cause. Notwithstanding the foregoing, the Company shall retain the Repurchase Option for Unvested Shares only as to that number of Unvested Shares (whether or not exercised) that exceeds the number of shares which remain exercisable.

(a) Termination and Termination Date. In case of any dispute as to whether Optionee's Continuous Status as an Employee or Consultant terminates, the Administrator shall have discretion to determine whether Optionee has terminated and the effective date of such termination (the "TERMINATION DATE").

(b) Exercise of Repurchase Option. At any time within ninety (90) days after the later of the Optionee's Termination Date and the date the Optionee purchases the Shares, the Company, or its assignee, may elect to repurchase the Optionee's Unvested Shares by giving Optionee written notice of exercise of the Repurchase Option.

(c) Calculation of Repurchase Price for Unvested Shares. The Company or its assignee shall have the option to repurchase from Optionee (or from Optionee's personal representative as the case may be) the Unvested Shares at the 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 13 of the Plan.

(d) Payment of Repurchase Price. The repurchase price shall be payable, 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 sixty (60) days after exercise of the Repurchase Option.

(e) Right of Termination Unaffected. Nothing in this Agreement shall be construed to limit or otherwise affect in any manner whatsoever the right or power of the Company (or any Parent or Subsidiary of the Company) to terminate Optionee's employment or other relationship with Company (or the Parent or Subsidiary of the Company) at any time, for any reason or no reason, with or without Cause.

10. Company's Right of First Refusal. Unvested Shares may not be sold or otherwise transferred by Optionee without the Company's prior written consent. Before any Vested Shares held by Participant or any transferee of such Vested Shares (either being sometimes referred to herein as the "HOLDER") may be sold or otherwise transferred (including without limitation a transfer by gift or operation of law), the Company and/or its assignee(s) shall have an assignable right of first refusal to purchase the Vested Shares to be sold or transferred (the "OFFERED SHARES") on the terms and conditions set forth in this Section (the "RIGHT OF FIRST REFUSAL").

(a) Notice of Proposed Transfer. The Holder of the Offered Shares shall deliver to the Company a written notice (the "NOTICE") stating: (i) the Holder's bona fide intention to sell or otherwise transfer the Offered Shares; (ii) the name of each proposed bona fide purchaser or other transferee ("PROPOSED TRANSFEREE"); (iii) the number of Offered Shares to be transferred

to each Proposed Transferee; (iv) the bona fide cash price or other consideration for which the Holder proposes to transfer the Offered Shares (the "OFFERED PRICE"); and (v) that the Holder will offer to sell the Offered Shares to the Company and/or its assignee(s) at the Offered Price as provided in this Section.

(b) Exercise of Right of First Refusal. At any time within thirty (30) days after the date of the Notice, the Company and/or its assignee(s) may, by giving written notice to the Holder, elect to purchase all (or, with the consent of the Holder, less than all) of the Offered Shares proposed to be transferred to any one or more of the Proposed Transferees named in the Notice, at the purchase price determined as specified below.

(c) Purchase Price. The purchase price for the Offered Shares purchased under this Section will be the Offered Price. If the Offered Price includes consideration other than cash, then the cash equivalent value of the non-cash consideration shall conclusively be deemed to be the value of such non-cash consideration as determined in good faith by the Company's Board of Directors.

(d) Payment. Payment of the purchase price for Offered Shares will be payable, at the option of the Company and/or its assignee(s) (as applicable), by check or by cancellation of all or a portion of any outstanding indebtedness of the Holder to the Company (or to such assignee, in the case of a purchase of Offered Shares by such assignee) or by any combination thereof. The purchase price will be paid without interest within sixty (60) days after the Company's receipt of the Notice, or, at the option of the Company and/or its assignee(s), in the manner and at the time(s) set forth in the Notice.

(e) Holder's Right to Transfer. If all of the Offered Shares proposed in the Notice to be transferred to a given Proposed Transferee are not purchased by the Company and/or its assignee(s) as provided in this Section, then the Holder may sell or otherwise transfer such Offered Shares to that Proposed Transferee at the Offered Price or at a higher price, provided that such sale or other transfer is consummated within 120 days after the date of the Notice, and provided further, that (i) any such sale or other transfer is effected in compliance with all applicable securities laws and (ii) the Proposed Transferee agrees in writing that the provisions of this Section will continue to apply to the Offered Shares in the hands of such Proposed Transferee. If the Offered Shares described in the Notice are not transferred to the Proposed Transferee within such 120 day period, then a new Notice must be given to the Company, and the Company will again be offered the Right of First Refusal before any Shares held by the Holder may be sold or otherwise transferred.

(f) Exempt Transfers. Notwithstanding anything to the contrary in this Section, the following transfers of Vested Shares will be exempt from the Right of First Refusal: (i) the transfer of any or all of the Vested Shares during Optionee's lifetime by gift or on Optionee's death by will or intestacy to Optionee's "IMMEDIATE FAMILY" (as defined below) or to a trust for the benefit of Optionee or Optionee's immediate family, provided that each transferee or other recipient agrees in a writing satisfactory to the Company that the provisions of this Section will continue to apply to the transferred Vested Shares in the hands of such transferee or other recipient; (ii) any transfer of Vested Shares made pursuant to a statutory merger or statutory

consolidation of the Company with or into another corporation or corporations (except that the Right of First Refusal and Repurchase Option will continue to apply thereafter to such Vested Shares, in which case the surviving corporation of such merger or consolidation shall succeed to the rights of the Company under this Section unless the agreement of merger or consolidation expressly otherwise provides); or (iii) any transfer of Vested Shares pursuant to the winding up and dissolution of the Company. As used herein, the term "IMMEDIATE FAMILY" will mean Optionee's spouse, the lineal descendant or antecedent, father, mother, brother or sister, adopted child or grandchild of the Optionee or the Optionee's spouse, or the spouse of any child, adopted child, grandchild or adopted grandchild of Optionee or the Optionee's spouse.

(g) Termination of Right of First Refusal. The Company's Right of First Refusal will terminate when the Company's securities become publicly traded.

11. Term of Option. This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option.

12. Tax Consequences. Set forth below is a brief summary as of January 1, 1998 of some of the federal and applicable state tax consequences of exercise of this Option and disposition of the Shares. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(a) Exercise of ISO. If this Option qualifies as an ISO, there will be no regular federal income tax liability or applicable state income tax liability upon the exercise of the Option, although the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price will be treated as an adjustment to the alternative minimum tax ("AMT") for federal tax purposes and may subject the Optionee to the AMT in the year of exercise.

(b) Exercise of ISO Following Disability. If the Optionee's Continuous Status as an Employee or Consultant terminates as a result of disability that is not a total and permanent disability as defined in Section 22(e)(3) of the Code, to the extent permitted on the date of termination, the Optionee must exercise an ISO within three months of such termination for the Shares received on exercise of the Option to receive preferential ISO tax treatment.

(c) Exercise of Nonstatutory Stock Option. There may be a regular federal income tax liability and applicable state income tax liability upon the exercise of a NSO. The Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price. If Optionee is an Employee or a former Employee, the Company will be required to withhold from Optionee's compensation or collect from Optionee and pay to the applicable taxing authorities an amount in cash equal to a percentage of this compensation income at the time of exercise, and may refuse to honor the exercise. The Company refuse to deliver Shares if such withholding amounts are not delivered at the time of exercise.

(d) Disposition of Shares. The following tax consequences may apply upon disposition of the Shares.

i. Incentive Stock Options. If the Shares are held for more than twelve (12) months after the date of the transfer of the Shares pursuant to the exercise of an ISO and are disposed of more than two (2) years after the Date of Grant set forth in the Notice of Grant, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal and California income tax purposes. The maximum federal capital long-term gain tax rate is twenty percent (20%). If there is a "DISQUALIFYING DISPOSITION" because Shares purchased under an ISO are disposed of within the later of one (1) year after the date of exercise or two (2) years from the Date of Grant, any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates) to the extent of the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price and any amount resulting from the disposition that is greater than the Fair Market Value of the Shares on the date of exercise is taxed as capital gain.

ii. Nonstatutory Stock Options. If the Shares are held for more than twelve (12) months after the date of the transfer of the Shares pursuant to the exercise of an NSO, any gain realized on disposition of the Shares will be treated as long-term capital gain.

(e) Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Optionee herein is an ISO, and if Optionee sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (i) the date two years after the Date of Grant or (ii) the date one year after the date of exercise, the Optionee shall immediately notify the Company in writing of the disqualifying disposition. Optionee agrees that Optionee may be subject to income tax withholding by the Company on the compensation income recognized by the Optionee.

(f) Section 83(b) Election for Unvested Shares Purchased Pursuant to Nonstatutory Stock Options. With respect to the exercise of an NSO for Unvested Shares, an election may be filed by the Optionee with the Internal Revenue Service and, if necessary, the proper state taxing authorities, within 30 days of the purchase of the Shares, electing pursuant to Section 83(b) of the Code (and similar state tax provisions if applicable) to be taxed currently on any difference between the purchase price of the Shares and their Fair Market Value on the date of purchase. This will result in a recognition of taxable income to the Optionee on the date of exercise, measured by the excess, if any, of the fair market value of the Shares, at the time the Option is exercised over the purchase price for the Shares. Absent such an election, taxable income will be measured and recognized by Optionee at the time or times on which the Company's Repurchase Option lapses. Optionee is strongly encouraged to seek the advice of his or her own tax consultants in connection with the purchase of the Shares and the advisability of filing of the Election under Section 83(b) and similar tax provisions. A form of Election under Section 83(b) is attached hereto as Exhibit D for reference.

(g) Section 83(b) Election for Unvested Shares Purchased Pursuant to Incentive Stock Options. With respect to the exercise of an ISO for Unvested Shares, an election may be filed by the Optionee with the Internal Revenue Service and, if necessary, the proper state

taxing authorities, within 30 days of the purchase of the Shares, electing pursuant to Section 83(b) of the Code (and similar state tax provisions if applicable) to be taxed currently on any difference between the purchase price of the Shares and their Fair Market Value on the date of purchase for AMT purposes. This will result in a recognition of income to the Optionee on the date of exercise, for AMT purposes, measured by the excess, if any, of the fair market value of the Shares, at the time the option is exercised, over the purchase price for the Shares. Absent such an election, alternative minimum taxable income will be measured and recognized by Optionee at the time or times on which the Company's Repurchase Option lapses. Optionee is strongly encouraged to seek the advice of his or her tax consultants in connection with the purchase of the Shares and the advisability of filing of the Election under Section 83(b) and similar tax provisions. A form of Election under Section 83(b) for AMT purposes is attached hereto as Exhibit D for reference.

13. Entire Agreement; Governing Law. The Plan is incorporated herein by reference. The Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to the Optionee's interest except by means of a writing signed by the Company and Optionee. This agreement is governed by California law except for that body of law pertaining to conflict of laws.

FormFactor, Inc.,
a Delaware corporation

By:

Igor Y. Khandros, President and CEO

[COMPANY SIGNATURE PAGE TO FORMFACTOR, INC. STOCK OPTION AGREEMENT]

OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE OPTION HEREOF IS EARNED ONLY BY CONTINUING CONSULTANCY OR EMPLOYMENT AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER). OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS AGREEMENT, NOR IN THE COMPANY'S STOCK OPTION PLAN WHICH IS INCORPORATED HEREIN BY REFERENCE, SHALL CONFER UPON OPTIONEE ANY RIGHT WITH RESPECT TO CONTINUATION OF EMPLOYMENT OR CONSULTANCY BY THE COMPANY, NOR SHALL IT INTERFERE IN ANY WAY WITH OPTIONEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE OPTIONEE'S EMPLOYMENT OR CONSULTANCY AT ANY TIME, WITH OR WITHOUT CAUSE.

Optionee acknowledges receipt of a copy of the Plan and represents that he is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions thereof. Optionee has reviewed the Plan and this Option in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option and fully understands all provisions of the Option. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Option. Optionee further agrees to notify the Company upon any change in the residence address indicated below.

Dated: _____, 200__ _____

Residence Address:

_____

_____

[OPTIONEE SIGNATURE PAGE TO FORMFACTOR, INC. STOCK OPTION AGREEMENT]

1996 FORMFACTOR, INC.

STOCK OPTION PLAN

STOCK OPTION AGREEMENT

Unless otherwise defined herein, the terms defined in the 1996 FormFactor, Inc. Stock Option Plan, as amended (the "PLAN") shall have the same defined meanings in this Option Agreement.

I. NOTICE OF STOCK OPTION GRANT

_____

_____

_____

You have been granted an option to purchase Common Stock of the Company, subject to the terms and conditions of the Plan and this Option Agreement, as follows:

Date of Grant	_____
Vesting Commencement Date	_____
Exercise Price per Share	_____
Total Number of Shares Granted	_____
Total Exercise Price	$_____
Type of Option:	X Incentive Stock Option
	_____ Nonstatutory Stock Option
Term/Expiration Date:	_____

Vesting Schedule:

This Option is exercisable six months from the Date of Grant although the shares issued upon exercise of the Option will be subject to the restrictions on transfer and Repurchase Option set forth in this Option Agreement. This Option will vest in accordance with the following schedule:

The Option shall not vest during the first twelve months after the Vesting Commencement Date. On the first anniversary of the Vesting Commencement Date, provided the Optionee is a Consultant or Employee of the Company or any of its Subsidiaries, the Option shall vest as to twenty five (25%) percent of the shares covered by the Option.

The remaining Shares subject to the Option shall then vest on a monthly basis commencing one year after the Vesting Commencement Date in increments of 1/36th of the remaining Shares subject to the Option.

In addition to the vesting provided herein, the Option and Shares subject to the 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 Change of Control (as defined below) 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 and exercisability is referred to herein as the "Change of Control Vesting"). A "Change of Control" shall mean the occurrence of any of the following events: (i) a merger, reorganization or consolidation of the Company in which the stockholders of the Company immediately before such merger, reorganization or consolidation own immediately after such merger, reorganization or consolidation less than fifty percent (50%) of the outstanding voting equity securities of the Company or entity surviving such merger, reorganization or consolidation, or (ii) a sale or other transfer of all or substantially all of the assets of the Company. "Non-Justifiable Termination" means any termination by the Company, or any Parent or Subsidiary of the Company, of Optionee's Continuous Status as an Employee or Consultant 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; (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 (iv) the death or disability of Optionee. Notwithstanding anything to the contrary set forth in the Option Agreement, if a Change of Control Vesting occurs by reason of a Non-Justifiable Termination, then the Option may be exercised by Optionee up to, but no later than, 30 days after the date of such Non-Justifiable Termination, but in any event no later than the Term/Expiration Date.

In the event of termination of the Optionee's Continuous Status as an Employee or Consultant 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 during the twelve (12) months following the date of such termination; provided, however, such vested Option must be exercised no later than twelve (12) months from the date of such termination.

Termination Period:

This Option may be exercised for 30 days after termination other than for Cause (as defined under the Plan) of the Optionee's Continuous Status as an Employee or Consultant, or such longer period as may be applicable upon death or termination due to disability of Optionee as provided in the Plan. If the Optionee's Continuous Status as an Employee or Consultant is terminated for Cause, this Option shall terminate on the Optionee's termination date. In the event of the Optionee's change in status from Employee to Consultant or Consultant to Employee, this Option Agreement shall remain in effect (although it may change from an Incentive Stock Option to a Nonstatutory Stock Option by virtue thereof). In no event shall this Option be exercised later than the Term/Expiration Date as provided above.

II. AGREEMENT

1. Grant of Option. FormFactor, Inc., a Delaware corporation (the "COMPANY"), hereby grants to the Optionee named in the Notice of Grant (the "OPTIONEE"), an option (the "OPTION") to purchase the total number of shares of Common Stock (the "SHARES") set forth in the Notice of Grant, at the exercise price per share set forth in the Notice of Grant (the "EXERCISE PRICE") subject to the terms, definitions and provisions of the 1996 FormFactor Stock Option Plan (the "PLAN") adopted by the Company, which is incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Option Agreement.

If designated in the Notice of Grant as an Incentive Stock Option ("ISO"), this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code. Nevertheless, to the extent that it exceeds the $100,000 rule of Code Section 422(d), this Option shall be treated as a Nonstatutory Stock Option ("NSO").

2. Exercise of Option.

(a) Right to Exercise. This Option is exercisable six months from the Date of Grant although the Shares issued upon exercise of the Option will be subject to the restrictions on transfer and Repurchase Option set forth in this Option agreement. Notwithstanding any provision in the Plan or this Option Agreement to the contrary, Options for Unvested Shares will not be exercisable on or after an Optionee's termination date. This Option shall vest during its term in accordance with the Vesting Schedule set forth above in the Notice of Grant and with the applicable provisions of the Plan and this Option Agreement. In the event of Optionee's death, disability or other termination of the employment or consulting relationship, this Option shall be exercisable in accordance with the applicable provisions of the Plan and this Option Agreement.

(b) Vesting of Options. Shares that are vested pursuant to the schedule set forth in the Notice of Grant are "Vested Shares." Shares that are not vested pursuant to the

schedule set forth in the Notice of Grant are "UNVESTED SHARES." Unvested Shares may not be sold or otherwise transferred by the Optionee without the Company's prior written consent.

(c) Method of Exercise. This Option shall be exercisable by written notice (in the form attached as Exhibit A) which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised, and such other representations and agreements as to the Optionee's investment intent with respect to such shares of Common Stock as may be required by the Company pursuant to the provisions of the Plan. Such written notice shall be signed by the Optionee and shall be delivered in person or by certified mail to the Chief Financial Officer of the Company. The written notice shall be accompanied by payment of the Exercise Price. This Option shall be deemed to be exercised upon receipt by the Company of such written notice accompanied by the Exercise Price.

No Shares will be issued pursuant to the exercise of an Option unless such issuance and such exercise shall comply with all relevant provisions of law and the requirements of any stock exchange upon which the Shares may then be listed. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to the Optionee on the date on which the Option is exercised with respect to such Shares.

(d) Optionee's Representations. In the event the Shares purchasable pursuant to the exercise of this Option have not been registered under the Securities Act of 1933, as amended, at the time this Option is exercised, Optionee shall, if required by the Company, concurrently with the exercise of all or any portion of this Option, deliver to the Company his or her Investment Representation Statement in the form attached hereto as Exhibit B.

3. Method of Payment. Payment of the Exercise Price shall be by any of the following, or a combination thereof, at the election of the Optionee:

(a) cash;

(b) check;

(c) surrender of other shares of Common Stock of the Company which (A) in the case of Shares acquired pursuant to the exercise of a Company option, have been owned by the Optionee for more than six (6) months on the date of surrender, and (B) have a Fair Market Value on the date of surrender equal to the Exercise Price of the Shares as to which the Option is being exercised;

(d) delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the Exercise Price.

4. Restrictions on Exercise. This Option may not be exercised if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulation,

including any rule under Part 207 of Title 12 of the Code of Federal Regulations ("REGULATION G") as promulgated by the Federal Reserve Board.

5. Termination of Relationship. In the event an Optionee's Continuous Status as an Employee or Consultant terminates, Optionee may, to the extent otherwise so entitled at the date of such termination (the "TERMINATION DATE"), exercise this Option during the Termination Period set out in the Notice of Grant. To the extent that Optionee was not entitled to exercise this Option at the date of such termination, or if Optionee does not exercise this Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

6. Disability of Optionee. Notwithstanding the provisions of Section 5 above, in the event of termination of an Optionee's Continuous Status as an Employee or Consultant as a result of his or her disability, Optionee may, but only within twelve (12) months from the date of such termination (and in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), exercise the Option to the extent otherwise entitled to exercise it at the date of such termination; provided, however, that if such disability is not a "disability" as such term is defined in Section 22(e)(3) of the Code, in the case of an ISO such ISO shall cease to be treated as an ISO and shall be treated for tax purposes as a NSO on the day three months and one day following such termination. To the extent that Optionee was not entitled to exercise the Option at the date of termination, or if Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

7. Death of Optionee. Notwithstanding the provisions of Section 5 above, in the event of termination of Optionee's Continuous Status as an Employee or Consultant as a result of the death of Optionee, the Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the date of expiration of the term of this Option as set forth in Section 12 below), by Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent the Optionee could exercise the Option at the date of death. To the extent that the Optionee was not entitled to exercise the Option at the date of death, or if the Option is not exercised within the time period specified herein, the Option shall terminate and the Shares covered by such Option shall revert to the Plan.

8. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by Optionee. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

9. Company's Repurchase Option for Unvested Shares. The Company, or its assignee, shall have the option to repurchase Optionee's Unvested Shares on the terms and conditions set forth in this Section (the "REPURCHASE OPTION") if Optionee's Continuous Status as an Employee or Consultant terminates for any reason, or no reason, including without limitation Optionee's death, disability, voluntary resignation or termination by the Company with or without Cause. Notwithstanding the foregoing, the Company shall retain the Repurchase

Option for Unvested Shares only as to that number of Unvested Shares (whether or not exercised) that exceeds the number of shares which remain exercisable.

(a) Termination and Termination Date. In case of any dispute as to whether Optionee's Continuous Status as an Employee or Consultant terminates, the Administrator shall have discretion to determine whether Optionee has terminated and the effective date of such termination (the "TERMINATION DATE").

(b) Exercise of Repurchase Option. At any time within ninety (90) days after the later of the Optionee's Termination Date and the date the Optionee purchases the Shares, the Company, or its assignee, may elect to repurchase the Optionee's Unvested Shares by giving Optionee written notice of exercise of the Repurchase Option.

(c) Calculation of Repurchase Price for Unvested Shares. The Company or its assignee shall have the option to repurchase from Optionee (or from Optionee's personal representative as the case may be) the Unvested Shares at the 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 13 of the Plan.

(d) Payment of Repurchase Price. The repurchase price shall be payable, 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 sixty (60) days after exercise of the Repurchase Option.

(e) Right of Termination Unaffected. Nothing in this Agreement shall be construed to limit or otherwise affect in any manner whatsoever the right or power of the Company (or any Parent or Subsidiary of the Company) to terminate Optionee's employment or other relationship with Company (or the Parent or Subsidiary of the Company) at any time, for any reason or no reason, with or without Cause.

10. Company's Right of First Refusal. Unvested Shares may not be sold or otherwise transferred by Optionee without the Company's prior written consent. Before any Vested Shares held by Participant or any transferee of such Vested Shares (either being sometimes referred to herein as the "HOLDER") may be sold or otherwise transferred (including without limitation a transfer by gift or operation of law), the Company and/or its assignee(s) shall have an assignable right of first refusal to purchase the Vested Shares to be sold or transferred (the "OFFERED SHARES") on the terms and conditions set forth in this Section (the "RIGHT OF FIRST REFUSAL").

(a) Notice of Proposed Transfer. The Holder of the Offered Shares shall deliver to the Company a written notice (the "NOTICE") stating: (i) the Holder's bona fide intention to sell or otherwise transfer the Offered Shares; (ii) the name of each proposed bona fide purchaser or other transferee ("PROPOSED TRANSFEREE"); (iii) the number of Offered Shares to be transferred to each Proposed Transferee; (iv) the bona fide cash price or other consideration for which the Holder proposes to transfer the Offered Shares (the "OFFERED PRICE"); and (v) that the Holder will

offer to sell the Offered Shares to the Company and/or its assignee(s) at the Offered Price as provided in this Section.

(b) Exercise of Right of First Refusal. At any time within thirty (30) days after the date of the Notice, the Company and/or its assignee(s) may, by giving written notice to the Holder, elect to purchase all (or, with the consent of the Holder, less than all) of the Offered Shares proposed to be transferred to any one or more of the Proposed Transferees named in the Notice, at the purchase price determined as specified below.

(c) Purchase Price. The purchase price for the Offered Shares purchased under this Section will be the Offered Price. If the Offered Price includes consideration other than cash, then the cash equivalent value of the non-cash consideration shall conclusively be deemed to be the value of such non-cash consideration as determined in good faith by the Company's Board of Directors.

(d) Payment. Payment of the purchase price for Offered Shares will be payable, at the option of the Company and/or its assignee(s) (as applicable), by check or by cancellation of all or a portion of any outstanding indebtedness of the Holder to the Company (or to such assignee, in the case of a purchase of Offered Shares by such assignee) or by any combination thereof. The purchase price will be paid without interest within sixty (60) days after the Company's receipt of the Notice, or, at the option of the Company and/or its assignee(s), in the manner and at the time(s) set forth in the Notice.

(e) Holder's Right to Transfer. If all of the Offered Shares proposed in the Notice to be transferred to a given Proposed Transferee are not purchased by the Company and/or its assignee(s) as provided in this Section, then the Holder may sell or otherwise transfer such Offered Shares to that Proposed Transferee at the Offered Price or at a higher price, provided that such sale or other transfer is consummated within 120 days after the date of the Notice, and provided further, that (i) any such sale or other transfer is effected in compliance with all applicable securities laws and (ii) the Proposed Transferee agrees in writing that the provisions of this Section will continue to apply to the Offered Shares in the hands of such Proposed Transferee. If the Offered Shares described in the Notice are not transferred to the Proposed Transferee within such 120 day period, then a new Notice must be given to the Company, and the Company will again be offered the Right of First Refusal before any Shares held by the Holder may be sold or otherwise transferred.

(f) Exempt Transfers. Notwithstanding anything to the contrary in this Section, the following transfers of Vested Shares will be exempt from the Right of First Refusal: (i) the transfer of any or all of the Vested Shares during Optionee's lifetime by gift or on Optionee's death by will or intestacy to Optionee's "IMMEDIATE FAMILY" (as defined below) or to a trust for the benefit of Optionee or Optionee's immediate family, provided that each transferee or other recipient agrees in a writing satisfactory to the Company that the provisions of this Section will continue to apply to the transferred Vested Shares in the hands of such transferee or other recipient; (ii) any transfer of Vested Shares made pursuant to a statutory merger or statutory consolidation of the Company with or into another corporation or corporations (except that the Right of First Refusal and Repurchase Option will continue to apply thereafter to such Vested

Shares, in which case the surviving corporation of such merger or consolidation shall succeed to the rights of the Company under this Section unless the agreement of merger or consolidation expressly otherwise provides); or (iii) any transfer of Vested Shares pursuant to the winding up and dissolution of the Company. As used herein, the term "IMMEDIATE FAMILY" will mean Optionee's spouse, the lineal descendant or antecedent, father, mother, brother or sister, adopted child or grandchild of the Optionee or the Optionee's spouse, or the spouse of any child, adopted child, grandchild or adopted grandchild of Optionee or the Optionee's spouse.

(g) Termination of Right of First Refusal. The Company's Right of First Refusal will terminate when the Company's securities become publicly traded.

11. Term of Option. This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option.

12. Tax Consequences. Set forth below is a brief summary as of January 1, 1998 of some of the federal and applicable state tax consequences of exercise of this Option and disposition of the Shares. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(a) Exercise of ISO. If this Option qualifies as an ISO, there will be no regular federal income tax liability or applicable state income tax liability upon the exercise of the Option, although the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price will be treated as an adjustment to the alternative minimum tax ("AMT") for federal tax purposes and may subject the Optionee to the AMT in the year of exercise.

(b) Exercise of ISO Following Disability. If the Optionee's Continuous Status as an Employee or Consultant terminates as a result of disability that is not a total and permanent disability as defined in Section 22(e)(3) of the Code, to the extent permitted on the date of termination, the Optionee must exercise an ISO within three months of such termination for the Shares received on exercise of the Option to receive preferential ISO tax treatment.

(c) Exercise of Nonstatutory Stock Option. There may be a regular federal income tax liability and applicable state income tax liability upon the exercise of a NSO. The Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price. If Optionee is an Employee or a former Employee, the Company will be required to withhold from Optionee's compensation or collect from Optionee and pay to the applicable taxing authorities an amount in cash equal to a percentage of this compensation income at the time of exercise, and may refuse to honor the exercise. The Company refuse to deliver Shares if such withholding amounts are not delivered at the time of exercise.

(d) Disposition of Shares. The following tax consequences may apply upon disposition of the Shares.

i. Incentive Stock Options. If the Shares are held for more than twelve (12) months after the date of the transfer of the Shares pursuant to the exercise of an ISO and are disposed of more than two (2) years after the Date of Grant set forth in the Notice of Grant, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal and California income tax purposes. The maximum federal capital long-term gain tax rate is twenty percent (20%). If there is a "DISQUALIFYING DISPOSITION" because Shares purchased under an ISO are disposed of within the later of one (1) year after the date of exercise or two (2) years from the Date of Grant, any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates) to the extent of the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price and any amount resulting from the disposition that is greater than the Fair Market Value of the Shares on the date of exercise is taxed as capital gain.

ii. Nonstatutory Stock Options. If the Shares are held for more than twelve (12) months after the date of the transfer of the Shares pursuant to the exercise of an NSO, any gain realized on disposition of the Shares will be treated as long-term capital gain.

(e) Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Optionee herein is an ISO, and if Optionee sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (i) the date two years after the Date of Grant or (ii) the date one year after the date of exercise, the Optionee shall immediately notify the Company in writing of the disqualifying disposition. Optionee agrees that Optionee may be subject to income tax withholding by the Company on the compensation income recognized by the Optionee.

(f) Section 83(b) Election for Unvested Shares Purchased Pursuant to Nonstatutory Stock Options. With respect to the exercise of an NSO for Unvested Shares, an election may be filed by the Optionee with the Internal Revenue Service and, if necessary, the proper state taxing authorities, within 30 days of the purchase of the Shares, electing pursuant to Section 83(b) of the Code (and similar state tax provisions if applicable) to be taxed currently on any difference between the purchase price of the Shares and their Fair Market Value on the date of purchase. This will result in a recognition of taxable income to the Optionee on the date of exercise, measured by the excess, if any, of the fair market value of the Shares, at the time the Option is exercised over the purchase price for the Shares. Absent such an election, taxable income will be measured and recognized by Optionee at the time or times on which the Company's Repurchase Option lapses. Optionee is strongly encouraged to seek the advice of his or her own tax consultants in connection with the purchase of the Shares and the advisability of filing of the Election under Section 83(b) and similar tax provisions. A form of Election under Section 83(b) is attached hereto as Exhibit D for reference.

(g) Section 83(b) Election for Unvested Shares Purchased Pursuant to Incentive Stock Options. With respect to the exercise of an ISO for Unvested Shares, an election may be filed by the Optionee with the Internal Revenue Service and, if necessary, the proper state

taxing authorities, within 30 days of the purchase of the Shares, electing pursuant to Section 83(b) of the Code (and similar state tax provisions if applicable) to be taxed currently on any difference between the purchase price of the Shares and their Fair Market Value on the date of purchase for AMT purposes. This will result in a recognition of income to the Optionee on the date of exercise, for AMT purposes, measured by the excess, if any, of the fair market value of the Shares, at the time the option is exercised, over the purchase price for the Shares. Absent such an election, alternative minimum taxable income will be measured and recognized by Optionee at the time or times on which the Company's Repurchase Option lapses. Optionee is strongly encouraged to seek the advice of his or her tax consultants in connection with the purchase of the Shares and the advisability of filing of the Election under Section 83(b) and similar tax provisions. A form of Election under Section 83(b) for AMT purposes is attached hereto as Exhibit D for reference.

13. Entire Agreement; Governing Law. The Plan is incorporated herein by reference. The Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to the Optionee's interest except by means of a writing signed by the Company and Optionee. This agreement is governed by California law except for that body of law pertaining to conflict of laws.

FormFactor, Inc.,
a Delaware corporation

By:

Igor Y. Khandros, President and CEO

[COMPANY SIGNATURE PAGE TO FORMFACTOR, INC. STOCK OPTION AGREEMENT]

OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE OPTION HEREOF IS EARNED ONLY BY CONTINUING CONSULTANCY OR EMPLOYMENT AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER). OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS AGREEMENT, NOR IN THE COMPANY'S STOCK OPTION PLAN WHICH IS INCORPORATED HEREIN BY REFERENCE, SHALL CONFER UPON OPTIONEE ANY RIGHT WITH RESPECT TO CONTINUATION OF EMPLOYMENT OR CONSULTANCY BY THE COMPANY, NOR SHALL IT INTERFERE IN ANY WAY WITH OPTIONEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE OPTIONEE'S EMPLOYMENT OR CONSULTANCY AT ANY TIME, WITH OR WITHOUT CAUSE.

Optionee acknowledges receipt of a copy of the Plan and represents that he is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions thereof. Optionee has reviewed the Plan and this Option in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option and fully understands all provisions of the Option. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Option. Optionee further agrees to notify the Company upon any change in the residence address indicated below.

Dated: _____, 200__ _____

Residence Address:

_____

_____

[OPTIONEE SIGNATURE PAGE TO FORMFACTOR, INC. STOCK OPTION AGREEMENT]

EXHIBIT 10.04

FORMFACTOR, INC.

INCENTIVE OPTION PLAN

AS APPROVED BY THE BOARD OF DIRECTORS ON MAY 13, 1999,
AND AS AMENDED ON SEPTEMBER 18, 2000, JANUARY 16, 2001 AND MARCH 14, 2002

1. Purposes of the Plan. The purposes of this Incentive Option Plan are to retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees of the Company and its Subsidiaries and to promote the success of the Company's business. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant of an Option and subject to the applicable provisions of Section 422 of the Code and the regulations promulgated thereunder. This Plan is intended to be a written compensatory benefit plan within the meaning of Rule 701 promulgated under the Securities Act.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Award Agreement" means the signed written agreement between the Company and the Optionee setting forth the terms and conditions of the Option, as the case may be.

(b) "Administrator" means the Board or its Committee appointed pursuant to Section 4 of the Plan.

(c) "Board" means the Board of Directors of the Company.

(d) "Cause" means termination because of (i) any willful material violation by the Optionee of any law or regulation applicable to the business of the Company or a Parent or Subsidiary of the Company, the Optionee's conviction for, or guilty plea to, a felony or a crime involving moral turpitude, any willful perpetration by the Optionee of a common law fraud, (ii) the Optionee's commission of an act of personal dishonesty which involves personal profit in connection with the Company or any other entity having a business relationship with the Company, (iii) any material breach by the Optionee of any provision of any agreement or understanding between the Company or any Parent or Subsidiary of the Company and the Optionee regarding the terms of the Optionee's service as an employee, director or consultant to the Company or a Parent or Subsidiary of the Company including, without limitation, the willful and continued failure or refusal of the Optionee to perform the material duties required of such Optionee as an employee, director or consultant of the Company or a Parent or Subsidiary of the Company, other than as a result of having a Disability, or a breach of any applicable invention assignment and confidentiality agreement or similar agreement between the Company and the Optionee, (iv) Optionee's disregard of the policies of the Company or any Parent or Subsidiary of the Company so as to cause loss, damage or injury to the property, reputation or employees of the Company or a Parent or Subsidiary of the Company, or (v) any other misconduct by the Optionee which is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company or a Parent or Subsidiary of the Company.

(e) "Code" means the Internal Revenue Code of 1986, as amended.

(f) "Committee" means a Committee appointed by the Board of Directors in accordance with Section 4 of the Plan.

(g) "Common Stock" means the Common Stock of the Company.

(h) "Company" means FormFactor, Inc., a Delaware corporation.

(i) "Consultant" means any person who is engaged by the Company or any Parent or Subsidiary to render consulting or advisory services and is compensated for such services, and any Director of the Company whether compensated for such services or not. If the Company registers any class of any equity security pursuant to the Exchange Act, the term Consultant shall thereafter not include Directors who are not compensated for their services or are paid only a Director's fee by the Company.

(j) "Continuous Status as an Employee or Consultant" means that the employment or consulting relationship with the Company, any Parent or Subsidiary is not interrupted or terminated. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor. A leave of absence approved by the Company shall include sick leave, military leave, or any other personal leave approved by an authorized representative of the Company. For purposes of Incentive Stock Options, no such leave may exceed ninety (90) days, unless reemployment upon expiration of such leave is guaranteed by statute or contract, including Company policies. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, on the ninety-first (91st) day of such leave any Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option.

(k) "Director" means a member of the Board of Directors of the Company.

(l) "Employee" means any person employed by the Company or any Parent or Subsidiary of the Company who has a base annual salary equal to or greater than $60,000. The payment of a Director's fee by the Company shall not be sufficient to constitute "employment" by the Company.

(m) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(n) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day prior to the time of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean between the high bid and low asked prices for the Common Stock on the last market trading day prior to the day of determination; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Administrator.

(o) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(p) "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(q) "Option" means a stock option granted pursuant to the Plan.

(r) "Optioned Stock" means the Common Stock subject to an Option.

(s) "Optionee" means an Employee or Consultant who receives an Option.

(t) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(u) "Plan" means this Incentive Option Plan.

(v) "Share" means a share of the Common Stock, as adjusted in accordance with Section 12 below.

(w) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

(x) "Unvested Shares" means "Unvested Shares" as defined in the Award Agreement.

(y) "Vested Shares" means "Vested Shares" as defined in the Award Agreement.

3. Stock Subject to the Plan. Subject to the provisions of Section 12 of the Plan, the maximum aggregate number of Shares reserved for issuance under the Plan is 4,600,000 Shares. The Shares may be authorized but unissued Common Stock.

If an Option expires or becomes unexercisable without having been exercised in full, or is surrendered pursuant to an option exchange program, the unpurchased Shares which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated). However, Shares that have actually been issued under the Plan, upon exercise of an Option, shall not be returned to the Plan and shall not become available for future distribution under the Plan, unless the Shares issued are Unvested Shares which are repurchased by the Company pursuant to Section 11 hereof, in which case such Shares shall be returned to the Plan and become available for future distribution under the Plan.

4. Administration of the Plan.

(a) Administrator's Authority. The Plan shall be administered by the Board or a Committee appointed by the Board. Subject to the provisions of the Plan and, in the case of a Committee, the specific duties delegated by the Board to such Committee, and subject to the approval of any relevant authorities, including the approval, if required, of any stock exchange upon which the Common Stock is listed, the Administrator shall have the authority in its discretion:

(i) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(n) of the Plan;

(ii) to select the Employees to whom Options may from time to time be granted hereunder;

(iii) to determine whether and to what extent Options are granted hereunder;

(iv) to determine the number of Shares to be covered by each such Option granted hereunder;

(v) to approve forms of agreement for use under the Plan;

(vi) to determine the terms and conditions of any Option granted hereunder;

(vii) to determine whether and under what circumstances an Option may be settled in cash under subsection 9(f) instead of Common Stock;

(viii) to reduce the exercise price of any Option to the then current Fair Market Value if the Fair Market Value of the Common Stock covered by such Option has declined since the date the Option was granted; and

(ix) to construe and interpret the terms of the Plan and Options granted pursuant to the Plan.

(b) Effect of Administrator's Decision. All decisions, determinations and interpretations of the Administrator shall be final and binding on all Optionees and any other holders of any Options.

5. Eligibility.

(a) Only individuals who are Employees may be granted Options hereunder. An Employee who has been granted an Option may, if otherwise eligible, be granted additional Options. If an Optionee terminates employment but continues to provide services as a Consultant or Director, the Option shall continue subject to Section 9(b).

(b) Each Option shall be designated in the written option agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Optionee during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds $100,000, such Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 5(b), Incentive Stock Options shall be taken into account in the order in which they were granted. The Fair Market Value of the Shares shall be determined as of the time the Option with respect to such Shares is granted.

(c) Neither the Plan nor any Option shall confer upon any Optionee any right with respect to continuation of his or her employment or consulting relationship with the Company, nor shall it interfere in any way with his or her right or the Company's right to terminate his or her employment or consulting relationship at any time, with or without cause.

6. Term of Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the shareholders of the Company, as described in Section 19 of the Plan. It shall continue in effect for a term of ten (10) years from the effective date unless sooner terminated under Section 15 of the Plan.

7. Term of Option. The term of each Option shall be the term stated in the Award Agreement; provided, however, that the term shall be no more than ten (10) years from the date of grant thereof. In the case of an Incentive Stock Option granted to an Optionee who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Option shall be five (5) years from the date of grant thereof or such shorter term as may be provided in the Option Agreement.

8. Option Exercise Price and Consideration.

(a) The per share exercise price for the Shares to be issued upon exercise of an Option shall be such price as is determined by the Administrator, but shall be subject to the following:

(i) In the case of an Incentive Stock Option

(A) granted to an Employee who, at the time of grant of such Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.

(B) granted to any other Employee, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Nonstatutory Stock Option

(A) granted to a person who, at the time of grant of such Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of the grant.

(B) granted to any other person, the per Share exercise price shall be no less than 85% of the Fair Market Value per Share on the date of grant.

(b) The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator at the time of grant. Such consideration may consist of (1) cash, (2) check, (3) promissory note, (4) other Shares which (x) in the case of Shares acquired upon exercise of an Option, have been owned by the Optionee for more than six months on the date of surrender, and (y) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option shall be exercised, (5) delivery of a properly executed exercise notice together with such other documentation as the Administrator and a broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price, or (6) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company.

(c) Withholding Taxes. Whenever Shares are to be issued in satisfaction of Options granted under this Plan, the Company may require the Optionee 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 Options are to be made in cash, such payment will be net of an amount sufficient to satisfy federal, state, and local withholding tax requirements.

9. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator, including performance criteria with respect to the Company and/or the Optionee, and as shall be permissible under the terms of the Plan.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment may, as authorized by the Administrator, consist of any consideration and method of payment allowable under Section 8(b) hereof. Until the issuance (as evidenced by the appropriate entry on the books of the Company or

of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote, receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate promptly upon exercise of the Option. The Company shall comply with Section 260.140.1 of Title 10 of the California Code of Regulations with respect to the voting rights of Common Stock. No adjustment shall be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 12 hereof.

(b) Termination of Employment or Consulting Relationship. Except as otherwise set forth in this Section 9, in the event of termination of an Optionee's Continuous Status as an Employee or Consultant, such Optionee may, within a period of at least thirty (30) days as determined by the Administrator, exercise his or her Option to the extent that the Optionee was entitled to exercise it at the date of such termination. Such period in the case of an Incentive Stock Option shall not exceed three (3) months after the date of such termination. However, in no event shall such period extend later than the expiration date of the term of such Option as set forth in the Award Agreement. To the extent that the Optionee was not entitled to exercise the Option at the date of such termination, or if the Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate. However, the preceding provisions of this paragraph will not apply in the event of an Optionee's change of status from Employee to Consultant (in which case an Employee's Incentive Stock Option shall automatically convert to a Nonstatutory Stock Option on the date three (3) months and one day following such change of status) or from Consultant to Employee.

(c) Termination for Cause. In the event of termination for Cause of Optionee's Continuous Status as an Employee or Consultant, the Optionee's Options shall expire on such Optionee's termination date, or at such later time and on such conditions as determined by the Committee.

(d) Disability of Optionee. In the event of termination of an Optionee's Continuous Status as an Employee or Consultant as a result of his or her disability, the Optionee may, but only within twelve (12) months from the date of such termination (and in no event later than the expiration date of the term of such Option as set forth in the Award Agreement), exercise the Option to the extent Optionee had vested in such Option, pursuant to the vesting schedule set forth in the Award Agreement, at the date of such termination. If such disability is not a "disability" as such term is defined in Section 22(e)(3) of the Code, in the case of an Incentive Stock Option such Incentive Stock Option shall automatically cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option on the day three months and one day following such termination. To the extent that the Optionee was not entitled to exercise the Option at the date of termination, or if the Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(e) Death of Optionee. In the event of the death of an Optionee, the Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement) by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest

or inheritance, but only to the extent that the Optionee had vested in such Option, pursuant to the vesting schedule set forth in the Award Agreement, on the date of death. If, at the time of death, the Optionee was not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall immediately revert to the Plan. If, after the Optionee's death, the Optionee's estate or a person who acquires the right to exercise the Option by bequest or inheritance does not exercise the Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(f) Buyout Provisions. The Administrator may at any time offer to buy out for a payment in cash or Shares, an Option previously granted, based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

10. Non-Transferability of Options. Options may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

11. Restrictions on Shares. At the discretion of the Administrator, the Company may reserve to itself and/or its assignee(s) in the Award Agreement (a) a right of first refusal to purchase all Shares that an Optionee (or a subsequent transferee) may propose to transfer to a third party, provided, that such right of first refusal terminates when the Company's securities become publicly traded and/or (b) a right to repurchase Unvested Shares held by an Optionee for cash and/or cancellation of purchase money indebtedness following such Optionee's termination at any time within the later of ninety (90) days after Optionee's termination date and the date the Optionee purchases the Shares, at the Optionee's exercise price.

12. Adjustments Upon Changes in Capitalization or Merger

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, upon any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination, recapitalization or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company, the following will be proportionately adjusted: (1) the number of shares of Common Stock covered by each outstanding Option, (2) the number of shares of Common Stock which have been authorized for issuance under the Plan but as to which no Options have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option or upon repurchase of Unvested Shares, and (3) the price per share of Common Stock covered by each such outstanding Option. The 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 Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance 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.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify the Optionee at least fifteen (15) days prior to such proposed action. To the extent it has not been previously exercised, the Option shall terminate immediately prior to the consummation of such proposed action.

(c) Merger. In the event of a merger of the Company with or into another corporation, each outstanding Option may be assumed or an equivalent option or right may be substituted by such successor corporation or a parent or subsidiary of such successor corporation. If, in such event, an Option is not assumed or substituted, the Option shall terminate as of the date of the closing of the merger. For the purposes of this paragraph, the Option shall be considered assumed if, following the merger, the Option confers the right to purchase or receive, for each Share of Optioned Stock subject to the Option immediately prior to the merger, the consideration (whether stock, cash, or other securities or property) received in the merger by holders of Common Stock for each Share held on the effective date of the transaction (and if the holders are offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares). If such consideration received in the merger is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option, for each Share of Optioned Stock subject to the Option to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger.

13. Escrow; Pledge of Shares. To enforce any restrictions on a Optionee's Shares, the Administrator may require the Optionee to deposit all certificates representing Shares, together with stock powers or other instruments of transfer approved by the Administrator, 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 Administrator may cause a legend or legends referencing such restrictions to be placed on the certificates. Any Optionee 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 Optionee's obligation to the Company under the promissory note; provided, however, that the Administrator 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 Optionee under the promissory note. In connection with any pledge of the Shares, Optionee will be required to execute and deliver a written pledge agreement in such form as the Administrator 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.

14. Time of Granting Options. The date of grant of an Option shall, for all purposes, be the date on which the Administrator makes the determination granting such Option, or such other date as is determined by the Administrator. Notice of the determination shall be given to each Employee to whom an Option is so granted within a reasonable time after the date of such grant.

15. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or discontinue the Plan, but no amendment, alteration, suspension or discontinuation shall be made which would impair the rights of any Optionee under any grant theretofore made, without his or her consent. In addition, to the extent necessary and desirable to comply with Section 422 of the Code (or any other applicable law or regulation, including the requirements of the NASD or an established stock exchange), the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required.

(b) Effect of Amendment or Termination. Any such amendment or termination of the Plan shall not affect Options already granted, and such Options shall remain in full force and effect as if this Plan had not been amended or terminated, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and the Company.

16. Conditions Upon Issuance of Shares. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange 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.

As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned relevant provisions of law.

17. Reservation of Shares. The Company, during the term of this Plan, shall at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

18. Agreements. Options shall be evidenced by written agreements in such form as the Administrator shall approve from time to time.

19. Shareholder Approval. This Plan shall be approved by the shareholders of the Company (excluding Shares issued pursuant to this Plan) within twelve (12) months before or after the date the Plan is adopted. Such shareholder approval shall be obtained in the degree and manner required under applicable state and federal law and the rules of any stock exchange upon which the Common Stock is listed. Upon the effective date, the Board may grant Options pursuant to this Plan. In the event that shareholder approval is not obtained within twelve (12) months before or after the date this Plan is adopted by the Board, all Options granted hereunder

will be canceled, any Shares issued pursuant to any Option will be canceled and any purchase of Shares hereunder will be rescinded.

20. Information to Optionees and Purchasers. The Company shall provide to each Optionee and to each individual who acquires Shares pursuant to the Plan, not less frequently than annually during the period such Optionee or purchaser has one or more Options outstanding, and, in the case of an individual who acquires Shares pursuant to the Plan, during the period such individual owns such Shares, copies of annual financial statements. The Company shall not be required to provide such statements to key employees whose duties in connection with the Company assure their access to equivalent information.

21. Insider Trading Policy. Each Employee, Consultant and Director who receives an Option shall comply with any policy, adopted by the Company from time to time and in effect following the closing of the sale of Common Stock in a public offering registered under the Securities Act of 1933, as amended, covering transactions in the Company's securities by employees, officers and/or directors of the Company.

FORMFACTOR, INC.

INCENTIVE OPTION PLAN

STOCK OPTION AGREEMENT

Unless otherwise defined herein, the terms defined in the FormFactor, Inc. Incentive Option Plan (the "PLAN") shall have the same defined meanings in this Stock Option Agreement.

I. NOTICE OF STOCK OPTION GRANT

_____

_____

_____

You have been granted an option to purchase Common Stock of the Company, subject to the terms and conditions of the Plan and this Option Agreement, as follows:

Date of Grant	_____
Vesting Commencement Date	_____
Exercise Price per Share	_____
Total Number of Shares Granted	_____
Total Exercise Price	_____
Type of Option:	_____ Incentive Stock Option
	_____ Nonstatutory Stock Option
Term/Expiration Date:	_____

Vesting Schedule:

This Option is immediately exercisable although the shares issued upon exercise of the Option will be subject to the restrictions on transfer and Repurchase Option set forth in this Option Agreement. This Option will vest in accordance with the following schedule:

Provided the Optionee is a Consultant or Employee of the Company or any of its Subsidiaries, the Option shall vest as to _____.

In addition to the vesting provided herein, the Option and Shares subject to the 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 Change of Control (as defined below) 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 and exercisability is referred to herein as the "Change of Control Vesting"). A "Change of Control" shall mean the occurrence of any of the following events: (i) a merger, reorganization or consolidation of the Company in which the stockholders of the Company immediately before such merger, reorganization or consolidation own immediately after such merger, reorganization or consolidation less than fifty percent (50%) of the outstanding voting equity securities of the Company or entity surviving such merger, reorganization or consolidation, or (ii) a sale or other transfer of all or substantially all of the assets of the Company. "Non-Justifiable Termination" means any termination by the Company, or any Parent or Subsidiary of the Company, of Optionee's Continuous Status as an Employee or Consultant 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; (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 (iv) the death or disability of Optionee. Notwithstanding anything to the contrary set forth in the Option Agreement, if a Change of Control Vesting occurs by reason of a Non-Justifiable Termination, then the Option may be exercised by Optionee up to, but no later than, 30 days after the date of such Non-Justifiable Termination, but in any event no later than the Term/Expiration Date.

In the event of termination of the Optionee's Continuous Status as an Employee or Consultant 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 during the twelve (12) months following the date of such termination; provided, however, such vested Option must be exercised no later than twelve (12) months from the date of such termination.

Termination Period:

This Option may be exercised for 30 days after termination other than for Cause (as defined under the Plan) of the Optionee's Continuous Status as an Employee or Consultant, or

such longer period as may be applicable upon death or termination due to disability of Optionee as provided in the Plan. If the Optionee's Continuous Status as an Employee or Consultant is terminated for Cause, this Option shall terminate on the Optionee's termination date. In the event of the Optionee's change in status from Employee to Consultant or Consultant to Employee, this Option Agreement shall remain in effect (although it may change from an Incentive Stock Option to a Nonstatutory Stock Option by virtue thereof). In no event shall this Option be exercised later than the Term/Expiration Date as provided above.

II. AGREEMENT

1. Grant of Option. FormFactor, Inc., a Delaware corporation (the "COMPANY"), hereby grants to the Optionee named in the Notice of Grant (the "OPTIONEE"), an option (the "OPTION") to purchase the total number of shares of Common Stock (the "SHARES") set forth in the Notice of Grant, at the exercise price per share set forth in the Notice of Grant (the "EXERCISE PRICE") subject to the terms, definitions and provisions of the FormFactor Incentive Option Plan (the "PLAN") adopted by the Company, which is incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Option Agreement.

If designated in the Notice of Grant as an Incentive Stock Option ("ISO"), this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code. Nevertheless, to the extent that it exceeds the $100,000 rule of Code Section 422(d), this Option shall be treated as a Nonstatutory Stock Option ("NSO").

2. Exercise of Option.

(a) Right to Exercise. This Option is immediately exercisable although the Shares issued upon exercise of the Option will be subject to the restrictions on transfer and Repurchase Option set forth in this Option Agreement. Notwithstanding any provision in the Plan or this Option Agreement to the contrary, Options for Unvested Shares will not be exercisable on or after an Optionee's termination date. This Option shall vest during its term in accordance with the Vesting Schedule set forth above in the Notice of Grant and with the applicable provisions of the Plan and this Option Agreement. In the event of Optionee's death, disability or other termination of the employment or consulting relationship, this Option shall be exercisable in accordance with the applicable provisions of the Plan and this Option Agreement.

(b) Vesting of Options. Shares that are vested pursuant to the schedule set forth in the Notice of Grant are "Vested Shares." Shares that are not vested pursuant to the schedule set forth in the Notice of Grant are "UNVESTED SHARES." Unvested Shares may not be sold or otherwise transferred by the Optionee without the Company's prior written consent.

(c) Method of Exercise. This Option shall be exercisable by written notice (in the form attached as Exhibit A) which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised, and such other representations and agreements as to the Optionee's investment intent with respect to such shares of Common Stock as may be required by the Company pursuant to the provisions of the Plan. Such written notice

shall be signed by the Optionee and shall be delivered in person or by certified mail to the Chief Financial Officer of the Company. The written notice shall be accompanied by payment of the Exercise Price. This Option shall be deemed to be exercised upon receipt by the Company of such written notice accompanied by the Exercise Price.

No Shares will be issued pursuant to the exercise of an Option unless such issuance and such exercise shall comply with all relevant provisions of law and the requirements of any stock exchange upon which the Shares may then be listed. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to the Optionee on the date on which the Option is exercised with respect to such Shares.

(d) Optionee's Representations. In the event the Shares purchasable pursuant to the exercise of this Option have not been registered under the Securities Act of 1933, as amended, at the time this Option is exercised, Optionee shall, if required by the Company, concurrently with the exercise of all or any portion of this Option, deliver to the Company his or her Investment Representation Statement in the form attached hereto as Exhibit B.

3. Method of Payment. Payment of the Exercise Price shall be by any of the following, or a combination thereof, at the election of the Optionee:

(a) cash;

(b) check;

(c) surrender of other shares of Common Stock of the Company which (A) in the case of Shares acquired pursuant to the exercise of a Company option, have been owned by the Optionee for more than six (6) months on the date of surrender, and (B) have a Fair Market Value on the date of surrender equal to the Exercise Price of the Shares as to which the Option is being exercised;

(d) delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the Exercise Price; and

(e) any other form of consideration permissible under the Plan that is approved by the Committee.

4. Restrictions on Exercise. This Option may not be exercised if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulation, including any rule under Part 207 of Title 12 of the Code of Federal Regulations ("REGULATION G") as promulgated by the Federal Reserve Board.

5. Termination of Relationship. In the event an Optionee's Continuous Status as an Employee or Consultant terminates, Optionee may, to the extent otherwise so entitled at the date of such termination (the "TERMINATION DATE"), exercise this Option during the Termination Period set out in the Notice of Grant. To the extent that Optionee was not entitled to exercise

this Option at the date of such termination, or if Optionee does not exercise this Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

6. Disability of Optionee. Notwithstanding the provisions of Section 5 above, in the event of termination of an Optionee's Continuous Status as an Employee or Consultant as a result of his or her disability, Optionee may, but only within twelve (12) months from the date of such termination (and in no event later than the expiration date of the term of such Option as set forth in the Notice of Grant), exercise the Option to the extent otherwise entitled to exercise it at the date of such termination; provided, however, that if such disability is not a "disability" as such term is defined in Section 22(e)(3) of the Code, in the case of an ISO such ISO shall cease to be treated as an ISO and shall be treated for tax purposes as a NSO on the day three months and one day following such termination. To the extent that Optionee was not entitled to exercise the Option at the date of termination, or if Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

7. Death of Optionee. Notwithstanding the provisions of Section 5 above, in the event of termination of Optionee's Continuous Status as an Employee or Consultant as a result of the death of Optionee, the Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the date of expiration of the term of this Option as set forth in the Notice of Grant), by Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent the Optionee could exercise the Option at the date of death. To the extent that the Optionee was not entitled to exercise the Option at the date of death, or if the Option is not exercised within the time period specified herein, the Option shall terminate and the Shares covered by such Option shall revert to the Plan.

8. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by Optionee. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

9. Company's Repurchase Option for Unvested Shares. The Company, or its assignee, shall have the option to repurchase Optionee's Unvested Shares on the terms and conditions set forth in this Section (the "REPURCHASE OPTION") if Optionee's Continuous Status as an Employee or Consultant terminates for any reason, or no reason, including without limitation Optionee's death, disability, voluntary resignation or termination by the Company with or without Cause. Notwithstanding the foregoing, the Company shall retain the Repurchase Option only as to that number of Unvested Shares (whether or not exercised) that exceeds the number of shares which remain exercisable.

(a) Termination and Termination Date. In case of any dispute as to whether Optionee's Continuous Status as an Employee or Consultant terminates, the Administrator shall have discretion to determine whether Optionee has terminated and the effective date of such termination (the "TERMINATION DATE").

(b) Exercise of Repurchase Option. At any time within ninety (90) days after the later of the Optionee's Termination Date and the date the Optionee purchases the Shares, the Company, or its assignee, may elect to repurchase the Optionee's Unvested Shares by giving Optionee written notice of exercise of the Repurchase Option.

(c) Calculation of Repurchase Price for Unvested Shares. The Company or its assignee shall have the option to repurchase from Optionee (or from Optionee's personal representative as the case may be) the Unvested Shares at the 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 12 of the Plan.

(d) Payment of Repurchase Price. The repurchase price shall be payable, 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 sixty (60) days after exercise of the Repurchase Option.

(e) Right of Termination Unaffected. Nothing in this Agreement shall be construed to limit or otherwise affect in any manner whatsoever the right or power of the Company (or any Parent or Subsidiary of the Company) to terminate Optionee's employment or other relationship with Company (or the Parent or Subsidiary of the Company) at any time, for any reason or no reason, with or without Cause.

10. Company's Right of First Refusal. Unvested Shares may not be sold or otherwise transferred by Optionee without the Company's prior written consent. Before any Vested Shares held by Participant or any transferee of such Vested Shares (either being sometimes referred to herein as the "HOLDER") may be sold or otherwise transferred (including without limitation a transfer by gift or operation of law), the Company and/or its assignee(s) shall have an assignable right of first refusal to purchase the Vested Shares to be sold or transferred (the "OFFERED SHARES") on the terms and conditions set forth in this Section (the "RIGHT OF FIRST REFUSAL").

(a) Notice of Proposed Transfer. The Holder of the Offered Shares shall deliver to the Company a written notice (the "NOTICE") stating: (i) the Holder's bona fide intention to sell or otherwise transfer the Offered Shares; (ii) the name of each proposed bona fide purchaser or other transferee ("PROPOSED TRANSFEREE"); (iii) the number of Offered Shares to be transferred to each Proposed Transferee; (iv) the bona fide cash price or other consideration for which the Holder proposes to transfer the Offered Shares (the "OFFERED PRICE"); and (v) that the Holder will offer to sell the Offered Shares to the Company and/or its assignee(s) at the Offered Price as provided in this Section.

(b) Exercise of Right of First Refusal. At any time within thirty (30) days after the date of the Notice, the Company and/or its assignee(s) may, by giving written notice to the Holder, elect to purchase all (or, with the consent of the Holder, less than all) of the Offered Shares proposed to be transferred to any one or more of the Proposed Transferees named in the Notice, at the purchase price determined as specified below.

(c) Purchase Price. The purchase price for the Offered Shares purchased under this Section will be the Offered Price. If the Offered Price includes consideration other than cash, then the cash equivalent value of the non-cash consideration shall conclusively be deemed to be the value of such non-cash consideration as determined in good faith by the Company's Board of Directors.

(d) Payment. Payment of the purchase price for Offered Shares will be payable, at the option of the Company and/or its assignee(s) (as applicable), by check or by cancellation of all or a portion of any outstanding indebtedness of the Holder to the Company (or to such assignee, in the case of a purchase of Offered Shares by such assignee) or by any combination thereof. The purchase price will be paid without interest within sixty (60) days after the Company's receipt of the Notice, or, at the option of the Company and/or its assignee(s), in the manner and at the time(s) set forth in the Notice.

(e) Holder's Right to Transfer. If all of the Offered Shares proposed in the Notice to be transferred to a given Proposed Transferee are not purchased by the Company and/or its assignee(s) as provided in this Section, then the Holder may sell or otherwise transfer such Offered Shares to that Proposed Transferee at the Offered Price or at a higher price, provided that such sale or other transfer is consummated within 120 days after the date of the Notice, and provided further, that (i) any such sale or other transfer is effected in compliance with all applicable securities laws and (ii) the Proposed Transferee agrees in writing that the provisions of this Section will continue to apply to the Offered Shares in the hands of such Proposed Transferee. If the Offered Shares described in the Notice are not transferred to the Proposed Transferee within such 120 day period, then a new Notice must be given to the Company, and the Company will again be offered the Right of First Refusal before any Shares held by the Holder may be sold or otherwise transferred.

(f) Exempt Transfers. Notwithstanding anything to the contrary in this Section, the following transfers of Vested Shares will be exempt from the Right of First Refusal: (i) the transfer of any or all of the Vested Shares during Optionee's lifetime by gift or on Optionee's death by will or intestacy to Optionee's "IMMEDIATE FAMILY" (as defined below) or to a trust for the benefit of Optionee or Optionee's immediate family, provided that each transferee or other recipient agrees in a writing satisfactory to the Company that the provisions of this Section will continue to apply to the transferred Vested Shares in the hands of such transferee or other recipient; (ii) any transfer of Vested Shares made pursuant to a statutory merger or statutory consolidation of the Company with or into another corporation or corporations (except that the Right of First Refusal and Repurchase Option will continue to apply thereafter to such Vested Shares, in which case the surviving corporation of such merger or consolidation shall succeed to the rights of the Company under this Section unless the agreement of merger or consolidation expressly otherwise provides); or (iii) any transfer of Vested Shares pursuant to the winding up and dissolution of the Company. As used herein, the term "IMMEDIATE FAMILY" will mean Optionee's spouse, the lineal descendant or antecedent, father, mother, brother or sister, adopted child or grandchild of the Optionee or the Optionee's spouse, or the spouse of any child, adopted child, grandchild or adopted grandchild of Optionee or the Optionee's spouse.

(g) Termination of Right of First Refusal. The Company's Right of First Refusal will terminate when the Company's securities become publicly traded.

11. Term of Option. This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option.

12. Tax Consequences. Set forth below is a brief summary as of January 1, 1999 of some of the federal and applicable state tax consequences of exercise of this Option and disposition of the Shares. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(a) Exercise of ISO. If this Option qualifies as an ISO, there will be no regular federal income tax liability or applicable state income tax liability upon the exercise of the Option, although the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price will be treated as an adjustment to the alternative minimum tax ("AMT") for federal tax purposes and may subject the Optionee to the AMT in the year of exercise.

(b) Exercise of ISO Following Disability. If the Optionee's Continuous Status as an Employee or Consultant terminates as a result of disability that is not a total and permanent disability as defined in Section 22(e)(3) of the Code, to the extent permitted on the date of termination, the Optionee must exercise an ISO within three months of such termination for the Shares received on exercise of the Option to receive preferential ISO tax treatment.

(c) Exercise of Nonstatutory Stock Option. There may be a regular federal income tax liability and applicable state income tax liability upon the exercise of a NSO. The Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price. If Optionee is an Employee or a former Employee, the Company will be required to withhold from Optionee's compensation or collect from Optionee and pay to the applicable taxing authorities an amount in cash equal to a percentage of this compensation income at the time of exercise, and may refuse to honor the exercise. The Company may refuse to deliver Shares if such withholding amounts are not delivered at the time of exercise.

(d) Disposition of Shares. The following tax consequences may apply upon disposition of the Shares.

(i) Incentive Stock Options. If the Shares are held for more than twelve (12) months after the date of the transfer of the Shares pursuant to the exercise of an ISO and are disposed of more than two (2) years after the Date of Grant set forth in the Notice of Grant, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal and California income tax purposes. The maximum federal capital long-term gain tax rate is twenty percent (20%). If there is a "DISQUALIFYING DISPOSITION" because Shares purchased under an ISO are disposed of within the later of one (1) year after the date of exercise or two (2) years from the Date of Grant, any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates) to the extent of the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price and any amount resulting from the

disposition that is greater than the Fair Market Value of the Shares on the date of exercise is taxed as capital gain.

(ii) Nonstatutory Stock Options. If the Shares are held for more than twelve (12) months after the date of the transfer of the Shares pursuant to the exercise of an NSO, any gain realized on disposition of the Shares will be treated as long-term capital gain.

(e) Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Optionee herein is an ISO, and if Optionee sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (i) the date two years after the Date of Grant or (ii) the date one year after the date of exercise, the Optionee shall immediately notify the Company in writing of the disqualifying disposition. Optionee agrees that Optionee may be subject to income tax withholding by the Company on the compensation income recognized by the Optionee.

(f) Section 83(b) Election for Unvested Shares Purchased Pursuant to Nonstatutory Stock Options. With respect to the exercise of an NSO for Unvested Shares, an election may be filed by the Optionee with the Internal Revenue Service and, if necessary, the proper state taxing authorities, within 30 days of the purchase of the Shares, electing pursuant to Section 83(b) of the Code (and similar state tax provisions if applicable) to be taxed currently on any difference between the purchase price of the Shares and their Fair Market Value on the date of purchase. This will result in a recognition of taxable income to the Optionee on the date of exercise, measured by the excess, if any, of the Fair Market Value of the Shares, at the time the Option is exercised over the purchase price for the Shares. Absent such an election, taxable income will be measured and recognized by Optionee at the time or times on which the Company's Repurchase Option lapses. Optionee is strongly encouraged to seek the advice of his or her own tax consultants in connection with the purchase of the Shares and the advisability of filing of the Election under Section 83(b) and similar tax provisions. A form of Election under Section 83(b) is attached hereto as Exhibit D for reference.

(g) Section 83(b) Election for Unvested Shares Purchased Pursuant to Incentive Stock Options. With respect to the exercise of an ISO for Unvested Shares, an election may be filed by the Optionee with the Internal Revenue Service and, if necessary, the proper state taxing authorities, within 30 days of the purchase of the Shares, electing pursuant to Section 83(b) of the Code (and similar state tax provisions if applicable) to be taxed currently on any difference between the purchase price of the Shares and their Fair Market Value on the date of purchase for AMT purposes. This will result in a recognition of income to the Optionee on the date of exercise, for AMT purposes, measured by the excess, if any, of the Fair Market Value of the Shares, at the time the option is exercised, over the purchase price for the Shares. Absent such an election, alternative minimum taxable income will be measured and recognized by Optionee at the time or times on which the Company's Repurchase Option lapses. Optionee is strongly encouraged to seek the advice of his or her tax consultants in connection with the purchase of the Shares and the advisability of filing of the Election under Section 83(b) and similar tax provisions. A form of Election under Section 83(b) for AMT purposes is attached hereto as Exhibit D for reference.

13. Entire Agreement; Governing Law. The Plan is incorporated herein by reference. The Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to the Optionee's interest except by means of a writing signed by the Company and Optionee. This agreement is governed by California law except for that body of law pertaining to conflict of laws.

FormFactor, Inc.,
a Delaware corporation

By: _____
Igor Y. Khandros, President and CEO

[COMPANY SIGNATURE PAGE TO FORMFACTOR, INC. STOCK OPTION AGREEMENT]

OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE OPTION HEREOF IS EARNED ONLY BY CONTINUING CONSULTANCY OR EMPLOYMENT AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER). OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS AGREEMENT, NOR IN THE COMPANY'S STOCK OPTION PLAN WHICH IS INCORPORATED HEREIN BY REFERENCE, SHALL CONFER UPON OPTIONEE ANY RIGHT WITH RESPECT TO CONTINUATION OF EMPLOYMENT OR CONSULTANCY BY THE COMPANY, NOR SHALL IT INTERFERE IN ANY WAY WITH OPTIONEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE OPTIONEE'S EMPLOYMENT OR CONSULTANCY AT ANY TIME, WITH OR WITHOUT CAUSE.

Optionee acknowledges receipt of a copy of the Plan and represents that he is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions thereof. Optionee has reviewed the Plan and this Option in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option and fully understands all provisions of the Option. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Option. Optionee further agrees to notify the Company upon any change in the residence address indicated below.

Dated: _____, 200__ _____

Residence Address:

_____

_____

[OPTIONEE SIGNATURE PAGE TO FORMFACTOR, INC. STOCK OPTION AGREEMENT]

FORMFACTOR, INC.

MANAGEMENT INCENTIVE OPTION PLAN

ADOPTED BY THE BOARD OF DIRECTORS ON AUGUST 17, 2000
AS AMENDED BY THE BOARD OF DIRECTORS ON SEPTEMBER 18, 2000, NOVEMBER 16, 2000, JANUARY 16, 2001 AND MARCH 14, 2002.

1. Purposes of the Plan. The purposes of this Management Incentive Option Plan are to retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees, Consultants and Directors of the Company and its Subsidiaries and to promote the success of the Company's business. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant of an Option and subject to the applicable provisions of Section 422 of the Code and the regulations promulgated thereunder. This Plan is intended to be a written compensatory benefit plan for management and other individuals who may receive grants hereunder pursuant to Reg. D of the Securities Act of 1933 ("Act"), Section 4(2) of the Act or such other exemption other than Rule 701 of the Act.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Award Agreement" means the signed written agreement between the Company and the Optionee setting forth the terms and conditions of the Option, as the case may be.

(b) "Administrator" means the Board or its Committee appointed pursuant to Section 4 of the Plan.

(c) "Board" means the Board of Directors of the Company.

(d) "Cause" means termination because of (i) any willful material violation by the Optionee of any law or regulation applicable to the business of the Company or a Parent or Subsidiary of the Company, the Optionee's conviction for, or guilty plea to, a felony or a crime involving moral turpitude, any willful perpetration by the Optionee of a common law fraud, (ii) the Optionee's commission of an act of personal dishonesty which involves personal profit in connection with the Company or any other entity having a business relationship with the Company, (iii) any material breach by the Optionee of any provision of any agreement or understanding between the Company or any Parent or Subsidiary of the Company and the Optionee regarding the terms of the Optionee's service as an employee, director or consultant to the Company or a Parent or Subsidiary of the Company including, without limitation, the willful and continued failure or refusal of the Optionee to perform the material duties required of such Optionee as an employee, director or consultant of the Company or a Parent or Subsidiary of the Company, other than as a result of having a Disability, or a breach of any applicable invention assignment and confidentiality agreement or similar agreement between the Company and the Optionee, (iv) Optionee's disregard of the policies of the Company or any Parent or Subsidiary of the Company so as to cause loss, damage or injury to the property, reputation or employees of the Company or a Parent or Subsidiary of the Company, or (v) any other misconduct by the Optionee

which is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company or a Parent or Subsidiary of the Company.

(e) "Code" means the Internal Revenue Code of 1986, as amended.

(f) "Committee" means a Committee appointed by the Board of Directors in accordance with Section 4 of the Plan.

(g) "Common Stock" means the Common Stock of the Company.

(h) "Company" means FormFactor, Inc., a Delaware corporation.

(i) "Consultant" means any person who is engaged by the Company or any Parent or Subsidiary to render consulting or advisory services and is compensated for such services, and any Director of the Company whether compensated for such services or not. If the Company registers any class of any equity security pursuant to the Exchange Act, the term Consultant shall thereafter not include Directors who are not compensated for their services or are paid only a Director's fee by the Company.

(j) "Continuous Status as an Employee or Consultant" means that the employment or consulting relationship with the Company, any Parent or Subsidiary is not interrupted or terminated. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor. A leave of absence approved by the Company shall include sick leave, military leave, or any other personal leave approved by an authorized representative of the Company. For purposes of Incentive Stock Options, no such leave may exceed ninety (90) days, unless reemployment upon expiration of such leave is guaranteed by statute or contract, including Company policies. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, on the ninety-first (91st) day of such leave any Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option.

(k) "Director" means a member of the Board of Directors of the Company.

(l) "Employee" means any person employed by the Company or any Parent or Subsidiary of the Company. The payment of a Director's fee by the Company shall not be sufficient to constitute "employment" by the Company.

(m) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(n) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such

exchange or system for the last market trading day prior to the time of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean between the high bid and low asked prices for the Common Stock on the last market trading day prior to the day of determination; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Administrator.

(o) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(p) "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(q) "Option" means a stock option granted pursuant to the Plan.

(r) "Optioned Stock" means the Common Stock subject to an Option.

(s) "Optionee" means an Employee or Consultant who receives an Option.

(t) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(u) "Plan" means this Management Incentive Option Plan.

(v) "Share" means a share of the Common Stock, as adjusted in accordance with Section 12 below.

(w) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

(x) "Unvested Shares" means "Unvested Shares" as defined in the Award Agreement.

(y) "Vested Shares" means "Vested Shares" as defined in the Award Agreement.

3. Stock Subject to the Plan. Subject to the provisions of Section 12 of the Plan, the maximum aggregate number of Shares reserved for issuance under the Plan is 1,944,500 Shares. The Shares may be authorized but unissued Common Stock.

If an Option expires or becomes unexercisable without having been exercised in full, or is surrendered pursuant to an option exchange program, the unpurchased Shares which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated). However, Shares that have actually been issued under the Plan, upon exercise of an Option, shall not be returned to the Plan and shall not become available for future

distribution under the Plan, unless the Shares issued are Unvested Shares which are repurchased by the Company pursuant to Section 11 hereof, in which case such Shares shall be returned to the Plan and become available for future distribution under the Plan.

4. Administration of the Plan.

(a) Administrator's Authority. The Plan shall be administered by the Board or a Committee appointed by the Board. Subject to the provisions of the Plan and, in the case of a Committee, the specific duties delegated by the Board to such Committee, and subject to the approval of any relevant authorities, including the approval, if required, of any stock exchange upon which the Common Stock is listed, the Administrator shall have the authority in its discretion:

(i) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(n) of the Plan;

(ii) to select the Employees to whom Options may from time to time be granted hereunder;

(iii) to determine whether and to what extent Options are granted hereunder;

(iv) to determine the number of Shares to be covered by each such Option granted hereunder;

(v) to approve forms of agreement for use under the Plan;

(vi) to determine the terms and conditions of any Option granted hereunder;

(vii) to determine whether and under what circumstances an Option may be settled in cash under subsection 9(f) instead of Common Stock;

(viii) to reduce the exercise price of any Option to the then current Fair Market Value if the Fair Market Value of the Common Stock covered by such Option has declined since the date the Option was granted; and

(ix) to construe and interpret the terms of the Plan and Options granted pursuant to the Plan.

(b) Effect of Administrator's Decision. All decisions, determinations and interpretations of the Administrator shall be final and binding on all Optionees and any other holders of any Options.

5. Eligibility.

(a) Only individuals who are Employees, Consultants or Directors may be granted Options hereunder. An Employee, Consultant or Director who has been granted an Option may, if otherwise eligible, be granted additional Options. If an Optionee terminates

employment but continues to provide services as a Consultant or Director, the Option shall continue subject to Section 9(b).

(b) Each Option shall be designated in the written option agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Optionee during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds $100,000, such Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 5(b), Incentive Stock Options shall be taken into account in the order in which they were granted. The Fair Market Value of the Shares shall be determined as of the time the Option with respect to such Shares is granted.

(c) Neither the Plan nor any Option shall confer upon any Optionee any right with respect to continuation of his or her employment or consulting relationship with the Company, nor shall it interfere in any way with his or her right or the Company's right to terminate his or her employment or consulting relationship at any time, with or without cause.

6. Term of Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the shareholders of the Company, as described in Section 19 of the Plan. It shall continue in effect for a term of ten (10) years from the effective date unless sooner terminated under Section 15 of the Plan.

7. Term of Option. The term of each Option shall be the term stated in the Award Agreement; provided, however, that the term shall be no more than ten (10) years from the date of grant thereof. In the case of an Incentive Stock Option granted to an Optionee who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Option shall be five (5) years from the date of grant thereof or such shorter term as may be provided in the Option Agreement.

8. Option Exercise Price and Consideration.

(a) The per share exercise price for the Shares to be issued upon exercise of an Option shall be such price as is determined by the Administrator, but shall be subject to the following:

(i) In the case of an Incentive Stock Option

(A) granted to an Employee who, at the time of grant of such Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.

(B) granted to any other Employee, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Nonstatutory Stock Option

(A) granted to a person who, at the time of grant of such Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of the grant.

(B) granted to any other person, the per Share exercise price may be less than the Fair Market Value per Share on the date of grant.

(b) The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator at the time of grant. Such consideration may consist of (1) cash, (2) check, (3) promissory note, (4) other Shares which (x) in the case of Shares acquired upon exercise of an Option, have been owned by the Optionee for more than six months on the date of surrender, and (y) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option shall be exercised, (5) delivery of a properly executed exercise notice together with such other documentation as the Administrator and a broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price, or (6) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company.

(c) Withholding Taxes. Whenever Shares are to be issued in satisfaction of Options granted under this Plan, the Company may require the Optionee 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 Options are to be made in cash, such payment will be net of an amount sufficient to satisfy federal, state, and local withholding tax requirements.

9. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator, including performance criteria with respect to the Company and/or the Optionee, and as shall be permissible under the terms of the Plan.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment may, as authorized by the Administrator, consist of any consideration and method of payment allowable under Section 8(b) hereof. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote, receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate promptly upon exercise of the Option. No

adjustment shall be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 12 hereof.

(b) Termination of Employment or Consulting Relationship. Except as otherwise set forth in this Section 9, in the event of termination of an Optionee's Continuous Status as an Employee or Consultant, such Optionee may, within a period of at least thirty (30) days as determined by the Administrator, exercise his or her Option to the extent that the Optionee was entitled to exercise it at the date of such termination. Such period in the case of an Incentive Stock Option shall not exceed three (3) months after the date of such termination. However, in no event shall such period extend later than the expiration date of the term of such Option as set forth in the Award Agreement. To the extent that the Optionee was not entitled to exercise the Option at the date of such termination, or if the Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate. However, the preceding provisions of this paragraph will not apply in the event of an Optionee's change of status from Employee to Consultant (in which case an Employee's Incentive Stock Option shall automatically convert to a Nonstatutory Stock Option on the date three (3) months and one day following such change of status) or from Consultant to Employee.

(c) Termination for Cause. In the event of termination for Cause of Optionee's Continuous Status as an Employee or Consultant, the Optionee's Options shall expire on such Optionee's termination date, or at such later time and on such conditions as determined by the Committee.

(d) Disability of Optionee. In the event of termination of an Optionee's Continuous Status as an Employee or Consultant as a result of his or her disability, the Optionee may, but only within twelve (12) months from the date of such termination (and in no event later than the expiration date of the term of such Option as set forth in the Award Agreement), exercise the Option to the extent Optionee had vested in such Option, pursuant to the vesting schedule set forth in the Award Agreement, at the date of such termination. If such disability is not a "disability" as such term is defined in Section 22(e)(3) of the Code, in the case of an Incentive Stock Option such Incentive Stock Option shall automatically cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option on the day three months and one day following such termination. To the extent that the Optionee was not entitled to exercise the Option at the date of termination, or if the Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(e) Death of Optionee. In the event of the death of an Optionee, the Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement) by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent that the Optionee had vested in such Option, pursuant to the vesting schedule set forth in the Award Agreement, on the date of death. If, at the time of death, the Optionee was not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall immediately revert to the Plan. If, after the Optionee's death, the Optionee's estate or a person who acquires the right to exercise the Option by bequest

or inheritance does not exercise the Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(f) Buyout Provisions. The Administrator may at any time offer to buy out for a payment in cash or Shares, an Option previously granted, based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

10. Transferability of Options. Options may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee; provided however that Nonstatutory Stock Options may be transferred by instrument to an inter vivos or testamentary trust in which the options are to be passed to beneficiaries upon the death of the trustor (settlor), or by gift to "immediate family" as that term is defined in 17 C.F.R. 240.16a-1(e), and may not be made subject to execution, attachment or similar process.

11. Restrictions on Shares. At the discretion of the Administrator, the Company may reserve to itself and/or its assignee(s) in the Award Agreement (a) a right of first refusal to purchase all Shares that an Optionee (or a subsequent transferee) may propose to transfer to a third party, provided, that such right of first refusal terminates when the Company's securities become publicly traded and/or (b) a right to repurchase Unvested Shares held by an Optionee for cash and/or cancellation of purchase money indebtedness following such Optionee's termination at any time within the later of ninety (90) days after Optionee's termination date and the date the Optionee purchases the Shares, at the Optionee's exercise price.

12. Adjustments Upon Changes in Capitalization or Merger

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, upon any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination, recapitalization or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company, the following will be proportionately adjusted: (1) the number of shares of Common Stock covered by each outstanding Option, (2) the number of shares of Common Stock which have been authorized for issuance under the Plan but as to which no Options have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option or upon repurchase of Unvested Shares, and (3) the price per share of Common Stock covered by each such outstanding Option. The 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 Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance 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.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify the Optionee at least fifteen (15) days

prior to such proposed action. To the extent it has not been previously exercised, the Option shall terminate immediately prior to the consummation of such proposed action.

(c) Merger. In the event of a merger of the Company with or into another corporation, each outstanding Option may be assumed or an equivalent option or right may be substituted by such successor corporation or a parent or subsidiary of such successor corporation. If, in such event, an Option is not assumed or substituted, the Option shall terminate as of the date of the closing of the merger. For the purposes of this paragraph, the Option shall be considered assumed if, following the merger, the Option confers the right to purchase or receive, for each Share of Optioned Stock subject to the Option immediately prior to the merger, the consideration (whether stock, cash, or other securities or property) received in the merger by holders of Common Stock for each Share held on the effective date of the transaction (and if the holders are offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares). If such consideration received in the merger is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option, for each Share of Optioned Stock subject to the Option to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger.

13. Escrow; Pledge of Shares. To enforce any restrictions on a Optionee's Shares, the Administrator may require the Optionee to deposit all certificates representing Shares, together with stock powers or other instruments of transfer approved by the Administrator, 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 Administrator may cause a legend or legends referencing such restrictions to be placed on the certificates. Any Optionee 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 Optionee's obligation to the Company under the promissory note; provided, however, that the Administrator 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 Optionee under the promissory note. In connection with any pledge of the Shares, Optionee will be required to execute and deliver a written pledge agreement in such form as the Administrator 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.

14. Time of Granting Options. The date of grant of an Option shall, for all purposes, be the date on which the Administrator makes the determination granting such Option, or such other date as is determined by the Administrator. Notice of the determination shall be given to each Employee to whom an Option is so granted within a reasonable time after the date of such grant.

15. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or discontinue the Plan, but no amendment, alteration, suspension or discontinuation

shall be made which would impair the rights of any Optionee under any grant theretofore made, without his or her consent. In addition, to the extent necessary and desirable to comply with Section 422 of the Code (or any other applicable law or regulation, including the requirements of the NASD or an established stock exchange), the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required.

(b) Effect of Amendment or Termination. Any such amendment or termination of the Plan shall not affect Options already granted, and such Options shall remain in full force and effect as if this Plan had not been amended or terminated, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and the Company.

16. Conditions Upon Issuance of Shares. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange 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.

As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned relevant provisions of law.

17. Reservation of Shares. The Company, during the term of this Plan, shall at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

18. Agreements. Options shall be evidenced by written agreements in such form as the Administrator shall approve from time to time.

19. Shareholder Approval. This Plan shall be approved by the shareholders of the Company (excluding Shares issued pursuant to this Plan) within twelve (12) months before or after the date the Plan is adopted. Such shareholder approval shall be obtained in the degree and manner required under applicable state and federal law and the rules of any stock exchange upon which the Common Stock is listed. Upon the effective date, the Board may grant Options pursuant to this Plan. In the event that shareholder approval is not obtained within twelve (12) months before or after the date this Plan is adopted by the Board, all Options granted hereunder will be canceled, any Shares issued pursuant to any Option will be canceled and any purchase of Shares hereunder will be rescinded.

20. Insider Trading Policy. Each Employee, Consultant and Director who receives an Option shall comply with any policy, adopted by the Company from time to time and in effect following the closing of the sale of Common Stock in a public offering registered under the Securities Act of 1933, as amended, covering transactions in the Company's securities by employees, officers and/or directors of the Company.

FORMFACTOR, INC.

MANAGEMENT INCENTIVE OPTION PLAN

STOCK OPTION AGREEMENT

Unless otherwise defined herein, the terms defined in the FormFactor, Inc. Management Incentive Option Plan (the "PLAN") shall have the same defined meanings in this Stock Option Agreement.

I. NOTICE OF STOCK OPTION GRANT

_____

_____

_____

You have been granted an option to purchase Common Stock of the Company, subject to the terms and conditions of the Plan and this Option Agreement, as follows:

Date of Grant	_____
Vesting Commencement Date	_____
Exercise Price per Share	_____
Total Number of Shares Granted	_____
Total Exercise Price	$_____
Type of Option:	_____ Incentive Stock Option
	_____ Nonstatutory Stock Option
Term/Expiration Date:	_____

Vesting Schedule:

This Option is immediately exercisable although the shares issued upon exercise of the Option will be subject to the restrictions on transfer and Repurchase Option set forth in this Option Agreement. This Option will vest in accordance with the following schedule:

Provided the Optionee is a Consultant or Employee of the Company or any of its Subsidiaries, the Option shall vest as to _____.

In addition to the vesting provided herein, the Option and Shares subject to the 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 Change of Control (as defined below) 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 and exercisability is referred to herein as the "Change of Control Vesting"). A "Change of Control" shall mean the occurrence of any of the following events: (i) a merger, reorganization or consolidation of the Company in which the stockholders of the Company immediately before such merger, reorganization or consolidation own immediately after such merger, reorganization or consolidation less than fifty percent (50%) of the outstanding voting equity securities of the Company or entity surviving such merger, reorganization or consolidation, or (ii) a sale or other transfer of all or substantially all of the assets of the Company. "Non-Justifiable Termination" means any termination by the Company, or any Parent or Subsidiary of the Company, of Optionee's Continuous Status as an Employee or Consultant 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; (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 (iv) the death or disability of Optionee. Notwithstanding anything to the contrary set forth in the Option Agreement, if a Change of Control Vesting occurs by reason of a Non-Justifiable Termination, then the Option may be exercised by Optionee up to, but no later than, 30 days after the date of such Non-Justifiable Termination, but in any event no later than the Term/Expiration Date.

In the event of termination of the Optionee's Continuous Status as an Employee or Consultant 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 during the twelve (12) months following the date of such termination; provided, however, such vested Option must be exercised no later than twelve (12) months from the date of such termination.

Termination Period:

This Option may be exercised for 30 days after termination other than for Cause (as defined under the Plan) of the Optionee's Continuous Status as an Employee or Consultant, or

such longer period as may be applicable upon death or termination due to disability of Optionee as provided in the Plan. If the Optionee's Continuous Status as an Employee or Consultant is terminated for Cause, this Option shall terminate on the Optionee's termination date. In the event of the Optionee's change in status from Employee to Consultant or Consultant to Employee, this Option Agreement shall remain in effect (although it may change from an Incentive Stock Option to a Nonstatutory Stock Option by virtue thereof). In no event shall this Option be exercised later than the Term/Expiration Date as provided above.

II. AGREEMENT

1. Grant of Option. FormFactor, Inc., a Delaware corporation (the "COMPANY"), hereby grants to the Optionee named in the Notice of Grant (the "OPTIONEE"), an option (the "OPTION") to purchase the total number of shares of Common Stock (the "SHARES") set forth in the Notice of Grant, at the exercise price per share set forth in the Notice of Grant (the "EXERCISE PRICE") subject to the terms, definitions and provisions of the FormFactor, Inc. Management Incentive Option Plan (the "PLAN") adopted by the Company, which is incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Option Agreement.

If designated in the Notice of Grant as an Incentive Stock Option ("ISO"), this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code. Nevertheless, to the extent that it exceeds the $100,000 rule of Code Section 422(d), this Option shall be treated as a Nonstatutory Stock Option ("NSO").

2. Exercise of Option.

(a) Right to Exercise. This Option is immediately exercisable although the Shares issued upon exercise of the Option will be subject to the restrictions on transfer and Repurchase Option set forth in this Option Agreement. Notwithstanding any provision in the Plan or this Option Agreement to the contrary, Options for Unvested Shares will not be exercisable on or after an Optionee's termination date. This Option shall vest during its term in accordance with the Vesting Schedule set forth above in the Notice of Grant and with the applicable provisions of the Plan and this Option Agreement. In the event of Optionee's death, disability or other termination of the employment or consulting relationship, this Option shall be exercisable in accordance with the applicable provisions of the Plan and this Option Agreement.

(b) Vesting of Options. Shares that are vested pursuant to the schedule set forth in the Notice of Grant are "Vested Shares." Shares that are not vested pursuant to the schedule set forth in the Notice of Grant are "UNVESTED SHARES." Unvested Shares may not be sold or otherwise transferred by the Optionee without the Company's prior written consent.

(c) Method of Exercise. This Option shall be exercisable by written notice (in the form attached as Exhibit A) which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised, and such other representations and agreements as to the Optionee's investment intent with respect to such shares of Common Stock as may be required by the Company pursuant to the provisions of the Plan. Such written notice

shall be signed by the Optionee and shall be delivered in person or by certified mail to the Chief Financial Officer of the Company. The written notice shall be accompanied by payment of the Exercise Price. This Option shall be deemed to be exercised upon receipt by the Company of such written notice accompanied by the Exercise Price.

No Shares will be issued pursuant to the exercise of an Option unless such issuance and such exercise shall comply with all relevant provisions of law and the requirements of any stock exchange upon which the Shares may then be listed. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to the Optionee on the date on which the Option is exercised with respect to such Shares.

(d) Optionee's Representations. In the event the Shares purchasable pursuant to the exercise of this Option have not been registered under the Securities Act of 1933, as amended, at the time this Option is exercised, Optionee shall, if required by the Company, concurrently with the exercise of all or any portion of this Option, deliver to the Company his or her Investment Representation Statement in the form attached hereto as Exhibit B.

3. Method of Payment. Payment of the Exercise Price shall be by any of the following, or a combination thereof, at the election of the Optionee:

(a) cash;

(b) check;

(c) surrender of other shares of Common Stock of the Company which (A) in the case of Shares acquired pursuant to the exercise of a Company option, have been owned by the Optionee for more than six (6) months on the date of surrender, and (B) have a Fair Market Value on the date of surrender equal to the Exercise Price of the Shares as to which the Option is being exercised;

(d) delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the Exercise Price;

(e) by tender of a full recourse promissory note having such terms as may be approved by the Board or Committee and bearing interest at a rate sufficient to avoid imputation of income under Sections 483 and 1274 of the Code; provided, however, that Optionees who are not employees or directors of the Company shall not be entitled to purchase Shares with a promissory note unless the note is adequately secured by collateral other than the Shares; provided, further, that the portion of the Exercise Price equal to the par value of the Shares must be paid in cash or other legal consideration permitted by Delaware General Corporation Law and

(f) any other form of consideration permissible under the Plan that is approved by the Board or Committee.

4. Restrictions on Exercise. This Option may not be exercised if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulation, including any rule under Part 207 of Title 12 of the Code of Federal Regulations ("REGULATION G") as promulgated by the Federal Reserve Board.

5. Termination of Relationship. In the event an Optionee's Continuous Status as an Employee or Consultant terminates, Optionee may, to the extent otherwise so entitled at the date of such termination (the "TERMINATION DATE"), exercise this Option during the Termination Period set out in the Notice of Grant. To the extent that Optionee was not entitled to exercise this Option at the date of such termination, or if Optionee does not exercise this Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

6. Disability of Optionee. Notwithstanding the provisions of Section 5 above, in the event of termination of an Optionee's Continuous Status as an Employee or Consultant as a result of his or her disability, Optionee may, but only within twelve (12) months from the date of such termination (and in no event later than the expiration date of the term of such Option as set forth in the Notice of Grant), exercise the Option to the extent otherwise entitled to exercise it at the date of such termination; provided, however, that if such disability is not a "disability" as such term is defined in Section 22(e)(3) of the Code, in the case of an ISO such ISO shall cease to be treated as an ISO and shall be treated for tax purposes as a NSO on the day three months and one day following such termination. To the extent that Optionee was not entitled to exercise the Option at the date of termination, or if Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

7. Death of Optionee. Notwithstanding the provisions of Section 5 above, in the event of termination of Optionee's Continuous Status as an Employee or Consultant as a result of the death of Optionee, the Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the date of expiration of the term of this Option as set forth in the Notice of Grant), by Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent the Optionee could exercise the Option at the date of death. To the extent that the Optionee was not entitled to exercise the Option at the date of death, or if the Option is not exercised within the time period specified herein, the Option shall terminate and the Shares covered by such Option shall revert to the Plan.

8. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by Optionee. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

9. Company's Repurchase Option for Unvested Shares. The Company, or its assignee, shall have the option to repurchase Optionee's Unvested Shares on the terms and conditions set forth in this Section (the "REPURCHASE OPTION") if Optionee's Continuous Status as an

Employee or Consultant terminates for any reason, or no reason, including without limitation Optionee's death, disability, voluntary resignation or termination by the Company with or without Cause. Notwithstanding the foregoing, the Company shall retain the Repurchase Option only as to that number of Unvested Shares (whether or not exercised) that exceeds the number of shares which remain exercisable.

(a) Termination and Termination Date. In case of any dispute as to whether Optionee's Continuous Status as an Employee or Consultant terminates, the Administrator shall have discretion to determine whether Optionee has terminated and the effective date of such termination (the "TERMINATION DATE").

(b) Exercise of Repurchase Option. At any time within ninety (90) days after the later of the Optionee's Termination Date and the date the Optionee purchases the Shares, the Company, or its assignee, may elect to repurchase the Optionee's Unvested Shares by giving Optionee written notice of exercise of the Repurchase Option.

(c) Calculation of Repurchase Price for Unvested Shares. The Company or its assignee shall have the option to repurchase from Optionee (or from Optionee's personal representative as the case may be) the Unvested Shares at the 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 12 of the Plan.

(d) Payment of Repurchase Price. The repurchase price shall be payable, 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 sixty (60) days after exercise of the Repurchase Option.

(e) Right of Termination Unaffected. Nothing in this Agreement shall be construed to limit or otherwise affect in any manner whatsoever the right or power of the Company (or any Parent or Subsidiary of the Company) to terminate Optionee's employment or other relationship with Company (or the Parent or Subsidiary of the Company) at any time, for any reason or no reason, with or without Cause.

10. Company's Right of First Refusal. Unvested Shares may not be sold or otherwise transferred by Optionee without the Company's prior written consent. Before any Vested Shares held by Participant or any transferee of such Vested Shares (either being sometimes referred to herein as the "HOLDER") may be sold or otherwise transferred (including without limitation a transfer by gift or operation of law), the Company and/or its assignee(s) shall have an assignable right of first refusal to purchase the Vested Shares to be sold or transferred (the "OFFERED SHARES") on the terms and conditions set forth in this Section (the "RIGHT OF FIRST REFUSAL").

(a) Notice of Proposed Transfer. The Holder of the Offered Shares shall deliver to the Company a written notice (the "NOTICE") stating: (i) the Holder's bona fide intention to sell or otherwise transfer the Offered Shares; (ii) the name of each proposed bona fide purchaser or other transferee ("PROPOSED TRANSFEREE"); (iii) the number of Offered Shares to be transferred to each Proposed Transferee; (iv) the bona fide cash price or other consideration for which the

Holder proposes to transfer the Offered Shares (the "OFFERED PRICE"); and (v) that the Holder will offer to sell the Offered Shares to the Company and/or its assignee(s) at the Offered Price as provided in this Section.

(b) Exercise of Right of First Refusal. At any time within thirty (30) days after the date of the Notice, the Company and/or its assignee(s) may, by giving written notice to the Holder, elect to purchase all (or, with the consent of the Holder, less than all) of the Offered Shares proposed to be transferred to any one or more of the Proposed Transferees named in the Notice, at the purchase price determined as specified below.

(c) Purchase Price. The purchase price for the Offered Shares purchased under this Section will be the Offered Price. If the Offered Price includes consideration other than cash, then the cash equivalent value of the non-cash consideration shall conclusively be deemed to be the value of such non-cash consideration as determined in good faith by the Company's Board of Directors.

(d) Payment. Payment of the purchase price for Offered Shares will be payable, at the option of the Company and/or its assignee(s) (as applicable), by check or by cancellation of all or a portion of any outstanding indebtedness of the Holder to the Company (or to such assignee, in the case of a purchase of Offered Shares by such assignee) or by any combination thereof. The purchase price will be paid without interest within sixty (60) days after the Company's receipt of the Notice, or, at the option of the Company and/or its assignee(s), in the manner and at the time(s) set forth in the Notice.

(e) Holder's Right to Transfer. If all of the Offered Shares proposed in the Notice to be transferred to a given Proposed Transferee are not purchased by the Company and/or its assignee(s) as provided in this Section, then the Holder may sell or otherwise transfer such Offered Shares to that Proposed Transferee at the Offered Price or at a higher price, provided that such sale or other transfer is consummated within 120 days after the date of the Notice, and provided further, that (i) any such sale or other transfer is effected in compliance with all applicable securities laws and (ii) the Proposed Transferee agrees in writing that the provisions of this Section will continue to apply to the Offered Shares in the hands of such Proposed Transferee. If the Offered Shares described in the Notice are not transferred to the Proposed Transferee within such 120 day period, then a new Notice must be given to the Company, and the Company will again be offered the Right of First Refusal before any Shares held by the Holder may be sold or otherwise transferred.

(f) Exempt Transfers. Notwithstanding anything to the contrary in this Section, the following transfers of Vested Shares will be exempt from the Right of First Refusal: (i) the transfer of any or all of the Vested Shares during Optionee's lifetime by gift or on Optionee's death by will or intestacy to Optionee's "IMMEDIATE FAMILY" (as defined below) or to a trust for the benefit of Optionee or Optionee's immediate family, provided that each transferee or other recipient agrees in a writing satisfactory to the Company that the provisions of this Section will continue to apply to the transferred Vested Shares in the hands of such transferee or other recipient; (ii) any transfer of Vested Shares made pursuant to a statutory merger or statutory consolidation of the Company with or into another corporation or corporations (except that the

Right of First Refusal and Repurchase Option will continue to apply thereafter to such Vested Shares, in which case the surviving corporation of such merger or consolidation shall succeed to the rights of the Company under this Section unless the agreement of merger or consolidation expressly otherwise provides); or (iii) any transfer of Vested Shares pursuant to the winding up and dissolution of the Company. As used herein, the term "IMMEDIATE FAMILY" will mean Optionee's spouse, the lineal descendant or antecedent, father, mother, brother or sister, adopted child or grandchild of the Optionee or the Optionee's spouse, or the spouse of any child, adopted child, grandchild or adopted grandchild of Optionee or the Optionee's spouse.

(g) Termination of Right of First Refusal. The Company's Right of First Refusal will terminate when the Company's securities become publicly traded.

11. Term of Option. This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option.

12. Tax Consequences. Set forth below is a brief summary as of January 1, 1999 of some of the federal and applicable state tax consequences of exercise of this Option and disposition of the Shares. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(a) Exercise of ISO. If this Option qualifies as an ISO, there will be no regular federal income tax liability or applicable state income tax liability upon the exercise of the Option, although the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price will be treated as an adjustment to the alternative minimum tax ("AMT") for federal tax purposes and may subject the Optionee to the AMT in the year of exercise.

(b) Exercise of ISO Following Disability. If the Optionee's Continuous Status as an Employee or Consultant terminates as a result of disability that is not a total and permanent disability as defined in Section 22(e)(3) of the Code, to the extent permitted on the date of termination, the Optionee must exercise an ISO within three months of such termination for the Shares received on exercise of the Option to receive preferential ISO tax treatment.

(c) Exercise of Nonstatutory Stock Option. There may be a regular federal income tax liability and applicable state income tax liability upon the exercise of a NSO. The Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price. If Optionee is an Employee or a former Employee, the Company will be required to withhold from Optionee's compensation or collect from Optionee and pay to the applicable taxing authorities an amount in cash equal to a percentage of this compensation income at the time of exercise, and may refuse to honor the exercise. The Company may refuse to deliver Shares if such withholding amounts are not delivered at the time of exercise.

(d) Disposition of Shares. The following tax consequences may apply upon disposition of the Shares.

(i) Incentive Stock Options. If the Shares are held for more than twelve (12) months after the date of the transfer of the Shares pursuant to the exercise of an ISO and are disposed of more than two (2) years after the Date of Grant set forth in the Notice of Grant, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal and California income tax purposes. The maximum federal capital long-term gain tax rate is twenty percent (20%). If there is a "DISQUALIFYING DISPOSITION" because Shares purchased under an ISO are disposed of within the later of one (1) year after the date of exercise or two (2) years from the Date of Grant, any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates) to the extent of the excess, if any, of the Exercise Price over the Fair Market Value of the Shares on the later of (A) the date of exercise or (B) the date of vesting and any amount resulting from the disposition that is greater than the Fair Market Value of the Shares on the date of exercise is taxed as capital gain.

(ii) Nonstatutory Stock Options. If the Shares are held for more than twelve (12) months after the date of the transfer of the Shares pursuant to the exercise of an NSO, any gain realized on disposition of the Shares will be treated as long-term capital gain.

(e) Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Optionee herein is an ISO, and if Optionee sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (i) the date two years after the Date of Grant or (ii) the date one year after the date of exercise, the Optionee shall immediately notify the Company in writing of the disqualifying disposition. Optionee agrees that Optionee may be subject to income tax withholding by the Company on the compensation income recognized by the Optionee.

(f) Section 83(b) Election for Unvested Shares Purchased Pursuant to Nonstatutory Stock Options. With respect to the exercise of an NSO for Unvested Shares, an election may be filed by the Optionee with the Internal Revenue Service and, if necessary, the proper state taxing authorities, within 30 days of the purchase of the Shares, electing pursuant to Section 83(b) of the Code (and similar state tax provisions if applicable) to be taxed currently on any difference between the purchase price of the Shares and their Fair Market Value on the date of purchase. This will result in a recognition of taxable income to the Optionee on the date of exercise, measured by the excess, if any, of the Fair Market Value of the Shares, at the time the Option is exercised over the purchase price for the Shares. Absent such an election, taxable income will be measured and recognized by Optionee at the time or times on which the Company's Repurchase Option lapses. Optionee is strongly encouraged to seek the advice of his or her own tax consultants in connection with the purchase of the Shares and the advisability of filing of the Election under Section 83(b) and similar tax provisions. A form of Election under Section 83(b) is attached hereto as Exhibit D for reference.

(g) Section 83(b) Election for Unvested Shares Purchased Pursuant to Incentive Stock Options. With respect to the exercise of an ISO for Unvested Shares, an election may be filed by the Optionee with the Internal Revenue Service and, if necessary, the proper state

taxing authorities, within 30 days of the purchase of the Shares, electing pursuant to Section 83(b) of the Code (and similar state tax provisions if applicable) to be taxed currently on any difference between the purchase price of the Shares and their Fair Market Value on the date of purchase for AMT purposes. This will result in a recognition of income to the Optionee on the date of exercise, for AMT purposes, measured by the excess, if any, of the Fair Market Value of the Shares, at the time the option is exercised, over the purchase price for the Shares. Absent such an election, alternative minimum taxable income will be measured and recognized by Optionee at the time or times on which the Company's Repurchase Option lapses. Optionee is strongly encouraged to seek the advice of his or her tax consultants in connection with the purchase of the Shares and the advisability of filing of the Election under Section 83(b) and similar tax provisions. A form of Election under Section 83(b) for AMT purposes is attached hereto as Exhibit D for reference.

13. Entire Agreement; Governing Law. The Plan is incorporated herein by reference. The Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to the Optionee's interest except by means of a writing signed by the Company and Optionee. This agreement is governed by California law except for that body of law pertaining to conflict of laws.

FormFactor, Inc.,

By:
Igor Y. Khandros, President and CEO

[COMPANY SIGNATURE PAGE TO FORMFACTOR, INC. STOCK OPTION AGREEMENT]

OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE OPTION HEREOF IS EARNED ONLY BY CONTINUING CONSULTANCY OR EMPLOYMENT AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER). OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS AGREEMENT, NOR IN THE COMPANY'S STOCK OPTION PLAN WHICH IS INCORPORATED HEREIN BY REFERENCE, SHALL CONFER UPON OPTIONEE ANY RIGHT WITH RESPECT TO CONTINUATION OF EMPLOYMENT OR CONSULTANCY BY THE COMPANY, NOR SHALL IT INTERFERE IN ANY WAY WITH OPTIONEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE OPTIONEE'S EMPLOYMENT OR CONSULTANCY AT ANY TIME, WITH OR WITHOUT CAUSE.

Optionee acknowledges receipt of a copy of the Plan and represents that he is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions thereof. Optionee has reviewed the Plan and this Option in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option and fully understands all provisions of the Option. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Option. Optionee further agrees to notify the Company upon any change in the residence address indicated below.

Dated: _____, 20__ _____

Residence Address:

_____

_____

[OPTIONEE SIGNATURE PAGE TO FORMFACTOR, INC. STOCK OPTION AGREEMENT]

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.

* * * The minimum threshold equals * * * % of the target (i.e., no payment for that indicator unless * * * % of the target is reached.) The maximum threshold equals * * * % of the target (i.e., for any single indicator, no more than * * * % 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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* * * 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.

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 * * * % and a maximum of * * * % for each objective achieved; if the percentage achievement is less than * * * % 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 = * * *

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 * * * %. HYPOTHETICAL

	AOP	RESULT	ACHIEVEMENT %	CAF
Bookings	$ * * *	$ * * *	* * * %	
Net Sales	$ * * *	$ * * *	* * * %	* * * %
Operating Margin	$ * * *	$ * * *	* * * %	

PPS = (* * * %) X (* * * % x * * * * % + * * * % 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

FY2001 MANAGEMENT BONUS PLAN MATRIX

Title/Responsibility	Target % Corporate	Target % Personal
CEO	* * *	* * *
Senior Vice-President	* * *	* * *
Vice-President-Corp.	* * *	* * *
Vice-President-B.U.	* * *	* * *
Vice-President-Tech. L.C.	* * *	* * *
Director - BU	* * *	* * *
Director - Tech. I.C.	* * *	* * *

FY2001 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	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
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	241,900	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
4060	Jens Meyerhoff	206,000	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
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	255,000	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
	Imai Nobuo	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
	Kawashimo	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
	INTERNATIONAL TOTAL				* * *					* * *	* * *	* * *
	AVG.				* * *							* * *
	TOTAL COMPANY				* * *					* * *	* * *	* * *
	AVG.				* * *							* * *
					-------							-----

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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 10.09

SECURED FULL RECOURSE PROMISSORY NOTE
Livermore, California

$_____ _____, 20__

Reference is made to that certain Stock Option Agreement (the "PURCHASE AGREEMENT") of even date herewith, by and between the undersigned (the "PURCHASER") and FormFactor, Inc., a Delaware corporation (the "COMPANY"), issued to Purchaser under the Company's Management Incentive Option Plan (the "PLAN"). This Secured Full Recourse Promissory Note (the "NOTE") is being tendered by Purchaser to the Company as part of the total purchase price of the Shares (as defined below) pursuant to the Purchase Agreement.

1. OBLIGATION. In exchange for the issuance to the Purchaser pursuant to the Purchase Agreement of _____ shares of the Company's Common Stock (the "SHARES"), receipt of which is hereby acknowledged, Purchaser hereby promises to pay to the order of the Company on or before _____, _____, at the Company's principal place of business, or at such other place as the Company may direct, the principal sum of _____ Dollars ($_____) together with interest compounded semi-annually on the unpaid principal at the rate of _____ percent (___%), which rate is not less than the minimum rate established pursuant to Section 1274(d) of the Internal Revenue Code of 1986, as amended, on the earliest date on which there was a binding contract in writing for the purchase of the Shares; provided, however, that the rate at which interest will accrue on unpaid principal under this Note will not exceed the highest rate permitted by applicable law. All payments hereunder shall be made in lawful tender of the United States.

2. SECURITY. Performance of Purchaser's obligations under this Note is secured by a security interest in the Shares granted to the Company by Purchaser under a Stock Pledge Agreement dated of even date herewith between the Company and Purchaser (the "PLEDGE AGREEMENT").

3. EVENTS OF DEFAULT. Purchaser will be deemed to be in default under this Note upon the occurrence of any of the following events (each an "EVENT OF DEFAULT"): (i) upon Purchaser's failure to make any payment when due under this Note; which failure shall continue for a period of ten (10) days after such due date; (ii) Purchaser is Terminated (as defined in the Plan) for any reason; (iii) the failure of any representation or warranty in the Pledge Agreement to have been true, the failure of Purchaser to perform any obligation under the Pledge Agreement, or upon any other breach by the Purchaser of the Pledge Agreement; (iv) any voluntary or involuntary transfer of any of the Shares or any interest therein (except a transfer to the Company); (v) upon the filing regarding the Purchaser of any voluntary or involuntary petition for relief under the United States Bankruptcy Code or the initiation of any proceeding under federal law or law of any other jurisdiction for the general relief of debtors; or (vi) upon the execution by Purchaser of an assignment for the benefit of creditors or the appointment of a receiver, custodian, trustee or similar party to take possession of Purchaser's assets or property.

4. ACCELERATION; REMEDIES ON DEFAULT. Upon the occurrence of any Event of Default, at the option of the Company, all principal and other amounts owed under this Note shall become immediately due and payable without notice or demand on the part of the Company, and the Company will have, in addition to its rights and remedies under this Note, the

Pledge Agreement, full recourse against any real, personal, tangible or intangible assets of Purchaser, and may pursue any legal or equitable remedies that are available to it.

5. RULE 144 HOLDING PERIOD. PURCHASER UNDERSTANDS THAT THE HOLDING PERIOD SPECIFIED UNDER RULE 144(d) OF THE SECURITIES AND EXCHANGE COMMISSION WILL NOT BEGIN TO RUN WITH RESPECT TO SHARES PURCHASED WITH THIS NOTE UNTIL EITHER (i) THE EXERCISE PRICE OF SUCH SHARES IS PAID IN FULL IN CASH OR BY OTHER PROPERTY ACCEPTED BY THE COMPANY, OR (ii) THIS NOTE IS SECURED BY COLLATERAL, OTHER THAN THE SHARES THAT HAVE NOT BEEN FULLY PAID FOR IN CASH, HAVING A FAIR MARKET VALUE AT LEAST EQUAL TO THE AMOUNT OF PURCHASER'S THEN OUTSTANDING OBLIGATION UNDER THIS NOTE (INCLUDING ACCRUED INTEREST).

6. PREPAYMENT. Prepayment of principal and/or other amounts owed under this Note may be made at any time without penalty. Unless otherwise agreed in writing by the Company, each payment will be applied to the extent of available funds from such payment in the following order: (i) first to the accrued and unpaid costs and expenses under the Note or the Pledge Agreement, (ii) then to accrued but unpaid interest, and (iii) lastly to the outstanding principal.

7. GOVERNING LAW; WAIVER. The validity, construction and performance of this Note will be governed by the internal laws of the State of California, excluding that body of law pertaining to conflicts of law. Purchaser hereby waives presentment, notice of non-payment, notice of dishonor, protest, demand and diligence.

8. ATTORNEYS' FEES. If suit is brought for collection of this Note, Purchaser agrees to pay all reasonable expenses, including attorneys' fees, incurred by the holder in connection therewith whether or not such suit is prosecuted to judgment.

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

- -- ----------------------------------

Purchaser's Name [type or print] Purchaser's Signature

FULL RECOURSE PROMISSORY NOTE
Livermore, California

$_____ _____, 19__

FOR VALUE RECEIVED, _____ (the "Maker") promises to pay to FormFactor, Inc., a Delaware corporation (the "Company"), or order, the principal sum of _____ ($_____) (such amount representing the total purchase price of the Common Stock minus the payment received for the aggregate value of the par value of the Common Stock), together with interest on the unpaid principal hereof from the date hereof at the rate of ____% per annum, compounded semiannually.

Subject to the following two sentences, principal and interest shall be due and payable on the date this Note is due and payable. Should the undersigned fail to make full payment of any installment of principal or interest for a period of 10 days or more after the due date thereof, or should the undersigned's employment or consulting relationship with the Company be terminated for any reason (or for no reason), the whole unpaid balance on this Note of principal and interest shall become immediately due at the option of the holder of this Note. This promissory note shall be due and payable (if not previously due and payable or paid in fact) upon the earliest to occur of any of the following: (i) the date the Maker is entitled to sell shares in an established public market or (ii) the date the Maker receives cash from an acquiror of the Company in connection with such acquisition or (iii) the date the Maker is entitled to sell any securities received in any such acquisition or (iv) the sixth anniversary of the date of this Note. Payments of principal and interest shall be made in lawful money of the United States of America.

The undersigned may at any time prepay all or any portion of the principal or interest owing hereunder.

This Note is subject to the terms of a Restricted Stock Purchase Agreement, dated as of _____. This Note is secured by a pledge of the Company's Common Stock under the terms of a Security Agreement of even date herewith and is subject to all the provisions thereof.

Should any action be instituted for the collection of this Note, the reasonable costs and attorneys' fees therein of the holder shall be paid by the undersigned.

THE HOLDER OF THIS NOTE MAY PROCEED AGAINST ANY ASSETS OF THE MAKER, OR AGAINST THE COLLATERAL SECURING THIS NOTE, OR BOTH, IN THE EVENT OF DEFAULT.

Name: _____ _____

LOAN AGREEMENT

This Loan Agreement is made and entered into effective as of February 1, 2001 (the "EFFECTIVE DATE") by and among, FormFactor, Inc., a Delaware corporation ("LENDER"), and Stuart Merkadeau (the "BORROWER"). The term "LOAN DOCUMENTS" as used herein means, collectively, this Loan Agreement, the Secured Full Recourse Promissory Note and the Stock Pledge Agreement (each as defined below) executed and delivered pursuant hereto, and any other documents executed or delivered by Borrower pursuant to this Loan Agreement or in connection with the Loan (as defined below).

WHEREAS, Lender desires to loan a certain sum to Borrower and Borrower wishes to borrow a certain sum from Lender on and subject to the terms and conditions contained in this Loan Agreement;

NOW, THEREFORE, in consideration of the mutual promises, representations, warranties, covenants and conditions set forth in this Loan Agreement, Lender and Borrower hereby agree as follows:

1. AMOUNT AND TERMS OF CREDIT.

1.1 COMMITMENT TO LEND. Subject to all the terms and conditions of this Loan Agreement, and in reliance on the representations, warranties and covenants of Borrower set forth in this Loan Agreement, the Lender agrees to make a loan of funds on the date of the Secured Full Recourse Promissory Note to Borrower on a non-revolving basis in the principal amount of One Hundred Fifty Thousand Dollars (U.S. $150,000.00) (the "LOAN").

1.2 NOTE. Borrower's indebtedness to Lender under the Loan will be evidenced by a Secured Full Recourse Promissory Note executed by Borrower in the form attached hereto as Exhibit "A" (the "NOTE"). The Note will provide that interest will compound semi-annually on the unpaid principal at a rate equal to five and one hundredths percent (5.01%) per annum.

1.3 SECURITY. Borrower's indebtedness to Lender under the Loan will be secured by a security interest in any and all shares of capital stock issuable or issued upon each and every exercise of that certain Stock Option Agreement dated as of August 17, 2000, between Lender and Borrower, exerciseable to purchase up to 125,000 shares of Common Stock of Lender (all such shares issuable upon exercise of such options, and all dividends thereon and proceeds thereof, are collectively referred to herein as the "SECURITIES") pursuant to a Stock Pledge Agreement in the form attached hereto as Exhibit "B" (the "PLEDGE AGREEMENT"), executed by Borrower in favor of Lender.

1.4 PREPAYMENT. Borrower may at any time and from time to time prepay the Loan in whole or in part in amounts of at least Five Thousand Dollars (U.S. $5,000.00). Each prepayment will be applied as follows: (a) first, to the payment of interest accrued on the Loan, and (b) second, to the extent that the amount of such prepayment exceeds the amount of all such accrued interest, to the payment of principal on the Loan.

2. CLOSING DATE; DELIVERIES.

2.1 CLOSING DATE. The closing of the Loan (the "CLOSING") will be held at the Company's offices on the Effective Date, or at such other time and place as Borrower and Lender may mutually agree.

2.2 DELIVERY BY LENDER OF LOAN. At the Closing, Lender will deliver to the Borrower the amount of the Loan by check, which delivery Borrower agrees shall constitute a full funding of the Loan to Borrower.

2.3 DELIVERY BY BORROWER OF LOAN DOCUMENTS. At the Closing, Borrower will execute and deliver to Lender the Note and Pledge Agreement and the attached Spouse Consent.

3. REPRESENTATIONS AND WARRANTIES OF BORROWER. Borrower hereby represents and warrants to Lender that:

3.1 TITLE TO SECURITIES. Other than as set forth in the Pledge Agreement, the Securities are free and clear of all liens, encumbrances and security interests.

4. CONDITIONS PRECEDENT TO LOAN. The obligation of Lender to make the Loan is subject to the satisfaction (or written waiver by Lender) of all the following conditions precedent:

4.1 REPRESENTATIONS TRUE. All representations and warranties of Borrower contained in this Loan Agreement and in all other Loan Documents will be true, correct and complete in all respects.

4.2 NOTE AND PLEDGE AGREEMENT. Lender will have received the Note and Pledge Agreement representing the Loan, duly executed by Borrower, and the attached Spouse Consent, duly executed by Borrower's spouse, if any.

5. OTHER COVENANTS OF BORROWER. Borrower hereby covenants and agrees with Lender as follows:

5.1 FURTHER ASSURANCES. In addition to the obligations and documents that this Loan Agreement expressly requires Borrower to execute, deliver and perform, Borrower will execute, deliver and perform any and all further acts or documents which Lender may reasonably require in order to carry out the purposes of this Loan Agreement or any of the other Loan Documents.

6. DEFAULT OF BORROWER.

6.1 DEFAULT; ACCELERATION. Borrower will be deemed to be in default under the Note, and the outstanding unpaid principal sum of the Note, together with all interest accrued thereon, will immediately become due and payable in full without the need for any further action on the part of Lender (a) immediately upon termination of the employment of Borrower, for any

reason, with Lender or Lender's successor in interest; (b) upon any voluntary or involuntary transfer of any of the Securities or any interest therein, Borrower's sale or other voluntary conveyance of the Securities (except for a transfer to the Lender, or an exchange of the Securities for stock in an acquisition of or a recapitalization, merger or other reorganization by Lender); (c) upon the filing by or against Borrower of any voluntary or involuntary petition in bankruptcy or any petition for relief under the federal bankruptcy code or any other state or federal law for the relief of debtors; provided however, that with respect to an involuntary petition in bankruptcy, Borrower will not be deemed to be in default of the Note unless such involuntary petition has not been dismissed within sixty (60) days after the filing of such petition; (d) upon the execution by Borrower of an assignment for the benefit of creditors or the appointment of a receiver, custodian, trustee or similar party to take possession of Borrower's assets or property; or (f) upon the failure of any representation or warranty in the Pledge Agreement to have been true, the failure of Borrower to perform any obligation under this Note or the Pledge Agreement, or any other breach by the Borrower of this Note or the Pledge Agreement.

6.2 REMEDIES UPON DEFAULT. Upon any default of Borrower under the Note, Lender will have, in addition to its rights under the Note and the Pledge Agreement, full recourse against any real, personal, tangible or intangible assets of Borrower and may pursue any legal or equitable remedies that are available to Lender. The rights and remedies of Lender herein provided will be cumulative and not exclusive of any other rights or remedies provided by law or otherwise.

7. MISCELLANEOUS.

7.1 SURVIVAL. The representations and warranties of Borrower contained in or made pursuant to this Loan Agreement and all the other Loan Documents will survive the execution and delivery of the Loan Documents.

7.2 ENTIRE AGREEMENT. This Loan Agreement, the Note, and the Pledge Agreement constitute the entire agreement and understanding among the parties with respect to the subject matter thereof and supersede any prior understandings or agreements of the parties with respect to such subject matter.

7.3 SUCCESSORS AND ASSIGNS. The terms and conditions of this Loan Agreement will inure to the benefit of and be binding upon the respective successors and assigns of the parties; provided however, that Borrower may not assign or delegate any of its rights or obligations hereunder or under any other Loan Document or any interest herein or therein without Lender's prior written consent.

7.4 NO THIRD PARTY BENEFICIARIES; CONSTRUCTION. Nothing in this Loan Agreement, express or implied, is intended to confer upon any third party any rights, remedies, obligations, or liabilities under or by reason of this Loan Agreement, except as expressly provided in this Loan Agreement. This Loan Agreement and its exhibits are the result of negotiations between the parties and have been reviewed by each party hereto; accordingly, this Loan Agreement will be deemed to be the product of the parties hereto, and no ambiguity will be construed in favor of or against any party.

7.5 GOVERNING LAW. This Loan Agreement will be governed by and construed in accordance with the internal laws of the State of California as applied to agreements entered into solely between residents of, and to be performed entirely in, such State, without reference to that body of law relating to conflicts of law or choice of law.

7.6 COUNTERPARTS. This Loan Agreement may be executed in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

7.7 MODIFICATION; WAIVER. This Loan Agreement may be modified or amended only by a writing signed by both parties hereto. No waiver or consent with respect to this Loan Agreement will be binding unless it is set forth in writing and signed by the party against whom such waiver is asserted. No course of dealing between Borrower and Lender will operate as a waiver or modification of any party's rights under this Loan Agreement or any other Loan Document. No delay or failure on the part of either party in exercising any right or remedy under this Loan Agreement or any other Loan Document will operate as a waiver of such right or any other right. A waiver given on one occasion will not be construed as a bar to, or as a waiver of, any right or remedy on any future occasion.

7.8 SEVERABILITY. The invalidity or unenforceability of any term or provision of this Loan Agreement will not affect the validity or enforceability of any other term or provision hereof. In the event of any conflict between the terms of this Loan Agreement and the Note, the terms of the Note will control.

7.9 ATTORNEY'S FEES. If any party hereto commences or maintains any action at law or in equity (including counterclaims or cross-complaints) against the other party hereto by reason of the breach or claimed breach of any term or provision of this Loan Agreement or any other Loan Document, then the prevailing party in said action will be entitled to recover its reasonable attorney's fees and court costs incurred therein.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Loan Agreement as of the Effective Date.

FORMFACTOR, INC.

/s/ Stuart Merkadeau
Stuart Merkadeau

By: /s/ Igor Khandros

Name: Igor Khandros

Title: CEO

ATTACHMENTS:

Exhibit A - Secured Full Recourse Promissory Note
Exhibit B - Stock Pledge Agreement
Exhibit C - Spouse Consent

[SIGNATURE PAGE TO LOAN AGREEMENT]

EXHIBIT A TO LOAN AGREEMENT

SECURED FULL RECOURSE PROMISSORY NOTE

$150,000.00 February 1, 2001

1. Obligation. For value received in the form of a loan in the principal sum of One Hundred Fifty Thousand Dollars ($150,000.00), receipt of which is hereby acknowledged, Stuart Merkadeau (the "BORROWER"), hereby promises to pay on or before the sixth anniversary of the date of this Note, to the order of FormFactor, Inc., a Delaware corporation (the "LENDER"), at the Lender's principal place of business at 5666 La Ribera Street, Livermore, CA 94550, or at such other place as the Lender may direct, the principal sum of One Hundred Fifty Thousand Dollars (U.S. $150,000.00), together with interest compounded semi-annually on the unpaid principal at the rate of five and one hundredths (5.01%) per annum which rate is not less than the minimum rate established pursuant to Section 1274(d) of the Internal Revenue Code of 1986.

2. Sale of Securities; Prepayments; Tender and Application of Payments. Borrower agrees that the proceeds from any sale, assignment, transfer or pledge of any of the Securities, or any other securities of Lender hereafter acquired by Borrower, will be paid promptly thereafter to the Company to be applied to Borrower's obligation under this Note. Prepayment of principal and/or interest due under this Note may be made at any time, without penalty, in amounts of at least Five Thousand Dollars (U.S. $5,000.00). Unless otherwise agreed to in writing by the holder hereof, all payments and prepayments will be made in lawful tender of the United States and will first be applied to the payment of accrued interest and the remaining balance of such payment, if any, will then be applied to the payment of principal.

3. Default; Acceleration. The Borrower will be deemed to be in default under this Note, and the outstanding unpaid principal sum of this Note, together with all interest accrued thereon, will immediately become due and payable in full without the need for any further action on the part of the holder hereof: (a) immediately upon termination of the employment of Borrower, for any reason, with the Lender or the Lender's successor in interest; (b) upon any voluntary or involuntary transfer of any of the Securities (as defined below in Section 5) or any interest therein, Borrower's sale or other voluntary conveyance of the Securities (except for a transfer to the Lender, or an exchange of the Securities for stock in an acquisition of or recapitalization, merger or other reorganization by Lender); (c) upon the filing by or against the Borrower of any voluntary or involuntary petition in bankruptcy or any petition for relief under the federal bankruptcy code or any other state or federal law for the relief of debtors; provided however, that with respect to an involuntary petition in bankruptcy, the Borrower will not be deemed to be in default of this Note unless such involuntary petition has not been dismissed within sixty (60) days after the filing of such petition; (d) upon the execution by the Borrower of an assignment for the benefit of creditors or the appointment of a receiver, custodian, trustee or similar party to take possession of the Borrower's assets or property; (e) upon Borrower's failure to make any payment when due under this Note; or (f) upon the failure of any representation or warranty in the Pledge Agreement to have been true, the failure of Borrower to perform any

obligation under this Note or the Pledge Agreement, or any other breach by the Borrower of this Note or the Pledge Agreement.

4. Remedies Upon Default. Upon any default of the Borrower under this Note, the Lender will have, in addition to its rights under this Note and the Pledge Agreement referred to in Section 5 below, full recourse against any real, personal, tangible or intangible assets of the Borrower, and may pursue any legal or equitable remedies that are available to it. Without limiting the foregoing sentence, upon any default of the Borrower under this Note, the Lender may set off against all wages, vacation pay and other amounts due or to be due by Lender to Borrower against amounts due under this Note. The rights and remedies of the holder herein provided will be cumulative and not exclusive of any other rights or remedies provided by law or otherwise.

5. Security. Payment of this Note is secured by any and all shares of capital stock issuable or issued upon each and every exercise of that certain Stock Option Agreement dated as of August 17, 2000, between Lender and Borrower, exerciseable to purchase up to 125,000 shares of Common Stock of Lender (all such shares issuable upon exercise of such options, and all dividends thereon and proceeds thereof, are collectively referred to herein as the "SECURITIES") pursuant to a Stock Pledge Agreement executed by the Borrower in favor of Lender (the "PLEDGE AGREEMENT").

6. Waiver and Amendment. Any provision of this Note may be amended or modified only by a writing signed by both the Lender hereof and the Borrower. No waiver or consent with respect to this Note will be binding or effective unless it is set forth in writing and signed by the party against whom such waiver is asserted. No course of dealing between the Lender and the Borrower will operate as a waiver or modification of any party's rights or obligations under this Note. No delay or failure on the part of either party in exercising any right or remedy under this Note will operate as a waiver of such right or any other right. A waiver given on one occasion will not be construed as a bar to, or as a waiver of, any right or remedy on any future occasion.

7. Definitions. Capitalized terms that are not defined herein shall have the meanings ascribed to them in the Loan Agreement of even date herewith delivered by Borrower to Lender (the "LOAN AGREEMENT").

8. Governing Law. This Note will be governed by and construed in accordance with the internal laws of the State of California as applied to agreements entered into solely between residents of, and to be performed entirely in, such State, without reference to that body of law relating to conflicts of law or choice of law.

9. Waivers. The Borrower hereby waives presentment, notice of non-payment, notice of dishonor, protest, demand and diligence.

10. Attorney's Fees. The Borrower agrees to pay reasonable expenses and costs of the Lender hereof in enforcing and collecting this Note, including without limitation attorney's

fees and court costs, whether or not a lawsuit is brought and whether or not any such suit is prosecuted to judgment.

11. Successors and Assigns. The provisions of this Note will inure to the benefit of, and be binding on, each party's respective heirs, successors and assigns. The Borrower acknowledges that he may not assign or delegate any of his obligations under this Note without prior written consent of the Lender hereof.

12. Severability. The invalidity or unenforceability of any term or provision of this Note will not affect the validity or enforceability of any other term or provision hereof. In the event of any conflict between the terms of this Note and the Loan Agreement, the terms of this Note will control.

IN WITNESS WHEREOF, Borrower has executed this Note as of February 1, 2001.

/s/ Stuart Merkadeau
- --------------------------------
Stuart Merkadeau

EXHIBIT B TO LOAN AGREEMENT

STOCK PLEDGE AGREEMENT

This Pledge Agreement is made and entered into as of February 1, 2001 between FormFactor, Inc., a Delaware corporation (the "COMPANY"), and Stuart Merkadeau ("PLEDGOR"). Capitalized terms that are not defined herein shall have the meanings ascribed to them in the Secured Full Recourse Promissory Note of even date herewith delivered by Pledgor to the Company (the "NOTE").

R E C I T A L S

A. In exchange for delivery of the Note to the Company, the Company has loaned Pledgor One Hundred Fifty Thousand Dollars ($150,000.00) pursuant to the terms of the Note.

B. Pledgor has agreed that repayment of the Note will be secured by the pledge of any and all shares of capital stock issuable or issued upon each and every exercise of that certain Stock Option Agreement dated as of August 17, 2000, between Company and Pledgor, exerciseable to purchase up to 125,000 shares of Common Stock of Company (such options are referred to herein as the "OPTIONS" and such shares issuable upon exercise of the Options are collectively referred to herein as the "SECURITIES").

NOW, THEREFORE, the parties agree as follows:

1. CREATION OF SECURITY INTEREST. Pursuant to the provisions of the California Uniform Commercial Code, Pledgor hereby grants to the Company, and the Company hereby accepts, a first and present security interest in (a) the Securities, (b) all Dividends (as defined in Section 5), and (c) all proceeds of the Options, the Securities and all Dividends, to secure payment of the Note and performance of all Pledgor's obligations under this Pledge Agreement. Pledgor herewith agrees to deliver, upon each and every exercise of any Option, the stock certificate issued representing all Securities issued upon each such exercise (each such stock certificate, a "CERTIFICATE") to the Secretary of the Company or other designee of the Company (the "ESCROW HOLDER"), who is hereby appointed to hold all such Certificates in escrow and to take all actions and to effectuate all such transfers and/or releases of such Securities as are in accordance with the terms of the Loan Documents. Pledgor and the Company agree that the Escrow Holder will not be liable to any party to this Pledge Agreement (or to any other party) for any actions or omissions unless the Escrow Holder is grossly negligent or intentionally fraudulent in carrying out the duties of Escrow Holder under the Loan Documents. Escrow Holder may rely upon any letter, notice or other document executed by any signature purported to be genuine and may rely on the advice of counsel and obey any order of any court with respect to the transactions contemplated by the Loan Documents. Immediately upon each exercise of any Option, the Certificate representing the Securities issued upon such exercise shall, with no further action by Pledgor, be delivered to Escrow Holder, and Pledgor agrees to concurrently

therewith execute a stock power covering such Certificate, in the form attached hereto as Exhibit 1 (with the date and number of shares left blank), and to cause Pledgor's spouse (if any) to execute such stock power, and to deliver such stock power to the Escrow Holder. For purposes of this Pledge Agreement, the Securities, all Dividends and all proceeds of the Options, the Securities and all Dividends will hereinafter collectively be referred to as the "COLLATERAL."

2. REPRESENTATIONS, WARRANTIES AND COVENANTS RE COLLATERAL. Pledgor hereby represents and warrants to the Company that Pledgor has good title (both record and beneficial) to the Collateral, free and clear of all claims, pledges, security interests, liens or encumbrances of every nature whatsoever, and that Pledgor has the right to pledge and grant the Company the security interest in the Collateral granted under this Pledge Agreement. Pledgor further agrees that, until all sums due under the Note have been paid in full and all Purchaser's obligations under this Pledge Agreement have been performed, Purchaser will not, without the Company's prior written consent, (a) sell, assign or transfer, or attempt to sell, assign or transfer, any of the Options or the Collateral, (b) grant or create, or attempt to grant or create, any security interest, lien, pledge, claim or other encumbrance with respect to any of the Options or the Collateral, or (c) suffer or permit to continue upon any of the Options or the Collateral during the term of this Pledge Agreement, any attachment, levy, execution or statutory lien.

3. RIGHTS ON DEFAULT. Upon the occurrence of an event of default under Section 3 of the Note (an "EVENT OF DEFAULT"), the Company will have full power to sell, assign and deliver or otherwise dispose of the whole or any part of the Collateral at any broker's exchange or elsewhere, at public or private sale, at the option of the Company, in order to satisfy any part of the obligations of Pledgor now existing or hereinafter arising under the Note or under this Pledge Agreement. On any such sale, the Company or its assigns may purchase all or any part of the Collateral. In addition, at its sole option, the Company may elect to retain all of the Collateral in full satisfaction of Pledgor's obligation under the Note, in accordance with the provisions and procedures set forth in the California Uniform Commercial Code. Pledgor shall, at the Company's request, cooperate with the Company in connection with the disposition of any and all of the Collateral and shall execute and deliver any documents which the Company shall reasonably request to permit disposition of the Collateral.

4. ADDITIONAL REMEDIES. The rights and remedies granted to the Company herein upon an Event of Default will be in addition to all the rights, powers and remedies of the Company under the California Uniform Commercial Code and applicable law and such rights, powers and remedies will be exercisable by the Company with respect to all of the Collateral. Pledgor agrees that the Company's reasonable expenses of holding the Collateral, preparing it for resale or other disposition, and selling or otherwise disposing of the Collateral, including attorney's fees and other legal expenses, will be deducted from the proceeds of any sale or other disposition and will be included in the amounts Pledgor must tender to redeem the Collateral. All rights, powers and remedies of the Company will be cumulative and not alternative. Any forbearance or failure or delay by the Company in exercising any right, power or remedy hereunder will not be deemed to be a waiver of any such right, power or remedy and any single or partial exercise of any such right, power or remedy hereunder will not preclude the further exercise thereof.

5. DIVIDENDS; VOTING. All dividends hereinafter declared on or payable with respect to any of the Collateral during the term of this Pledge Agreement (the "DIVIDENDS") shall be retained by the Company hereunder, provided, however, that so long no Event of Default has occurred, all Dividends paid on account of the Securities in cash shall be paid directly to the Pledgor. Nothing in this Pledge Agreement shall affect Pledgor's voting rights in any securities of the Company owned by the Pledgor.

6. ADJUSTMENTS. In the event that during the term of this Pledge Agreement, any stock dividend, reclassification, readjustment, stock split or other change is declared or made with respect to the Collateral, or if warrants or any other rights, options or securities are issued in respect of the Collateral (each "ADDITIONAL SECURITIES"), then all new, substituted and/or Additional Securities issued by reason of such change or by reason of the exercise of such warrants, rights, options or securities, will, if delivered to the Pledgor, be immediately surrendered to the Company or otherwise will be retained by the Company to be held under the terms of this Pledge Agreement as and in the same manner as the Collateral is held hereunder.

7. RIGHTS UNDER PURCHASE AGREEMENT; SETOFF. Pledgor understands and agrees that the Company's rights to repurchase the Collateral under any agreements executed by Pledgor in connection with Pledgor's purchase of the Securities (each, a "PURCHASE AGREEMENT"), if any, will continue for the periods and on the terms and conditions specified in the respective Purchase Agreement, whether or not the Note has been paid during such period of time, and that to the extent that the Note is not paid during such period of time, the repurchase by the Company of the Collateral may be made by way of cancellation of all or any part of Pledgor's indebtedness under the Note.

8. REDELIVERY OF COLLATERAL; NO RELEASE FOR PARTIAL PAYMENT.

(a) Until all obligations of Pledgor under the Note and under this Pledge Agreement have been satisfied in full, all Collateral will continue to be held in pledge under this Pledge Agreement.

(b) Upon performance of all Pledgor's obligations under the Note and this Pledge Agreement, and subject to the terms and conditions of the Purchase Agreement, the Company will immediately redeliver the Collateral to Pledgor and this Pledge Agreement will terminate; provided, however, that all rights of the Company to retain possession of any of the Collateral pursuant to each Purchase Agreement will survive termination of this Pledge Agreement.

9. FURTHER ASSURANCES. Pledgor shall, at the Company's request, execute and deliver such further documents and take such further actions as the Company shall reasonably request to perfect and maintain the Company's security interest in the Collateral, or in any part thereof.

10. SUCCESSORS AND ASSIGNS. This Pledge Agreement will inure to the benefit of the respective heirs, personal representatives, successors and assigns of the parties hereto.

11. GOVERNING LAW; SEVERABILITY. This Pledge Agreement will be governed by and construed in accordance with the internal laws of the State of California, excluding that body of law relating to conflicts of law. Should one or more of the provisions of this Pledge Agreement be determined by a court of law to be illegal or unenforceable, the other provisions nevertheless will remain effective and will be enforceable.

12. MODIFICATION; ENTIRE AGREEMENT. This Pledge Agreement will not be amended without the written consent of both parties hereto. This Pledge Agreement together with the Note constitute the entire agreement of the parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings related to such subject matter.

13. ADVERSE EFFECT UPON ISO STATUS. Pledgor hereby acknowledges that the enforcement by the Company of its rights herein may result in Pledgor losing the benefit of any of the Options otherwise qualifying as "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended. PLEDGOR SHOULD CONSULT A TAX ADVISER BEFORE ENTERING INTO THIS AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have executed this Pledge Agreement as of the date and year first above written.

FORMFACTOR, INC.

By: /s/ Igor Khandros

/s/ Stuart Merkadeau

Stuart Merkadeau

Igor Khandros

(Please print name)

CEO

(Please print title)

[SIGNATURE PAGE TO STOCK PLEDGE AGREEMENT]

EXHIBIT 1 TO STOCK PLEDGE AGREEMENT

STOCK POWER AND ASSIGNMENT
SEPARATE FROM STOCK CERTIFICATE

FOR VALUE RECEIVED and pursuant to that certain Loan Agreement dated as of February 1, 2001 (the "LOAN AGREEMENT"), the Borrower hereby sells, assigns and transfers unto , _____ shares of the Common Stock of FormFactor, Inc., a Delaware corporation (the "COMPANY"), standing in the Borrower's name on the books of the Company represented by Certificate Number _____ delivered herewith, and does hereby irrevocably constitute and appoint the Secretary of the Company as the Borrower's attorney-in-fact, with full power of substitution, to transfer said stock on the books of the Company. THIS ASSIGNMENT MAY ONLY BE USED AS AUTHORIZED BY THE LOAN AGREEMENT AND ANY EXHIBITS THERETO.

Dated: _____, 20__

BORROWER:

/s/ Stuart Merkadeau

(Signature)

Stuart Merkadeau

(Please Print Name)

/s/ Lisa A. Merkadeau

(Spouse's Signature, if any)

Lisa A. Merkadeau

(Please Print Spouse's Name)

INSTRUCTIONS: Please do not fill in any blanks other than the signature line. The purpose of this Stock Power and Assignment is to enable the Company to acquire the shares upon a default under Borrower's Note without requiring additional signatures on the part of Borrower or Borrower's Spouse.

EXHIBIT C TO LOAN AGREEMENT

SPOUSE CONSENT

The undersigned spouse of Stuart Merkadeau (the "PLEDGOR") has read, understands, and hereby approves the Loan Agreement dated as of February 1, 2001 between Pledgor and FormFactor, Inc., a Delaware corporation (the "COMPANY"), the Secured Full Recourse Promissory Note dated February 1, 2001 issued by Pledgor to the Company and the Stock Pledge Agreement dated February 1, 2001, by and between Pledgor and the Company (respectively, the "LOAN AGREEMENT", "NOTE" and "PLEDGE AGREEMENT"). In consideration of the Company's granting my spouse the right to borrow the Principal as set forth in the Note, the undersigned hereby agrees to be irrevocably bound by the Loan Agreement, the Note and the Pledge Agreement and further agrees that any community property interest I may have in the Collateral (described in the above-referenced Pledge Agreement) shall similarly be bound by the Loan Agreement, the Note and the Pledge Agreement. The undersigned hereby appoints Pledgor as my attorney-in-fact with respect to any amendment or exercise of any rights under the Loan Agreement, the Note and the Pledge Agreement.

Date: 1 February 2001

/s/ Lisa A. Merkadeau

Print Name of Pledgor's Spouse

Lisa A. Merkadeau

Signature of Pledgor's Spouse

Address:

October 29, 1998

Yoshikazu Hatsukano

Dear Hatsukano-san:

This letter is to confirm in writing the terms of your employment with our company, FormFactor, KK (hereinafter called the Company) under the following terms and conditions. Your employment with FormFactor, KK as the President will begin on or about December 1998. In your role as President of FormFactor, KK you will report to Igor Khandros, Director of FormFactor KK and President and Chief Executive Officer of FormFactor, Inc.

Your starting salary will be as follows: You will be paid a monthly salary of (Y)1,733,400 and $5,416.67. It is Company policy that job performance and base salary be reviewed each calendar year. Please be advised that depending on future sales goals. FormFactor, KK reserves the right to revise compensation plans which could result in the introduction of a combination of base salary and commissions or bonuses which could alter the method of payment of your annual gross earnings.

HOUSING ALLOWANCE
The Company agrees to pay rental costs of an apartment plus reasonable utility expenses. You agree to pay 35% of the cost of rent to the Company. You agree to maintain an office in the apartment and to provide access to the apartment for business and business entertainment purposes, as requested by the Company.

AUTO BENEFIT
You will be eligible to receive a company leased automobile.

SOCIAL INSURANCE
Health and welfare insurance, workmen's accident compensation and unemployment insurance benefits will be provided to you by the Company on the basis of the related insurance laws.

HOLIDAYS
FormFactor KK observes, with pay, those Japanese National Holidays specified by the Company at the beginning of each calendar year.

VACATION
You are entitled to ten (10) working days per year as paid vacation. You will be eligible to carry up to a maximum of 20 days paid vacation.

SEVERANCE PAYMENT
In the event of your termination from the Company you will receive a severance benefit

equal to one months' base salary for each year of service with the company. In determining the calculation for this payment, service for a partial year will be prorated.

NOTICE
In the event that you desire to terminate this agreement we request that a thirty (30) day notice shall be submitted.

In the event that the Company desires to terminate this agreement, due to unavoidable circumstances/reasons or causes for which it is deemed that you are responsible according to the Japan Labor Standards, we shall give you a thirty (30) day notice.

In the event that the Company desires to terminate this agreement due to reasons other than the above, a thirty (30) day notice shall be submitted and a termination payment (in addition to your Severance Payment) equivalent to one month's salary shall be provided to you.

As you are aware, in accordance with the laws of Japan, you must not reveal any secrets, information or details regarding financial, commercial or technical matters of the Company. Your employment will not become effective until you have signed and returned the Company's Employment, Confidential Information and Invention Assignment Agreement.

If you are in agreement with the above terms, please indicate so by signing below and returning an original, signed copy to me. You may keep an original for your files. Should you have any questions or comments about this agreement, please feel free to call me or send me an e-mail message to which I will promptly respond.

Hatsukano-san, we are extremely happy to have you join, FormFactor, KK. Please know that everyone at FormFactor is dedicated to the success of the company and each of its employees. We appreciate the hard work ahead for everyone and will do our best to work together as a team. With great sincerity, we welcome you to the Company.

/s/ Igor Y. Khandros

Igor Khandros
Director
FormFactor, KK

I agree to the above terms of employment.

/s/ Yoshikazu Hatsukano	11/19/98
Yoshikazu Hatsukano	Date

AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

STANDARD INDUSTRIAL/COMMERCIAL SINGLE-TENANT LEASE--NET

(Do not use this form for Multi-Tenant Property)

1. BASIC PROVISIONS ("BASIC PROVISIONS")

1.1 PARTIES: This Lease ("LEASE"), dated for reference purposes only, June 26, 1995, is made by and between PAUL E. IACONO ("LESSOR") and FORMFACTOR, INC. (a Delaware corporation) ("LESSEE"), (collectively the "PARTIES," or individually a "PARTY").

1.2 PREMISES: That certain real property, including all improvements therein or to be provided by Lessor under the terms of this Lease, and commonly known by the street address of 2130 Research Drive, City of Livermore, located in the County of Alameda, State of California, and generally described as (describe briefly the nature of the property) approximately 13,800 SF of office and warehouse improved space (see Exhibit "A" attached hereto and made a part hereof) including the parking areas adjacent thereto and full rights to ingress and egress ("PREMISES"). (See Paragraph 2 for further provisions.)

1.3 TERM: Three years and -0- months ("ORIGINAL TERM") commencing September 1, 1995 ("COMMENCEMENT DATE") and ending August 31, 1998 ("EXPIRATION DATE"). (See Paragraph 3 for further provisions.)

1.4 EARLY POSSESSION: See Para. 55 ("EARLY POSSESSION DATE"). (See Paragraphs 3.2 and 3.3 for further provisions.)

1.5 BASE RENT: $10,350 per month ("BASE RENT"), payable on the first day of each month commencing September 1, 1995 (see Para. 55) (See Paragraph 4 for further provisions.) If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted.

1.6 BASE RENT PAID UPON EXECUTION: $10,350.00 as Base Rent for the period September 1, 1995 through September 30, 1995.

1.7 SECURITY DEPOSIT: $10,500.00 ("SECURITY DEPOSIT"). (See Paragraph 5 for further provisions.)

1.8 PERMITTED USE: the development and manufacturing of micro interconnect electronic packaging and allied office use. (See Paragraph 6 for further provisions.)

1.9 INSURING PARTY: Lessor is the "INSURING PARTY" unless otherwise stated herein. (See Paragraph 8 for further provisions.)

1.10 REAL ESTATE BROKERS: The following real estate brokers (collectively, the "BROKERS") and brokerage relationships exist in this transaction and are consented to by the Parties (check applicable boxes): REALTECH Real Estate Services, Inc. represents

[ ] Lessor exclusively ("LESSOR'S BROKER"); [X] both Lessor and Lessee, and REALTECH Real Estate Services, Inc. represents

[ ] Lessee exclusively ("LESSEE'S BROKER"); [X] both Lessor and Lessor. (See Paragraph 15 for further provisions.)

1.11 GUARANTOR. The obligations of the Lessee under this Lease are to be guaranteed by _____ ("GUARANTOR"). (See Paragraph 37 for further provisions.)

1.12 ADDENDA. Attached hereto is an Addendum or Addenda consisting of Paragraphs 49 through 58 and Exhibits "A" all of which constitute a part of this Lease.

2. PREMISES.

2.1 LETTING. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of square footage set forth in this Lease, or that may have been used in calculating rental, is an approximation which Lessor and Lessee agree is reasonable and the rental based thereon is not subject to revision whether or not the actual square footage is more or less.

2.2 CONDITION. Lessor shall deliver the Premises to Lessee clean and free of debris on the Commencement Date and warrants to Lessee that the existing plumbing, fire sprinkler system, lighting, air conditioning, heating, electrical and loading doors, if any, in the Premises, other than those constructed by Lessee, shall be in good operating condition and the roof shall not leak on the Commencement Date. If a non-compliance with said warranty exists as of the Commencement Date, Lessor shall, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within ninety (90) days after the Commencement Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense.

2.3 COMPLIANCE WITH COVENANTS, RESTRICTIONS AND BUILDING CODE. Lessor warrants to Lessee that the improvements on the Premises comply with all applicable covenants or restrictions of record and applicable building codes, regulations and ordinances in effect on the Commencement Date. Said warranty does not apply to the use to which Lessee will put the Premises or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee. If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense.

2.4 ACCEPTANCE OF PREMISES. Lessee hereby acknowledges: (a) that it has been advised by the Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical and fire sprinkler systems, security, environmental aspects, compliance with Applicable Law, as defined in Paragraph 6.3) and the present and future suitability of the Premises for Lessee's intended use, (b) that Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to Lessee's occupancy of the Premises and/or the term of this Lease, and (c) that neither Lessor, nor any of Lessor's agents, has made any oral or written representations or warranties with respect to the said matters other than as set forth in this Lease.

2.5 LESSEE PRIOR OWNER/OCCUPANT. The warranties made by Lessor in this Paragraph 2 shall be of no force or effect if immediately prior to the date set forth in Paragraph 1.1 Lessee was the owner or occupant of the Premises. In such event, Lessee shall, at Lessee's sole cost and expense, correct any non-compliance of the Premises with said warranties.

3. TERM.

3.1 TERM. The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

3.2 EARLY POSSESSION. If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. All other terms of this Lease, however (including but not limited to the obligations to pay Real Property Taxes and insurance premiums and to maintain the Premises) shall be in effect during such period. Any such early possession shall not affect nor advance the Expiration Date of the Original Term.

3.3 DELAY IN POSSESSION. If for an reason Lessor cannot deliver possession of the Premises to Lessee as agreed herein by the Early Possession Date, if one is specified in Paragraph 1.4, or, if no Early Possession Date is specified, by the Commencement Date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease, or the obligations of Lessee hereunder, or extend the term hereof, but in such case, Lessee shall not, except as otherwise provided herein, be obligated to pay rent or perform any other obligation of Lessee under the terms of this Lease until Lessor delivers possession of the Premises to Lessee. If possession of the Premises is not delivered to Lessee within sixty (60) days after the Commencement Date, Lessee may, at its option, by notice in writing to Lessor within ten (10) days thereafter, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder; provided, however, that if such written notice by Lessee is not received by Lessor within said ten (10) days period, Lessee's right to cancel this Lease shall terminate and be of no further force or effect. Except as may be otherwise provided, and regardless of when the term actually commences, if possession is not tendered to Lessee when required by this Lease and Lessee does not terminate this Lease, as aforesaid, the period free of the obligation to pay Base Rent, if any, that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the act, changes or omissions of Lessee.

4. RENT.

4.1 BASE RENT. Lessee shall cause payment of Base Rent and other rent or charges, as the same may be adjusted from time to time, to be received by Lessor in lawful money of the United States without offset or deduction, on or before the day on which it is due under the terms of this Lease. Base Rent and all other rent and charges for any period during the term hereof which is for less than one (1) full calendar month shall be prorated based upon the actual number of days of the calendar month involved. Payment of Base Rent and other charges shall be made to Lessor at its address stated herein or to such other persons or at such other addresses as Lessor may from time to time designate in writing to Lessee.

5. SECURITY DEPOSIT. Lessee shall deposit with Lessor upon execution hereof the Security Deposit set forth in Paragraph 1.7 as security for Lessee's faithful performance of Lessee's obligations under this Lease. If Lessee fails to pay Base Rent or other rent charges due hereunder, or otherwise Defaults under this Lease (as defined in Paragraph 13.1), Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor to reimburse or compensate Lessor for any liability, cost, expense, loss or damage (including attorney's fees) which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of said Security Deposit, Lessee shall within ten (10) days after written request therefor deposit moneys with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. Any time the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional moneys with Lessor sufficient to maintain the same ratio between the Security Deposit and the Base Rent as those amounts are specified in the Basic Provisions. Lessor shall not be required to keep all or any part of the Security Deposit separate from its general accounts. Lessor shall, at the expiration or earlier termination of the term hereof and after Lessee has vacated the Premises, return to Lessee (or, at Lessor's option, to the last assignee, if any, of Lessee's interest herein), that portion of the Security Deposit not used or applied by Lessor. Unless otherwise expressly agreed in writing by Lessor, no part of the Security Deposit shall be considered to be held in trust, to bear interest or other increment for its use, or to be prepayment for any moneys to be paid by Lessee under this Lease.

6. USE.

6.1 USE. Lessee shall use and occupy the Premises only for the purposes set forth in Paragraph 1.8, or any other use which is comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that creates waste or a nuisance, or that disturbs owners and/or occupants of, or causes damage to, neighboring premises or properties. Lessor hereby agrees to not unreasonably withhold or delay its consent to any written request by Lessee, Lessee's assignees or subtenants, and by prospective assignees and subtenants of the Lessee, its assignees and subtenants, for a modification of said permitted purpose for which the Premises may be used or occupied, so long as the same will not impair the structural integrity of the improvements on the Premises, the mechanical or electrical systems therein, is not significantly more burdensome to the Premises and the improvements thereon, and is otherwise permissible pursuant to this Paragraph 6. If Lessor elects to withhold such consent, Lessor shall within five (5) business days give a written notification of same, which notice shall include an explanation of Lessor's reasonable objections to the change in use.

6.2 HAZARDOUS SUBSTANCES.

(a) REPORTABLE USES REQUIRE CONSENT. The term "HAZARDOUS SUBSTANCE" as used in this Lease 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 liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substance shall include, but not be limited to, hydrocarbons, petroleum, gasoline, crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in, on or about the Premises which constitutes a Reportable Use (as hereinafter defined) of Hazardous Substances without the express prior written consent of Lessor and compliance in a timely manner (at Lessee's sole cost and expense) with all Applicable Law (as defined in Paragraph 6.3). "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. Reportable Use shall also include Lessee's being responsible for the presence in, on or about the Premises of a Hazardous Substance with respect to which any Applicable Law requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may, without Lessor's prior consent, but in compliance with all Applicable Law, use any ordinary and customary materials reasonably required to be used by Lessee in the normal course of Lessee's business permitted on the Premises, so long as such use is not a Reportable Use and does not expose the Premises or neighboring properties to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may (but without any obligation to do so) condition its consent to the use or presence of any Hazardous Substance, activity or storage tank by Lessee upon Lessee's giving Lessor such additional assurances as Lessor, in its reasonable discretion, deems necessary to protect itself, the public, the Premises and the environment against damage, contamination or injury and/or liability therefrom or therefor, including, but not limited to, the installation (and removal on or before Lease expiration or earlier termination) of reasonably necessary protective modifications to the Premises (such as concrete encasements) and/or the deposit of an additional Security Deposit under Paragraph 5 above.

(b) DUTY TO INFORM LESSOR. If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance, or a condition involving or resulting from same, has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor. Lessee shall also immediately give Lessor 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 private party, or persons entering or occupying the Premises, concerning the presence, spill, release, discharge of, or exposure to, any Hazardous Substance or contamination in, on, or about the Premises, including but not limited to all such documents as may be involved in any Reportable Uses involving the Premises.

(c) INDEMNIFICATION. Lessee shall indemnify, protect, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, and the Premises, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, costs, claims, liens, expenses, penalties, permits and attorney's and consultant's fees arising out of or involving any Hazardous Substance or storage tank brought onto the Premises by or for Lessee or under Lessee's control. Lessee's obligations under this Paragraph 6 shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation (including consultant's and attorney's 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 Lessor and Lessee shall release Lessee from its obligation under this Lease with respect to Hazardous Substances or storage tanks, unless specifically so agreed by Lessor in writing at the time of such agreement.

6.3 LESSEE'S COMPLIANCE WITH LAW. Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole cost and expense, fully, diligently and in a timely manner, comply with all "APPLICABLE LAW," which term is used in this Lease to include all laws, rules, regulations, ordinances, directives, covenants, easements and restrictions of record, permits, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants, relating in any manner to the Premises (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 or storage tank), now in effect or which may hereafter come into effect, and whether or not

reflecting a change in policy from any previously existing policy. Lessee shall, within five (5) days after receipt of Lessor's written request, provide Lessor with copies of all documents and information, including, but not limited to, permits, registrations, manifests, applications, reports and certificates, evidencing Lessee's compliance with any Applicable Law specified by Lessor, and shall immediately upon receipt, notify Lessor 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 Lessee or the Premises to comply with any Applicable Law.

6.4 INSPECTION; COMPLIANCE. Lessor and Lessor's Lender(s) (as defined in Paragraph 8.3(a)) shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease and all Applicable Laws (as defined in Paragraph 6.3), and to employ experts and/or consultants in connection therewith and/or to advise Lessor with respect to Lessee's activities, including but not limited to the installation, operation, use, monitoring, maintenance, or removal of any Hazardous Substance brought on the Premises by Lessee or storage tank installed by Lessee on or from the Premises. The costs and expenses of any such inspections shall be paid by the party requesting same, unless a Default or Breach of this Lease, violation of Applicable Law, or a contamination, caused or materially contributed to by Lessee is found to exist or be imminent, or unless the inspection is requested or ordered by a governmental authority as a result of any such existing or imminent violation or contamination. In any such case, Lessee shall upon request reimburse Lessor or Lessor's Lender, as the case may be, for the costs and expenses of such inspections for which Lessee is responsible.

7. MAINTENANCE; REPAIRS; UTILITY INSTALLATIONS; TRADE FIXTURES AND ALTERATIONS.

7.1 LESSEE'S OBLIGATIONS.

(a) Subject to the provisions of Paragraph 2.2 (Lessor's warranty as to condition), 2.3 (Lessor's warranty as to compliance with covenants, etc.), 7.2 (Lessor's obligations to repair), 9 (damage and destruction), and 14 (condemnation), Lessee shall, at Lessee's sole cost and expense and at all times, keep the Premises and every part thereof in good order, condition and repair, non-structural (whether or not such portion of the Premises requiring repairs, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use), including, without limiting the generality of the foregoing all equipment or facilities serving the Premises, such as plumbing, heating, air conditioning, ventilating, electrical, lighting facilities, boilers, fired or unfired pressure vessels, fire sprinkler and/or standpipe and hose or other automatic fire extinguishing system, including fire alarm and/or smoke detection systems and equipment, fire hydrants, fixtures, walls (interior), ceilings, windows, doors, plate glass, skylights, landscaping, driveways, parking lots, fences, retaining walls, signs, sidewalks and parkways located in, on, about, or adjacent to the Premises. Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security, and/or monitoring of the Premises, the elements surrounding same, or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance and/or storage tank brought onto the Premises by or for Lessee or under its control. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices. Lessee's 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. If Lessee occupies the Premises for seven (7) years or more, Lessor may require Lessee to repaint the exterior of the buildings on the Premises as reasonably required, but not more frequently than once every seven (7) years.

(b) Lessee shall, at Lessee's sole cost and expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in, the inspection, maintenance and service of the following equipment and improvements, if any, located on the Premises: (i) heating, air conditioning and ventilation equipment, (ii) boiler, fired or unfired pressure vessels, (iii) fire sprinkler and/or standpipe and hose or other automatic fire extinguishing systems, including fire alarm and/or smoke detection, (iv) landscaping and irrigation systems, (v) roof covering and drain maintenance and (vi) asphalt and parking lot maintenance.

7.2 LESSOR'S OBLIGATIONS. Except for the warranties and agreements of Lessor contained in Paragraphs 2.2 (relating to condition of the Premises), 2.3 (relating to compliance with covenants, restrictions and building code), 9 (relating to destruction of the Premises) and 14 (relating to condemnation of the Premises), it is intended by the Parties hereto that Lessor have no obligation, in any manner whatsoever, to repair and maintain the Premises, the improvements located thereon,

or the equipment therein, non structural, all of which obligations are intended to be that of the Lessee under Paragraph 7.1 hereof. It is the intention of the Parties that the terms of this Lease govern the respective obligations of the Parties as to maintenance and repair of the Premises. Lessee and Lessor expressly waive the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease with respect to, or which affords Lessee the right to make repairs at the expense of Lessor or to terminate this Lease by reason of any needed repairs.

7.3 UTILITY INSTALLATIONS; TRADE FIXTURES; ALTERATIONS.

(a) DEFINITIONS; CONSENT REQUIRED. The term "UTILITY INSTALLATIONS" is used in this Lease to refer to all carpeting, window coverings, air lines, power panels, electrical distribution, security, fire protection systems, communication systems, lighting fixtures, heating, ventilating, and air conditioning equipment, plumbing, and fencing in, on or about the Premises. The term "TRADE FIXTURES" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "ALTERATIONS" shall mean any modification of the improvements on the Premises from that which are provided by Lessor under the terms of this Lease, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "LESSEE OWNED ALTERATIONS AND/OR UTILITY INSTALLATIONS" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor as defined in Paragraph 7.4(a). Lessee shall not make any Alterations or Utility Installations in, on, under or about the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof), as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, and the cumulative cost thereof during the term of this Lease as extended does not exceed $25,000.

(b) CONSENT. Any Alterations or Utility Installations that Lessee shall desire to make which require the consent of the Lessor shall be presented to Lessor in written form with proposed detailed plans. All consents given by Lessor, whether by virtue of Paragraph 7.3(a) or by subsequent specific consent, shall be deemed conditioned upon: (i) Lessee's acquiring all applicable permits required by governmental authorities, (ii) the furnishing of copies of such permits together with a copy of the plans and specifications for the Alteration or Utility Installation to Lessor prior to commencement of the work thereon, and (iii) the compliance by Lessee with all conditions of said permits in a prompt and expeditious manner. Any Alteration or Utility Installations by Lessee during the term of this Lease shall be done in a good and workmanlike manner, with good and sufficient materials, and in compliance with all Applicable Law. Lessee shall promptly upon completion thereof furnish Lessor with as-built plans and specifications therefor. Lessor may (but without obligation to do so) condition its consent to any requested Alteration or Utility Installation that costs $10,000 or more upon Lessee's providing Lessor with a lien and completion bond in an amount equal to one and one-half times the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor under Paragraph 36 hereof.

(c) INDEMNIFICATION. Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanics' or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than ten (10) days' notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility in or on the Premises as provided by law. If Lessee shall, in good faith, contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against the Lessor or the Premises. If Lessor shall require, Lessee shall furnish to Lessor a surety bond satisfactory to Lessor in an amount equal to one and one-half times the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same, as required by law for the holding of the Premises free from the effect of such lien or claim. In addition, Lessor may require Lessee to pay Lessor's attorney's fees and costs in participating in such action if Lessor shall decide it is to its best interest to do so.

7.4 OWNERSHIP; REMOVAL; SURRENDER; AND RESTORATION (ALSO SEE PARAGRAPH 53.1).

(a) OWNERSHIP. Subject to Lessor's right to require their removal or become the owner thereof as hereinafter provided in this Paragraph 7.4, all Alterations and Utility Additions made to the Premises by Lessee shall be the property of and owned by Lessee, but considered a part of the Premises. Lessor may, at any time and at its option, elect in writing to Lessee to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per subparagraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the

expiration or earlier termination of this Lease, become the property of Lessor and remain upon and be surrendered by Lessee with the Premises.

(b) REMOVAL. Unless otherwise agreed in writing, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or earlier termination of this Lease, notwithstanding their installation may have been consented to by Lessor. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent of Lessor.

(c) SURRENDER/RESTORATION. Lessee shall surrender the Premises by the end of the last day of the Lease term or any earlier termination date, with all of the improvements, parts and surfaces thereof clean and free of debris and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice or by Lessee performing all of its obligations under this Lease. Except as otherwise agreed or specified in writing by Lessor, the Premises, as surrendered, shall include the Utility Installations. The obligation of Lessee shall include the repair of any damage occasioned by the installation, maintenance or removal of Lessee's Trade Fixtures, furnishings, equipment, and Alterations and/or Utility Installations, as well as the removal of any storage tanks installed by or for Lessee, and the removal, replacement, or remediation of any soil, material or ground water contaminated by Lessee, all as may then be required by Applicable Law and/or good service practice. Lessee's Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee subject to its obligation to repair and restore the Premises per this Lease.

8. INSURANCE; INDEMNITY.

8.1 PAYMENT FOR INSURANCE. Regardless of whether the Lessor or Lessee is the Insuring Party, Lessee shall pay for all insurance required under this Paragraph 8 except to the extent of the cost attributable to liability insurance carried by Lessor in excess of $1,000,000 per occurrence. Premiums for policy periods commencing prior to or extending beyond the Lease term shall be prorated to correspond to the Lease term. Payment shall be made by Lessee to Lessor within ten (10) days following receipt of an invoice for any amount due.

8.2 LIABILITY INSURANCE.

(a) CARRIED BY LESSEE. Lessee shall obtain and keep in force during the term of this Lease a Commercial General Liability policy of insurance protecting Lessee and Lessor (as an additional insured) against claims for bodily injury, personal injury and property damage based upon, involving or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence with an "Additional Insured-Managers or Lessors of Premises" Endorsement and contain the "Amendment of the Pollution Exclusion" for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance required by this Lease or as carried by Lessee shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance to be carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

(b) CARRIED BY LESSOR. In the event Lessor is the Insuring Party, Lessor shall also maintain liability insurance described in Paragraph 8.2(a), above, in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 PROPERTY INSURANCE - BUILDING, IMPROVEMENTS AND RENTAL VALUE.

(a) BUILDING AND IMPROVEMENTS.. The Insuring Party shall obtain and keep in force during the term of this Lease a policy or policies in the name of Lessor with loss payable to Lessor and to the holders of any mortgages, deeds of trust or ground leases on the Premises ("LENDER(S)"), insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full replacement cost of the Premises, as the same shall exist from time to time or the amount required by the Lenders, but in no event more than the commercially reasonable and available insurance value thereof if, by reason of the unique nature or age of the improvements involved, such latter amount is less than full replacement cost. If Lessor is the

Insuring Party, however, Lessee Owned Alterations and Utility Installations shall be insured by Lessee under Paragraph 8.4 rather than by Lessor. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for any additional costs resulting from debris removal and reasonable amounts of coverage for the enforcement of any ordinance or law regulating the reconstruction or replacement of any undamaged sections of the Premises required to be demolished or removed by reason of the enforcement of any building, zoning, safety or land use laws as the result of a covered cause of loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $1,000 per occurrence, and Lessee shall be liable for such deductible amount in the event of an Insured Loss, as defined in Paragraph 9.1(c).

(b) RENTAL VALUE. The Insuring Party shall, in addition, obtain and keep in force during the term of this Lease a policy or policies in the name of Lessor, with loss payable to Lessor and Lendor(s), insuring the loss of the full rental and other charges payable by Lessee to Lessor under this Lease for one (1) year (including all real estate taxes, insurance costs, and any scheduled rental increases). Said insurance shall provide that in the event the Lease is terminated by reason of an insured loss, the period of indemnity for such coverage shall be extended beyond the date of the completion of repairs or replacement of the Premises, to provide for one full year's loss of rental revenues from the date of any such loss. Said insurance shall contain an agreed valuation provision in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected rental income, property taxes, insurance premium costs and other expenses, if any, otherwise payable by Lessee, for the next twelve (12) month period. Lessee shall be liable for any deductible amount in the event of such loss.

(c) ADJACENT PREMISES. If the Premises are part of a larger building, or if the Premises are part of a group of buildings owned by Lessor which are adjacent to the Premises, the Lessee shall pay for any increase in the premiums for the property insurance of such building or buildings if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) TENANT'S IMPROVEMENTS. If the Lessor is the Insuring Party, the Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease. If Lessee is the Insuring Party, the policy carried by Lessee under this Paragraph 8.3 shall insure Lessee Owned Alterations and Utility Installations.

8.4 LESSEE'S PROPERTY INSURANCE. Subject to the requirements of Paragraph 8.5, Lessee at its cost shall either by separate policy or, at Lessor's option, by endorsement to a policy already carried, maintain insurance coverage on all of Lessee's personal property, Lessee Owned Alterations and Utility Installations in, on, or about the Premises similar in coverage to that carried by the Insuring Party under Paragraph 8.3. Such insurance shall be full replacement cost coverage with a deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property or the restoration of Lessee Owned Alterations and Utility Installations. Lessee shall be the Insuring Party with respect to the insurance required by this Paragraph 8.4 and shall provide Lessor with written evidence that such insurance is in force.

8.5 INSURANCE POLICIES. Insurance required hereunder shall be in companies duly licensed to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, or such other rating as may be required by a Lender having a lien on the Premises, as set forth in the most current issue of "Best's Insurance Guide." Lessee shall not do or permit to be done anything which shall invalidate the insurance policies referred to in this Paragraph 8. If Lessee is the Insuring Party, Lessee shall cause to be delivered to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of such insurance with the insureds and loss payable clauses as required by this Lease. No such policy shall be cancellable or subject to modification except after thirty (30) days prior written notice to Lessor. Lessee shall at least thirty (30) days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. If the Insuring Party shall fail to procure and maintain the insurance required to be carried by the Insuring Party under this Paragraph 8, the other Party may, but shall not be required to, procure and maintain the same, but at Lessee's expense.

8.6 WAIVER OF SUBROGATION. Without affecting any other rights or remedies, Lessee and Lessor ("WAIVING PARTY") each hereby release and relieve the other, and waive their entire right to recover damages (whether in contract or in tort) against the other, for loss of or damage to the Waiving Party's property arising out of or incident to the perils required to be insured against under Paragraph 8. The effect of such releases and waivers of the right to recover damages shall not be limited by the amount of insurance carried or required, or by any deductibles applicable thereto.

8.7 INDEMNITY. Except for Lessor's negligence and/or breach of express warranties, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, costs, liens, judgments, penalties, permits, attorney's and consultant's fees, expenses and/or liabilities arising out of, involving, or in dealing with, the occupancy of the Premises by Lessee, the conduct of Lessee's business, any act, omission or neglect of Lessee, its agents, contractors, employees or invitees, and out of any Default or Breach by Lessee in the performance in a timely manner of any obligation on Lessee's part to be performed under this Lease. The foregoing shall include, but not be limited to, the defense or pursuit of any claim or any action or proceeding involved therein, and whether or not (in the case of claims made against Lessor) litigated and/or reduced to judgment, and whether well founded or not. In case any action or proceeding be BROUGHT against Lessor by reason of any of the foregoing matters, Lessee upon notice from Lessor shall defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be so indemnified.

8.8 EXEMPTION OF LESSOR FROM LIABILITY. Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the building of which the Premises are a part, or from other sources or places, and regardless of whether the cause of such damage or injury or the means of repairing the same is accessible or not, other than as a result of Lessor's breach of this Lease or Lessor's gross negligence or intentional misconduct. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of Lessor. Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit therefrom.

9. DAMAGE OR DESTRUCTION.

9.1 DEFINITIONS.

(a) "PREMISES PARTIAL DAMAGE" shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, the repair cost of which damage or destruction is less than 50% of the then Replacement Cost of the Premises immediately prior to such damage or destruction, excluding from such calculation the value of the land and Lessee Owned Alterations and Utility Installations.

(b) "PREMISES TOTAL DESTRUCTION" shall mean damage or destruction to the Premises, other than Lessee Owned Alterations and Utility Installations the repair cost of which damage or destruction is 50% or more of the then Replacement Cost of the Premises immediately prior to such damage or destruction, excluding from such calculation the value of the land and Lessee Owned Alterations and Utility Installations.

(c) "INSURED LOSS" shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) "REPLACEMENT COST" shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of applicable building codes, ordinances or laws, and without deduction for depreciation.

(e) "HAZARDOUS SUBSTANCE CONDITION" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 PARTIAL DAMAGE - INSURED LOSS. If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $10,000 or less, and, in such event, Lessor shall make the insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds (except as to the deductible which is Lessee's responsibility) as and when required to complete said repairs. In the event, however, the shortage in proceeds was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within ten (10) days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said ten (10) day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If Lessor does not receive such funds or assurance within said period, Lessor may nevertheless elect by written notice to Lessee within ten (10) days thereafter to make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect. If in such case Lessor does not so elect, then this Lease shall terminate sixty (60) days following the occurrence of the damage or destruction. Unless otherwise agreed, Lessee shall in no event have any right to reimbursement from Lessor for any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3 rather than Paragraph 9.2, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 PARTIAL DAMAGE - UNINSURED LOSS. If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 13), Lessor may at Lessor's option, either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within thirty (30) days after receipt by Lessor of knowledge of the occurrence of such damage of Lessor's desire to terminate this Lease as of the date sixty (60) days following the giving of such notice. In the event Lessor elects to give such notice of Lessor's intention to terminate this Lease, Lessee shall have the right within ten (10) days after the receipt of such notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage totally at Lessee's expense and without reimbursement from Lessor. Lessee shall provide Lessor with the required funds or satisfactory assurance thereof within thirty (30) days following Lessee's said commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible and the required funds are available. If Lessee does not give such notice and provide the funds or assurance thereof within the times specified above, this Lease shall terminate as of the date specified in Lessor's notice of termination.

9.4 TOTAL DESTRUCTION. Notwithstanding any other provision hereof, if a Premises Total Destruction occurs (including any destruction required by any authorized public authority), this Lease shall terminate sixty (60) days following the date of such Premises Total Destruction, whether or not the damage or destruction is an insured Loss or was caused by a negligent or willful act of Lessee. In the event, however, that the damage or destruction was caused by Lessee, Lessor shall have the right to recover Lessor's damages from Lessee except as released and waived in Paragraph 8.6.

9.5 DAMAGE NEAR END OF TERM. If at any time during the last six (6) months of the term of this Lease there is damage for which the cost to repair exceeds one (1) month's Base Rent, whether or not an Insured Loss, Lessor may, at Lessor's option, terminate this Lease effective sixty (60) days following the date of occurrence of such damage by giving written notice to Lessee of Lessor's election to do so within thirty (30) days after the date of occurrence of such damage. Provided, however, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, within twenty (20) days following the occurrence of the damage, or before the expiration of the time provided in such option for its exercise, whichever is earlier ("EXERCISE PERIOD"), (i) exercising such option and (ii) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs. If Lessee duly exercises such option during said Exercise Period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's expense repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during said Exercise Period, then Lessor may at Lessor's option terminate this Lease as of the

expiration of said sixty (60) day period following the occurrence of such damage by giving written notice to Lessee of Lessor's election to do so within ten (10) days after the expiration of the Exercise Period, notwithstanding any term or provision in the grant of option to the contrary.

9.6 ABATEMENT OF RENT; LESSEE'S REMEDIES.

(a) In the event of damage described in Paragraph 9.2 (Partial Damage - Insured), whether or not Lessor or Lessee repairs or restores the Premises, the Base Rent, Real Property Taxes, insurance premiums, and other charges, if any, payable by Lessee hereunder for the period during which such damage, its repair or the restoration continues (not to exceed the period for which rental value insurance is required under Paragraph 8.3(b)), shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired. Except for abatement of Base Rent, Real Property Taxes, insurance premiums, and other charges, if any, as aforesaid, all other obligations of Lessee hereunder shall be performed by Lessee, and Lessee shall have no claim against Lessor for any damage suffered by reason of any such repair or restoration.

(b) If Lessor shall be obligated to repair or restore the Premises under the provisions of this Paragraph 9 and shall not commence, in a substantial and meaningful way, the repair or restoration of the Premises within ninety (90) days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice of Lessee's election to terminate this Lease on a date not less than sixty (60) days following the giving of such notice. If Lessee gives such notice to Lessor and such Lenders and such repair or restoration is not commenced within thirty (30) days after receipt of such notice, this Lease shall terminate as of the date specified in said notice. If Lessor or a Lender commences the repair or restoration of the Premises within thirty (30) days after receipt of such notice, this Lease shall continue in full force and effect. "COMMENCE" as used in this Paragraph shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 HAZARDOUS SUBSTANCE CONDITIONS. If a Hazardous Substance Condition occurs, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by Applicable Law and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 13), Lessor may at Lessor's option either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to investigate and remediate such condition exceeds twelve (12) times the then monthly Base Rent or $100,000, whichever is greater, give written notice to Lessee within thirty (30) days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition of Lessor's desire to terminate this Lease as of the date sixty (60) days following the giving of such notice. In the event Lessor elects to give such notice of Lessor's intention to terminate this Lease, Lessee shall have the right within ten (10) days after the receipt of such notice to give written notice to Lessor of Lessee's commitment to pay for the investigation and remediation of such Hazardous Substance Condition totally at Lessee's expense and without reimbursement from Lessor except to the extent of an amount equal to twelve (12) times the then monthly Base Rent or $100,000,whichever is greater. Lessee shall provide Lessor with the funds required of Lessee or satisfactory assurance thereof within thirty (30) days following Lessee's said commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such investigation and remediation as soon as reasonably possible and the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the times specified above, this Lease shall terminate as of the date specified in Lessor's notice of termination. If a Hazardous Substance Condition occurs for which Lessee is not legally responsible, there shall be abatement of Lessee's obligations under this Lease to the same extent as provided in Paragraph 9.6(a) for a period of not to exceed twelve (12) months.

9.8 TERMINATION - ADVANCE PAYMENTS. Upon termination of this Lease pursuant to this Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor under the terms of this Lease.

9.9 WAIVE STATUTES. Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

10. REAL PROPERTY TAXES.

10.1 (a) PAYMENT OF TAXES. Lessee shall pay the Real Property Taxes, as defined in Paragraph 10.2, applicable to the Premises during the term of this Lease. Subject to Paragraph 10.1(b), all such payments shall be made at least ten (10) days prior to the delinquency date of the applicable installment. Lessee shall promptly furnish Lessor with satisfactory evidence that such taxes have been paid. If any such taxes to be paid by Lessee shall cover any period of time prior to or after the expiration or earlier termination of the term hereof, Lessee's share of such taxes shall be equitably prorated to cover only the period of time within the tax fiscal year this Lease is in effect, and Lessor shall reimburse Lessee for any overpayment after such proration. If Lessee shall fail to pay any Real Property Taxes required by this Lease to be paid by Lessee, Lessor shall have the right to pay the same, and Lessee shall reimburse Lessor therefor upon demand.

10.2 DEFINITION OF "REAL PROPERTY TAXES." As used herein, the term "REAL PROPERTY TAXES" shall include any form of real estate tax or assessment, general, special, ordinary or extraordinary, and any license fee, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance, personal, income or estate taxes) imposed upon the Premises by any authority having the direct or indirect power to tax, including any city, state or federal government, or any school, agricultural, sanitary, fire, street, drainage or other improvement district thereof, levied against any legal or equitable interest of Lessor in the Premises or in the real property of which the Premises are a part. Lessor's right to rent or other income therefrom, and/or Lessor's business of leasing the Premises. The term "REAL PROPERTY TAXES" shall also include any tax, fee, levy, assessment or charge, or any increase therein imposed by reason of events occurring, or changes in applicable law taking effect, during the term of this Lease, including but not limited to a change in the ownership of the Premises or in the improvements thereon, the execution of this Lease, or any modification, amendment or transfer thereof, and whether or not contemplated by the Premises.

10.3 JOINT ASSESSMENT. If the Premises are not separately assessed, Lessee's liability shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.4 PERSONAL PROPERTY TAXES. Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations, Utility installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises or elsewhere. When possible, Lessee shall cause its Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said personal property shall be assessed with Lessor's real property. Lessee shall pay Lessor the taxes attributable to Lessee within ten (10) days after receipt of a written statement setting forth the taxes applicable to Lessee's property or, at Lessor's option, as provided in Paragraph 10.1(b).

11. UTILITIES. Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. If any such services are not separately metered to Lessee, Lessee shall pay a reasonable proportion, to be determined by Lessor, of all charges jointly metered with other premises.

12. ASSIGNMENT AND SUBLETTING.

12.1 LESSOR'S CONSENT REQUIRED.

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or otherwise encumber (collectively, "ASSIGNMENT") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent given under and subject to the terms of Paragraph 36.

(b) An assignment or subletting of Lessee's interest in this Lease without Lessor's specific prior written consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unconsented to assignment or subletting as a noncurable Breach, Lessor shall have the right to either: (i) terminate this Lease, or (ii) upon thirty (30) days written notice ("LESSOR'S NOTICE"), increase the monthly Base Rent to fair market rental value or one hundred ten percent (110%) of the Base Rent then in effect, whichever is greater. Pending determination of the new fair market rental value, if disputed by Lessee, Lessee shall pay the amount set forth in Lessor's Notice, with any overpayment credited against the next installment(s) of Base Rent coming due, and any underpayment for the period retroactively to the effective date of the adjustment being due and payable immediately upon the determination thereof. Further, in the event of such Breach and market value adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to

similar adjustment to the then fair market value (without the Lease being considered an encumbrance or any deduction for depreciation or obsolescence, and considering the Premises at its highest and best use and in good condition), or one hundred ten percent (110%) of the price previously in effect, whichever is greater, (ii) any index-oriented rental or price adjustment formulas contained in this Lease shall be adjusted to require that the base index be determined with reference to the index applicable to the time of such adjustment, and (iii) any fixed rental adjustments scheduled during the remainder of the Lease term shall be increased in the same ratio as the new market rental bears to the Base Rent in effect immediately prior to the market value adjustment.

(c) Lessee's remedy for any breach of this Paragraph 12.1 by Lessor shall be limited to compensatory damages and injunctive relief.

12.2 TERMS AND CONDITIONS APPLICABLE TO ASSIGNMENT AND SUBLETTING.

(a) Regardless of Lessor's consent, any assignment or subletting shall not: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Base Rent and other sums due Lessor hereunder or for the performance of any other obligations to be performed by Lessee under this Lease.

(b) Lessor may accept any rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of any rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for the Default or Breach by Lessee of any of the terms, covenants or conditions of this Lease.

(c) The consent of Lessor to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting by Lessee or to any subsequent or successive assignment or subletting by the sublessee. However, Lessor may consent to subsequent sublettings and assignments of the sublease or any amendments or modifications thereto without notifying Lessee or anyone else liable on the Lease or sublease and without obtaining their consent, and such action shall not relieve such persons from liability under this Lease or sublease.

(d) In the event of any Default or Breach of Lessee's obligations under this Lease, Lessor may proceed directly against Lessee, any Guarantors or any one else responsible for the performance of the Lessee's obligations under this Lease, including the sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefore to Lessor, or any security held by Lessor or Lessee.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonable requested by Lessor.

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment or entering into such sublease, be deemed, for the benefit of Lessor, to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented in writing.

12.3 ADDITIONAL TERMS AND CONDITIONS APPLICABLE TO SUBLETTING. The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all rentals and income arising from any sublease of all or a portion of the Premises heretofore or hereafter made by Lessee, and Lessor may collect such rent and income and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach (as defined in Paragraph 13.1) shall occur in the performance of Lessee's obligations under this Lease, Lessee may, except as otherwise provided in this Lease, receive, collect and enjoy the rents accruing under such sublease. Lessor shall not, by reason of this

or any other assignment of such sublease to Lessor, nor by reason of the collection of the rents from a sublessee, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee under such sublease. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor the rents and other charges due and to become due under the sublease. Sublessee shall rely upon any such statement and request from Lessor and shall pay such rents and other charges to Lessor without any obligation or right to inquire as to whether such Breach exists and notwithstanding any notice from or claim from Lessee to the contrary. Lessee shall have no right or claim against said sublessee, or, until the Breach has been cured, against Lessor, for any such rents and other charges so paid by said sublessee to Lessor.

(b) In the event of a Breach by Lessee in the performance of its obligations under this Lease, Lessor, at its option and without any obligation to do so, may require any sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any other prior Defaults or Breaches of such sublessor under such sublease.

(c) Any matter or thing requiring the consent of the sublessor under a sublease shall also require the consent of Lessor herein.

(d) No sublease shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. DEFAULT; BREACH; REMEDIES.

12.1 DEFAULT; BREACH. A "DEFAULT" is defined as a failure by the Lessee to observe, comply with or perform any of the terms, covenants, conditions or rules applicable to Lessee under this Lease. A "BREACH" is defined as the occurrence of any one or more of the following Defaults, and, where a grace period for cure after notice is specified herein, the failure by Lessee to cure such Default prior to the expiration of the applicable grace period, shall entitle Lessor to pursue the remedies set forth in Paragraphs 13.2 and/or 13:

(a) The vacating of the Premises without the intention to reoccupy same, or the abandonment of the Premises.

(b) Except as expressly otherwise provided in this Lease, the failure by Lessee to make any payment of Base Rent or any other monetary payment required to be made by Lessee hereunder, whether to Lessor or to a third party, as and when due, the failure by Lessee to provide Lessor with reasonable evidence of insurance required under this Lease, or the failure of Lessee to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of ten (10) days following written notice thereof by or on behalf of Lessor to Lessee.

(c) Except as expressly otherwise provided in this Lease, the failure by Lessee to provide Lessor with reasonable written evidence (in duly executed original form, if applicable) or (i) compliance with Applicable Law per Paragraph 6.3, (ii) the inspection, maintenance and service contracts required under Paragraph 7.1(b), (iii) the recission of an unauthorized assignment or subletting per Paragraph 12.1(b), (iv) a Tenancy Statement per Paragraphs 16 or 37, (v) the subordination or non-subordination of this Lease per Paragraph 30, (vi) the guaranty of the performance of Lessee's obligations under this Lease if required under Paragraphs 1.11 and 37, (vii) the execution of any document requested under Paragraph 42 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of ten (10) days following written notice by or on behalf of Lessor to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 40 hereof, that are to be observed, complied with or performed by Lessee, other than those described in subparagraphs (a), (b) or (c), above, where such Default continues for a period of thirty (30) days after written

notice thereof by or on behalf of Lessor to Lessee; provided, however, that if the nature of Lessee's Default is such that more than thirty (30) days are reasonably required for its cure, then it shall not be deemed to be a Breach of this Lease by Lessee if Lessee commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) The making by Lessee of any general arrangement or assignment for the benefit of creditors, (ii) Lessee's becoming a "debtor" as defined in 11 U.S.C. Section 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within sixty (60) days); (ii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within thirty (30) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within thirty (30) days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(f) The discovery by Lessor that any financial statement given to Lessor by Lessee or any Guarantor of Lessee's obligations hereunder was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a guarantor, (ii) the termination of a guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a guarantor's refusal to honor the guaranty, or (v) a guarantor's breach of its guaranty obligation on an anticipatory breach basis, and Lessee's failure, within sixty (60) days following written notice by or on behalf of Lessor to Lessee of any such event, to provide Lessor with written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the guarantors that existed at the time of execution of this Lease.

13.2 REMEDIES. If Lessee fails to perform any affirmative duty or obligation of Lessee under this Lease, within ten (10) days after written notice to Lessee (or in case of emergency, without notice), Lessor may at its option (but without obligation to do so), perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies or governmental licenses, permits or approvals. The costs and expenses of any such performance by Lessor shall be due and payable by Lessee to Lessor upon invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made under this Lease by Lessee to be made only by cashier's check. In the event of a Breach of this Lease by Lessee, as defined in Paragraph 13.1, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach, Lessor may:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease and the term hereof shall terminate and Lessee shall immediately surrender possession of the Premises to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the worth at the time of the award of the unpaid rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of the leasing commission paid by Lessor applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the prior sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%). Efforts by Lessor to mitigate damages caused by Lessee's Default or Breach of this Lease shall not waive Lessor's right to recover damages under this Paragraph. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding the unpaid rent and damages as are recoverable therein, or Lessor may reserve therein the right to recover all or any part thereof in a separate suit for such rent and/or damages. If a notice and grace period required under subparagraphs 13.1(b), (c) or (d) was not previously given, a notice to pay rent or quit, or to perform or quit, as the case may be, given to Lessee under any statute authorizing the forfeiture of leases for unlawful detainer shall also constitute the applicable notice for grace period purposes required by subparagraphs 13.1(b), (c) or (d). In such case, the applicable grace period under

subparagraphs 13.1(b), (c) or (d) and under the unlawful detainer statute shall run concurrently after the one such statutory notice, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession in effect (in California under California Civil Code Section 1951.4) after Lessee's Breach and abandonment and recover the rent as it becomes due, provided Lessee has the right to sublet or assign, subject only to reasonable limitations. See Paragraphs 12 and 36 for the limitations on assignment and subletting which limitations Lessee and Lessor agree are reasonable. Acts of maintenance or preservation, efforts to relet the Premises, or the appointment of a receiver to protect the Lessor's interest under the Lease, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available to Lessor under the laws or judicial decisions of the state wherein the Premises are located.

(d) The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 INDUCEMENT RECAPTURE IN EVENT OF BREACH. Any agreement by Lessor for free or abated rent or other charges applicable to the Premises, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "INDUCEMENT PROVISIONS," shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease to be performed or observed by Lessee during the term hereof as the same may be extended. Upon the occurrence of a Breach of this Lease by Lessee, as defined in Paragraph 13.1, any such inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, and recoverable by Lessor as additional rent due under this Lease, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this Paragraph shall not be deemed a waiver by Lessor of the provisions of this Paragraph unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 LATE CHARGES. Lessee hereby acknowledges that late payment by Lessee to Lessor of rent and other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by the terms of any ground lease, mortgage or trust deed covering the Premises. Accordingly, if any installment of rent or any other sum due from Lessee shall not be received by Lessor or Lessor's designee within ten (10) days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a late charge equal to six percent (6%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of Base Rent, then notwithstanding Paragraph 4.1 or any other provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 BREACH BY LESSOR. Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph 13.5, a reasonable time shall in no event be less than thirty (30) days after receipt by Lessor, and by the holders of any ground lease, mortgage or deed of trust covering the Premises whose name and address shall have been furnished Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than thirty (30) days after such notice are reasonably required for its performance, then Lessor shall not be in breach of this Lease if performance is commenced within such thirty (30) day period and thereafter diligently pursued to completion.

14. CONDEMNATION. If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (all of which are herein called "CONDEMNATION"), this Lease shall terminate as to the part

so taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than ten percent (10%) of the floor area of the Premises, or more than twenty-five percent (25%) of the land area not occupied by any building, is taken by condemnation, Lessee may, at Lessee's option, to be exercised in writing within ten (10) days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in the same proportion as the rentable floor area of the Premises taken bears to the total rentable floor area of the building located on the Premises. No reduction of Base Rent shall occur if the only portion of the Premises taken is land on which there is no building. Any award for the taking of all or any part of the Premises under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold or for the taking of the fee, or as severance damages; provided, however, that Lessee shall be entitled to any compensation separately awarded to Lessee for Lessee's relocation expenses and/or loss of Lessee's Trade Fixtures. In the event that this Lease is not terminated by reason of such condemnation, Lessor shall to the extent of its net severance damages received, over and above the legal and other expenses incurred by Lessor in the condemnation matter, repair any damage to the Premises caused by such condemnation, except to the extent that Lessee has been reimbursed therefor by the condemning authority. Lessee shall be responsible for the payment of any amount in excess of such net severance damages required to complete such repair.

15. BROKER'S FEE.

15.1 The Broker's named in Paragraph 1.10 are the procuring causes of this Lease.

15.2 Upon execution of this Lease by both Parties, Lessor shall pay to said Brokers jointly, or in such separate shares as they may mutually designate in writing, a fee as set forth in a separate written agreement between Lessor and said Brokers (or in the event there is no separate written agreement between Lessor and said Brokers, the sum of $_____ per agreement) for brokerage services rendered by said Brokers to Lessor in this transaction.

15.3 Unless Lessor and Brokers have otherwise agreed in writing, Lessor further agrees that: (a) if Lessee exercises any Option (as defined in Paragraph 39.1) or any Option subsequently granted which is substantially similar to an Option granted to Lessee in this Lease, or (b) if Lessee acquires any rights to the Premises or other premises described in this Lease which are substantially similar to what Lessee would have acquired had an Option herein granted to Lessee been exercised, or (c) if Lessee remains in possession of the Premises, with the consent of Lessor, after the expiration of the term of this Lease after having failed to exercise an Option, or (d) if said Brokers are the procuring cause of any other lease or sale entered into between the Parties pertaining to the Premises and/or any adjacent property in which Lessor has an interest, or (e) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then as to any of said transactions, Lessor shall pay said Brokers a fee in accordance with the schedule of said Brokers in effect at the time of the execution of this Lease.

15.4 Any buyer or transferee of Lessor's interest in this Lease, whether such transfer is by agreement or by operation of law, shall be deemed to have assumed Lessor's obligation under this Paragraph 15. Broker shall be a third party beneficiary of the provisions of this Paragraph 15 to the extent of its interest in any commission arising from this Lease and may enforce that right directly against Lessor and its successors.

15.5 Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any named in Paragraph 1.10) in connection with the negotiation of this Lease and/or the consummation of the transaction contemplated hereby, and that no broker or other person, firm or entity other than said named Brokers is entitled to any commission or finder's fee in connection with said transaction. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

15.6 Lessor and Lessee hereby consent to and approve all agency relationships, including any dual agencies, indicated in Paragraph 1.10.

16. TENANCY STATEMENT.

16.1 Each Party (as "RESPONDING PARTY") shall within ten (10) days after written notice from the other Party (the "REQUESTING PARTY") execute, acknowledge and deliver to the Requesting party a statement in writing in form similar to the then most current "TENANCY STATEMENT" form published by the American Industrial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

16.2 If Lessor desires to finance, refinance or sell the Premises, any part thereof, or the building of which the Premises are a part, Lessee and all Guarantors of Lessee's performance hereunder shall deliver to any potential lender or purchaser designated by Lessor such financial statements of Lessee and such Guarantors as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past three (3) years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. LESSOR'S LIABILITY. The term "LESSOR" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or in this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor at the time of such transfer or assignment. Except as provided in Paragraph 15, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinafter defined.

18. SEVERABILITY. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. INTEREST ON PAST-DUE OBLIGATIONS. Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor within thirty (30) days following the date on which it was due, shall bear interest from the thirty-first (31st) day after it was due at the rate of 12% per annum, but not exceeding the maximum rate allowed by law, in addition to the late charge provided for in Paragraph 13.4.

20. TIME OF ESSENCE. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

21. RENT DEFINED. All monetary obligations of Lessee to Lessor under the terms of this Lease are deemed to be rent.

22. NO PRIOR OR OTHER AGREEMENTS; BROKER DISCLAIMER. This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party.

23. NOTICES.

23.1 All notices required or permitted by this Lease shall be in writing and may be delivered in person (by hand or by messenger or courier service) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notice purposes. Either Party may by written notice to the other specify a different address for notice purposes, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for the purpose of mailing or delivering notices to Lessee. A copy of all notices required or permitted to be given to Lessor hereunder shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate by written notice to Lessee.

23.2 Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given forty-eight (48) hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantees next day delivery shall be deemed given twenty-four (24) hours after delivery of the same to the United States Postal Service or courier. If any notice is transmitted by facsimile transmission or similar means, the same shall be deemed served or delivered upon telephone confirmation of receipt of the transmission thereof, provided a copy is also delivered via delivery or mail. If notice is received on a Sunday or legal holiday, it shall be deemed received on the next business day.

24. WAIVERS. No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. Regardless of Lessor's knowledge of a Default or Breach at the time of accepting rent, the acceptance of rent by Lessor shall not be a waiver of any preceding Default or Breach by Lessee of any provision hereof, other than the failure of Lessee to pay the particular rent so accepted. Any payment given Lessor by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. RECORDING. Either Lessor or Lessee shall, upon request of the other, execute, acknowledge and deliver to the other a short form memorandum of this Lease for recording purposes. The Party requesting recordation shall be responsible for payment of any fees or taxes applicable thereto.

26. NO RIGHT TO HOLDOVER. Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or earlier termination of this Lease.

27. CUMULATIVE REMEDIES. No remedy or election hereunder shall be deemed exclusive but shall, whenever possible, be cumulative with all other remedies at law or in equity.

28. COVENANTS AND CONDITIONS. All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions.

29. BINDING EFFECT; CHOICE OF LAW. This Lease shall be binding upon the parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. SUBORDINATION; ATTORNMENT; NON-DISTURBANCE.

30.1 SUBORDINATION. This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "SECURITY DEVICE"), now or hereafter placed by Lessor upon the real property of which the Premises are a part, to any and all advances made on the security thereof, and to all renewals, modifications, consolidations, replacements and extensions thereof. In the event of Lessor's default with respect to any such obligation, Lessee will given any Lender whose name and address have been furnished Lessee in writing for such purpose notice of Lessor's default and allow such Lender thirty (30) days following receipt of such notice for the cure of said default before invoking any remedies Lessee may have by reason thereof. If any Lender shall elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device and shall give written notice thereof to Lessee, this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 ATTORNMENT. Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new Owner shall not: (i) be liable for any act or omission of any prior lessor or with respect

to events occurring prior to acquisition of ownership, (ii) be subject to any offsets or defenses which Lessee might have against any prior lessor, or (iii) be bound by prepayment of more than one (1) month's rent.

30.3 NON-DISTURBANCE. With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving assurance (a "NON-DISTURBANCE AGREEMENT") from the Lender that Lessee's possession and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises.

30.4 SELF-EXECUTING. The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any such subordination or non-subordination, attornment and/or non-disturbance agreement as is provided for herein.

31. ATTORNEY'S FEES. If any Party or Broker brings an action or proceeding to enforce the terms hereof or declare rights hereunder, the Prevailing Party (as hereafter defined) or Broker in any such proceeding, action or appeal thereon, shall be entitled to reasonable attorney's fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term "PREVAILING PARTY," shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorney's fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorney's fees reasonably incurred. Lessor shall be entitled to attorney's fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach.

32. LESSOR'S ACCESS; SHOWING PREMISES; REPAIRS. Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or lessees, and making such alterations, repairs, improvements or additions to the Premises or to the building of which they are a part, as Lessor may reasonably deem necessary. Lessor may at any time place on or about the Premises or building any ordinary "For Sale" signs and Lessor may at any time during the last one hundred twenty (120) days of the term hereof place on or about the Premises any ordinary "For Lease" signs. All such activities of Lessor shall be without abatement of rent or liability to Lessee.

33. AUCTIONS. Lessee shall not conduct, nor permit to be conducted, either voluntarily or involuntarily, any auction upon the Premises without first having obtained Lessor's prior written consent. Notwithstanding anything to the contrary in this Lease, Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to grant such consent.

34. SIGNS. Lessee shall not place any sign upon the Premises, except that Lessee may, with Lessor's prior written consent, install (but not on the roof) such signs as are reasonably required to advertise Lessee's own business. The installation of any sign on the Premises by or for Lessee shall be subject to the provisions of Paragraph 7 (Maintenance, Repairs, Utility Installations, Trade Fixtures and Alterations). Unless otherwise expressly agreed herein, Lessor reserves all rights to the use of the roof and the right to install, and all revenues from the installation of, such advertising signs on the Premises, including the roof, as do not unreasonably interfere with the conduct of Lessee's business.

35. TERMINATION; MERGER. Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, Lessor shall, in the event of any such surrender, termination or cancellation, have the option to continue any one or all of any existing subtenancies. Lessor's failure within ten (10) days following any such event to make a written election to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest.

36. CONSENTS.

(a) Except for Paragraph 33 hereof (Auctions) or as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' or other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent pertaining to this Lease or the Premises, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, practice or storage tank, shall be paid by Lessee to Lessor upon receipt of an invoice and supporting documentation therefor. Subject to Paragraph 12.2(e) (applicable to assignment or subletting, Lessor may, as a condition to considering any such request by Lessee, require that Lessee deposit with Lessor an amount of money (in addition to the Security Deposit held under Paragraph 5) reasonably calculated by Lessor to represent the cost Lessor will incur in considering and responding to Lessee's request. Except as otherwise provided, any unused portion of said deposit shall be refunded to Lessee without interest. Lessor's consent to any act, assignment of this Lease or subletting of the Premises by Lessee shall not constitute an acknowledgement that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent.

(b) All conditions to Lessor's consent authorized by this Lease are acknowledged by Lessee as being reasonable. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given.

37. GUARANTOR.

37.1 If there are to be any Guarantors of this Lease per Paragraph 1.11, the form of the guaranty to be executed by each such Guarantor shall be in the form most recently published by the American Industrial Real Estate Association, and each said Guarantor shall have the same obligations as Lessee under this Lease, including but not limited to the obligation to provide the Tenancy Statement and information called for by Paragraph 16.

37.2 It shall constitute a Default of the Lessee under this Lease if any such Guarantor fails or refuses, upon reasonable request by Lessor to give: (a) evidence of the due execution of the guaranty called for by this Lease, including the authority of the Guarantor (and of the party signing on Guarantor's behalf) to obligate such Guarantor on said guaranty, and including in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, together with a certificate of incumbency showing the signature of the persons authorized to sign on its behalf, (b) current financial statements of Guarantor as may from time to time be requested by Lessor, (c) a Tenancy Statement, or (d) written confirmation that the guaranty is still in effect.

38. QUIET POSSESSION. Upon payment by Lessee of the rent for the Premises and the observance and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession of the Premises for the entire term hereof subject to all of the provisions of this Lease.

39. OPTIONS.

39.1 DEFINITION. As used in this Paragraph 39 the word "OPTION" has the following meaning: (a) the right to extend the term of this Lease or to renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal to lease the Premises or the right of first offer to lease the Premises or the right of first refusal to lease other property of Lessor or the right of first offer to lease other property of Lessor; (c) the right to purchase the Premises, or the right of first refusal to purchase the Premises, or the right of first offer to purchase the Premises, or the right to purchase other property of Lessor, or the right of first refusal to purchase other property of Lessor, or the right of first offer to purchase other property of Lessor.

39.2 OPTIONS PERSONAL TO ORIGINAL LESSEE. Each Option granted to Lessee in this Lease is personal to the original Lessee named in Paragraph 1.1 hereof, and cannot be voluntarily or involuntarily assigned or exercised by any person or entity other than said original Lessee while the original Lessee is in full and actual possession of the Premises and without the intention of thereafter assigning or subletting. The Options, if any, herein granted to Lessee are not assignable, either as a

part of an assignment of this Lease or separately or apart therefrom, and no Option may be separated from this Lease in any manner, by reservation or otherwise.

39.3 MULTIPLE OPTIONS. In the event that Lessee has any Multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options to extend or renew this Lease have been validly exercised.

39.4 EFFECT OF DEFAULT ON OPTIONS.

(a) Lessee shall have no right to exercise an Option, notwithstanding any provision in the grant of Option to the contrary: (i) during the period commencing with the giving of any notice of Default under Paragraph 13.1 and continuing until the noticed Default is cured, or (ii) during the period of time any monetary obligation due Lessor from Lessee is unpaid (without regard to whether notice thereof is given Lessee), or (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessor has given to Lessee three (3) or more notices of Default under Paragraph 13.1, whether or not the Defaults are cured, during the twelve (12) month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) All rights of Lessee under the provisions of an Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and during the term of this Lease, (i) Lessee fails to pay to Lessor a monetary obligation of Lessee for a period of thirty (30) days after such obligation becomes due (without any necessity of Lessor to give notice thereof to Lessee), or (ii) Lessor gives to Lessee three (3) or more notices of Default under Paragraph 13.1 during any twelve (12) month period, whether or not the Defaults are cured, or (iii) if Lessee commits a Breach of this Lease.

40. MULTIPLE BUILDINGS. If the Premises are part of a group of buildings controlled by Lessor, Lessee agrees that it will abide by, keep and observe all reasonable rules and regulations which Lessor may make from time to time for the management, safety, care and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of such other buildings and their invitees, and that Lessee will pay its fair share of common expenses incurred in connection therewith.

41. SECURITY MEASURES. Lessee hereby acknowledges that the rental payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

42. RESERVATIONS. Lessor reserves to itself the right, from time to time, to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, and to cause the recordation of parcel maps and restrictions, so long as such easements, rights, dedications, maps and restrictions do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate any such easement rights, dedication, map or restrictions.

43. PERFORMANCE UNDER PROTEST. If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay under the provisions of this Lease.

44. AUTHORITY. If either Party hereto is a corporation, trust or general or limited partnership, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. If Lessee is a corporation, trust or partnership, Lessee shall, within thirty (30) days after request by Lessor, deliver to Lessor evidence satisfactory to Lessor of such authority.

45. CONFLICT. Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

46. OFFER. Preparation of this Lease by Lessor or Lessor's agent and submission of same to Lessee shall not be deemed an offer to lease to Lessee. This Lease is not intended to be binding until executed by all Parties hereto.

47. AMENDMENTS. This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. The parties shall amend this Lease from time to time to reflect any adjustments that are made to the Base Rent or other rent payable under this Lease. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by an institutional, insurance company, or pension plan Lender in connection with the obtaining of normal financing or refinancing of the property of which the Premises are a part.

48. MULTIPLE PARTIES. Except as otherwise expressly provided herein, if more than one person or entity is named herein as either Lessor or Lessee, the obligations of such Multiple Parties shall be the joint and several responsibility of all persons or entities named herein as such Lessor or Lessee.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

IF THIS LEASE HAS BEEN FILLED IN, IT HAS BEEN PREPARED FOR SUBMISSION TO YOUR ATTORNEY FOR HIS APPROVAL. FURTHER, EXPERTS SHOULD BE CONSULTED TO EVALUATE THE CONDITION OF THE PROPERTY AS TO THE POSSIBLE PRESENCE OF ASBESTOS, STORAGE TANKS OR HAZARDOUS SUBSTANCES. NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY THE REAL ESTATE BROKER(S) OR THEIR ATENTS OR EMPLOYEES AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES; THE PARTIES SHALL RELY SOLELY UPON THE ADVICE OF THEIR OWN COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE. IF THE SUBJECT PROPERTY IS LOCATED IN A STATE OTHER THAN CALIFORNIA, AN ATTORNEY FROM THE STATE WHERE THE PROPERTY IS LOCATED SHOULD BE CONSULTED.

The parties hereto have executed this Lease at the place on the dates specified above to their respective signatures.

Executed at San Ramon, CA	Executed at San Ramon, CA
on 6-26-95	on 6-26-95
by LESSOR: PAUL E. IACONO	by LESSEE: FORMFACTOR, INC.
-	-
-	-
By /s/ Paul E. Iacono	By /s/ W. D. Smith
Name Printed: Paul E. Iacono	Name Printed: W. D. Smith
Title: Owner	Title: Senior Vice President
By	By
Name Printed:	Name Printed:
Title:	Title:
Address: 23862 So. Hawthorne Blvd., #200	Address: 175 Clearbrook Road
Torrance, CA 90505	Elmsford, NY 10523
Tel. No. (310) 373-8693 Fax No. (310) 375-3795	Tel. No. (914) 592-0001 Fax No. (914) 592-0018

ADDENDUM "A"

In reference to the contract (Standard Industrial/Commercial Single-Tenant Lease - - Net) dated June 26, 1995 covering the premises commonly known as 2130 Research Drive, Livermore, CA 94550 between FORMFACTOR, INC., as Lessee and PAUL E. IACONO as Lessor.

49. All rent checks and other payments due are to be made payable to and delivered to:

make check to: PAUL E. IACONO

and delivered to: 23862 So. Hawthorne Blvd., #200
Torrance, CA 90505
(310) 373-8693

50. RENT SCHEDULE
Month 1 through 36 $10,350.00 NNN

51. OPTION TO EXTEND

Landlord hereby grants to Tenant one (1) option to extend the Lease Term for an additional term of 24 months (the "Extension"), on the same terms and conditions as set forth in the Lease, but at an increased rent as set forth below. This Option shall be exercised only by written notice delivered to Landlord at least ninety (90) days before the expiration of the Lease Term. If Tenant fails to deliver Landlord written notice of exercise of Option within the prescribed time period, said Option shall lapse, and there shall be no further right to extend the Lease Term. Option shall be exercisable by Tenant on the express conditions that (a) at the time of the exercise, and at all times prior to the commencement of such Extension, Tenant shall not be in default under any of the provisions of the Lease.

If Lessee exercises the Option to Extend, the rental rate shall be adjusted as follows:

Beginning Month 37, the above monthly rent shall be adjusted in the same percentage proportion that the Consumer Price Index for Pacific Cities and U.S. Average - All items (1982 = 100) for the San Francisco Bay Area (Index) published monthly by the U.S. Department of Labor, Bureau of Labor Statistics last published prior to the adjustment date has increased or decreased over the Index last published prior to commencement of this lease. In no event, however, shall the rent be less than that described above. If the Index is discontinued or revised, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

52. LESSOR'S ALTERATION

Lessor, at Lessor's sole cost and expense, will perform the following concurrent with Lessee's construction requirements:

A. Repair any and all roof leak areas to a weatherproof standard.

B. Replace the carpet in the North (6,000 SF) office area.

C. Paint the building office areas, color selection from Landlord's color samples.

D. Replace all damaged ceiling tiles.

E. Replace all burned out light fixtures and/or tubes.

F. Paint the building exterior to building standard color. Accent color to be selected by Tenant. Weather seal the building exterior.

G. Repair or replace: baseboard; vinyl floor tile; locks and door handles, as needed, and HV/AC, if required.

1. Build out the plating shop as specified, which includes:

1.1 12' ceiling height

1.2 Floor trenching - (57 lineal feet)

1.3 Supply and install clean room ceiling tiles

1.4 Supply and install an auxiliary power panel per drawing

1.5 Construct a pass-through

1.6 HV/AC to maintain a 70(degree)+/-2(degree)degree temperature

1.7 Paint the interior walls

1.8 Curb the room perimeter to contain any spillage

1.9 Install lighting fixtures per specifications

2. The above #1.1 through 1.8 does not include:

2.1 Exhaust system

2.2 Epoxy floor coating

2.3 Trench grating

2.4 Electrical power to equipment

2.5 Pipework for processing

2.6 Any other work not indicated above

3. Landlord, at Landlord's sole cost and expense, will construct the following tenant improvements in the area known as Wire Band manufacturing area.

3.1 HV/AC maintaining a 70(degree)+/-2(degree)degree temperature

3.2 9' ceiling height

3.3 Clean room ceiling tiles

3.4 Interior wall windows as indicated on floor plan drawing

3.5 Airlock room

3.6 Electrical power panel per drawing

3.7 Flooring

The above does not include:

3.8 Electrical power drops

3.9 Process pipework

3.10 Conductive floor

3.11 Heppa filtration

3.12 Any other work not indicated above

4. Landlord will build-out the Flip Chip and the Saw Room labs at Landlord's sole cost and expense.

4.1 Clean room type ceiling

4.2 9' high ceiling

4.3 Interior wall painting

4.4 HV/AC maintaining a 70(degree)+/-2(degree)degree temperature

4.5 Vinyl floor tile

4.6 Four (4) sets of double doors

4.7 Electrical lighting

The work not included is:

4.8 Conductive flooring

4.9 Heppa filtration

4.10 Process pipework

4.11 Any other work not indicated above

The above Landlord supplied tenant improvements includes building permits and all work will meet the City of Livermore code requirements.

53. LESSEE'S ALTERATION

Lessee is granted permission, at Lessee's sole cost and expense to make such alterations and improvements to the demised premises as may be necessary for the conduct of Lessee's business in the demised premises, it being specifically provided, however, that Lessee shall prepare plans and specifications of any and all such work hereinabove in this paragraph contemplated and secure Lessor's written approval thereto before any of such work is commenced, which will not be unreasonably denied or delayed.

Any Lessee construction work shall be done in a good and workmanlike manner and comply with all laws and codes of any bodies constituted to regulate such matters including, but not limited to U.B.C., City, County, State, or Federal jurisdiction.

ADDENDUM "A" to the contract (Standard Industrial/Commercial Single-Tenant Lease - - Net) dated June 26, 1995 covering the premises commonly known as 2130 Research Drive, Livermore, CA 94550 between FORMFACTOR, INC., as Lessee and PAUL E. IACONO as Lessor.

53.1 Removal of Property at Expiration

At the expiration or sooner termination of this lease, Lessee shall remove from said premises all Lessee constructed improvements, fixtures, shelving, equipment, store fixtures and personal property placed thereon by Lessee, repairing in good and workmanlike manner any and all damage which may be occasioned by such removal; provided, however, that such personal property as may have become attached to said building and have become an integral part thereof, shall not be removed by Lessee, except only with the written consent of Lessor, except, however, that Lessor may demand such removal and repair of the building, if necessitated by removal.

54. Upon expiration of the term of the Lease, or the earlier termination of this Lease, the Premises and Buildings shall be free of Hazardous Materials arising out of or in any way connected with Lessee's use of the premises. If any such Hazardous Materials are found to exist at, under or about the premises or Buildings as of the expiration of the term of this Lease or the earlier termination of this Lease, as a result of Lessee's use, generation or storage of such Hazardous Materials on the premises during the term of the Lease, Lessee shall, at Lessor's sole option, immediately perform, at Lessee's sole cost and expense, in strict compliance with all applicable laws and to the full satisfaction of Lessor and all governmental authorities having full jurisdiction, all requisite Remedial Work. The Remedial Work shall be performed in such a fashion so as, to the maximum extent possible, to allow the Premises and Buildings to be leased, occupied and operated without interference with or disruption of the conduct of business at the Premises and the Building.

55. Upon completion of Lessor's tenant preparation, including, but not limited to, recarpeting, painting, front office demising wall removal, ceiling tile and light fixture repair or replacement, the Lessee can have access to the front portion of the office area in the Northwest section of the building.

56. At Lessor's sole cost and expense, Lessor will have the following testing completed prior to Lessee taking possession of the premises (except for the early occupancy area as described in Paragraph 55).

Background samples will be taken from under the floor in the areas that are to be used for processing and storage. The analysis will include EPA 8240 (solvents), metals (cadmium, chrome, lead, nickel and zinc) and PH.

A curbside Phase I test with limited testing will also be performed and report submitted.

The above tests will be performed to the ASTM Protocol and Practice for Environmental Site Assessment by:

J. Quarle' & Associates, Inc./IMX
License #537261
San Leandro, California

Lessee shall be given a copy of the report, including any laboratory results from such tests. If the result of such assessment indicates a major chemical or solvent soil contamination in excess of expected minimum levels of agricultural pesticide, vehicle motor oil, kerosene or similar farming hydrocarbon solvents, the Lessee shall have the right to terminate the lease within five days of Lessee's receipt of said tests and reports, in the event such contamination represents a major environmental liability hazard.

57. Pertaining to Paragraph 1.5

The portion of the tenant improvements being constructed by Lessor is expected to be completed by 9-1-95 (excluding any delays from contingency removal and expecting a speedy issuance of City of Livermore building permit). Should the tenant improvements not be completed by 9-1-95, then the Lessee shall pay rent on that portion of the building they are occupying based on a rental rate of $.48/SF NNN until such time this work is completed.

ADDENDUM "A" to the contract (Standard Industrial/Commercial Single-Tenant Lease - - Net) dated June 26, 1995 covering the premises commonly known as 2130 Research Drive, Livermore, CA 94550 between FORMFACTOR, INC., as Lessee and PAUL E. IACONO as Lessor.

The base rent for the entire premises shall commence when the tenant improvement work being performed by the Lessor has been "finaled" by the City of Livermore Building Department as having been completed and constructed per the building permit construction drawings.

Pertaining to Paragraph 6.2(c).

Lessor shall indemnify, protect, defend and hold Lessee, its agents, employees, lenders and stockholders, if any, harmless from and against any and all losses, damages, liabilities, judgments, costs, claims, liens, expenses, penalties, permits and attorney's and consultant's fees arising out of or involving any Hazardous Substances or storage tanks on the Premises prior to the Commencement Date. Lessor's obligation under this Paragraph shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by anyone other than Lessee, and the cost of investigation (including consultant's and attorney's 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 Lessor and Lessee shall release Lessor from the obligations under this Lease with respect to Hazardous Substances or storage tanks, unless specifically so agreed by Lessee in writing at the time of such agreement. The site testing described in Paragraph 55 will be the baseline of the soils and Premises conditions as of the date of such testing with respect to the specific areas of the Premises so tested but shall not affect the responsibility or liability for any areas of the Premises not subject to soil testing.

Pertaining to Paragraph 6.3.

This section applies only to the activities of Lessee or matters caused by Lessee after the commencement date.

Pertaining to Paragraph 6.4.

Lessee's responsibility is limited to what Lessee has caused and not to what exists on the premises as of the date of the testing described in Paragraph 55.

Pertaining to Paragraph 7.1..

The structural, foundation, exterior wall and roof repairs are the obligation of the Lessor, unless the damage or failure is caused by the Lessee.

Pertaining to Paragraph 7.1(b).

Lessee shall not be required to maintain service contracts for the items listed if Lessee options to have their own facilities department personnel maintain such equipment.

Pertaining to Paragraph 7.2.

Excluding Lessor's other obligations, such as structural repairs, hazardous materials/environmental conditions, not covered by Lessee.

Pertaining to Paragraph 10.1(b).

Taxes are due November 1st and February 1st. The Lessor pays taxes when due, of which at least 6 months are paid in advance. The Lessor will invoice the Lessee annually when the taxes are due and paid.

Pertaining to Paragraph 10.2.

Real Property taxes shall not include any form of tax or assessment in the nature of or measured by the income of Lessor with respect to the premises.

ADDENDUM "A" to the contract (Standard Industrial/Commercial Single-Tenant Lease - - Net) dated June 26, 1995 covering the premises commonly known as 2130 Research Drive, Livermore, CA 94550 between FORMFACTOR, INC., as Lessee and PAUL E. IACONO as Lessor.

Pertaining to Paragraph 30.3.

There is no mortgage on this property and there is no holder of any security device that presently exists.

58. The following is the current cost for the premises:

Insurance	$1,078.00	Annual
Deductible	$1,000.00	Per occurrence
Replacement Value	$700,000.00	
Real Estate Taxes	$8,681.00	Annual
Landscaping	$1,500.00	Annual

If tenant improvements are not completed by 11/1/95 due to the fault of the lessor, lessee may terminate the lease with no further obligations. Security deposit and 1st month rent will be refunded without penalty.

ADDENDUM "B"

In reference to the contract (Standard Industrial/Commercial Single-Tenant Lease - - Net) dated June 26, 1995 covering the premises commonly known as 2130 Research Drive, Livermore, CA 94550 between FORMFACTOR, INC., as Lessee and PAUL E. IACONO as Lessor.

59. The lease termination date of August 31, 1998 is to be changed to January 31, 2000. All other terms and conditions of this least shall remain in full force and effect.

LESSEE: FormFactor, Inc. DATED: 1/23/97

BY: /s/ Robert T. Netter, VP/CFO

LESSOR: PAUL E. IACONO DATED: 1/31/97

BY: /s/ Paul S. Iacono

ADDENDUM "C"

In reference to the contract (Standard Industrial/Commercial Single-Tenant Lease - - Net) dated June 26, 1995 covering the premises commonly known as 2130 Research Drive, Livermore, CA 94550 between FORMFACTOR, INC., as Lessee and PAUL E. IACONO as Lessor.

By mutual consent, Paragraph 52 is to be changed to read:

Landlord hereby grants to tenant two (2) options to extend the lease term for an additional 36 months (from one (1) option to extend).

All other terms and conditions are to remain unchanged.

LESSEE: FormFactor, Inc. DATED: 5/21/97

BY: /s/ Robert T. Netter

Vice President of Finance

LESSOR: PAUL E. IACONO DATED: 6/27/97

BY: /s/ Paul S. Iacono

ADDENDUM "D"

In reference to the contract (Standard Industrial/Commercial Single-Tenant Lease - - Net) dated June 26, 1995 covering the premises commonly known as 2130 Research Drive, Livermore, CA 94550 between FORMFACTOR, INC., as Lessee and PAUL E. IACONO as Lessor.

FIRST OPTION (OF TWO OPTIONS) TO EXTEND LEASE TERM

Per the terms in Paragraph 52 of the subject Lease, Lessee is exercising their first Option to Extend the term for thirty-six (36) months commencing February 1, 2000 (13,800 SF Building).

The new rental rate is as follows:

Month 1 through 36 $11,894.00/Month NNN

ADDITIONAL SECURITY DEPOSIT:

Lessor is now holding $10,500.00 as a security deposit per Paragraph 1.7 and Paragraph 5 per the terms of the June 26, 1995 Lease.

Upon the execution of this Lease extension an additional amount of $1,420.00 will be submitted as additional security per Paragraph 1.7 and Paragraph 5 which will make the new total of $11,920.00 as a security deposit being held by Lessor.

READ AND AGREED:

LESSOR	LESSEE
PAUL E. IACONO	FORMFACTOR, INC.
BY: /s/ Paul E. Iacono	BY: /s/ John R. MacKay
Paul E. Iacono	
Owner	Name Printed: John R. MacKay
	Title: Sr VP Operations
Executed on 6/7/00	Executed on 6/5/00

EXHIBIT "A"

In reference to the contract (Standard Industrial/Commercial Single-Tenant Lease - - Net) dated June 26, 1995 covering the premises commonly known as 2130 Research Drive, Livermore, CA 94550 between FORMFACTOR, INC., as Lessee and PAUL E. IACONO as Lessor.

[Proposed Tenant Improvement Chart]

STANDARD INDUSTRIAL/COMMERCIAL MULTI-TENANT LEASE-MODIFIED NET
AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

1. BASIC PROVISIONS ("BASIC PROVISIONS").

1.1 PARTIES: This Lease ("LEASE"), dated for reference purposes only, April 12, 1996, is made by and between Paul E. Iacono ("Lessor") and FormFactor, Inc. (a Delaware corporation) ("Lessee"), (collectively the "PARTIES," or individually a "PARTY").

1.2 (a) PREMISES: That certain portion of the Building, including all improvements therein or to be provided by Lessor under the terms of this Lease, commonly known by the street address of 2140 Research Drive (NE Corner), located in the City of Livermore, County of Alameda, State of California, with zip code 94550, as outlined on Exhibit A attached hereto ("PREMISES") and generally described as (describe briefly the nature of the Building): approximately 3,500 SF of warehouse space improved with fluorescent lighting.

In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, exterior walls or utility raceways of the building containing the Premises ("Building") or to any other buildings in the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the "Project." (See also Paragraph 2)

(a) Parking: 3.5 unreserved vehicle parking spaces ("UNRESERVED PARKING SPACES"); and -0- reserved vehicle parking spaces ("RESERVED PARKING SPACES"). (See also Paragraph 2.6).

1.3 TERM: 2 years and 3.5 months ("ORIGINAL TERM") commencing May 15, 1996 ("Commencement Date") and ending August 31, 1998 ("EXPIRATION DATE"). (See also Paragraph 3.)

1.4 EARLY POSSESSION: N/A ("EARLY POSSESSION DATE"). (See also Paragraphs 3.2 and 3.3.)

1.5 BASE RENT: $1,330.00 per month ("BASE RENT"), payable on the first day of each month commencing April 15, 1996. (See also Paragraph 4.)

[ ] If this box is checked, this Lease provides for the Base Rent to be adjusted per Addendum --, attached hereto.

1.6 (a) BASE RENT PAID UPON EXECUTION: $665.00 as Base Rent for the period May 15, 1996 thru May 31, 1996.

(b) LESSSEE'S SHARE OF COMMON AREA OPERATING EXPENSES: 17.5 percent (17.5%) ("LESSEE'S SHARE") as determined by [ ] prorata square footage of the Premises as compared to the total square footage of the Building or [ ] other criteria as described in Addendum _____.

1.7 SECURITY DEPOSIT: $1,350.00 ("SECURITY DEPOSIT"). (Also see Paragraph 5.)

1.8 PERMITTED USE: Storage of parts and equipment used in the manufacture of micro interconnect electronic products and allied use and all other legal uses. ("PERMITTED USE" (Also see Paragraph 6.)

1.9 INSURING PARTY. Lessor is the "Insuring Party." (Also see Paragraph 8.)

1.10 (a) REAL ESTATE BROKERS. The following real estate broker(s) (collectively, the "BROKERS") and brokerage relationships exist in this transaction and are consented to by the Parties (check applicable boxes):

[ ] _____ represents Lessor exclusively ("LESSOR'S BROKER");

[ ] _____ represents Lessee exclusively ("LESSEE'S BROKER"); or

[X] REALTECH Real Estate Services, Inc. represents both Lessor and Lessee ("Dual Agency"). (Also see Paragraph 15.)

(b) PAYMENT TO BROKERS: Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Broker(s) jointly, or in such separate shares as they may mutually designate in writing, a fee as set forth in a separate written agreement between Lessor and said Broker(s) (or in the event there is no separate written agreement between Lessor and said Broker(s). The sum of $ per agreement for brokerage services rendered by said Broker(s) in connection with this transaction.

1.11 GUARANTOR. The obligations of the Lessee under this Lease are to be guaranteed by N/A ("Guarantor"). (See also Paragraph 37)

1.12 ADDENDA AND EXHIBITS. Attached hereto is an Addendum or Addenda of Paragraphs 49 through 53.2 and a second addendum and Exhibits A through --, all of which constitute a part of this Lease.

2. PREMISES, PARKING AND COMMON AREAS.

2.1 LETTING. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of the square footage set forth in this Lease, or that may have been used in calculating rental and/or Common Area Operating Expenses, is an approximation which Lessor and Lessee agree is reasonable and the rental and Lessee's Share (as defined in Paragraph 1.6(b)) based thereon is not subject to revision whether or not the actual square footage is more or less.

2.2 CONDITION. Lessor shall deliver the Premises to Lessee clean and free of debris on the Commencement Date and warrants to Lessee that the existing plumbing, electrical systems, fire sprinkler system, lighting, air conditioning and heating systems and loading doors, if any, in the Premises, other than those constructed by Lessee, shall be in good operating condition on the Commencement Date. If a non-compliance with said warranty exists as of the Commencement Date, Lessor shall, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within thirty (30) days after the Commencement Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense.

2.3 COMPLIANCE WITH COVENANTS, RESTRICTIONS AND BUILDING CODE. Lessor warrants that any improvements (other than those constructed by Lessee or at Lessee's direction) on or in the Premises which have been constructed or installed by Lessor or with Lessor's consent or at Lessor's direction shall comply with all applicable covenants or restrictions of record and applicable building codes, regulations and ordinances in effect on the Commencement Date. Lessor further warrants to Lessee that Lessor has no knowledge of any claim having been made by any governmental agency that a

violation or violations of applicable building codes, regulations, or ordinances exist with regard to the Premises as of the Commencement Date. Said warranties shall not apply to any Alterations or Utility Installations (defined in Paragraph 7.3(a)) made or to be made by Lessee. If the Premises do not comply with said warranties, Lessor shall except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee given within six (6) months following the Commencement Date and setting forth with specificity the nature and extent of such non-compliance, taken such action, at Lessor's expense, as may be reasonable or appropriate to rectify the non-compliance. Lessor makes no warranty that the Permitted Use in Paragraph 1.8 is permitted for the Premises under Applicable Laws (as defined in Paragraph 2.4).

2.4 ACCEPTANCE OF PREMISES. Lessee hereby acknowledges: (a) it has been advised by Broker(s) to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical and fire sprinkler systems, security, environmental aspects, seismic and earthquake requirements and compliance with the Americans with Disabilities Act and applicable zoning, municipal, county, state and federal laws, ordinances and regulations and any covenants or restrictions of record (collectively, "APPLICABLE LAWS") and the present and future suitability of the Premises for Lessee's intended use; (b) that Lessee has made such investigation as it deems necessary with reference to such matters, is satisfied with reference thereto, and assumes all responsibility therefore as the same relate to Lessee's occupancy of the Premises and/or the terms of this Lease; and (c) that neither Lessor, nor any of Lessor's agents, has made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease.

2.5 LESSEE AS PRIOR OWNER/OCCUPANT. The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the date set forth in Paragraph 1.1 Lessee was the owner or occupant of the Premises. In such event, Lessee shall, at Lessee's sole cost and expense, correct any non-compliance of the Premises with said warranties.

2.6 VEHICLE PARKING. Lessee shall be entitled to use the number of Unreserved Parking Spaces and Reserved Parking Spaces specified in Paragraph 1.2(b) on those portions of the Common Areas designated from time to time by Lessor for parking. Lessee shall not use more parking spaces than said number. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called "PERMITTED SIZE VEHICLES." Lessor may regulate the loading and unloading of vehicles by adopting Rules and Regulations as provided in Paragraph 2.9. Vehicles other than Permitted Size Vehicles shall be parked and loaded or unloaded as directly by Lessor in the Rules and Regulations (as defined in Paragraph 40) issued by Lessor. (Also see Paragraph 2.9.)

(a) Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

(b) If Lessee permits or allows any of the prohibited activities described in this Paragraph 2.6, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

(c) Lessor shall at the Commencement Date of this Lease, provide the parking facilities required by Applicable Law.

2.7 COMMON AREAS - DEFINITION. The term "Common Areas" is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Industrial Center and interior

utility raceways within the Premises that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other lessees of the Industrial Center and their respective employees, suppliers, shippers, customers, contractors and invitees, including parking areas, loading and unloading areas, trash areas, roadways, walkways, driveways and landscaped areas.

2.8 COMMON AREAS - LESSEE'S RIGHTS. Lessor hereby grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Industrial Center. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 COMMON AREAS - RULES AND REGULATIONS. Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to establish, modify, amend and enforce reasonable Rules And Regulations with respect thereto in accordance with Paragraph 40. Lessee agrees to abide by and conform to all such Rules and Regulations, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the non-compliance with said rules and regulations by other lessees of the Industrial Center.

2.10 COMMON AREAS - CHANGES. Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the 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;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Industrial Center to be a part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Industrial Center, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Industrial Center as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

3. TERM.

3.1 TERM. The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

3.2 EARLY POSSESSION. If an Early Possession Date is specified in Paragraph 1.4 and if Lessee totally or partially occupies the Premises after the Early Possession Date but prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early occupancy. All other terms of this Lease, however, (including but not limited to the obligations t pay Lessee's Share of Common Area Operating Expenses and to carry the insurance required by Paragraph 8) shall be in effect during such period. Any such early possession shall not affect nor advance the Expiration Date of the Original Term.

3.3 DELAY IN POSSESSION. If for any reason Lessor cannot deliver possession of the Premises to Lessee by the Early Possession Date, if one is specified in Paragraph 1.4, or if no Early Possession Date is specified, by the Commencement Date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease, or the obligations of Lessee hereunder, or extend the term hereof, but in such case, Lessee shall not, except as otherwise provided herein, be obligated to pay rent or perform any other obligation of Lessee under the terms of this Lease until Lessor delivers possession of the Premises to Lessee. If possession of the Premises is not delivered to Lessee with sixty (60) days after the Commencement Date, Lessee may, at its option, by notice in writing to Lessor within (10) days after the end of said sixty (60) day period, cancel this Lease, in which event the parties shall be discharged from all obligations hereunder; provided further, however, that if such written notice of Lessee is not received by Lessor within said ten (10) day period, Lessee's right to cancel this Lease hereunder shall terminate and be of no further force or effect. Except as may be otherwise provided, and regardless of when the Original Term actually commences, if possession is not tendered to Lessee when required by this Lease and Lessee does not terminate this Lease, as aforesaid, the period free of the obligation to pay Base Rent, if any, that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to the period during which the Lessee would have otherwise enjoyed under the terms hereof, but minus any days of delay caused by the acts, changes or omissions of Lessee.

4. RENT.

4.1 BASE RENT. Lessee shall pay Base Rent and other rent or charges, as the same may be adjusted from time to time, to Lessor in lawful money of the United States, without offset or deduction, on or before the day on which it is due under the terms of this Lease. Base Rent and all other rent and charges for any period during the term hereof which is for less than one full month shall be prorated based upon the actual number of days of the month involved. Payment of Base Rent and other charges shall be made to Lessor at its address stated herein or to such other persons or at such other addresses as Lessor may from time to time designate in writing to Lessee.

4.2 COMMON AREA OPERATING EXPENSES. Lessee shall pay to Lessor during the term hereof, in addition to the Base Rent, Lessee's Share (as specified in Paragraph 1.6(b)) of all Common Area Operating Expenses, as hereinafter defined, during each calendar year of the term of this Lease, in accordance with the following provisions:

(a) "COMMON AREA OPERATING EXPENSES" are defined, for purposes of this Lease, as all costs incurred by Lessor relating to the ownership and operation of the Industrial Center, including, but not limited to, the following:

(i) The operation, repair and maintenance, in neat, clean, good order and condition of the following:

(aa) The Common Areas, including parking areas, loading and unloading areas, trash areas, roadways, sidewalks, walkways, parkways, driveways, landscaped areas, striping, bumpers, irrigation systems, Common Area lighting facilities, fences and gates, elevators and roof.

(bb) Exterior signs and any tenant directories.

(cc) Any fire detection and/or sprinkler systems.

(ii) The cost of water, gas, electricity and telephone to service the Common Areas.

(iii) Trash disposal, property management and security services and the costs of any environmental inspections.

(iv) Reserves set aside for maintenance and repair of Common Areas.

(v) Real Property Taxes (as defined in Paragraph 10.2) to be paid by Lessor for the Building and the Common Areas under Paragraph 10 hereof.

(vi) The cost of the premiums for the insurance policies maintained by Lessor pursuant to Paragraph 8 hereof.

(vii) Any deductible portion of an insured loss concerning the Building or the Common Areas.

(viii) Any other services to be provided by Lessor that are stated elsewhere in this Lease to be a Common Area Operating Expense.

(b) Any Common Area Operating Expenses and Real Property Taxes that are specifically attributable to the Building or to any other building in the Industrial Center or to the operation, repair and maintenance thereof, shall be allocated entirely to the Building, or to such other building. However, any Common Area Operating Expenses and Real Property Taxes that are not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Industrial Center.

(c) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(a) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Industrial Center already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(d) Lessee's Share of Common Area Operating Expenses shall be payable by Lessee within thirty (30) days after a reasonably detailed statement of actual expenses is presented to Lessee by Lessor. At Lessor's option, however, an amount may be estimated by Lessor from time to time of Lessee's Share of annual Common Area Operating Expenses and the same shall be payable monthly or quarterly, as Lessor shall designate, during each 12 month period of the Lease term, on the same day as the Base Rent is due hereunder. Lessor shall deliver to Lessee within 60 days after the expiration of each calendar year a reasonably detailed statement showing Lessee's Share of the actual Common Area Operating Expenses incurred during the preceding year. If Lessee's payments under this Paragraph

4.2(d) during the said preceding year exceed Lessee's Share as indicated on said statement, Lessor shall be credited the amount of such over-payment against Lessee's Share of Common Area Operating Expenses next becoming due. If Lessee's payments under this Paragraph 4.2(d) during the preceding year were less than Lessee's Share as indicated on such statement, Lessee shall pay to Lessor the amount of the deficiency within 30 days after delivery by Lessor to Lessee of the statement.

5. SECURITY DEPOSIT. Lessee shall deposit with Lessor upon Lessee's execution hereof the Security Deposit set forth in Paragraph 1.7 as security for Lessee's faithful performance of Lessee's obligations under this Lease. If Lessee fails to pay Base Rent or other rent or charges due hereunder, or otherwise Defaults under this Lease as defined in Paragraph 13.1), Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, cost, expense, loss or damage (including attorneys' fees) which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of said Security Deposit, Lessee shall within ten (10) days after written request therefore deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. Any time the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor as an addition to the Security Deposit so that the total amount of the Security Deposit shall at all times bear the same proportion to the then current Base Rent as the initial Security Deposit bears to the initial Base Rent set forth in Paragraph 1.5. Lessor shall not be required to keep all or any part of the Security Deposit separate from its general accounts. Lessor shall, at the expiration or earlier termination of the term hereof and after Lessee has vacated the Premises, return to Lessee (or, at Lessor's option, to the last assignee, if any, of Lessee's interest herein), that portion of the Security Deposit not used or applied by Lessor. Unless otherwise expressly agreed in writing by Lessor, no part of the Security Deposit shall be considered to be held in trust, to bear interest or other increment for its use, or to be prepayment for any monies to be paid by Lessee under this Lease.

6. USE.

6.1 PERMITTED USE.

(a) Lessee shall use and occupy the Premises only for the Permitted Use set forth in Paragraph 1.8, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates waste or a nuisance, or that disturbs owners and/or occupants of, or causes damage to the Premises or neighboring premises or properties.

(b) Lessor hereby agrees to not unreasonably withhold or delay its consent to any written request by Lessee, Lessee's assignees or subtenants, and by prospective assignees and subtenants of Lessee, its assignees and subtenants, for a modification of said Permitted Use, so long as the same will not impair the structural integrity of the improvements on the Premises or in the Building or the mechanical or electrical systems therein, does not conflict with uses by other lessees, is not significantly more burdensome to the Premises or the Building and the improvements thereon, and is otherwise permissible pursuant to this Paragraph 6. If Lessor elects to withhold such consent, Lessor shall within five (5) business days after such request give a written notification of same, which notice shall include an explanation of Lessor's reasonable objections to the change in use.

6.2 HAZARDOUS SUBSTANCES.

(a) REPORTABLE USES REQUIRE CONSENT. The term "HAZARDOUS SUBSTANCE" as used in this Lease shall mean any product, substance, chemical, material or waste whose presence, nature, quantity and/or intensity of existence, use, manufacture, disposal, transportation, spill, release, 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 Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, crude oil or any products, by-products thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use (as hereinafter defined) of Hazardous Substances without the express prior written consent of Lessor and compliance in a timely manner (at Lessee's sole cost and expense) with all Applicable Requirements (as defined in Paragraph 6.3). "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 Laws requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may, without Lessor's prior consent, but upon notice to Lessor and in compliance with all Applicable Requirements, use any ordinary and customary materials reasonably required to be used by Lessee in the normal course of the Permitted Use, so long as such use is not a Reportable Use and does not expose the Premises or neighboring properties to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may (but without any obligation to do so) condition its consent to any Reportable Use of any Hazardous Substance by Lessee upon Lessee's giving Lessor such additional assurances as Lessor, in its reasonable discretion, deems necessary to protect itself, the public, the Premises and the environment against damage, contamination or injury and/or liability therefor, including but not limited to the installation (and, at Lessor's option, removal on or before Lease expiration or earlier termination) of reasonably necessary protective modifications to the Premises (such as concrete encasements) and/or the deposit of an additional Security Deposit under Paragraph 5 hereof.

(b) DUTY TO INFORM LESSOR. If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises or the Building, other than as previously consented to by Lessor, Lessee shall immediately give Lessor 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 private 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. Lessee 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 or sanitary sewer system).

(c) INDEMNIFICATION. Lessee shall indemnify, protect, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, and the Premises, 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 brought onto the Premises by or for Lessee or by anyone under Lessee's control. Lessee's obligations under this Paragraph 6.2(c) shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation (including 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 Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

6.3 LESSEE'S COMPLIANCE WITH REQUIREMENTS. Lessee shall, at Lessee's sole cost and expense, fully, diligently and in a timely manner, comply with all "APPLICABLE 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, and the recommendations of Lessor's engineers and/or consultants, relating in any manner to the Premises (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), now in effect or which may hereafter come into effect. Lessee shall, within five (5) days after receipt of Lessor's written request, provide Lessor with copies of all documents and information, including but not limited to permits, registrations, manifests, applications, reports and certificates, evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor 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 Lessee or the Premises to comply with any Applicable Requirements.

6.4 INSPECTION; COMPLIANCE WITH LAW. Lessor, Lessor'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 the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease and all Applicable Requirements (as defined in Paragraph 6.3), and Lessor shall be entitled to employ experts and/or consultants in connection therewith to advise Lessor with respect to Lessee's activities, including but not limited to Lessee's installation, operation, use, monitoring, maintenance, or removal of any Hazardous Substance on or from the Premises. The costs and expenses of any such inspections shall be paid by the party requesting same, unless a Default or Breach of this Lease by Lessee or a violation of Applicable Requirements or a contamination, caused by materially contributed to by Lessee, is found to exist or to be imminent, or unless an inspection is requested or ordered by a governmental authority as the result of any such existing or imminent violation or contamination. In such case, Lessee shall upon request reimburse Lessor or Lessor's Lender, as the case may be, for the costs and expenses of such inspections.

7. MAINTENANCE; REPAIRS, UTILITY INSTALLATIONS; TRADE FIXTURES AND ALTERATIONS.

7.1 LESSEE'S OBLIGATIONS.

(a) Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance with Covenants, Restrictions and Building Code), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole cost and expense and at all times, keep the Premises, and every part thereof in good order, condition and repair (whether or not such portion of the Premises requiring repair, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), 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, but excluding any items which are the responsibility of Lessor pursuant to Paragraph 7.2 below. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices. Lessee's 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.

(b) [intentionally deleted]

(c) If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after thirty (30) days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, in accordance with Paragraph 13.2 below.

7.2 LESSOR'S OBLIGATIONS. Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance with Covenants, Restrictions and Building Code), 4.2 (Common Area Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler and/or standpipe and hose (if located in the Common Areas) or other automatic fire extinguishing system including fire alarm and/or smoke detection systems and equipment, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof, as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.2. Lessor shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Lessor be obligated to maintain, repair or replace windows, doors or plate glass of the Premises. Lessee expressly waives the benefit of any statute now or hereafter in effect which would otherwise afford Lessee the right to make repairs at Lessor's expense or to terminate this Lease because of Lessor's failure to keep the Building, Industrial Center or Common Areas in good order, condition and repair.

7.3 UTILITY INSTALLATIONS; TRADE FIXTURES; ALTERATIONS.

(a) DEFINITIONS; CONSENT REQUIRED. The term "Utility Installations" is used in this Lease to refer to all air lines, power panels, electrical distribution, security, fire protection systems, communications systems, lighting fixtures, heating, ventilating and air conditioning equipment, plumbing, and fencing in, on or about the Premises. The term "TRADE FIXTURES" shall mean Lessee's machinery and equipment which can be removed without doing material damage to the Premises. The term "ALTERATIONS" shall mean any modification of the improvements on the Premises which are provided by Lessor under the terms of this Lease, other than Utility Installations or Trade Fixtures. "LESSEE-OWNED ALTERATIONS AND/OR UTILITY INSTALLATIONS" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a). Lessee shall not make nor cause to be made any Alterations or Utility Installations in, on, under or about the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations and alterations to the interior of the Premises (excluding the roof) without Lessor's consent but upon notice to Lessor, so long as they are not visible from the outside of the Premises, do not involve puncturing, relocating or removing the roof or any existing walls, or changing or interfering with the fire sprinkler or fire detection systems and the cumulative cost thereof during the term of this Lease as extended does not exceed $10,000.00.

(b) CONSENT. Any Alterations or Utility installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. All consents given by Lessor, whether by virtue of Paragraph 7.3(a) or by subsequent specific consent, shall be deemed conditioned upon: (i) Lessee's acquiring all applicable permits required by government authorities; (ii) the furnishing of copies of such permits together with a copy of the plans

and specifications for the Alteration or Utility Installation to Lessor prior to commencement of the work thereon; and (iii) the compliance by Lessee with all conditions of said permits in a prompt and expeditious manner. Any Alterations or Utility Installations by Lessee during the term of this Lease shall be done in a good and workmanlike manner, with good and sufficient materials, and be in compliance with all Applicable Requirements. Lessee shall promptly upon completion thereof furnish Lessor with as-built plans and specifications therefor. Lessor may, (but without obligation to do so) condition its consent to any requested Alteration or Utility Installation that costs $10,000.000 or more upon Lessee's providing Lessor with a lien and completion bond in an amount equal to one and one-half times the estimated cost of such Alteration or Utility Installation.

(c) LIEN PROTECTION. Lessee shall pay when due all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than ten (10) days' notice prior to the commencement of any work in, on, or about the Premises, and Lessor shall have the right to post notices of non-responsibility in or on the Premises as provided by law. If Lessee shall, in good faith, contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense, defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against the Lessor or the Premises. If Lessor shall require, Lessee shall furnish to Lessor a surety bond satisfactory to Lessor in an amount equal to one and one-half times the amount of such contested lien claim or demand, indemnifying Lessor against liability for the same, as required by law for the holding of the Premises free from the effect of such lien or claim. In addition, Lessor may require Lessee to pay Lessor's attorneys' fees and costs in participating in such action if Lessor shall decide it is to its best interest to do so.

7.4 OWNERSHIP; REMOVAL; SURRENDER; AND RESTORATION.

(a) OWNERSHIP. Subject to Lessor's right to require their removal and to cause Lessee to become the owner thereof as hereinafter provided in this Paragraph 7.4, all Alterations and Utility Installations made to the Premises by Lessee shall be the property of and owned by Lessee, but considered a part of the Premises. Lessor may, at any time and at its option, elect in writing to Lessee to be the owner of all or any specified part of the Lessee-Owned Alterations and Utility Installations. Unless otherwise instructed per Subparagraph 7.4(b) hereof, all Lessee-Owned Alterations and Utility Installations shall, at the expiration or earlier termination of this Lease, become the property of Lessor and remain upon the Premises and be surrendered with the Premises by Lessee.

(b) REMOVAL. Unless otherwise agreed in writing, Lessor may require that any or all Lessee-Owned Alterations or Utility Installations be removed the expiration or earlier termination of this Lease, notwithstanding that their installation may have been consented to by Lessor, Lessor may require the removal any time of all or any part of any Alterations or Utility Installations made without the required consent of Lessor.

(c) SURRENDER/RESTORATION. Lessee shall surrender the Premises by the end of the last day of the Lease term or any earlier termination date, clean and free of debris and in good operating order, condition and state of repair, ordinary wear and tear excepted. Ordinary wear and tear shall not include any damage or deterioration that would have been prevented by good maintenance practice or by Lessee performing all of its obligations under this Lease. Except as otherwise agreed or specified herein, the Premises, as surrendered, shall include the Alterations and Utility Installations. The obligation of Lessee shall include the repair of any damage occasioned by the installation, maintenance or removal of Lessee's Trade Fixtures, furnishings, equipment, and Lessee-Owned Alterations and

Utility Installations, as well as the removal of any storage tank installed by or for Lessee, and the removal, replacement, or remediation of any soil, material or ground water contaminated by Lessee, all as may then be required by Applicable Requirements and/or good practice. Lessee's Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee subject to its obligation to repair and restore the Premises per this Lease.

8. INSURANCE; INDEMNITY.

8.1 PAYMENT OF PREMIUMS. The cost of the premiums for the insurance policies maintained by Lessor under this Paragraph 8 shall be a Common Area Operating Expense pursuant to Paragraph 4.2 hereof. Premiums for policy periods commencing prior to, or extending beyond, the term of this Lease shall be prorated to coincide with the corresponding Commencement Date or Expiration Date.

8.2 LIABILITY INSURANCE.

(a) CARRIED BY LESSEE. Lessee shall obtain and keep in force during the term of this Lease a Commercial General Liability policy of insurance protecting Lessee, Lessor and any Lender(s) whose names have been provided to Lessee in writing (as additional insureds) against claims for bodily injury, personal injury and property damage based upon, involving or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "INSURED CONTRACT" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance required by this Lease or as carried by Lessee shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance to be carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

(b) CARRIED BY LESSOR. Lessor shall also maintain liability insurance described in Paragraph 8.2(a) above, in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 PROPERTY INSURANCE - BUILDING, IMPROVEMENTS AND RENTAL VALUE.

(a) BUILDING AND IMPROVEMENTS. Lessor shall obtain and keep in force during the term of this Lease a policy or policies in the name of Lessor, with loss payable to Lessor and to any Lender(s), insuring against loss or damage to the Premises. Such insurance shall be for full replacement cost, as the same shall exist from time to time, or the amount required by any Lender(s), but in no event more than the commercially reasonable and available insurable value thereof if, by reason of the unique nature or age of the improvements involved, such latter amount is less than full replacement cost. Lessee-Owned Alterations and Utility Installations, Trade Fixtures and lessee's personal property shall be insured by Lessee pursuant to Paragraph 8.4. If the coverage is available and commercially appropriate, Lessor's policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by Lender), including coverage for any additional costs resulting from debris removal and reasonable amounts of coverage for the enforcement of any ordinance or law regulating the reconstruction or replacement of any undamaged sections of the Building required to be demolished or removed by reason of the enforcement of any building, zoning, safety or land use laws as the result of a covered loss, but not including plate glass insurance. Said policy or policies shall also contain an agreed valuation provision in lieu of any co-insurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property

insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located.

(b) RENTAL VALUE. Lessor shall also obtain and keep in force during the term of this Lease a policy or policies in the name of Lessor, with loss payable to Lessor and to any Lender(s), insuring the loss of the full rental and other charges payable by all lessees of the Building to Lessor for one year (including all Real Property Taxes, insurance costs, all Common Area Operating Expenses and any scheduled rental increases). Said insurance may provide that in the event the Lease is terminated by reason of an insured loss, the period of indemnity for such coverage shall be extended beyond the date of the completion of repairs or replacement of the Premises, to provide for one full year's loss of rental revenues from the date of any such loss. Said insurance shall contain an agreed valuation provision in lieu of any co-insurance clause, and the amount of coverage shall be adjusted annually to reflect the projected rental income, Real Property Taxes, insurance premium costs and other expenses, if any, otherwise payable, for the next 12-month period. Common Area Operating Expenses shall include any deductible amount in the event of such loss.

(c) ADJACENT PREMISES. Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Industrial Center if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) LESSEE'S IMPROVEMENTS. Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

8.4 LESSEE'S PROPERTY; INSURANCE. Subject to the requirements of Paragraph 8.5, Lessee at its cost shall either by separate policy or by endorsement to a policy already carried, maintain insurance coverage on all of Lessee's personal property, Trade Fixtures and Lessee-Owned Alterations and Utility Installations in, on, or about the Premises similar in coverage to that carried by Lessor as the Insuring Party under Paragraph 8.3(a). Such insurance shall be full replacement cost coverage. Upon request from Lessor, Lessee shall provide Lessor with written evidence that such insurance is in force.

8.5 INSURANCE POLICIES. Insurance required hereunder shall be in companies duly licensed to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, or such other rating as may be required by a Lender, as set forth in the most current issue of "Best's Insurance Guide." Lessee shall not do or permit to be done anything which shall invalidate the insurance policies referred to in this Paragraph 8. Lessee shall cause to be delivered to Lessor, within seven (7) days after the earlier of the Early Possession Date or the Commencement Date, certified copies of, or certificates evidencing the existence and amounts of, the insurance required under Paragraph 8.2(a) and 8.4. No such policy shall be cancelable or subject to modification except after thirty (30) days' prior written notice to Lessor. Lessee shall at least thirty (30) days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand.

8.6 WAIVER OF SUBROGATION. Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages (whether in contract or in tort) against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against under Paragraph 8. The effect of such releases and waivers of the right to recover damages shall not be limited by the amount of insurance carried or required, or by any deductibles applicable thereto. Lessor and Lessee agree to have their respective

insurance companies issuing property damage insurance waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 INDEMNITY. Except for Lessor's negligence and/or breach of express warranties, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, costs, liens, judgments, penalties, loss of permits, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, any act, omission or neglect of Lessee, its agents, contractors, employees or invitees, and out of any Default or Breach by Lessee in the performance in a timely manner of any obligation on Lessee's part to be performed under this Lease. The foregoing shall include, but not be limited to, the defense or pursuit of any claim or any action or proceeding involved therein, and whether or not (in the case of claims made against Lessor) litigated and/or reduced to judgment. In case any action or proceeding be brought against Lessor by reason of any of the foregoing matters, Lessee upon notice from Lessor shall defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense, Lessor need not have first paid any such claim in order to be so indemnified.

8.8 EXEMPTION OF LESSOR FROM LIABILITY. Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building of which the Premises are a part, from other sources or places, and regardless of whether the cause of such damage or injury or the means of repairing the same is accessible or not. Lessor shall not be liable for any damages arising from any act or neglect of any other lessee of Lessor nor from the failure of Lessor to enforce the provisions of any other lease in the Industrial Center.

9. DAMAGE OR DESTRUCTION.

9.1 DEFINITIONS.

(a) "PREMISES PARTIAL DAMAGE" shall mean damage or destruction to the Premises, other than Lessee Owned Alterations and Utility Installations, the repair cost of which damage or destruction is less than fifty percent (50%) of the then Replacement Cost (as defined in Paragraph 9.1(d)) of the Premises (excluding Lessee-Owned Alterations and Utility Installations and Trade Fixtures) immediately prior to such damage or destruction.

(b) "PREMISES TOTAL DESTRUCTION" shall mean damage or destruction to the Premises, other than Lessee Owned Alterations and Utility Installations the repair cost of which damage or destruction is fifty percent (50%) or more of the then Replacement Cost of the Premises (executing Lessee Owned Alternations and Utility Installations and Trade Fixtures) immediately prior to such damage or destruction. In addition, damage or destruction to the Building, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures of any lessees of the Building, the cost of which damage or destruction is fifty percent (50%) or more of the then Replacement Cost (excluding Lessee Owned Alterations and Utility Installations and Trade Fixtures of any lessees of the Building) of the Building shall, at the option of Lessor, be deemed to be Premises Total Destruction.

(c) "INSURED LOSS" shall mean damage or destruction to the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a) irrespective of any deductible amounts or coverage limits involved.

(d) "REPLACEMENT COST" shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of applicable building codes, ordinances or laws, and without deduction for depreciation.

(e) "HAZARDOUS SUBSTANCE CONDITION" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 PREMISES PARTIAL DAMAGE - INSURED LOSS. If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect. In the event, however, that there is a shortage of insurance proceeds and such shortage is due to the fact that, by reason of the unique nature of the improvements in the Premises, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to full restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within ten (10) days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said ten (10) day period, Lessor shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If Lessor does not receive such funds or assurance within said period, Lessor may nevertheless elect by written notice to Lessee within ten (10) days thereafter to make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect. If Lessor does not receive such funds or assurance within such ten (10) day period, and if Lessor does not so elect to restore and repair, then this Lease shall terminate sixty (60) days following the occurrence of the damage or destruction. Unless otherwise agreed, Lessee shall in no event have any right to reimbursement from Lessor for any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3 rather than Paragraph 9.2, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 PARTIAL DAMAGE - UNINSURED LOSS. If a Premises Partial Damage that is not an Insured Loss occurs, Lessor may at Lessor's option, either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within thirty (30) days after receipt by Lessor of knowledge of the occurrence of such damage of Lessor's desire to terminate this Lease as of the date sixty (60) days following the date of such notice. In the event Lessor elects to give such notice of Lessor's intention to terminate this Lease, Lessee shall have the right within ten (10) days after receipt of such notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage totally at Lessee's expense and without reimbursement from Lessor. Lessee shall provide Lessor with the required funds or satisfactory assurance thereof within thirty (30) days following such commitment from Lessee. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and

provide the funds or assurance thereof within the times specified above, this Lease shall terminate as of the date specified in Lessor's notice of termination.

9.4 TOTAL DESTRUCTION. Notwithstanding any other provision hereof, if Premises Total Destruction occurs (including any destruction required by any authorized public authority), this Lease shall terminate sixty (60) days following the date of such Premises Total Destruction, whether or not the damage or destruction is an Insured Loss or was caused by a negligent or willful act of Lessee.

9.5 [Intentionally deleted]

9.6 ABATEMENT OF RENT; LESSEE'S REMEDIES.

(a) In the event of (i) Premises Partial Damage or (ii) Hazardous Substance Condition for which Lessee is not legally responsible, the Base Rent, Common Area Operating Expenses and other charges, if any, payable by Lessee hereunder for the period during which such damage or condition, its repair, remediation or restoration continues, shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not in excess of proceeds from insurance required to be carried under Paragraph 8.3(b). Except for abatement of Base Rent, Common Area Operating Expenses and other charges, if any, as aforesaid, all other obligations of Lessee hereunder shall be performed by Lessee, and Lessee shall have no claim against Lessor for any damage suffered by reason of any such damage, destruction, repair, remediation or restoration.

(b) If Lessor shall be obligated to repair or restore the Premises under the provisions of this Paragraph 9 and shall not commence, in a substantial and meaningful way, the repair or restoration of the Premises within ninety (90) days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice Lessee's election to terminate this Lease on a date not less than sixty (60) days following the giving of such notice. If Lessee gives such notice to Lessor and such Lenders and such repair or restoration is not commenced within thirty (30) days after receipt of such option, this Lease shall terminate as of the date specified in said notice. If Lessor or a Lender commences the repair or restoration of the Premises within thirty (30) days after receipt of such notice, this Lease shall terminate as of the date specified in said notice. If Lessor or a Lender commences the repair or restoration of the Premises within thirty (30) days after the receipt of such notice, this Lease shall continue in full force and effect. "Commence" as used in this Paragraph 9.6 shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever occurs first.

9.7 [Intentionally deleted]

9.8 TERMINATION; ADVANCE PAYMENTS. Upon termination of this Lease pursuant to Paragraph 9, Lessor shall return to Lessee any advance payment made by Lessee to Lessor and so much of Lessee's Security Deposit as has not bee, or is not then required to be, used by Lessor under the terms of this Lease.

9.9 WAIVE STATUTES. Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises and the Building with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent it is inconsistent herewith.

10. REAL PROPERTY TAXES.

10.1 PAYMENT OF TAXES. Lessor shall pay the Real Property Taxes, as defined in Paragraph 10.2, applicable to the Industrial Center, and except as otherwise provided in Paragraph 10.3, any such amounts shall be included in the calculation of Common Area Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.2 REAL PROPERTY TAX DEFINITION. As used herein, the term "REAL PROPERTY TAXES" shall include any form of real estate tax or assessment, general, special, ordinary or extraordinary, and any license fee, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance, personal income or estate taxes) imposed upon the Industrial Center by any authority having the direct or indirect power to tax, including any city, state or federal government, or any school, agricultural, sanitary, fire, street, drainage, or other improvement district thereof, levied against any legal or equitable interest of Lessor in the Industrial Center or any portion thereof, Lessor's right to rent or other income therefrom, and/or Lessor's business of leasing the Premises. The term "REAL PROPERTY TAXES" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring, or changes in Applicable Law taking effect, during the term of this Lease, including but not limited to a change in the ownership of the Industrial Center or in the improvements thereon, the execution of this Lease, or any modification, amendment or transfer thereof, and whether or not contemplated by the Parties. In calculating Real Property Taxes for any calendar year, the Real Property Taxes for any real estate tax year shall be included in the calculation of Real Property Taxes for such calendar year based upon the number of days which such calendar year and tax year have in common.

10.3 ADDITIONAL IMPROVEMENTS. Common Area Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Industrial Center by other lessees or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.1 hereof, Lessee shall, however, pay to Lessor at the time Common Area Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request.

10.4 JOINT ASSESSMENT. If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 LESSEE'S PROPERTY TAXES. Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises or stored within the Industrial Center. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within ten (10) days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. UTILITIES. Lessee shall pay directly for all utilities and services supplied to the Premises including but not limited to electricity, telephone, security, gas and cleaning of the Premises, together with any taxes thereon. If any such utilities or services are not separately metered to the Premises or separately billed to the Premises, Lessee shall pay to Lessor reasonable proportion to be determined by Lessor of all such charges jointly metered or billed with other premises in the Building, in a manner and within the time periods set forth in Paragraph 4.2(d).

12. ASSIGNMENT AND SUBLETTING.

12.1 Lessor's Consent Required.

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or otherwise transfer or encumber (collectively, "assign") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent given under and subject to the terms of Paragraph 36.

(b) A change in the control of Lessee shall constitute an assignment requiring Lessor's consent. The transfer, on a cumulative basis, of twenty-five percent (25%) or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, refinancing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee, as hereinafter defined, by an amount greater than twenty-five percent (25%) of such Net Worth of Lessee as it was represented to Lessor at the time of full execution and delivery of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, at whichever time said Net Worth of Lessee was or is greater, shall be considered an assignment of this Lease by Lessee to which Lessor may withhold its consent. "NET WORTH OF LESSEE" for purposes of this Lease shall be the net worth of Lessee (excluding any Guarantors) established under generally accepted accounting principles consistently applied.

(d) An assignment or subletting of Lessee's interest in this Lease without Lessor's specific prior written consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1, or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unconsented to assignment or subletting as a non-curable Breach, Lessor shall have the right to either: (i) terminate this Lease, or (ii) upon thirty (30) days' written notice ("LESSOR NOTICE"), increase the monthly Base Rent to for the Premises to the greater of the then fair market rental value of the Premises as reasonably determined by Lessor, one hundred ten percent (110%) of the Base Rent then in effect. Pending determination of the new fair market rental value, if disputed by Lessee, Lessee shall pay the amount set forth in Lessor's Notice, with any overpayment credited against the next installment(s) of Base Rent coming due, and any underpayment for the period retroactively to the effective date of the adjustment being due and payable immediately upon the determination thereof. Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to the then fair market value as reasonably determined by Lessor (without the Lease being considered an encumbrance or any deduction for depreciation or obsolescence, and considering the Premises at its highest and best use and in good condition) or one hundred ten percent (110%) of the price previously in effect, (ii) any index-oriented rental or price adjustment formulas contained in this Lease shall be adjusted to required that the base index be determined with reference to the index applicable to the time of such adjustment, and (iii) any fixed rental adjustments scheduled during the remainder of the Lease term shall be increased in the same ratio as the now rental bears to the Base Rent in effect immediately prior to the adjustment specified in Lessor's Notice.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

12.2 TERMS AND CONDITIONS APPLICABLE TO ASSIGNMENT AND SUBLETTING.

(a) Regardless of Lessor's consent, any assignment or subletting shall not (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, nor (iii) alter the primary liability of Lessee for the payment of Base Rent and other sums due Lessor hereunder or for the performance of any other obligations to be performed by Lessee under this Lease.

(b) Lessor may accept rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of any rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach by Lessee of any of the terms, covenants or conditions of this Lease.

(c) The consent of Lessor to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting by Lessee or to any subsequent or successive assignment or subletting by the assignee or sublessee. However, Lessor may consent to subsequent sublettings and assignments of the sublease or any amendments or modifications thereto without notifying Lessee or anyone else liable under this Lease or the sublease and without obtaining their consent, and such action shall not relieve such persons from liability under this Lease or the sublease.

(d) In the event of any Default or Breach of Lessee's obligation under this Lease, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefor to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a non-refundable deposit of $1,000 or ten percent (10%) of the current monthly Base Rent applicable to the portion of the Premises which is the subject of the proposed assignment or sublease, whichever is greater, as reasonable consideration for Lessor's considering and processing the request for consent. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested by Lessor.

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment or entering into such sublease, be deemed, for the benefit of Lessor, to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented in writing.

(g) The occurrence of a transaction described in Paragraph 12.2(c) shall give Lessor the right (but not the obligation) to require that the Security Deposit be increased by an amount equal to six (6) times the then monthly Base Rent, and Lessor may make the actual receipt by Lessor of the Security Deposit increase a condition to Lessor's consent to such transaction.

(h) Lessor, as a condition to giving its consent to any assignment or subletting, may require that the amount and adjustment schedule of the rent payable under this Lease be adjusted to what is then the market value and/or adjustment schedule for property similar to the Premises as then constituted, as determined by Lessor.

12.3 ADDITIONAL TERMS AND CONDITIONS APPLICABLE TO SUBLETTING. The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all rentals and income arising from any sublease of all or a portion of the Premises heretofore or hereafter made by Lessee, and Lessor may collect such rent and income and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach (as defined in Paragraph 13.1) shall occur in the performance of Lessee's obligations under this Lease, Lessee may, except as otherwise provided in this Lease, receive, collect and enjoy the rents accruing under such sublease, Lessor shall not, by reason of the foregoing provision or any other assignment of such sublease to Lessor, nor by reason of the collection of the rents from a sublessee, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee under such Sublease. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor the rents due and other charges to Lessor without any obligation or right to inquire as to whether such Breach exists and notwithstanding any notice from or claim from Lessee to the contrary. Lessee shall have no right or claim against such sublessee, or, until the Breach has been cured, against Lessor, for any such rents and other charges so paid by said sublessee to Lessor.

(b) In the event of a Breach by Lessee in the performance of its obligations under this Lease, Lessor, at its option and without any obligation to do so, may require any sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any other prior defaults or breaches of such sublessor under such sublease.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor herein.

(d) No sublessee under a sublease approved by Lessor shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. DEFAULT; BREACH; REMEDIES.

13.1 DEFAULT; BREACH. Lessor and Lessee agree that if an attorney is consulted by Lessor in connection with a Lessee Default or Breach (as hereinafter defined), $350.00 is a reasonable minimum sum per such occurrence for legal services and costs in the preparation and service of a notice of Default, and that Lessor may include the cost of such services and costs in said notice as rent due and payable to cure said default. A "Default" by Lessee is defined as a failure by Lessee to observe, comply with or perform any of the terms, covenants, conditions or rules applicable to Lessee under this Lease. A "Breach" by Lessee is defined as the occurrence of any one or more of the following Defaults, and, where a grace period for cure after notice is specified herein, the failure by Lessee to cure such Default prior to the expiration of the applicable grace period, and shall entitle Lessor to pursue the remedies set forth in Paragraphs 13.2 and/or 13.3:

(a) The vacating of the Premises without the intention to reoccupy same, or the abandonment of the Premises.

(b) Except as expressly otherwise provided in this Lease, the failure by Lessee to make any payment of Base Rent, Lessee's Share of Common Area Operating Expenses, or any other monetary payment required to be made by Lessee hereunder as and when due, the failure by Lessee to provide Lessor with reasonable evidence of insurance or surety bond required under this Lease, or the failure of Lessee to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of five (5) days following written notice thereof by or on behalf of Lessor to Lessee.

(c) Except as expressly otherwise provided in this Lease, the failure by Lessee to provide Lessor with reasonable written evidence (in duly executed original form, if applicable) of (i) compliance with Applicable Requirements per Paragraph 6.3, (ii) the inspection, maintenance and service contracts required under Paragraph 7.1(b), (iii) the rescission of an unauthorized assignment or subletting per Paragraph 12.1, (iv) a Tenancy Statement per Paragraphs 16 or 37, (v) the subordination or non-subordination of this Lease per Paragraph 30, (vi) the guaranty of the performance of Lessee's obligations under this Lease if required under Paragraphs 1.11 and 37, (vii) the execution of any document requested under Paragraph 42 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this lease, where any such failure continues for a period of ten (10) business days following written notice by or on behalf of Lessor to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 40 hereof that are to be observed, complied with or performed by Lessee, other than those described in Subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of thirty (30) days after written notice thereof by or on behalf of Lessor to Lessee; provided, however, that if the nature of Lessee's Default is such that more than thirty (30) days are reasonably required for its cure, then it shall not be deemed to be a Breach of this Lease by Lessee if Lessee commences such cure within said thirty (30) days period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) Lessee's becoming a "debtor" as defined in 11 U.S. Code Section 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within sixty (60) days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within thirty (30) days; provided, however, in the event that any provision of this Subparagraph 13.1(e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(f) The discovery that any financial statement of Lessee or of any Guarantor, given to Lessor by Lessee or any Guarantor, was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its

guaranty obligation on an anticipatory breach basis, and Lessee's failure, within sixty (60) days following written notice by or on behalf of Lessor to Lessee of any such event, to provide Lessor with written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 REMEDIES. If Lessee fails to perform any of its affirmative duty or obligation of Lessee under this Lease, within the time period set forth above after written notice to Lessee (or in case of an emergency, without notice), Lessor may, at its option (but without obligation to do so), perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Lessor shall be due and payable by Lessee upon receipt of invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made under this Lease by Lessee to be by cashier's check. In the event of a Breach of this Lease by Lessee (as defined in Paragraph 13.1), with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach, Lessor may:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession of the Premises to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the worth at the time of award of the unpaid rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves b reasonably avoided, (iv) any other amount necessary to compensate Lessor for all detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorney's fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco or the Federal Reserve Bank District in which the Premises are located at the time of award plus one percent (1%). Efforts by Lessor to mitigate damages caused by Lessee's Default or Breach of this Lease shall not waive Lessor's right to recover damages under this Paragraph 13.2. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding the unpaid rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit for such rent and/or damages.

(b) Continue the Lease and Lessee's right to possession in effect (in California under California Civil Code Section 1951.4) after Lessee's Breach and recover the rent as it becomes due, provided Lessee has the right to sublet or assign, subject only to reasonable limitations. Lessor and Lessee agree that the limitations on assignment and subletting in this Lease are reasonable. Acts of maintenance or preservation, efforts to relet the Premises, o the appointment of a receiver to protect the Lessor's interest under this Lease, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available to Lessor under the laws or judicial decisions of the state wherein the Premises are located.

(d) The expiration or termination, of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 INDUCEMENT RECAPTURE IN EVENT OF BREACH. Any agreement by Lessor for free or abated rent or other charges applicable to the Premises, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "INDUCEMENT PROVISIONS" shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease to be performed or observed by Lessee during the term hereof as the same may be extended. Upon the occurrence of a Breach (as defined in Paragraph 13.1) of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, and recoverable by Lessor, as additional rent due under this Lease, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this Paragraph 13.3 shall not be deemed a waiver by Lessor of the provisions of this Paragraph 13.3 unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 LATE CHARGES. Lessee hereby acknowledges that late payment by Lessee of rent and other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by the terms of any ground lease, mortgage or deed of trust covering the Premises. Accordingly, if any installment of rent or other sum due from Lessee shall not be received by Lessor or Lessor's designee within ten (10) days after shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a late charge equal to six percent (6%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of Base Rent, then notwithstanding Paragraph 4.1 or any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 BREACH BY LESSOR. Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph 13.5, a reasonable time shall in no event be more than thirty (30) days after receipt by Lesssor, and by any Lender(s) whose name and address shall have been furnished to Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than thirty (30) days after such notice are reasonably required for its performance, then Lessor shall not be in breach of this Lease if performance is commenced within such thirty (30) day period and thereafter diligently pursued to completion.

14. CONDEMNATION. If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (all of which are herein called "condemnation"), this Lease shall terminate as to the part taken as of the date the condemning authority

takes title or possession, whichever first occurs. If more than ten percent (10%) of the floor area of the Premises, or more than twenty-five percent (25%) of the portion of the Common Areas designated for Lessee's parking, is taken by condemnation, Lessee may, at Lessee's option, to be exercised in writing within ten (10) days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in the same proportion as the rentable floor area of the Premises taken bears to the total rentable floor area of the Premises. No reduction of Base Rent shall occur if the condemnation does not apply to any portion of the Premises. Any award for the taking of all or any part of the Premises under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Lessor, whether such award shall be made as compensation for diminution of value of the leasehold or for the taking of the fee, or as severance damages; provided, however, that Lessee shall be entitled to any compensation, separately awarded to Lessee for Lessee's relocation expenses and/or loss of Lessee's Trade Fixtures. In the event that this Lease is not terminated by reason of such condemnation, Lessor shall repair any damage to the Premises caused by such condemnation authority.

15. BROKERS' FEES.

15.1 PROCURING CAUSE. The Broker(s) named in Paragraph 1.10 is/are the procuring cause of this Lease.

15.2 ADDITIONAL TERMS. Unless Lessor and Broker(s) have otherwise agreed in writing, Lessor agrees that: (a) if Lessee exercises any Option (as defined in Paragraph 39.1) granted under this Lease or any Option subsequently granted, or (b) if Lessee acquires any rights to the Premises or other premises in which Lessor has an interest, or (c) if Lessee remains in possession of the Premises with the consent of Lessor after the expiration of the term of this Lease after having failed to exercise an Option, or (d) if said Brokers are the procuring cause of any other lease or ale entered into between the Parties pertaining to the Premises and/or any adjacent property in which lessor has an interest, or (e) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then as to any of said transactions, Lessor shall pay said Broker(s) a fee in accordance with the scheduled of said Broker(s) in effect at the time of the execution of this Lease.

15.3 ASSUMPTION OF OBLIGATIONS. Any buyer or transferee of Lessor's interest in this Lease, whether such transfer is by agreement or by operation of law, shall be deemed to have assumed Lessor's obligation under this Paragraph 15. Each Broker shall be an intended third party beneficiary of the provisions of Paragraphs 1.10 and of this Paragraph 15 to the extent of its interest in any commission arising from this Lease and may enforce that right directly against Lessor and its successors.

15.4 REPRESENTATIONS AND WARRANTIES. Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder other than as named in Paragraph 1.10(a) in connection with the negotiation of this Lease and/or the consummation of the transaction contemplated hereby, and that no broker or other person, firm or entity other than said named Broker(s) is entitled to any commission or finder's fee in connection with said transaction. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any cost, expenses, and/or attorneys' fees reasonably incurred with respect thereto.

16. TENANCY AND FINANCIAL STATEMENTS.

16.1 TENANCY STATEMENT. Each Party (as "RESPONDING PARTY") shall within ten (10) days after written notice from the other Party (the "REQUESTING PART") execute, acknowledge and deliver to the Requesting Party a statement in writing containing such information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

16.2 FINANCIAL STATEMENT. If Lessor desires to finance, refinance, or sell the Premises or the Building, or any party thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser by Lessor such financial statements of Lessee and such Guarantors as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past three (3) years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. LESSOR'S LIABILITY. The term "Lessor" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor at the time of such transfer or assignment. Except as provided in Paragraph 15.3, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

18. SEVERABILITY. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. INTEREST ON PAST-DUE OBLIGATIONS. Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor within ten (10) days following the date on which it was due, shall bear interest from the date due at the prime rate charged by the largest state chartered bank in the state in which the Premises are located plus four percent (4%) per annum, but not exceeding the maximum rate allowed by law, in addition to the potential late charge provided for in Paragraph 13.4.

20. TIME OF ESSENCE. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

21. RENT DEFINED. All monetary obligations of Lessee to Lessor under the terms of this Lease are deemed to be rent.

22. NO PRIOR OR OTHER AGREEMENTS; BROKER DISCLAIMER. This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. Each Broker shall be an intended third party beneficiary of the provisions of this Paragraph 22.

23. NOTICE.

23.1 NOTICE REQUIREMENTS. All notices required or permitted by this Lease shall be in writing and may be delivered in person (by hand or by messenger and courier service) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission during normal business hours, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notice purposes. Either Party may by written notice to the other specify a different address for notice purposes, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for the purpose of mailing or delivering notices to Lessee. A copy of all notices required or permitted to be given to Lessor hereunder shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate by written notice to Lessee.

23.2 DATE OF NOTICE. Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail, the notice shall be deemed given 3 business days after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given twenty-four (24) hours after delivery of the same to the United States Postal Service or courier. If any notice is transmitted by facsimile transmission or similar means, the same shall be deemed served or delivered upon telephone or facsimile confirmation of receipt of the transmission thereof, provided a copy is also delivered via delivery or mail. If notice is received on a Saturday or a Sunday or a legal holiday, it shall be deemed received on the next business day.

24. WAIVERS. No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. Regardless of Lessor's knowledge of a Default or Breach at the time of accepting rent, the acceptance of rent by Lessor shall not be a waiver of any Default or Breach by Lessee of any provision hereof. Any payment given Lessor by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. RECORDING. Either Lessor or Lessee shall, upon request of the other, execute, acknowledge and deliver to the other a short form memorandum of this Lease for recording purposes. The Party requesting recordation shall be responsible for payment of any fees or taxes applicable thereto.

26. NO RIGHT TO HOLDOVER. Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or earlier termination of this Lease. In the event that Lessee holds over in violation of this Paragraph 26 then the Base Rent payable from and after the time of the expiration or earlier termination of this Lease shall be increased to one hundred twenty five percent (125%) of the Base rent applicable during the month immediately preceding such expiration or earlier termination. Nothing contained herein shall be construed as a consent by Lessor to any holding over by Lessee.

27. CUMULATIVE REMEDIES. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. [Intentionally deleted].

29. BINDING EFFECT; CHOICE OF LAW. This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. SUBORDINATION; ATTORNMENT; NON--DISTURBANCE.

30.1 SUBORDINATION. This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "SECURITY DEVICE"), now or hereafter placed by Lessor upon the real property of which the Premises are a part, to any and all advances made on the security thereof, and to all renewals, modifications, consolidations, replacements and extensions thereof. Lessee agrees that the Lenders holding any such Security Device shall have no duty, liability or obligation to perform any of the obligations of Lessor under this Lease, but that in the event of Lessor's default with respect to any such obligation, Lessee will give any Lender whose name and address have been furnished Lessee in writing for such purpose notice of Lessor's default pursuant to Paragraph 13.5. If any Lender shall elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device and shall give written notice thereof to Lessee, this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 ATTORNMENT. Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (i) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership, (ii) be subject to any offsets or defenses which Lessee might have against any prior lessor, or (iii) be bound by prepayment of more than one month's rent.

30.3 NON-DISTURBANCE. With respect to Security Devices entered into by Lessor after the execution of this lease, Lessee's subordination of this Lease shall be subject to receiving assurance (a "non-disturbance agreement") from the Lender that Lessee's possession and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises.

30.4 SELF--EXECUTING. The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any such subordination or non--subordination, attornment and/or non--non--disturbance agreement as is provided for herein.

31. ATTORNEYS' FEES. If any Party or Broker brings an action or proceeding to enforce the terms hereof or declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term "PREVAILING PARTY" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fee award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. Lessor shall be entitled to attorneys' fees

costs and expenses incurred in preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach. Broker(s) shall be intended third party beneficiaries of thus Paragraph 31.

32. LESSOR'S ACCESS; SHOWING PREMISES; REPAIRS. Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or lessees, and making such alterations, repairs, improvements or additions to the Premises or to the Building, as Lessor may reasonably deem necessary. Lessor may at any time place on or about the Premises or Building any ordinary "For Sale" signs and Lessor may at any time during the last one hundred eighty (180) days of the term hereof place on or about the Premises any ordinary "For Lease" signs. All such activities of Lessor shall be without abatement of rent or liability to Lessee.

33. AUCTIONS. Lessee shall not conduct, nor permit to be conducted, either voluntarily or involuntarily, any auction upon the Premises without first having obtained Lessor's prior written consent. Notwithstanding anything to the contrary in this Lease, Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to grant such consent.

34. SIGNS. Lessee shall not place any sign upon the exterior of the Premises or the Building, except that Lessee may, with Lessor's prior written consent, install (but not o the roof) such signs as are reasonably required to advertise Lessee's business so long as such signs are in a location designated by Lessor and comply with Applicable Requirements and the signage criteria established for the Industrial Center by Lessor. The installation of any sign on the Premises by or for Lessee shall be subject to the provisions for Paragraph 7 (Maintenance, Repairs, Utility Installations, Trade Fixtures and Alterations). Unless otherwise expressly agreed herein, Lessor reserves all rights to the use of the roof of the Building, and the right to install advertising signs on the Building, including the roof, which do not unreasonably interfere with the conduct of Lessee's business; Lessor shall be entitled to all revenues from such advertising signs.

35. TERMINATION; MERGER. Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, Lessor shall, in the event of any such surrender, termination or cancellation, have the option to continue any one or all of any existing subtenancies. Lessor's failure within ten (10) days following any such event to make a written election to the contrary by written notice to the holder of such such lesser interest, shall constitute Lessor's election to have such event constitute the terminate if such interest.

36. CONSENTS.

(a) Except for Paragraph 33 hereof (Auctions) or as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's consent to any act, assignment of this Lease or subletting of the Premises by Lessee shall t constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent.

(b) All conditions to Lessor's consent authorized by this Lease are acknowledged by Lessee as being reasonable. The failure to specify herein any particular condition to Lessor's consent shall not preclude the impositions by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given.

37. GUARANTOR.

37.1 FORM OF GUARANTY. If there are to be any Guarantors of this Lease per Paragraph 1.11, the form of the guaranty to be executed by each such Guarantor shall be in the form most recently published by the American Industrial Real Estate Association, and each such Guarantor shall have the same obligations as Lessee under this lease, including but not limited to the obligation to provide the Tenancy Statement and information required in Paragraph 16.

37.2 ADDITIONAL OBLIGATIONS OF GUARANTOR. It shall constitute a Default of the Lessee under this Lease if any such Guarantor fails or refuses, upon reasonable request by Lessor to give: (a) evidence of the due execution of the guaranty called for by this Lease, including the authority of the Guarantor (and of the party signing on Guarantor's behalf) to obligate such Guarantor on said guaranty, and resolution of its board of directors authorizing the making of such guaranty, together with a certificate of incumbency showing the signatures of the persons authorized to sign on its behalf, (b) current financial statements of Guarantor as may from time to time be requested by Lessor, (c) a Tenancy Statement, or (d) written confirmation that the guaranty is still in effect.

38. QUIET POSSESSION. Upon payment by Lessee of the rent for the Premises and the performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession of the Premises for the entire term hereof subject to all of the provisions of this Lease.

39. OPTIONS.

39.1 DEFINITION. "Option" shall mean: (a) the right to extend the term of or renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Premises or other property of Lessor; (c) the right to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 Options Personal To Original Lessee. Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original LESSEE AND ONLY WHILE THE ORIGINAL LESSEE IS IN FULL POSSESSION OF THE PREMISES AND, IF REQUESTED BY Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 Multiple Options. In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised.

39.4 Effect of Default on Options.

(a) Lessee shall have no right to exercise an Option: (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), (ii) Lessor gives to Lessee 3 or more notices of separate Default during any 12 month period, whether or not the Defaults are cured, or (iii) if Lessee commits a Breach of this Lease.

40. RULES AND REGULATIONS. Lessee agrees that it will abide by, and keep and observe all reasonable rules and regulations ("Rules and Regulations") which Lessor may make from time to time for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Industrial Center and their invitees.

41. SECURITY MEASURES. Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

42. RESERVATIONS. Lessor reserves the right: (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to cause the recordation of parcel maps and restrictions, and (iii) to create and/or install new utility raceways, so long as such easements, rights, dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights.

43. PERFORMANCE UNDER PROTEST. If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay.

44. AUTHORITY. If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. Each party shall, within 30 days after request, deliver to the other party satisfactory evidence of such authority.

45. CONFLICT. Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

46. OFFER. Preparation of this Lease by either party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

47. AMENDMENTS. This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by an institutional insurance company or pension plan Lender in connection with the obtaining of normal financing or refinancing of the property of which the Premises are a part.

48. MULTIPLE PARTIES. Except as otherwise expressly provided herein. If more than one person or entity is named herein as either Lessor or Lessee, the obligations of such multiple parties shall be the joint and several responsibility of all persons or entities named herein as such Lessor or Lessee.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

IF THIS LEASE HAS BEEN FILLED IN, IT HAS BEEN PREPARED FOR YOUR ATTORNEY'S REVIEW AND APPROVAL. FURTHER, EXPERTS SHOULD BE CONSULTED TO EVALUATE THE CONDITION OF THE PROPERTY FOR THE POSSIBLE PRESENCE OF ASBESTOS, UNDERGROUND STORAGE TANKS OR HAZARDOUS SUBSTANCES. NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY THE REAL ESTATE BROKERS OR THEIR CONTRACTORS, AGENTS OR EMPLOYEES AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES: THE PARTIES SHALL RELY SOLELY UPON THE ADVICE OF THEIR OWN COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE. IF THE SUBJECT PROPERTY IS IN A STATE OTHER THAN CALIFORNIA, AN ATTORNEY FROM THE STATE WHERE THE PROPERTY IS LOCATED SHOULD BE CONSULTED.

The parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

Executed at: Torrance	Executed at: _____
on: 4-15-96	on: _____
By LESSOR: PAUL E. IACONO	By LESSEE: FORMFACTOR, INC.
/s/ Paul E. Iacono	/s/ W.D. Smith
By: Paul E. Iacono	By: W.D. Smith
Title: Owner	Title: Senior Vice President
Address: 2510 W. 237th Street, #100	Address: 2310 Research Drive
Torrance, CA 90505	Livermore, CA 94550
Telephone: (310) 530-2410	Telephone: (510) 294-4300
Facsimile: (310) 530-0531	Facsimile: (510) 294-8147

BROKER: REALTECH Real Estate Services, Inc.	BROKER: REALTECH Real Estate Services, Inc.
Executed at: San Ramon, CA	Executed at: San Ramon, CA
On: April 12, 1996	on: April 12, 1996
By: /s/ James M. Gatwood	By: /s/ James M. Gatwood
Name Printed: James. M. Gatwood	Name Printed James M. Gatwood
Title: Broker	Title: Broker
Address: 2278 Camino Ramone, Suite 11	Address: 2278 Camino Ramone, Suite 11
San Ramone, CA 94583	San Ramone, CA 94583
Telephone: (510) 806-0666	Telephone: (510) 806-0666
Facsimile: (510) 806-0668	Facsimile: (510) 806-0668

NOTE: These forms are often modified to meet changing requirements of law and needs of the industry. Always write or call to make sure you are utilizing the most current form: AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION, 345 So. Figueroa St., M-1, Los Angeles, CA 90071. (213) 687-8777.

ADDENDUM "A"

In reference to the contract (Standard Industrial/Commercial Multi-Tenant Lease Modified Net) dated _____ 1996 covering the premises commonly known as 2140 Research Drive, Livermore, CA 94550 between FORMFACTOR, INC. as Lessee and PAUL E. IACONO as Lessor.

49. All rent checks and other payments due are to be made payable to and delivered to:

make check to: PAUL E. IACONO

and delivered to: 2510 W. 237th Street, #100
Torrance, CA 90505
(310) 530-2410
(310) 530-0531 (Fax)

50. RENT SCHEDULE

Month 01 through 27.5 $1,330.00/mo NNN

51. TRASH & STORAGE

It is agreed between the parties hereto that all trash and storage shall be maintained within the enclosed portion of the leased premises. Lessor does not supply trash receptacles.

52. OPTION TO EXTEND

Landlord hereby grants to Tenant one (1) option to extend the Lease Term for an additional term of 24 months (the "Option"), on the same terms and conditions as set forth in the Lease but at an increased rent as set forth below. This Option shall be exercised only by written notice delivered to Landlord on or before June 1, 1998. If Tenant fails to deliver to Landlord written notice to exercise of Option within the prescribed time period, said Option shall lapse, and there shall be no further right to extend the Lease Term. Option shall be exercisable by Tenant on the express conditions that (a) at the time of the exercise, Tenant shall not be in breach under the Lease.

If Lessee exercises the Option to Extend, the rental rate shall be adjusted as follows:

Beginning month 28, the above monthly rent shall be adjusted in the same percentage proportion that the Consumer Price Index for Pacific Cities and U.S. Average - All items (1982 = 100) for the San Francisco Bay Area (Index) published monthly by the U.S. Department of Labor, Bureau of Labor Statistics last published prior to the adjustment date has increased or decreased over the Index last published prior to commencement of this lease. In no event, however, shall the rent be less than that described above. If the Index is discontinued or revised, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

53. LESSOR'S ALTERATION

Lessor, at Lessor's sole cost and expense, will perform the following improvements prior to commencement date.

53.1 Install one (1) 200 amp, 277 volts electrical panel within the leased premises.

53.2 Install a water line (stubbed in) to a location to be determined by tenant within the leased premises. No sewer line is included within the leased premises.

53.3 Notwithstanding anything to the contrary stated in the Lease, if the foregoing improvements are not completed by June 1, 1996, then in addition to any other remedies Leasee may have, Lessee may terminate the Lease at any time thereafter until such impounds are completed by written notice to Lessor, whereupon any monies previously paid to Lessor shall promptly be refunded to Lessee.

ADDENDUM "B"

In reference to the contract (Standard Industrial/Commercial Single-Tenant Lease - - Net) dated June 26,1995 covering the premises commonly known as 2130 Research Drive, Livermore, CA 94550 between FORMFACTOR, INC. as Lessee and PAUL E. IACONO as Lessor.

59. The lease termination date of August 31,1998 is to be changed to January 31, 2000. All other terms and conditions of this lease shall remain in full force and effect.

LESSOR: FormFactor, Inc. DATED: January 23, 1997

By: /s/ Robert T. Netter

LESSOR: PAUL E. IACONO DATED: _____

By: _____

REALTECH
REAL ESTATE SERVICES, INC.

2278 CAMINO RAMON, Suite 11
SAN RAMON, CA 94583

(510) 806-0666

PREMISES POSSESSION & ACCEPTANCE ACKNOWLEDGMENT

DATE: November 21, 1996

SITE ADDRESS: 2140 Research Drive
Livermore, CA 94550

LEASE DATE: April 12, 1996

The undersigned as Tenant under that certain lease made and entered into between PAUL E. IACONO as Landlord, and FORMFACTOR, INC. as Tenant, hereby acknowledges that the Tenant has taken possession of the leased premises and the term of the above lease commenced on May 15, 1996, for which a dead storage rate of $1,000/month is to be paid until the date the electricity is turned on in this space, whereupon the contract rental rate of $1,330/month will commence.

This termination date is changed to June 31, 2000 from August 31, 1998.

TENANT: FORMFACTOR, INC. DATE: January 23, 1997

BY: /s/ Robert T. Netter VP/CFO

EXHIBIT "A"

In reference to the contract (Standard Industrial/Commercial Multi-Tenant Lease - - Modified Net) dated April 12, 1996 covering the premises commonly known as 2140 Research Drive, Livermore, CA 94550 between FORMFACTOR, INC. as Lessee and PAUL E. IACONO as Lessor.

[Floor Plan of 2140 Research Drive (NE Corner)]]

SECOND ADDENDUM TO STANDARD INDUSTRIAL/
COMMERCIAL MULTI-TENANT LEASE -- MODIFIED NET

THIS SECOND ADDENDUM TO STANDARD INDUSTRIAL/COMMERCIAL MULTI-TENANT LEASE (this "Addendum") is made by and between Mr. Paul E. Iacono ("Lessor") and FormFactor, Inc., a California corporation ("Lessee"), to be a part of that certain Lease Agreement (the "Lease") of even date herewith between Lessor and Lessee concerning space located at 2140 Research Drive, Livermore, California 94550 ("Premises"). Lessor and Lessee agrees that, notwithstanding anything to the contrary in the Lease, the Lease is hereby modified and supplemented as set forth below.

1. Acceptance of Premises. Lessee's acceptance of the Premises shall not be deemed a waiver of Lessee's right to have defects in the Premises or violations of warranties contained in Section 2 of the Lease corrected at no cost to Lessee. Lessee shall give notice to Lessor whenever any such defect or violation becomes reasonable apparent, and Lessor shall correct such defect or violation as soon as practicable at Lessor's sole cost and expense.

2. Common Area Operating Expenses. "Common Area Operating Expenses" shall not include and Lessee shall in no event have any obligation to perform or to pay directly, or to reimburse Lessor for, all or any portion of the following repairs, maintenance, improvements, replacements, premiums, claims, losses, fees, charges, costs and expenses (collectively, "Costs"): (a) Costs occasioned by the act, omission or violation of any Applicable Law by Lessor, any other occupants of the Building, the Industrial Center, or their respective agents, employees or contractors; (b) Costs occasioned by fire, acts of God, or other casualties or by the exercise of the power of eminent domain; (c) Costs to correct any construction defect in the Premises or the Industrial Center or to comply with any Applicable Law on the Commencement Date; (d) Costs of any renovation, improvement, painting or redecorating or any portion of the Industrial Center not made available foil Lessee's use; (e) Costs incurred in connection with negotiations or disputes with any other occupant of the Industrial Center and Costs arising from the violation by Lessor or any occupant of the Industrial Center (other than Lessor) of the terms and conditions of any lease or other agreement; (f) insurance costs for coverage not customarily paid by tenants of similar projects in the vicinity of the Premises (including earthquake insurance), insurance deductibles, and co-insurance payments (g) Costs incurred in connection with the presence of any Hazardous Substances, except to the extent caused by the release or emission of the Hazardous Substance in question by Lessee; (h) Costs which could properly be capitalized under generally accepted accounting principles; (i) Costs relating to the repair, maintenance and replacement of the structural elements of the Building and the Industrial Center; j) interest, charges and fees incurred on debt, payments on mortgages and rent under ground leases; (k) any fee, profit or compensation retained by Lessor or its affiliates for management and administration of the Industrial Center in excess of the management fee which would be charged by the professional management service for operation of comparable projects in the vicinity of the Building; and (1) reserves set aside for maintenance or repair of the Common Areas.

3. Hazardous Substances. To the knowledge of Lessor, (a) no Hazardous Substances are present on the Industrial Center or the soil, surface water or groundwater thereof, (b) no underground storage tanks or asbestos containing building materials are present on the Industrial Center, and (c) no action, proceeding, or claim is pending or threatened involving the Industrial enter concerning any Hazardous Substances or pursuant to any Applicable Laws or Requirements. Under no circumstance shall Lessee be liable for or indemnify Lessor from, and Lessor shall indemnify, defend and hold harmless Lessee, its agents, contractors, stockholders, directors, successors, representatives, and assigns from and against, all losses, costs, claims, liabilities and damages (including attorneys' and consultants' fees) of every type

and nature, directly or indirectly arising out of or in connection with any Hazardous Substance present at any time on or about the Industrial Center, or the soil, air, improvements, groundwater or surface water thereof, or the violation of any Applicable Laws or Requirements, relating to any such Hazardous Substance, except to the extent that any of the foregoing actually results from the release or emission of Hazardous Substance on or about the Premises during the term of the Lease by Lessee or its agents or employees in violation of Applicable Laws or Requirements.

4. Capital Improvements. If any of Lessee's obligations under the Lease would require Lessee to pay any charge which could be treated as a capital improvement under generally accepted accounting principles, then Lessor shall instead pay such charge, the cost of the improvement shall be amortized over the useful life thereof (as reasonably determined by Lessor), and Lessee shall pay the monthly amortized amount for such improvements for each month of such useful life as it occurs during the term of the Lease.

5. Maintenance Repairs. Lessor shall perform and construct, and Lessee shall have no responsibility to perform, construct or pay for, any repair, maintenance or improvement (a) necessitated by the acts or omissions of Lessor or any other occupant of the Industrial Center, or their respective agents, employees or contractors, (b) required as a consequence of any violation of Applicable Law or construction defect in the Premises or Building as of the Commencement Date, (c) for which Lessor has a right of reimbursement from others, (d) which could be treated as a "capital expenditure" under generally accepted accounting principles, (e) to the heating, ventilating, air conditioning, electrical, water, sewer, and plumbing systems serving the Premises or the Building, and (f) to any portion of the Building outside of the demising walls of the Premises. Notwithstanding the foregoing, Lessee shall pay Lessor's Share of the expenses described in (c) and (f) of the preceding sentence to the extent that such expenses are properly included in Common Area Operating Expenses.

6. Utility Installations, Trade Fixture, Alteration. Lessee-Owned Alterations and/or Utility Installations and Lessee's trade fixtures, furniture, equipment and other personal property installed in the Premises ("Lessee's Property") shall at all times be and remain Lessee's property. Except for Alterations and/or Utility Installations which cannot be removed with structural injury to the Premises, at any time Lessee may remove Lessee's Property from the Premises, provided that Lessee repairs all damage caused by such removal. Upon request, Lessor shall advise Lessee in writing whether it reserves the right to require Lessee to remove any Lessee-Owned Alterations and/or Utility Installations from the Premises upon termination of the Lease.

7. Surrender Restoration. Lessee's obligations to surrender the Premises shall be fulfilled if Lessee surrenders possession of the Premises in the condition existing at the Commencement Date, except ordinary wear and tear, acts of God, casualties, condemnation, Hazardous Substances (other than those released or emitted by Lessee in or about the Premises in violation of Applicable Law) and Alterations with respect to which Lessor has not reserved the right to require removal.

8. Indemnity. Lessor shall not released or indemnified from, and shall indemnify, defend, protect and hold harmless Lessee from, any damages, liabilities, judgments, actions, claims, attorneys' fees, consultants' fees, payments, costs or expenses arising from the negligence or willful misconduct of Lessor or its agents, contractors, licenses or invitees, Lessor's violation of applicable law, or a breach of Lessor's obligations or representations under the Lease.

9. Damages or Destruction. If the Premises are damaged by any peril and Lessor does not elect to terminate the Lease or is not entitled to terminate the Lease, Lessee may terminate the lease, by delivery to Lessor of a written notice, if the Premises cannot be or are not fully repaired by Lessor within ninety

(90) days after the damage or destruction. If the Lease is not terminated by Lessor or Lessee as provided herein, Lessor shall restore the Premises to the condition in which they existed immediately prior to the casualty.

10. Real Property Taxes. Lessee shall not be required to pay any portion of any tax or assessment expense (a) levied on Lessor's rental income, unless such tax or assessment expense is imposed in lieu of real property taxes; (b) in excess of the amount which would be payable if such tax or assessment expense were paid in installments over the longest possible term; (c) imposed on land and improvements other than the Industrial Center, (d) attributable to Lessor's net income, inheritance, gift, transfer, franchise, estate or state taxes; or (e) occasioned by or relating to a voluntary or involuntary change of ownership or other conveyance of the Premises occasioned by or relating to a voluntary or involuntary change of ownership or other conveyance of the Premises.

11. Services and Utilities. Lessor covenants that public utilities, including water and electric, will be available in and for the Premises throughout the Lease term

12. Assignment and Subletting. Lessee, without Lessor's prior written consent and without complying with any of the restrictions of Sections 12 or 39 of the Lease, may sublet the Premises or assign the Lease to: (a) a subsidiary, affiliate, franchisee, division or corporation controlling, controlled by or under common control with Lessee; (b) a successor corporation related to Lessee by merger, consolidation, non-bankruptcy reorganization or government action; or (c) a purchaser of substantially all of Lessee's assets located at the Premises. For purposes of the Lease, a sale of Lessee's capital stock-shall not be deemed an assignment, subletting or other transfer of the Lease or the Premises requiring Lessor's consent.

13. Lessor's Access. Lessor and Lessor's agents, except in the case of emergency, shall provide Lessee with twenty-four (24) hours' notice prior to entry of the Premises. Any entry by Lessor and Lessor's agents shall not impair Lessee's operations more than reasonably necessary. Lessor shall not show the Premises to prospective lessees prior to the last ninety (90) days of the Lease term.

14. Rules and Regulations. Lessee shall not be required to comply with any new rule or regulation unless the same applies non-discriminatorily to all occupants of the Industrial Center, does not unreasonably interfere with Lessee's use of the Premises or lessee's parking rights and does not materially increase the obligations or decrease the rights of Lessee under the Lease

15. Common Area Reservations. Lessor shall not (a) modify the Common Areas, (b) grant any easements, rights of way, utility raceways or dedications, or (c) record any Parcel Maps or restrictions, if such actions would unreasonably interfere with Lessee's use of the Premises or increase the obligations or decrease the rights of Lessee under the Lease. In taking such actions, Lessor shall at all times use its best efforts to minimize any disruption to Lessee.

16. Options. Lessee shall be entitled to exercise any Option under the Lease and such Option shall be effective so long as Lessee is not in Breach of the Lease at the time of exercise of such option or at the commencement date of the Option term.

17. Approvals. Whenever the lease requires an approval, consent, designation, determination, selection or judgment by either Lessor or Lessee, such approval, consent, designation, determination, selection or judgment and any conditions imposed thereby shall be reasonable and shall not be unreasonably withheld or delayed and, in exercising any right or remedy hereunder, each party shall at all times act reasonably and in good faith.

18. Reasonable Expenditures. Any expenditure by a party permitted or required under the Lease, for which such party is entitled to demand and does demand reimbursement from the other party, shall be limited to the fair market value of the goods and services involved, shall be reasonably incurred and shall be substantiated by documentary evidence available for inspection and review by the other party or its representative during normal business hours.

19. Effect of Addendum. All terms with initial capital letters and herein as defined terms shall have the meanings ascribed to them in the Lease unless specifically defined herein. In the event of any inconsistency between this Addendum and the Lease, the terms of this Addendum shall prevail.

LESSOR:	LESSEE:
MR. PAUL E. IACONO	FORMFACTOR, INC. A Delaware Corporation
	By: /s/ Igor Khandros
By: /s/ Paul E. Iacono	Name: Igor Khandros
	Its: CEO

THIRD ADDENDUM

In reference to the contract (Standard Industrial/Commercial Single-Tenant Lease - - Net) dated November 20, 1996, covering the premises commonly known as 2140 Research Drive (Includes two (2) leases for the 2140 facility) Livermore, CA 94550 between FORMFACTOR, INC. as Lessee and PAUL E. IACONO as Lessor.

By mutual consent, Paragraph 52 is to be changed to read:

> Landlord hereby grants to tenant two (2) options to extend the lease term for an additional 36 months (from one (l) option to extend).

All other terms and conditions are to remain unchanged.

LESSOR: FormFactor, Inc. DATED: May 21, 1997

By: /s/ Robert T. Netter
Vice President of Finance

DATED: June 27, 1997

LESSOR: PAUL E. IACONO

By: /s/ Paul E. Iacono

FOURTH ADDENDUM
3,500 SF PORTION

In reference to the contract (Standard Industrial/Commercial Single -Tenant Lease - Net) dated April 12, 1996 covering the premises commonly known as 2140 Research Drive. Livermore CA 94550- between FORMFACTOR, INC. (a Delaware corporation) as Lessee and PAUL E. IACONO as Lessor.

FIRST OPTION (OF TWO OPTIONS) TO EXTEND LEASE TERM

Per the terms in Paragraph 52 of the subject Lease, Lessee is exercising their first Option to Extend the term for thirty-six (36) months commencing February 1,2000(3,500 SF portion).

The new rental rate is as follows:

Month 1 through 36 $1,529.00/Month NNN

ADDITIONAL SECURITY DEPOSIT:

Lessor is now holding $1,350.00 as a security deposit per Paragraph 1.7 and Paragraph 5 per the terms of the April 12, 1996 Lease.

Upon the execution of this Lease extension an additional amount of $210.00 will be submitted as additional security per Paragraph 1.7 and Paragraph 5 which will make the new total of $1,560.00 as a security deposit being held by Lessor.

READ AND AGREED:

LESSOR:	LESSEE:
MR. PAUL E. IACONO	FORMFACTOR, INC.
By: /s/ Paul E. Iacono Paul E. Iacono Owner	By: /s/ John R. MacKay Name Printed: John R. MacKay Title: Sr. VP Operations
Executed on June 7, 2000	Executed on June 5, 2000

STANDARD INDUSTRIAL/COMMERCIAL MULTI-TENANT LEASE-MODIFIED NET
AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

1. BASIC PROVISIONS ("BASIC PROVISIONS").

1.1 PARTIES: This Lease ("LEASE"), dated for reference purposes only, November 20, 1996, is made by and between PAUL E. IOCANO ("Lessor") and FormFactor, Inc. (a Delaware corporation) ("Lessee"), (collectively the "PARTIES," or individually a "PARTY").

1.2 (a) PREMISES: That certain portion of the Building, including all improvements therein or to be provided by Lessor under the terms of this Lease, commonly known by the street address of 2140 Research Drive, located in the City of Livermore, County of Alameda, State of California , with zip code 94550, as outlined on Exhibit A attached hereto ("PREMISES") and generally described as (describe briefly the nature of the Premises): approximately 6,500 SF of improved office space within a larger building. See Exhibit A

In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, exterior walls or utility raceways of the building containing the Premises ("Building") or to any other buildings in the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the "Project." (See also Paragraph 2)

(b) Parking: seventeen (17) unreserved vehicle parking spaces ("UNRESERVED PARKING SPACES"); and -0- reserved vehicle parking spaces ("RESERVED PARKING SPACES"). (See also Paragraph 2.6 and Paragraph 20).

1.3 TERM: Three (3) years and -0- months ("ORIGINAL TERM") commencing February 15, 1997 ("Commencement Date") and ending January 31, 2000 ("EXPIRATION DATE"). (See also Paragraph 3.)

1.4 EARLY POSSESSION: January 31, 1997 ("EARLY POSSESSION DATE"). (See also Paragraphs 3.2 and 3.3.)

1.5 BASE RENT: $5,525.00 per month ("BASE RENT"), payable on the first day of each month commencing February 16, 1997. (See also Paragraph 4.)

[ ] If this box is checked, this Lease provides for the Base Rent to be adjusted per Addendum _____, attached hereto.

1.6 (a) BASE RENT PAID UPON EXECUTION: 5525 as Base Rent for the period February 15, 1997 to March 15, 1997.

(a) LESSSEE'S SHARE OF COMMON AREA OPERATING EXPENSES: 32.5 percent (32.5%) ("LESSEE'S SHARE") as determined by [ ] prorata square footage of the Premises as compared to the total square footage of the Building or [ ] other criteria as described in Addendum _____.

1.7 SECURITY DEPOSIT: $5,600.00 ("SECURITY DEPOSIT"). (Also see Paragraph 5.)

1.8 PERMITTED USE: office uses in relation to the business at 2130 Research Drive. And any other lawful use. ("PERMITTED USE" (Also see Paragraph 6.)

1.9 INSURING PARTY. Lessor is the "Insuring Party." (Also see Paragraph 8.)

1.10 (a) REAL ESTATE BROKERS. The following real estate broker(s) (collectively, the "BROKERS") and brokerage relationships exist in this transaction and are consented to by the Parties (check applicable boxes):

[ ] _____ represents Lessor exclusively ("LESSOR'S BROKER");

[ ] _____ represents Lessee exclusively ("LESSEE'S BROKER"); or

[X] REALTECH Real Estate Services represents both Lessor and Lessee ("DUAL AGENCY"). (Also see Paragraph 15.)

(b) PAYMENT TO BROKERS: Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Broker(s) jointly, or in such separate shares as they may mutually designate in writing, a fee as set forth in a separate written agreement between Lessor and said Broker(s) (or in the event there is no separate written agreement between Lessor and said Broker(s). The sum of $ per agreement for brokerage services rendered by said Broker(s) in connection with this transaction.

1.11 GUARANTOR. The obligations of the Lessee under this Lease are to be guaranteed by N/A ("Guarantor"). (See also Paragraph 37)

1.12 ADDENDA AND EXHIBITS. Attached hereto is an Addendum or Addenda of Paragraphs 49 through 53 and Exhibits A through -- , all of which constitute a part of this LEASE.

2. PREMISES, PARKING AND COMMON AREAS.

2.1 LETTING. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of the square footage set forth in this Lease, or that may have been used in calculating rental and/or Common Area Operating Expenses, is an approximation which Lessor and Lessee agree is reasonable and the rental and Lessee's Share (as defined in Paragraph 1.6(b)) based thereon is not subject to revision whether or not the actual square footage is more or less.

2.2 CONDITION. Lessor shall deliver the Premises to Lessee clean and free of debris on the Commencement Date and warrants to Lessee that the existing plumbing, electrical systems, fire sprinkler system, lighting, air conditioning and heating systems and loading doors, if any, in the Premises, other than those constructed by Lessee, shall be in good operating condition on the Commencement Date. If a non-compliance with said warranty exists as of the Commencement Date, Lessor shall, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within thirty (30) days after the Commencement Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense.

2.3 COMPLIANCE WITH COVENANTS, RESTRICTIONS AND BUILDING CODE. Lessor warrants that any improvements (other than those constructed by Lessee or at Lessee's direction) on or in the Premises which have been constructed or installed by Lessor or with Lessor's consent or at Lessor's direction shall comply with all applicable covenants or restrictions of record and applicable building codes, regulations and ordinances in effect on the Commencement Date. Lessor further warrants to Lessee that Lessor has no knowledge of any claim having been made by any governmental agency that a

violation or violations of applicable building codes, regulations, or ordinances exist with regard to the Premises as of the Commencement Date. Said warranties shall not apply to any Alterations or Utility Installations (defined in Paragraph 7.3(a)) made or to be made by Lessee. If the Premises do not comply with said warranties, Lessor shall except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee given within six (6) months following the Commencement Date and setting forth with specificity the nature and extent of such non-compliance, taken such action, at Lessor's expense, as may be reasonable or appropriate to rectify the non-compliance. Lessor makes no warranty that the Permitted Use in Paragraph 1.8 is permitted for the Premises under Applicable Laws (as defined in Paragraph 2.4).

2.4 ACCEPTANCE OF PREMISES. Lessee hereby acknowledges: (a) it has been advised by Broker(s) to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical and fire sprinkler systems, security, environmental aspects, seismic and earthquake requirements and compliance with the Americans with Disabilities Act and applicable zoning, municipal, county, state and federal laws, ordinances and regulations and any covenants or restrictions of record (collectively, "APPLICABLE LAWS") and the present and future suitability of the Premises for Lessee's intended use; (b) that Lessee has made such investigation as it deems necessary with reference to such matters, is satisfied with reference thereto, and assumes all responsibility therefore as the same relate to Lessee's occupancy of the Premises and/or the terms of this Lease; and (c) that neither Lessor, nor any of Lessor's agents, has made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease.

2.5 LESSEE AS PRIOR OWNER/OCCUPANT. The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the date set forth in Paragraph 1.1 Lessee was the owner or occupant of the Premises. In such event, Lessee shall, at Lessee's sole cost and expense, correct any non-compliance of the Premises with said warranties.

2.6 VEHICLE PARKING. Lessee shall be entitled to use the number of Unreserved Parking Spaces and Reserved Parking Spaces specified in Paragraph 1.2(b) on those portions of the Common Areas designated from time to time by Lessor for parking. Lessee shall not use more parking spaces than said number. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called "PERMITTED SIZE VEHICLES." Lessor may regulate the loading and unloading of vehicles by adopting Rules and Regulations as provided in Paragraph 2.9. Vehicles other than Permitted Size Vehicles shall be parked and loaded or unloaded as directly by Lessor in the Rules and Regulations (as defined in Paragraph 40) issued by Lessor. (Also see Paragraph 2.9.)

(a) Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

(b) If Lessee permits or allows any of the prohibited activities described in this Paragraph 2.6, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

(c) Lessor shall at the Commencement Date of this Lease, provide the parking facilities required by Applicable Law.

2.7 COMMON AREAS - DEFINITION. The term "Common Areas" is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Industrial Center and interior

utility raceways within the Premises that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other lessees of the Industrial Center and their respective employees, suppliers, shippers, customers, contractors and invitees, including parking areas, loading and unloading areas, trash areas, roadways, walkways, driveways and landscaped areas.

2.8 COMMON AREAS - LESSEE'S RIGHTS. Lessor hereby grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Industrial Center. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 COMMON AREAS - RULES AND REGULATIONS. Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to establish, modify, amend and enforce reasonable Rules And Regulations with respect thereto in accordance with Paragraph 40. Lessee agrees to abide by and conform to all such Rules and Regulations, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the non-compliance with said rules and regulations by other lessees of the Industrial Center.

2.10 COMMON AREAS - CHANGES. Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the 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;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Industrial Center to be a part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Industrial Center, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Industrial Center as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

3. TERM.

3.1 TERM. The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

3.2 EARLY POSSESSION. If an Early Possession Date is specified in Paragraph 1.4 and if Lessee totally or partially occupies the Premises after the Early Possession Date but prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early occupancy. All other terms of this Lease, however, (including but not limited to the obligations t pay Lessee's Share of Common Area Operating Expenses and to carry the insurance required by Paragraph 8) shall be in effect during such period. Any such early possession shall not affect nor advance the Expiration Date of the Original Term.

3.3 DELAY IN POSSESSION. If for any reason Lessor cannot deliver possession of the Premises to Lessee by the Early Possession Date, if one is specified in Paragraph 1.4, or if no Early Possession Date is specified, by the Commencement Date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease, or the obligations of Lessee hereunder, or extend the term hereof, but in such case, Lessee shall not, except as otherwise provided herein, be obligated to pay rent or perform any other obligation of Lessee under the terms of this Lease until Lessor delivers possession of the Premises to Lessee. If possession of the Premises is not delivered to Lessee with sixty (60) days after the Commencement Date, Lessee may, at its option, by notice in writing to Lessor within (10) days after the end of said sixty (60) day period, cancel this Lease, in which event the parties shall be discharged from all obligations hereunder; provided further, however, that if such written notice of Lessee is not received by Lessor within said ten (10) day period, Lessee's right to cancel this Lease hereunder shall terminate and be of no further force or effect. Except as may be otherwise provided, and regardless of when the Original Term actually commences, if possession is not tendered to Lessee when required by this Lease and Lessee does not terminate this Lease, as aforesaid, the period free of the obligation to pay Base Rent, if any, that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to the period during which the Lessee would have otherwise enjoyed under the terms hereof, but minus any days of delay caused by the acts, changes or omissions of Lessee.

4. RENT.

4.1 BASE RENT. Lessee shall pay Base Rent and other rent or charges, as the same may be adjusted from time to time, to Lessor in lawful money of the United States, without offset or deduction, on or before the day on which it is due under the terms of this Lease. Base Rent and all other rent and charges for any period during the term hereof which is for less than one full month shall be prorated based upon the actual number of days of the month involved. Payment of Base Rent and other charges shall be made to Lessor at its address stated herein or to such other persons or at such other addresses as Lessor may from time to time designate in writing to Lessee.

4.2 COMMON AREA OPERATING EXPENSES. Lessee shall pay to Lessor during the term hereof, in addition to the Base Rent, Lessee's Share (as specified in Paragraph 1.6(b)) of all Common Area Operating Expenses, as hereinafter defined, during each calendar year of the term of this Lease, in accordance with the following provisions:

(a) "COMMON AREA OPERATING EXPENSES" are defined, for purposes of this Lease, as all costs incurred by Lessor relating to the ownership and operation of the Industrial Center, including, but not limited to, the following:

(i) The operation, repair and maintenance, in neat, clean, good order and condition of the following:

(aa) The Common Areas, including parking areas, loading and unloading areas, trash areas, roadways, sidewalks, walkways, parkways, driveways, landscaped areas, striping, bumpers, irrigation systems, Common Area lighting facilities, fences and gates, elevators and roof.

(bb) Exterior signs and any tenant directories.

(cc) Fire detection and sprinkler systems.

(ii) The cost of water, gas, electricity and telephone to service the Common Areas.

(iii) Trash disposal, property management and security services and the costs of any environmental inspections.

(iv) Reserves set aside for maintenance and repair of Common Areas.

(v) Real Property Taxes (as defined in Paragraph 10.2) to be paid by Lessor for the Building and the Common Areas under Paragraph 10 hereof.

(vi) The cost of the premiums for the insurance policies maintained by Lessor pursuant to Paragraph 8 hereof.

(vii) Any deductible portion of an insured loss concerning the Building or the Common Areas.

(viii) Any other services to be provided by Lessor that are stated elsewhere in this Lease to be a Common Area Operating Expense.

(b) Any Common Area Operating Expenses and Real Property Taxes that are specifically attributable to the Building or to any other building in the Industrial Center or to the operation, repair and maintenance thereof, shall be allocated entirely to the Building, or to such other building. However, any Common Area Operating Expenses and Real Property Taxes that are not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Industrial Center.

(c) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(a) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Industrial Center already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(d) Lessee's Share of Common Area Operating Expenses shall be payable by Lessee within thirty (30) days after a reasonably detailed statement of actual expenses is presented to Lessee by Lessor. At Lessor's option, however, an amount may be estimated by Lessor from time to time of Lessee's Share of annual Common Area Operating Expenses and the same shall be payable monthly or quarterly, as Lessor shall designate, during each 12 month period of the Lease term, on the same day as the Base Rent is due hereunder. Lessor shall deliver to Lessee within sixty (60) days after the expiration of each calendar year a reasonably detailed statement showing Lessee's Share of the actual Common Area Operating Expenses incurred during the preceding year. If Lessee's payments under this

Paragraph 4.2(d) during the said preceding year exceed Lessee's Share as indicated on said statement, Lessor shall be credited the amount of such over-payment against Lessee's Share of Common Area Operating Expenses next becoming due. If Lessee's payments under this Paragraph 4.2(d) during the preceding year were less than Lessee's Share as indicated on such statement, Lessee shall pay to Lessor the amount of the deficiency within thirty (30) days after delivery by Lessor to Lessee of the statement.

5. SECURITY DEPOSIT. Lessee shall deposit with Lessor upon Lessee's execution hereof the Security Deposit set forth in Paragraph 1.7 as security for Lessee's faithful performance of Lessee's obligations under this Lease. If Lessee fails to pay Base Rent or other rent or charges due hereunder, or otherwise Defaults under this Lease as defined in Paragraph 13.1), Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, cost, expense, loss or damage (including attorneys' fees) which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of said Security Deposit, Lessee shall within ten (10) days after written request therefore deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. Any time the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor as an addition to the Security Deposit so that the total amount of the Security Deposit shall at all times bear the same proportion to the then current Base Rent as the initial Security Deposit bears to the initial Base Rent set forth in Paragraph 1.5. Lessor shall not be required to keep all or any part of the Security Deposit separate from its general accounts. Lessor shall, at the expiration or earlier termination of the term hereof and after Lessee has vacated the Premises, return to Lessee (or, at Lessor's option, to the last assignee, if any, of Lessee's interest herein), that portion of the Security Deposit not used or applied by Lessor. Unless otherwise expressly agreed in writing by Lessor, no part of the Security Deposit shall be considered to be held in trust, to bear interest or other increment for its use, or to be prepayment for any monies to be paid by Lessee under this Lease.

6. USE.

6.1 PERMITTED USE.

(a) Lessee shall use and occupy the Premises only for the Permitted Use set forth in Paragraph 1.8, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates waste or a nuisance, or that disturbs owners and/or occupants of, or causes damage to the Premises or neighboring premises or properties.

(b) Lessor hereby agrees to not unreasonably withhold or delay its consent to any written request by Lessee, Lessee's assignees or subtenants, and by prospective assignees and subtenants of Lessee, its assignees and subtenants, for a modification of said Permitted Use, so long as the same will not impair the structural integrity of the improvements on the Premises or in the Building or the mechanical or electrical systems therein, does not conflict with uses by other lessees, is not significantly more burdensome to the Premises or the Building and the improvements thereon, and is otherwise permissible pursuant to this Paragraph 6. If Lessor elects to withhold such consent, Lessor shall within five (5) business days after such request give a written notification of same, which notice shall include an explanation of Lessor's reasonable objections to the change in use.

6.2 HAZARDOUS SUBSTANCES.

(a) REPORTABLE USES REQUIRE CONSENT. The term "HAZARDOUS SUBSTANCE" as used in this Lease 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 Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, crude oil or any products, by-products thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use (as hereinafter defined) of Hazardous Substances without the express prior written consent of Lessor and compliance in a timely manner (at Lessee's sole cost and expense) with all Applicable Requirements (as defined in Paragraph 6.3). "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 Laws requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may, without Lessor's prior consent, but upon notice to Lessor and in compliance with all Applicable Requirements, use any ordinary and customary materials reasonably required to be used by Lessee in the normal course of the Permitted Use, so long as such use is not a Reportable Use and does not expose the Premises or neighboring properties to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may (but without any obligation to do so) condition its consent to any Reportable Use of any Hazardous Substance by Lessee upon Lessee's giving Lessor such additional assurances as Lessor, in its reasonable discretion, deems necessary to protect itself, the public, the Premises and the environment against damage, contamination or injury and/or liability therefor, including but not limited to the installation (and, at Lessor's option, removal on or before Lease expiration or earlier termination) of reasonably necessary protective modifications to the Premises (such as concrete encasements) and/or the deposit of an additional Security Deposit under Paragraph 5 hereof.

(b) DUTY TO INFORM LESSOR. If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises or the Building, other than as previously consented to by Lessor, Lessee shall immediately give Lessor 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 private 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. Lessee 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 or sanitary sewer system).

(c) INDEMNIFICATION. Lessee shall indemnify, protect, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, and the Premises, 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 brought onto the Premises by or for Lessee or by anyone under Lessee's control. Lessee's obligations under this Paragraph 6.2(c) shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation (including 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 Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

6.3 LESSEE'S COMPLIANCE WITH REQUIREMENTS. Lessee shall, at Lessee's sole cost and expense, fully, diligently and in a timely manner, comply with all "APPLICABLE 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, and the recommendations of Lessor's engineers and/or consultants, relating in any manner to the Premises (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), now in effect or which may hereafter come into effect. Lessee shall, within five (5) days after receipt of Lessor's written request, provide Lessor with copies of all documents and information, including but not limited to permits, registrations, manifests, applications, reports and certificates, evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor 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 Lessee or the Premises to comply with any Applicable Requirements.

6.4 INSPECTION; COMPLIANCE WITH LAW. Lessor, Lessor'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 the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease and all Applicable Requirements (as defined in Paragraph 6.3), and Lessor shall be entitled to employ experts and/or consultants in connection therewith to advise Lessor with respect to Lessee's activities, including but not limited to Lessee's installation, operation, use, monitoring, maintenance, or removal of any Hazardous Substance on or from the Premises. The costs and expenses of any such inspections shall be paid by the party requesting same, unless a Default or Breach of this Lease by Lessee or a violation of Applicable Requirements or a contamination, caused by materially contributed to by Lessee, is found to exist or to be imminent, or unless an inspection is requested or ordered by a governmental authority as the result of any such existing or imminent violation or contamination. In such case, Lessee shall upon request reimburse Lessor or Lessor's Lender, as the case may be, for the costs and expenses of such inspections.

7. MAINTENANCE; REPAIRS, UTILITY INSTALLATIONS; TRADE FIXTURES AND ALTERATIONS.

7.1 LESSEE'S OBLIGATIONS.

(a) Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance with Covenants, Restrictions and Building Code), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole cost and expense and at all times, keep the Premises, and every part thereof in good order, condition and repair (whether or not such portion of the Premises requiring repair, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), 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, but excluding any items which are the responsibility of Lessor pursuant to Paragraph 7.2 below. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices. Lessee's 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.

(b) If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after thirty (30) days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, in accordance with Paragraph 13.2 below.

7.2 LESSOR'S OBLIGATIONS. Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance with Covenants, Restrictions and Building Code), 4.2 (Common Area Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler and/or standpipe and hose (if located in the Common Areas) or other automatic fire extinguishing system including fire alarm and/or smoke detection systems and equipment, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof, as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.2. Lessor shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Lessor be obligated to maintain, repair or replace windows, doors or plate glass of the Premises. Lessee expressly waives the benefit of any statute now or hereafter in effect which would otherwise afford Lessee the right to make repairs at Lessor's expense or to terminate this Lease because of Lessor's failure to keep the Building, Industrial Center or Common Areas in good order, condition and repair.

7.3 UTILITY INSTALLATIONS; TRADE FIXTURES; ALTERATIONS.

(a) DEFINITIONS; CONSENT REQUIRED. The term "Utility Installations" is used in this Lease to refer to all air lines, power panels, electrical distribution, security, fire protection systems, communications systems, lighting fixtures, heating, ventilating and air conditioning equipment, plumbing, and fencing in, on or about the Premises. The term "TRADE FIXTURES" shall mean Lessee's machinery and equipment which can be removed without doing material damage to the Premises. The term "ALTERATIONS" shall mean any modification of the improvements on the Premises which are provided by Lessor under the terms of this Lease, other than Utility Installations or Trade Fixtures. "LESSEE-OWNED ALTERATIONS AND/OR UTILITY INSTALLATIONS" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a). Lessee shall not make nor cause to be made any Alterations or Utility Installations in, on, under or about the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations and alterations to the interior of the Premises (excluding the roof) without Lessor's consent but upon notice to Lessor, so long as they are not visible from the outside of the Premises, do not involve puncturing, relocating or removing the roof or any existing walls, or changing or interfering with the fire sprinkler or fire detection systems and the cumulative cost thereof during the term of this Lease as extended does not exceed $10,000.00.

(b) CONSENT. Any Alterations or Utility installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. All consents given by Lessor, whether by virtue of Paragraph 7.3(a) or by subsequent specific consent, shall be deemed conditioned upon: (i) Lessee's acquiring all applicable permits required by government authorities; (ii) the furnishing of copies of such permits together with a copy of the plans and specifications for the Alteration or Utility Installation to Lessor prior to commencement of the work thereon; and (iii) the compliance by Lessee with all conditions of said permits in a prompt and

expeditious manner. Any Alterations or Utility Installations by Lessee during the term of this Lease shall be done in a good and workmanlike manner, with good and sufficient materials, and be in compliance with all Applicable Requirements. Lessee shall promptly upon completion thereof furnish Lessor with as-built plans and specifications therefor. Lessor may, (but without obligation to do so) condition its consent to any requested Alteration or Utility Installation that costs $10,000.00 or more upon Lessee's providing Lessor with a lien and completion bond in an amount equal to one and one-half times the estimated cost of such Alteration or Utility Installation.

(c) LIEN PROTECTION. Lessee shall pay when due all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than ten (10) days' notice prior to the commencement of any work in, on, or about the Premises, and Lessor shall have the right to post notices of non-responsibility in or on the Premises as provided by law. If Lessee shall, in good faith, contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense, defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against the Lessor or the Premises. If Lessor shall require, Lessee shall furnish to Lessor a surety bond satisfactory to Lessor in an amount equal to one and one-half times the amount of such contested lien claim or demand, indemnifying Lessor against liability for the same, as required by law for the holding of the Premises free from the effect of such lien or claim. In addition, Lessor may require Lessee to pay Lessor's attorneys' fees and costs in participating in such action if Lessor shall decide it is to its best interest to do so.

7.4 OWNERSHIP; REMOVAL; SURRENDER; AND RESTORATION.

(a) OWNERSHIP. Subject to Lessor's right to require their removal and to cause Lessee to become the owner thereof as hereinafter provided in this Paragraph 7.4, all Alterations and Utility Installations made to the Premises by Lessee shall be the property of and owned by Lessee, but considered a part of the Premises. Lessor may, at any time and at its option, elect in writing to Lessee to be the owner of all or any specified part of the Lessee-Owned Alterations and Utility Installations. Unless otherwise instructed per Subparagraph 7.4(b) hereof, all Lessee-Owned Alterations and Utility Installations shall, at the expiration or earlier termination of this Lease, become the property of Lessor and remain upon the Premises and be surrendered with the Premises by Lessee.

(b) REMOVAL. Unless otherwise agreed in writing, Lessor may require that any or all Lessee-Owned Alterations or Utility Installations be removed the expiration or earlier termination of this Lease, notwithstanding that their installation may have been consented to by Lessor, Lessor may require the removal any time of all or any part of any Alterations or Utility Installations made without the required consent of Lessor.

(c) SURRENDER/RESTORATION. Lessee shall surrender the Premises by the end of the last day of the Lease term or any earlier termination date, clean and free of debris and in good operating order, condition and state of repair, ordinary wear and tear excepted. Ordinary wear and tear shall not include any damage or deterioration that would have been prevented by good maintenance practice or by Lessee performing all of its obligations under this Lease. Except as otherwise agreed or specified herein, the Premises, as surrendered, shall include the Alterations and Utility Installations. The obligation of Lessee shall include the repair of any damage occasioned by the installation, maintenance or removal of Lessee's Trade Fixtures, furnishings, equipment, and Lessee-Owned Alterations and Utility Installations, as well as the removal of any storage tank installed by or for Lessee, and the removal, replacement, or remediation of any soil, material or ground water contaminated by Lessee, all

as may then be required by Applicable Requirements and/or good practice. Lessee's Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee subject to its obligation to repair and restore the Premises per this Lease.

8. INSURANCE; INDEMNITY.

8.1 PAYMENT OF PREMIUMS. The cost of the premiums for the insurance policies maintained by Lessor under this Paragraph 8 shall be a Common Area Operating Expense pursuant to Paragraph 4.2 hereof. Premiums for policy periods commencing prior to, or extending beyond, the term of this Lease shall be prorated to coincide with the corresponding Commencement Date or Expiration Date.

8.2 LIABILITY INSURANCE.

(a) CARRIED BY LESSEE. Lessee shall obtain and keep in force during the term of this Lease a Commercial General Liability policy of insurance protecting Lessee, Lessor and any Lender(s) whose names have been provided to Lessee in writing (as additional insureds) against claims for bodily injury, personal injury and property damage based upon, involving or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "INSURED CONTRACT" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance required by this Lease or as carried by Lessee shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance to be carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

(b) CARRIED BY LESSOR. Lessor shall also maintain liability insurance described in Paragraph 8.2(a) above, in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 PROPERTY INSURANCE - BUILDING, IMPROVEMENTS AND RENTAL VALUE.

(a) BUILDING AND IMPROVEMENTS. Lessor shall obtain and keep in force during the term of this Lease a policy or policies in the name of Lessor, with loss payable to Lessor and to any Lender(s), insuring against loss or damage to the Premises. Such insurance shall be for full replacement cost, as the same shall exist from time to time, or the amount required by any Lender(s), but in no event more than the commercially reasonable and available insurable value thereof if, by reason of the unique nature or age of the improvements involved, such latter amount is less than full replacement cost. Lessee-Owned Alterations and Utility Installations, Trade Fixtures and lessee's personal property shall be insured by Lessee pursuant to Paragraph 8.4. If the coverage is available and commercially appropriate, Lessor's policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by Lender), including coverage for any additional costs resulting from debris removal and reasonable amounts of coverage for the enforcement of any ordinance or law regulating the reconstruction or replacement of any undamaged sections of the Building required to be demolished or removed by reason of the enforcement of any building, zoning, safety or land use laws as the result of a covered loss, but not including plate glass insurance. Said policy or policies shall also contain an agreed valuation provision in lieu of any co-insurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located.

(b) RENTAL VALUE. Lessor shall also obtain and keep in force during the term of this Lease a policy or policies in the name of Lessor, with loss payable to Lessor and to any Lender(s), insuring the loss of the full rental and other charges payable by all lessees of the Building to Lessor for one year (including all Real Property Taxes, insurance costs, all Common Area Operating Expenses and any scheduled rental increases). Said insurance may provide that in the event the Lease is terminated by reason of an insured loss, the period of indemnity for such coverage shall be extended beyond the date of the completion of repairs or replacement of the Premises, to provide for one full year's loss of rental revenues from the date of any such loss. Said insurance shall contain an agreed valuation provision in lieu of any co-insurance clause, and the amount of coverage shall be adjusted annually to reflect the projected rental income, Real Property Taxes, insurance premium costs and other expenses, if any, otherwise payable, for the next 12-month period. Common Area Operating Expenses shall include any deductible amount in the event of such loss.

(c) ADJACENT PREMISES. Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Industrial Center if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) LESSEE'S IMPROVEMENTS. Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

8.4 LESSEE'S PROPERTY; INSURANCE. Subject to the requirements of Paragraph 8.5, Lessee at its cost shall either by separate policy or by endorsement to a policy already carried, maintain insurance coverage on all of Lessee's personal property, Trade Fixtures and Lessee-Owned Alterations and Utility Installations in, on, or about the Premises similar in coverage to that carried by Lessor as the Insuring Party under Paragraph 8.3(a). Upon request from Lessor, Lessee shall provide Lessor with written evidence that such insurance is in force.

8.5 INSURANCE POLICIES. Insurance required hereunder shall be in companies duly licensed to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, or such other rating as may be required by a Lender, as set forth in the most current issue of "Best's Insurance Guide." Lessee shall not do or permit to be done anything which shall invalidate the insurance policies referred to in this Paragraph 8. Lessee shall cause to be delivered to Lessor, within seven (7) days after the earlier of the Early Possession Date or the Commencement Date, certified copies of, or certificates evidencing the existence and amounts of, the insurance required under Paragraph 8.2(a) and 8.4. No such policy shall be cancelable or subject to modification except after thirty (30) days' prior written notice to Lessor. Lessee shall at least thirty (30) days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand.

8.6 WAIVER OF SUBROGATION. Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages (whether in contract or in tort) against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against under Paragraph 8. The effect of such releases and waivers of the right to recover damages shall not be limited by the amount of insurance carried or required, or by any deductibles applicable thereto. Lessor and Lessee agree to have their respective insurance companies issuing property damage insurance waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 INDEMNITY. Except for Lessor's negligence and/or breach of express warranties, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, costs, liens, judgments, penalties, loss of permits, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the act, omission or neglect of Lessee, its agents, contractors, employees or invitees, and out of any Default or Breach by Lessee in the performance in a timely manner of any obligation on Lessee's part to be performed under this Lease. The foregoing shall include, but not be limited to, the defense or pursuit of any claim or any action or proceeding involved therein, and whether or not (in the case of claims made against Lessor) litigated and/or reduced to judgment. In case any action or proceeding be brought against Lessor by reason of any of the foregoing matters, Lessee upon notice from Lessor shall defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense, Lessor need not have first paid any such claim in order to be so indemnified.

8.8 EXEMPTION OF LESSOR FROM LIABILITY. Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building of which the Premises are a part, from other sources or places, and regardless of whether the cause of such damage or injury or the means of repairing the same is accessible or not. Lessor shall not be liable for any damages arising from any act or neglect of any other lessee of Lessor nor from the failure of Lessor to enforce the provisions of any other lease in the Industrial Center other than as a result of Lessor's breach of this Lease or Lessor's gross negligence or intentional misconduct.

9. DAMAGE OR DESTRUCTION.

9.1 Definitions.

(a) "PREMISES PARTIAL DAMAGE" shall mean damage or destruction to the Premises, other than Lessee Owned Alterations and Utility Installations, the repair cost of which damage or destruction is less than fifty percent (50%) of the then Replacement Cost (as defined in Paragraph 9.1(d)) of the Premises (excluding Lessee-Owned Alterations and Utility Installations and Trade Fixtures) immediately prior to such damage or destruction.

(b) "PREMISES TOTAL DESTRUCTION" shall mean damage or destruction to the Premises, other than Lessee Owned Alterations and Utility Installations the repair cost of which damage or destruction is fifty percent (50%) or more of the then Replacement Cost of the Premises (executing Lessee Owned Alternations and Utility Installations and Trade Fixtures) immediately prior to such damage or destruction. In addition, damage or destruction to the Building, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures of any lessees of the Building, the cost of which damage or destruction is fifty percent (50%) or more of the then Replacement Cost (excluding Lessee Owned Alterations and Utility Installations and Trade Fixtures of any lessees of the Building) of the Building shall, at the option of Lessor, be deemed to be Premises Total Destruction.

(c) "INSURED LOSS" shall mean damage or destruction to the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event

required to be covered by the insurance described in Paragraph 8.3(a) irrespective of any deductible amounts or coverage limits involved.

(d) "REPLACEMENT COST" shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of applicable building codes, ordinances or laws, and without deduction for depreciation.

(e) "HAZARDOUS SUBSTANCE CONDITION" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 PREMISES PARTIAL DAMAGE - INSURED LOSS. If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect. In the event, however, that there is a shortage of insurance proceeds and such shortage is due to the fact that, by reason of the unique nature of the improvements in the Premises, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to full restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within ten (10) days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said ten (10) day period, Lessor shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If Lessor does not receive such funds or assurance within said period, Lessor may nevertheless elect by written notice to Lessee within ten (10) days thereafter to make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect. If Lessor does not receive such funds or assurance within such ten (10) day period, and if Lessor does not so elect to restore and repair, then this Lease shall terminate sixty (60) days following the occurrence of the damage or destruction. Unless otherwise agreed, Lessee shall in no event have any right to reimbursement from Lessor for any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3 rather than Paragraph 9.2, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 PARTIAL DAMAGE - UNINSURED LOSS. If a Premises Partial Damage that is not an Insured Loss occurs, Lessor may at Lessor's option, either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within thirty (30) days after receipt by Lessor of knowledge of the occurrence of such damage of Lessor's desire to terminate this Lease as of the date sixty (60) days following the date of such notice. In the event Lessor elects to give such notice of Lessor's intention to terminate this Lease, Lessee shall have the right within ten (10) days after receipt of such notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage totally at Lessee's expense and without reimbursement from Lessor. Lessee shall provide Lessor with the required funds or satisfactory assurance thereof within thirty (30) days following such commitment from Lessee. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the funds or assurance thereof within the times specified above, this Lease shall terminate as of the date specified in Lessor's notice of termination.

9.4 TOTAL DESTRUCTION. Notwithstanding any other provision hereof, if Premises Total Destruction occurs (including any destruction required by any authorized public authority), this Lease shall terminate sixty (60) days following the date of such Premises Total Destruction, whether or not the damage or destruction is an Insured Loss or was caused by a negligent or willful act of Lessee.

9.5 [Intentionally deleted]

9.6 ABATEMENT OF RENT; LESSEE'S REMEDIES.

(a) In the event of (i) Premises Partial Damage or (ii) Hazardous Substance Condition for which Lessee is not legally responsible, the Base Rent, Common Area Operating Expenses and other charges, if any, payable by Lessee hereunder for the period during which such damage or condition, its repair, remediation or restoration continues, shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not in excess of proceeds from insurance required to be carried under Paragraph 8.3(b). Except for abatement of Base Rent, Common Area Operating Expenses and other charges, if any, as aforesaid, all other obligations of Lessee hereunder shall be performed by Lessee, and Lessee shall have no claim against Lessor for any damage suffered by reason of any such damage, destruction, repair, remediation or restoration.

(b) If Lessor shall be obligated to repair or restore the Premises under the provisions of this Paragraph 9 and shall not commence, in a substantial and meaningful way, the repair or restoration of the Premises within ninety (90) days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice Lessee's election to terminate this Lease on a date not less than sixty (60) days following the giving of such notice. If Lessee gives such notice to Lessor and such Lenders and such repair or restoration is not commenced within thirty (30) days after receipt of such option, this Lease shall terminate as of the date specified in said notice. If Lessor or a Lender commences the repair or restoration of the Premises within thirty (30) days after receipt of such notice, this Lease shall terminate as of the date specified in said notice. If Lessor or a Lender commences the repair or restoration of the Premises within thirty (30) days after the receipt of such notice, this Lease shall continue in full force and effect. "Commence" as used in this Paragraph 9.6 shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever occurs first.

9.7 [Intentionally deleted]

9.8 TERMINATION; ADVANCE PAYMENTS. Upon termination of this Lease pursuant to Paragraph 9, Lessor shall return to Lessee any advance payment made by Lessee to Lessor and so much of Lessee's Security Deposit as has not bee, or is not then required to be, used by Lessor under the terms of this Lease.

9.9 WAIVE STATUTES. Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises and the Building with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent it is inconsistent herewith.

10. REAL PROPERTY TAXES.

10.1 PAYMENT OF TAXES. Lessor shall pay the Real Property Taxes, as defined in Paragraph 10.2, applicable to the Industrial Center, and except as otherwise provided in Paragraph 10.3, any such

amounts shall be included in the calculation of Common Area Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.2 REAL PROPERTY TAX DEFINITION. As used herein, the term "REAL PROPERTY TAXES" shall include any form of real estate tax or assessment, general, special, ordinary or extraordinary, and any license fee, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance, personal income or estate taxes) imposed upon the Industrial Center by any authority having the direct or indirect power to tax, including any city, state or federal government, or any school, agricultural, sanitary, fire, street, drainage, or other improvement district thereof, levied against any legal or equitable interest of Lessor in the Industrial Center or any portion thereof, Lessor's right to rent or other income therefrom, and/or Lessor's business of leasing the Premises. The term "REAL PROPERTY TAXES" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring, or changes in Applicable Law taking effect, during the term of this Lease, including but not limited to a change in the ownership of the Industrial Center or in the improvements thereon, the execution of this Lease, or any modification, amendment or transfer thereof, and whether or not contemplated by the Parties. In calculating Real Property Taxes for any calendar year, the Real Property Taxes for any real estate tax year shall be included in the calculation of Real Property Taxes for such calendar year based upon the number of days which such calendar year and tax year have in common.

10.3 ADDITIONAL IMPROVEMENTS. Common Area Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Industrial Center by other lessees or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.1 hereof, Lessee shall, however, pay to Lessor at the time Common Area Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request.

10.4 JOINT ASSESSMENT. If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 LESSEE'S PROPERTY TAXES. Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises or stored within the Industrial Center. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within ten (10) days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. UTILITIES. Lessee shall pay directly for all utilities and services supplied to the Premises including but not limited to electricity, telephone, security, gas and cleaning of the Premises, together with any taxes thereon. If any such utilities or services are not separately metered to the Premises or separately billed to the Premises, Lessee shall pay to Lessor reasonable proportion to be determined by Lessor of all such charges jointly metered or billed with other premises in the Building, in a manner and within the time periods set forth in Paragraph 4.2(d).

12. ASSIGNMENT AND SUBLETTING.

12.1 LESSOR'S CONSENT REQUIRED.

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or otherwise transfer or encumber (collectively, "assign") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent given under and subject to the terms of Paragraph 36.

(b) [intentionally deleted]

(c) [intentionally deleted]

(d) An assignment or subletting of Lessee's interest in this Lease without Lessor's specific prior written consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1, or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unconsented to assignment or subletting as a non-curable Breach, Lessor shall have the right to either: (i) terminate this Lease, or (ii) upon thirty (30) days' written notice ("LESSOR NOTICE"), increase the monthly Base Rent to for the Premises to the greater of the then fair market rental value of the Premises as reasonably determined by Lessor, one hundred ten percent (110%) of the Base Rent then in effect. Pending determination of the new fair market rental value, if disputed by Lessee, Lessee shall pay the amount set forth in Lessor's Notice, with any overpayment credited against the next installment(s) of Base Rent coming due, and any underpayment for the period retroactively to the effective date of the adjustment being due and payable immediately upon the determination thereof. Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to the then fair market value as reasonably determined by Lessor (without the Lease being considered an encumbrance or any deduction for depreciation or obsolescence, and considering the Premises at its highest and best use and in good condition) or one hundred ten percent (110%) of the price previously in effect, (ii) any index-oriented rental or price adjustment formulas contained in this Lease shall be adjusted to required that the base index be determined with reference to the index applicable to the time of such adjustment, and (iii) any fixed rental adjustments scheduled during the remainder of the Lease term shall be increased in the same ratio as the now rental bears to the Base Rent in effect immediately prior to the adjustment specified in Lessor's Notice.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

12.2 TERMS AND CONDITIONS APPLICABLE TO ASSIGNMENT AND SUBLETTING.

(a) Regardless of Lessor's consent, any assignment or subletting shall not (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, nor (iii) alter the primary liability of Lessee for the payment of Base Rent and other sums due Lessor hereunder or for the performance of any other obligations to be performed by Lessee under this Lease.

(b) Lessor may accept rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of any rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach by Lessee of any of the terms, covenants or conditions of this Lease.

(c) The consent of Lessor to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting by Lessee or to any subsequent or successive assignment or subletting by the assignee or sublessee. However, Lessor may consent to subsequent sublettings and assignments of the sublease or any amendments or modifications thereto without notifying Lessee or anyone else liable under this Lease or the sublease and without obtaining their consent, and such action shall not relieve such persons from liability under this Lease or the sublease.

(d) In the event of any Default or Breach of Lessee's obligation under this Lease, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefor to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, for consent which will not be unreasonably withheld. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested by Lessor.

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment or entering into such sublease, be deemed, for the benefit of Lessor, to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented in writing.

(g) The occurrence of a transaction described in Paragraph 12.2(c) shall give Lessor the right (but not the obligation) to require that the Security Deposit be increased by an amount equal to the new monthly Base Rent, and Lessor may make the actual receipt by Lessor of the Security Deposit increase a condition to Lessor's consent to such transaction.

(h) Lessor, as a condition to giving its consent to any assignment or subletting, may require that the amount and adjustment schedule of the rent payable under this Lease be adjusted to the C.P.I.

12.3 ADDITIONAL TERMS AND CONDITIONS APPLICABLE TO SUBLETTING. The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all rentals and income arising from any sublease of all or a portion of the Premises heretofore or hereafter made by Lessee, and Lessor may collect such rent and income and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach (as defined in Paragraph 13.1) shall occur in the performance of Lessee's obligations under this Lease, Lessee may, except as otherwise provided in this Lease, receive, collect and enjoy the rents accruing under such sublease, Lessor shall not, by reason of the foregoing provision or any other assignment of such sublease to Lessor, nor by reason of the collection of the rents from a sublessee, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee under such Sublease. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to

Lessor the rents due and other charges to Lessor without any obligation or right to inquire as to whether such Breach exists and notwithstanding any notice from or claim from Lessee to the contrary. Lessee shall have no right or claim against such sublessee, or, until the Breach has been cured, against Lessor, for any such rents and other charges so paid by said sublessee to Lessor.

(b) In the event of a Breach by Lessee in the performance of its obligations under this Lease, Lessor, at its option and without any obligation to do so, may require any sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any other prior defaults or breaches of such sublessor under such sublease.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor herein.

(d) No sublessee under a sublease approved by Lessor shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. DEFAULT; BREACH; REMEDIES.

13.1 DEFAULT; BREACH. Lessor and Lessee agree that if an attorney is consulted by Lessor in connection with a Lessee Default or Breach (as hereinafter defined), at is a reasonable minimum sum per such occurrence for legal services and costs in the preparation and service of a notice of Default, and that Lessor may include the cost of such services and costs in said notice as rent due and payable to cure said default. A "Default" by Lessee is defined as a failure by Lessee to observe, comply with or perform any of the terms, covenants, conditions or rules applicable to Lessee under this Lease. A "Breach" by Lessee is defined as the occurrence of any one or more of the following Defaults, and, where a grace period for cure after notice is specified herein, the failure by Lessee to cure such Default prior to the expiration of the applicable grace period, and shall entitle Lessor to pursue the remedies set forth in Paragraphs 13.2 and/or 13.3:

(a) The vacating of the Premises without the intention to reoccupy same, or the abandonment of the Premises.

(b) Except as expressly otherwise provided in this Lease, the failure by Lessee to make any payment of Base Rent, Lessee's Share of Common Area Operating Expenses, or any other monetary payment required to be made by Lessee hereunder as and when due, the failure by Lessee to provide Lessor with reasonable evidence of insurance or surety bond required under this Lease, or the failure of Lessee to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of five (5) days following written notice thereof by or on behalf of Lessor to Lessee.

(c) Except as expressly otherwise provided in this Lease, the failure by Lessee to provide Lessor with reasonable written evidence (in duly executed original form, if applicable) of (i) compliance with Applicable Requirements per Paragraph 6.3, (ii) the inspection, maintenance and service contracts required under Paragraph 7.1(b), (iii) the rescission of an unauthorized assignment or

subletting per Paragraph 12.1, (iv) a Tenancy Statement per Paragraphs 16 or 37, (v) the subordination or non-subordination of this Lease per Paragraph 30, (vi) the guaranty of the performance of Lessee's obligations under this Lease if required under Paragraphs 1.11 and 37, (vii) the execution of any document requested under Paragraph 42 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this lease, where any such failure continues for a period of ten (10) business days following written notice by or on behalf of Lessor to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 40 hereof that are to be observed, complied with or performed by Lessee, other than those described in Subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of thirty (30) days after written notice thereof by or on behalf of Lessor to Lessee; provided, however, that if the nature of Lessee's Default is such that more than thirty (30) days are reasonably required for its cure, then it shall not be deemed to be a Breach of this Lease by Lessee if Lessee commences such cure within said thirty (30) days period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) Lessee's becoming a "debtor" as defined in 11 U.S. Code Section 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within sixty (60) days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within thirty (30) days; provided, however, in the event that any provision of this Subparagraph 13.1(e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(f) The discovery that any financial statement of Lessee or of any Guarantor, given to Lessor by Lessee or any Guarantor, was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory breach basis, and Lessee's failure, within sixty (60) days following written notice by or on behalf of Lessor to Lessee of any such event, to provide Lessor with written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 REMEDIES. If Lessee fails to perform any of its affirmative duty or obligation of Lessee under this Lease, within the time period set forth above after written notice to Lessee (or in case of an emergency, without notice), Lessor may, at its option (but without obligation to do so), perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Lessor shall be due and payable by Lessee upon receipt of invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made under this Lease by Lessee to be by cashier's check. In the event of a Breach of this Lease by Lessee (as defined in Paragraph 13.1), with or without

further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach, Lessor may:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession of the Premises to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the worth at the time of award of the unpaid rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves b reasonably avoided, (iv) any other amount necessary to compensate Lessor for all detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorney's fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco or the Federal Reserve Bank District in which the Premises are located at the time of award plus one percent (1%). Efforts by Lessor to mitigate damages caused by Lessee's Default or Breach of this Lease shall not waive Lessor's right to recover damages under this Paragraph 13.2. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding the unpaid rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit for such rent and/or damages.

(b) Continue the Lease and Lessee's right to possession in effect (in California under California Civil Code Section 1951.4) after Lessee's Breach and recover the rent as it becomes due, provided Lessee has the right to sublet or assign, subject only to reasonable limitations. Lessor and Lessee agree that the limitations on assignment and subletting in this Lease are reasonable. Acts of maintenance or preservation, efforts to relet the Premises, o the appointment of a receiver to protect the Lessor's interest under this Lease, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available to Lessor under the laws or judicial decisions of the state wherein the Premises are located.

(d) The expiration or termination, of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 INDUCEMENT RECAPTURE IN EVENT OF BREACH. Any agreement by Lessor for free or abated rent or other charges applicable to the Premises, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "INDUCEMENT PROVISIONS" shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease to be performed or observed by Lessee during the term hereof as the same may be extended. Upon the occurrence of a Breach (as defined in Paragraph 13.1) of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid

by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, and recoverable by Lessor, as additional rent due under this Lease, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this Paragraph 13.3 shall not be deemed a waiver by Lessor of the provisions of this Paragraph 13.3 unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 LATE CHARGES. Lessee hereby acknowledges that late payment by Lessee of rent and other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by the terms of any ground lease, mortgage or deed of trust covering the Premises. Accordingly, if any installment of rent or other sum due from Lessee shall not be received by Lessor or Lessor's designee within ten (10) days after such shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a late charge equal to six percent (6%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of Base Rent, then notwithstanding Paragraph 4.1 or any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 BREACH BY LESSOR. Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph 13.5, a reasonable time shall in no event be more than thirty (30) days after receipt by Lesssor, and by any Lender(s) whose name and address shall have been furnished to Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than thirty (30) days after such notice are reasonably required for its performance, then Lessor shall not be in breach of this Lease if performance is commenced within such thirty (30) day period and thereafter diligently pursued to completion.

14. CONDEMNATION. If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (all of which are herein called "condemnation"), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than ten percent (10%) of the floor area of the Premises, or more than twenty-five percent (25%) of the portion of the Common Areas designated for Lessee's parking, is taken by condemnation, Lessee may, at Lessee's option, to be exercised in writing within ten (10) days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in the same proportion as the rentable floor area of the Premises taken bears to the total rentable floor area of the Premises. No reduction of Base Rent shall occur if the condemnation does not apply to any portion of the Premises. Any award for the taking of all or any part of the Premises under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Lessor, whether such award shall be made as compensation for diminution of value of the leasehold or for the taking of the fee, or as severance damages; provided, however, that Lessee shall be entitled to any

compensation, separately awarded to Lessee for Lessee's relocation expenses and/or loss of Lessee's Trade Fixtures. In the event that this Lease is not terminated by reason of such condemnation, Lessor shall repair any damage to the Premises caused by such condemnation authority.

15. BROKERAGE FEES.

15.1 PROCURING CAUSE. The Broker(s) named in Paragraph 1.10 is/are the procuring cause of this Lease.

15.2 ADDITIONAL TERMS. Unless Lessor and Broker(s) have otherwise agreed in writing, Lessor agrees that: (a) if Lessee exercises any Option (as defined in Paragraph 39.1) granted under this Lease or any Option subsequently granted, or (b) if Lessee acquires any rights to the Premises or other premises in which Lessor has an interest, or (c) if Lessee remains in possession of the Premises with the consent of Lessor after the expiration of the term of this Lease after having failed to exercise an Option, or (d) if said Brokers are the procuring cause of any other lease or ale entered into between the Parties pertaining to the Premises and/or any adjacent property in which lessor has an interest, or (e) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then as to any of said transactions, Lessor shall pay said Broker(s) a fee in accordance with the scheduled of said Broker(s) in effect at the time of the execution of this Lease.

15.3 ASSUMPTION OF OBLIGATIONS. Any buyer or transferee of Lessor's interest in this Lease, whether such transfer is by agreement or by operation of law, shall be deemed to have assumed Lessor's obligation under this Paragraph 15. Each Broker shall be BS UBRWBSWS third party beneficiaries of the provisions of Paragraphs 1.10 and of this Paragraph 15 to the extent of its interest in any commission arising from this Lease and may enforce that right directly against Lessor and its successors.

15.4 REPRESENTATIONS AND WARRANTIES. Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder other than as named in Paragraph 1.10(a) in connection with the negotiation of this Lease and/or the consummation of the transaction contemplated hereby, and that no broker or other person, firm or entity other than said named Broker(s) is entitled to any commission or finder's fee in connection with said transaction. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any cost, expenses, and/or attorneys' fees reasonably incurred with respect thereto.

16. TENANCY AND FINANCIAL STATEMENTS.

16.1 TENANCY STATEMENT. Each Party (as "RESPONDING PARTY") shall within ten (10) days after written notice from the other Party (the "REQUESTING PART") execute, acknowledge and deliver to the Requesting Party a statement in writing containing such information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

16.2 FINANCIAL STATEMENT. If Lessor desires to finance, refinance, or sell the Premises or the Building, or any party thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser by Lessor such financial statements of Lessee and such Guarantors as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past three (3) years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. LESSOR'S LIABILITY. The term "Lessor" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor at the time of such transfer or assignment. Except as provided in Paragraph 15.3, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

18. SEVERABILITY. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. INTEREST ON PAST-DUE OBLIGATIONS. Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor within ten (10) days following the date on which it was due, shall bear interest from the date due at the prime rate charged by the largest state chartered bank in the state in which the Premises are located plus four percent (4%) per annum, but not exceeding the maximum rate allowed by law, in addition to the potential late charge provided for in Paragraph 13.4.

20. TIME OF ESSENCE. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

21. RENT DEFINED. All monetary obligations of Lessee to Lessor under the terms of this Lease are deemed to be rent.

22. NO PRIOR OR OTHER AGREEMENTS; BROKER DISCLAIMER. This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. Each Broker shall be an intended third party beneficiary of the provisions of this Paragraph 22.

23. NOTICE.

23.1 NOTICE REQUIREMENTS. All notices required or permitted by this Lease shall be in writing and may be delivered in person (by hand or by messenger and courier service) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission during normal business hours, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notice purposes. Either Party may by written notice to the other specify a different address for notice purposes, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for the purpose of mailing or delivering notices to Lessee. A copy of all notices required or permitted to be given to Lessor hereunder shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate by written notice to Lessee.

23.2 DATE OF NOTICE. Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail, the notice shall be deemed given 3 business days after the

same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given twenty-four (24) hours after delivery of the same to the United States Postal Service or courier. If any notice is transmitted by facsimile transmission or similar means, the same shall be deemed served or delivered upon telephone or facsimile confirmation of receipt of the transmission thereof, provided a copy is also delivered via delivery or mail. If notice is received on a Saturday or a Sunday or a legal holiday, it shall be deemed received on the next business day.

24. WAIVERS. No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. Regardless of Lessor's knowledge of a Default or Breach at the time of accepting rent, the acceptance of rent by Lessor shall not be a waiver of any Default or Breach by Lessee of any provision hereof. Any payment given Lessor by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. RECORDING. Either Lessor or Lessee shall, upon request of the other, execute, acknowledge and deliver to the other a short form memorandum of this Lease for recording purposes. The Party requesting recordation shall be responsible for payment of any fees or taxes applicable thereto.

26. NO RIGHT TO HOLDOVER. Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or earlier termination of this Lease. In the event that Lessee holds over in violation of this Paragraph 26 then the Base Rent payable from and after the time of the expiration or earlier termination of this Lease shall be increased to one hundred twenty five percent (125%) of the Base rent applicable during the month immediately preceding such expiration or earlier termination. Nothing contained herein shall be construed as a consent by Lessor to any holding over by Lessee.

27. CUMULATIVE REMEDIES. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. [intentionally deleted]

29. BINDING EFFECT; CHOICE OF LAW. This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. SUBORDINATION; ATTORNMENT; NON--DISTURBANCE.

30.1 SUBORDINATION. This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "SECURITY DEVICE"), now or hereafter placed by Lessor upon the real property of which the Premises are a part, to any and all advances made on the security thereof, and to all renewals, modifications, consolidations, replacements and extensions thereof. Lessee agrees that the Lenders holding any such Security Device shall have no duty, liability or obligation to perform any of the obligations of Lessor under this Lease, but that in the event of Lessor's default with respect to any such

obligation, Lessee will give any Lender whose name and address have been furnished Lessee in writing for such purpose notice of Lessor's default pursuant to Paragraph 13.5. If any Lender shall elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device and shall give written notice thereof to Lessee, this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 ATTORNMENT. Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (i) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership, (ii) be subject to any offsets or defenses which Lessee might have against any prior lessor, or (iii) be bound by prepayment of more than one month's rent.

30.3 NON-DISTURBANCE. With respect to Security Devices that are currently in effect entered into by Lessor after the execution of this lease, Lessee's subordination of this Lease shall be subject to receiving assurance (a "non-disturbance agreement") from the Lender that Lessee's possession and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises.

30.4 SELF--EXECUTING. The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any such subordination or non--subordination, attornment and/or non--non--disturbance agreement as is provided for herein.

31. ATTORNEYS' FEES. If any Party or Broker brings an action or proceeding to enforce the terms hereof or declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term "PREVAILING PARTY" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fee award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. Lessor shall be entitled to attorneys' fees costs and expenses incurred in preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach. Broker(s) shall be intended third party beneficiaries of thus Paragraph 31.

32. LESSOR'S ACCESS; SHOWING PREMISES; REPAIRS. Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or lessees, and making such alterations, repairs, improvements or additions to the Premises or to the Building, as Lessor may reasonably deem necessary. Lessor may at any time place on or about the Premises or Building any ordinary "For Sale" signs and Lessor may at any time during the last one hundred eighty (180) days of the term hereof place on or about the Premises any ordinary "For Lease" signs. All such activities of Lessor shall be without abatement of rent or liability to Lessee.

33. AUCTIONS. Lessee shall not conduct, nor permit to be conducted, either voluntarily or involuntarily, any auction upon the Premises without first having obtained Lessor's prior written

consent. Notwithstanding anything to the contrary in this Lease, Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to grant such consent.

34. SIGNS. Lessee shall not place any sign upon the exterior of the Premises or the Building, except that Lessee may, with Lessor's prior written consent, install (but not o the roof) such signs as are reasonably required to advertise Lessee's business so long as such signs are in a location designated by Lessor and comply with Applicable Requirements and the signage criteria established for the Industrial Center by Lessor. The installation of any sign on the Premises by or for Lessee shall be subject to the provisions for Paragraph 7 (Maintenance, Repairs, Utility Installations, Trade Fixtures and Alterations). Unless otherwise expressly agreed herein, Lessor reserves all rights to the use of the roof of the Building, and the right to install advertising signs on the Building, including the roof, which do not unreasonably interfere with the conduct of Lessee's business; Lessor shall be entitled to all revenues from such advertising signs.

35. TERMINATION; MERGER. Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, Lessor shall, in the event of any such surrender, termination or cancellation, have the option to continue any one or all of any existing subtenancies. Lessor's failure within ten (10) days following any such event to make a written election to the contrary by written notice to the holder of such such lesser interest, shall constitute Lessor's election to have such event constitute the terminate if such interest.

36. CONSENTS.

(a) Except for Paragraph 33 hereof (Auctions) or as otherwise provided herein, wherever in this Lease the consent of a Party is required to an [illegible] by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's consent to any act, assignment of this Lease or subletting of the Premises by Lessee shall t constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent.

(b) All conditions to Lessor's consent authorized by this Lease are acknowledged by Lessee as being reasonable. The failure to specify herein any particular condition to Lessor's consent shall not preclude the impositions by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given.

37. GUARANTOR.

37.1 FORM OF GUARANTY. If there are to be any Guarantors of this Lease per Paragraph 1.11, the form of the guaranty to be executed by each such Guarantor shall be in the form most recently published by the American Industrial Real Estate Association, and each such Guarantor shall have the same obligations as Lessee under this lease, including but not limited to the obligation to provide the Tenancy Statement and information required in Paragraph 16.

37.2 ADDITIONAL OBLIGATIONS OF GUARANTOR. It shall constitute a Default of the Lessee under this Lease if any such Guarantor fails or refuses, upon reasonable request by Lessor to give: (a) evidence of the due execution of the guaranty called for by this Lease, including the authority of the Guarantor (and of the party signing on Guarantor's behalf) to obligate such Guarantor on said guaranty, and resolution of its board of directors authorizing the making of such guaranty, together with a

certificate of incumbency showing the signatures of the persons authorized to sign on its behalf, (b) current financial statements of Guarantor as may from time to time be requested by Lessor, (c) a Tenancy Statement, or (d) written confirmation that the guaranty is still in effect.

38. QUIET POSSESSION. Upon payment by Lessee of the rent for the Premises and the performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession of the Premises for the entire term hereof subject to all of the provisions of this Lease.

39. OPTIONS.

39.1 DEFINITION. "Option" shall mean: (a) the right to extend the term of or renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Premises or other property of Lessor; (c) the right to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 OPTIONS PERSONAL TO ORIGINAL LESSEE. EACH OPTION GRANTED TO LESSEE IN THIS Lease is personal to the original Lessee named in Paragraph 1.1 hereof, and cannot be voluntarily or involuntarily assigned or exercised by any person or entity other than said original Lessee while the original Lessee is in full and actual possession of the Premises and without the intention of thereafter assigning or subletting. The Options, if any, herein granted to Lessee are not assignable, either as a part of an assignment of this Lease or separately apart therefrom, and no Option may be separated from this Lease in any manner, by reservation or otherwise.

39.3 MULTIPLE OPTIONS. In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised.

39.4 EFFECT OF DEFAULT ON OPTIONS.

(a) Lessee shall have no right to exercise an Option, notwithstanding any provision in the grant of an Option to the contrary: (i) during the period commencing with the giving of any notice of Default under Paragraph 13.1 and continuing until the noticed Default is cured, or (ii) during the period of time any monetary obligation due Lessor from Lessee is unpaid (without regard to whether notice thereof is given Lessee), or (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event in the event that Lessor has given to Lessee three (3) or more notices of separate Defaults under paragraph 13.1 during the twelve (12) month period immediately preceding the exercise of the Option, whether or not the Defaults are cured.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) All rights of Lessee under the provisions of an Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and during the term of this Lease, (i) Lessee fails to pay to Lessor a monetary obligation of Lessee for a period of thirty (30) days after such obligation becomes due (without any necessity of Lessor to give notice thereof to Lessee), (ii) Lessor gives to Lessee three (3) or more notices of separate Defaults under Paragraph 13.1 during any twelve (12) month period, whether or not the Defaults are cured, or (iii) if Lessee commits a Breach of this Lease.

40. RULES AND REGULATIONS. Lessee agrees that it will abide by, and keep and observe all reasonable rules and regulations ("Rules and Regulations") which Lessor may make from time to time for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Industrial Center and their invitees.

41. SECURITY MEASURES. Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

42. RESERVATIONS. Lessor reserves the right, from time to time, to grant, without the consent or joinder of Lessee, such easements, rights of way, utility raceways, and dedications that Lessor deems necessary, and to cause the recordation of parcel maps and restrictions, so long as such easements, rights of way, utility raceways, dedications, maps and restrictions do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate any such easement rights, dedication, map or restrictions.

43. PERFORMANCE UNDER PROTEST. If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay under the provisions of this Lease.

44. AUTHORITY. If either Party hereto is a corporation, trust, or general or limited partnership, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. If the Lessee is a corporation, trust or partnership, Lessee shall, within thirty (30) days after request by Lessor, deliver to Lessor evidence satisfactory to Lessor of such authority.

45. CONFLICT. Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

46. OFFER. Preparation of this Lease by either party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

47. AMENDMENTS. This Lease may be modified only in writing, signed by the parties in interest at the time of the modification. The Parties shall amend this Lease from time to time to reflect any adjustments that are made to the Base Rent or other rent payable under this Lease. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by an institutional insurance company or pension plan Lender in connection with the obtaining of normal financing or refinancing of the property of which the Premises are a part.

48. MULTIPLE PARTIES. Except as otherwise expressly provided herein. If more than one person or entity is named herein as either Lessor or Lessee, the obligations of such multiple parties shall be the joint and several responsibility of all persons or entities named herein as such Lessor or Lessee.

ADDENDUM "A"

In reference to the contract (Standard Industrial/Commercial Multi-Tenant Lease Modified Net) dated November 19, 1996 covering the premises commonly known as 2140 Research Drive, Livermore, CA 94550 between FormFactor, Inc. as Lessee and PAUL E. IACONO as Lessor.

49. All rent checks and other payments due are to be made payable to and delivered to:

make check to: PAUL E. IACONO

and delivered to: 2510 W. 237th Street, #100
Torrance, CA 90505
(310) 530-2410
(310) 530-0531 (Fax)

50. CARPET MATS

Lessee agrees to provide carpet mats for all chairs with casters used in the carpeted area of the offices.

51. LEASE RENTAL RATE

Month 01 through 36 $5,525.00 NNN

52. OPTION TO EXTEND

Landlord hereby grants to Tenant one (1) option to extend the Lease Term for an additional term of 36 months (the "Extension"), on the same terms and conditions as set forth in the Lease, but at an increased rent as set forth below. This Option shall be exercised only by written notice delivered to Landlord on or before the expiration of the Lease Term. If Tenant fails to deliver to Landlord written notice to exercise of Option within the prescribed time period, said Option shall lapse, and there shall be no further right to extend the Lease Term. Option shall be exercisable by Tenant on the express conditions that (a) at the time of the exercise, and at all times prior to the commencement of such Extension, Tenant shall not be in default under any of the provisions of the Lease.

If Lessee exercises the Option to Extend, the rental rate shall be adjusted as follows:

Beginning month 37, the above monthly rent shall be adjusted in the same percentage proportion that the Consumer Price Index for Pacific Cities and U.S. Average - All items (1982 = 100) for the San Francisco Bay Area (Index) published monthly by the U.S. Department of Labor, Bureau of Labor Statistics last published prior to the adjustment date has increased or decreased over the Index last published prior to commencement of this lease. In no event, however, shall the rent be less than that described above. If the Index is discontinued or revised, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

53. Lessor, at Lessor's sole cost and expense, prior to lease commencement date will perform the following work:

1. Paint the walls in the office, kitchen, storage room and restrooms.

2. Repair or replace any damaged ceiling tile.

3. Clean the carpets, including repairing or replacing any damaged carpet.

4. Tenant prep the restrooms, front porch area and window washing.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

IF THIS LEASE HAS BEEN FILLED IN, IT HAS BEEN PREPARED FOR YOUR ATTORNEY'S REVIEW AND APPROVAL. FURTHER, EXPERTS SHOULD BE CONSULTED TO EVALUATE THE CONDITION OF THE PROPERTY FOR THE POSSIBLE PRESENCE OF ASBESTOS, UNDERGROUND STORAGE TANKS OR HAZARDOUS SUBSTANCES. NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY THE REAL ESTATE BROKERS OR THEIR CONTRACTORS, AGENTS OR EMPLOYEES AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES: THE PARTIES SHALL RELY SOLELY UPON THE ADVICE OF THEIR OWN COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE. IF THE SUBJECT PROPERTY IS IN A STATE OTHER THAN CALIFORNIA, AN ATTORNEY FROM THE STATE WHERE THE PROPERTY IS LOCATED SHOULD BE CONSULTED.

The parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

Executed at: Torrence, CA	Executed at: Livermore, CA
on: 1-29-97	on: 1-23-97
By LESSOR: PAUL E. IACONO	By LESSEE: FORMFACTOR, INC.
-	
-	
By: /s/ Paul E. Iocano	By: /s/ Robert T. Netter
Name Printed: Paul E. Iocano	Name Printed: Bob Netter
Title: Owner	Title: CFO & V.P. Administration
By:	By:
Name Printed:	Name Printed:
Title:	Title:
Address: 2510 W. 237th Street, #100 Torrence, CA 90505	Address: 2130 Research Drive Livermore, CA 94550

Telephone: (310) 530-2410	Telephone: (510) 294-4300
Facsimile: (310) 530-0531	Facsimile: (510) 294-8147
BROKER: REALTECH Real Estate Services, Inc.	BROKER: REALTECH Real Estate Services, Inc.
Executed at: Livermore, CA	Executed at: Livermore, CA
On: 1-23-97	on: 1-23-97
By: /s/ James M. Gatwood	By: /s/ James M. Gatwood
Name Printed: James M. Gatwood	Name Printed: James M. Gatwood
Title: Broker	Title: Broker
Address: 2278 Camino Ramon, Suite 11	Address: 2278 Camino Ramon, Suite 11
San Ramon, CA 94583	San Ramon, CA 94583
Telephone: (510) 806-0666	Telephone: (510) 806-0666
Facsimile: (510) 806-0668	Facsimile: (510) 806-0668

NOTE: These forms are often modified to meet changing requirements of law and needs of the industry. Always write or call to make sure you are utilizing the most current form: AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION, 345 So. Figueroa St., M-1, Los Angeles, CA 90071. (213) 687-8777.

SECOND ADDENDUM TO STANDARD INDUSTRIAL/
COMMERCIAL MULTI-TENANT LEASE-MODIFIED NET
PAUL E. IACONO, LESSOR
FORMFACTOR, INC., LESSEE

THIS SECOND ADDENDUM TO STANDARD INDUSTRIAL/COMMERCIAL MULTI-TENANT LEASE (this "ADDENDUM") is made by and between Mr. Paul E. Iacono ("LESSOR") and FormFactor, Inc., a California corporation ("LESSEE"), to be a part of that certain Lease Agreement (the "LEASE") of even date herewith between Lessor and Lessee concerning space located at 2140 Research Drive, Livermore, California 94550 ("PREMISES"). Lessor and Lessee agrees that, notwithstanding anything to the contrary in the Lease, the Lease is hereby modified and supplemented as set forth below.

1. Acceptance of Premises. Lessee's acceptance of the Premises shall not be deemed a waiver of Lessee's right to have defects in the Premises or violations of warranties contained in Section 2 of the Lease corrected at no cost to Lessee. Lessee shall give notice to Lessor whenever any such defect or violation becomes reasonable apparent, and Lessor shall correct such defect or violation as soon as practicable at Lessor's sole cost and expense.

2. Common Area Operating Expenses. "Common Area Operating Expenses" shall not include and Lessee shall in no event have any obligation to perform or to pay directly, or to reimburse Lessor for, all or any portion of the following repairs, maintenance, improvements, replacements, premiums, claims, losses, fees, charges, costs and expenses (collectively, "COSTS"): (a) Costs occasioned by the act, omission or violation of any Applicable Law by Lessor, any other occupants of the Building, the Industrial Center, or their respective agents, employees or contractors; (b) Costs occasioned by fire, acts of God, or other casualties or by the exercise of the power of eminent domain; (c) Costs to correct any construction defect in the Premises or the Industrial Center or to comply with any Applicable Law on the Commencement Date; (d) Costs of any renovation, improvement, painting or redecorating or any portion of the Industrial Center not made available for Lessee's use; (e) Costs incurred in connection with negotiations or disputes with any other occupant of the Industrial Center and Costs arising from the violation by Lessor or any occupant of the Industrial Center (other than Lessor) of the terms and conditions of any lease or other agreement; (f) insurance costs for coverage not customarily paid by tenants of similar projects in the vicinity of the Premises (including earthquake insurance), insurance deductibles, and co-insurance payments (g) Costs incurred in connection with the presence of any Hazardous Substances, except to the extent caused by the release or emission of the Hazardous Substance in question by Lessee; (h) Costs which could properly be capitalized under generally accepted accounting principles; (i) Costs relating to the repair, maintenance and replacement of the structural elements of the Building and the Industrial Center; (j) interest, charges and fees incurred on debt, payments on mortgages and rent under ground leases; (k) any fee, profit or compensation retained by Lessor or its affiliates for management and administration of the Industrial Center in excess of the management fee which would be charged by the professional management service for operation of comparable projects in the vicinity of the Building; and (1) reserves set aside for maintenance or repair of the Common Areas. The CAM charges shall not be increased by more than 10% per year.

3. Hazardous Substances. To the knowledge of Lessor, (a) no Hazardous Substances are present on the Industrial Center or the soil, surface water or groundwater thereof, (b) no underground storage tanks or asbestos containing building materials are present on the Industrial Center, and (c) no action, proceeding, or claim is pending or threatened involving the Industrial Center concerning any Hazardous Substances or pursuant to any Applicable Laws car Requirements. Under no circumstance shall Lessee be liable for or indemnify Lessor from, and Lessor shall indemnify, defend and hold harmless Lessee, its agents, contractors, stockholders, directors, successors, representatives, and assigns from and against, all losses, costs, claims, liabilities and damages (including attorneys' and consultants' fees) of every type and nature, directly or indirectly arising out of or in connection with any Hazardous Substance present at any time on or about the Industrial Center, or the soil, air, improvements, groundwater or surface water thereof, or the violation of any Applicable Laws or Requirements, relating to any such Hazardous Substance, except to the extent that any of the foregoing actually results from the release or emission of Hazardous Substance on or about the Premises during the term of the Lease by Lessee or its agents or employees in violation of Applicable Laws or Requirements.

4. Capital Improvements. If any of Lessee's obligations under the Lease would require Lessee to pay any charge which could be treated as a capital improvement under generally accepted accounting principles, then Lessor shall instead pay such charge, the cost of the improvement shall be amortized over the useful life thereof (as reasonably determined by Lessor), and Lessee shall pay the monthly amortized amount for such improvements for each month of such useful life as it occurs during the term of the Lease.

5. Maintenance Repairs. Lessor shall perform and construct, and Lessee shall have no responsibility to perform, construct or pay for, any repair, maintenance or improvement (a) necessitated by the acts or omissions of Lessor or any other occupant of the Industrial Center, or their respective agents, employees or contractors, (b) required as a consequence of any violation of Applicable Law or construction defect in the Premises or Building as of the Commencement, Date, (c) for which Lessor has a right of reimbursement from others, (d) which could be treated as a "capital expenditure" under generally accepted accounting principles, (e) to the heating, ventilating, air conditioning, electrical, water, sewer, and plumbing systems serving the Premises or the Building, and (f) to any portion of the Building outside of the demising walls of the Premises. Notwithstanding the foregoing, Lessee shall pay Lessor's Share of the expenses described in (c) and (f) of the preceding sentence to the extent that such expenses are properly included in Common Area Operating Expenses.

6. Utility Installations Trade Fixtures Alterations. Lessee-Owned Alterations and/or Utility Installations and Lessee's trade fixtures, furniture, equipment and other personal property installed in the Premises (Lessee's Property") shall at all times be and remain Lessee's property. Except for Alterations and/or Utility Installations which cannot be removed with structural injury to the Premises, at any time Lessee may remove Lessee's Property from the Premises, provided that Lessee repairs all damage caused by such removal. Upon request, Lessor shall advise Lessee in writing whether it reserves the right to require Lessee to remove any Lessee-Owned Alterations and/or Utility Installations from the Premises upon termination of the Lease.

7. Surrender Restoration. Lessee's obligations to surrender the Premises shall be fulfilled if Lessee surrenders possession of the Premises in the condition existing at the

Commencement Date, except ordinary wear and tear, acts of God, casualties, condemnation, Hazardous Substances (other than those released or emitted by Lessee in or about the Premises in violation of Applicable Law) and Alterations with respect to which Lessor has not reserved the right to require removal.

8. Indemnity. Lessor shall not be released or indemnified from, and shall indemnify, defend, protect and hold harmless Lessee from, any damages, liabilities, judgments, actions, claims, attorneys' fees, consultants' fees, payments, costs or expenses arising from the negligence or willful misconduct of Lessor or its agents, contractors, licenses or invitees, Lessor's violation of Applicable Law, or a breach of Lessor's obligations or representations under the Lease.

9. Damages or Destruction. If the Premises are damaged by any peril and Lessor does not elect to terminate the Lease or is not entitled to terminate the Lease, Lessee may terminate the Lease, by delivery to Lessor of a written notice, if the Premises cannot be or are not fully repaired by Lessor within ninety (90) days after the damage or destruction. If the Lease is not terminated by Lessor or Lessee as provided herein, Lessor shall restore the Premises to the condition in which they existed immediately prior to the casualty.

10. Real Property Taxes. Lessee shall not be required to pay any portion of any tax or assessment expense (a) levied on Lessor's rental income, unless such tax or assessment expense is imposed in lieu of real property taxes; (b) in excess of the amount which would be payable if such tax or assessment expense were paid in installments over the longest possible term; (c) imposed on land and improvements other than the Industrial Center, (d) attributable to Lessor's net income, inheritance, gift, transfer, franchise, estate or state taxes; or (e) occasioned by or relating to a voluntary or involuntary change of ownership or other conveyance of the Premises occasioned by or relating to a voluntary or involuntary change of ownership or other conveyance of the Premises.

11. Services and Utilities. Lessor covenants that public utilities, including water and electric, will be available in and for the Premises throughout the Lease term

12. Assignment and Subletting. Lessee, without Lessor's prior written consent and without complying with any of the restrictions of Sections 12 or 36 of the Lease, may sublet the Premises or assign the Lease to: (a) a subsidiary, affiliate, franchisee, division or corporation controlling, controlled by or under common control with Lessee; (b) a successor corporation related to Lessee by merger, consolidation, non-bankruptcy reorganization or government action; or (c) a purchaser of substantially all of Lessee's assets located at the Premises. For purposes of the Lease, a sale of Lessee's capital stock shall not be deemed an assignment, subletting or other transfer of the Lease or the Premises requiring Lessor's consent.

13. Lessor's Access. Lessor and Lessor's agents, except in the case of emergency, shall provide Lessee with twenty-four (24) hours' notice prior to entry of the Premises. Any entry by Lessor and Lessor's agents shall not impair Lessee's operations more than reasonably necessary. Lessor shall not show the Premises to prospective lessees prior to the last ninety (90) days of the Lease term.

14. Rules and Regulations. Lessee shall not be required to comply with any new rule or regulation unless the same applies non-discriminatorily to all occupants of the Industrial Center, does not unreasonably interfere with Lessee's use of the Premises or Lessee's parking rights and does not materially increase the obligations or decrease the rights of Lessee under the Lease.

15. Common Area Reservations. Lessor shall not (a) modify the Common Areas, (b) grant any easements, rights of way, utility raceways or dedications, or (c) record any Parcel Maps or restrictions, if such actions would unreasonably interfere with Lessee's use of the Premises or increase the obligations or decrease the rights of Lessee under the Lease. In taking such actions, Lessor shall at all times use its best efforts to minimize any disruption to Lessee.

16. Options. Lessee shall be entitled to exercise any Option under the Lease and such Option shall be effective so long as Lessee is not in Breach of the Lease at the time of exercise of such option or at the commencement date of the Option term.

17. Approvals. Whenever the lease requires an approval, consent, designation, determination, selection or judgment by either Lessor or Lessee, such approval, consent, designation, determination, selection or judgment and any conditions imposed thereby shall be reasonable and shall not be unreasonably withheld or delayed and, in exercising any right or remedy hereunder, each party shall at all times act reasonably and in good faith.

18. Reasonable Expenditures. Any expenditure by a party permitted or required under the Lease, for which such party is entitled to demand and does demand reimbursement from the other party, shall be limited to the fair market value of the goods and services involved, shall be reasonably incurred and shall be substantiated by documentary evidence available for inspection and review by the other party or its representative during normal business hours.

19. Effect of Addendum. All terms with initial capital letters and herein as defined terms shall have the meanings ascribed to them in the Lease unless specifically defined herein: In the event of any inconsistency between this Addendum and the Lease, the terms of this Addendum shall prevail.

20. Letter dated 1-20-97 addressing packing is attached and made a part hereof.

LESSOR:	LESSEE:
Mr. PAUL E. IACONO	FORMFACTOR, INC. a Delaware Corporation
By: /s/ Paul E. Iocano ----------	By: /s/ Igor Khandros ----------
	Name: Igor Khandros ----------
	Its: CEO ----------

THIRD ADDENDUM

In reference to the contract (Standard Industrial/Commercial Single-Tenant Lease - Net) dated November 20, 1996, covering the premises commonly known as 2140 Research Drive, Livermore, CA 94550 between FORMFACTOR, INC. as Lessee and PAUL E. IACONO as Lessor.

By mutual consent, Paragraph 52 is to be changed to read:

> Landlord hereby grants to tenant two (2) options to extend the lease term for an additional 36 months (from one (1) option to extend).

All other terms and conditions are to remain unchanged.

LESSEE: FormFactor, Inc. DATED: 5/21/97

BY: /s/ Robert T. Netter

Vice President of Finance

LESSEE: FormFactor, Inc. DATED: 6-27-97

BY: /s/ Paul E. Iocano

FOURTH ADDENDUM

6,500 SF PORTION

In reference to the contract (Standard Industrial/Commercial Single -Tenant Lease - Net) dated November 20, 1996 covering the premises commonly known as 2140 Research Drive, Livermore CA 94550 between FORMFACTOR, INC. (a Delaware corporation, as Lessee and PAUL E. IACONO as Lessor.

FIRST OPTION (OF TWO OPTIONS) TO EXTEND LEASE TERM

Per the terms in Paragraph 52 of the subject Lease, Lessee is exercising their first Option to Extend the term for thirty-six (36) months commencing February 1, 2000 (6,500 SF portion).

The new rental rate is as follows:

Month 1 through 36 $6,140.00/Month NNN

ADDITIONAL SECURITY DEPOSIT:

Lessor is now holding $5,600.00 as a security deposit per Paragraph 1.7 and Paragraph 5 per the terms of the November 20, 1996 Lease.

Upon the execution of this Lease extension an additional amount of $575.00 will be submitted as additional security per Paragraph 1.7 and Paragraph 5 which will make the new total of $6,175.00 as a security deposit being held by Lessor.

READ AND AGREED:

LESSOR:	LESSEE:
PAUL E. IACONO	FORMFACTOR, INC.
By: /s/ Paul E. Iacono	BY: /s/ John R. MacKay
Paul E. Iacono Owner	John R. MacKay
	Title Sr. VP Operations
Executed on 6-7-00	Executed on 6/5/00

REALTECH
- ------------------------------
REAL ESTATE SERVICES, INC.

2278 CAMINO RAMON, SUITE 11
SAN RAMON, CA 94583

TELE (510) 806-0666
FAX (510) 806-0668

January 20, 1997

MR. BOB NETTER, C.F.O.
FORMFACTOR, INC.
2130 RESEARCH DRIVE
LIVERMORE, CA 94550

RE: Conference Call of January 14, 1997 between Bob Netter - representative for FormFactor, and Paul Iacono - Building Owner at 2130 & 2140 Research Drive as well as vacant property south of 2140 Research Drive

Dear Bob:

In review of the above subject conference call, the following was agreed to by both parties:

FormFactor will enter into a lease contract for the 6,500 SF portion of 2140 Research Drive. They will be allowed 17 parking spaces located on that property.

In addition to these 17 spaces, FormFactor will be allowed to use the east portion of the parking lot located to the south of 2140 Research Drive on a temporary basis until new building construction commences on that lot or until the owner disposes of the lot.

It is also agreed that should Mr. Iacono build a new structure on the property, he will give FormFactor the first right of refusal to enter into a lease agreeable for this building or a portion thereof. Said first right of refusal shall terminate five (5) business days from the date the offer was made.

Should Mr. Iacono build said building structure and FormFactor opts not to enter into a lease for this building, Mr. Iacono will lease up to 30 parking spaces to FormFactor for their exclusive use for parking purposes, so long as FormFactor is still a Lessee at 2130 or 2140 Research Drive.

The 30 parking space area will be approximately 46' x 300' (13,800 S.F.) including drive around and turning room to access the actual parking stalls.

The monthly rental rate for the 30 parking spaces will be $1,500 per month NNN and include grading, drainage, blacktop paving, striping and concrete bumpers.

As an option, should FormFactor wish to lease this portion of parking area unimproved, for the purpose of vehicle parking, the monthly rental rate will be $700 NNN per month.

It was further agreed that, with the signing of the lease for 2140 Research Drive (6,500 SF portion) and the payment of the first month's rent in advance along with the security deposit, FormFactor will also bring current the rent for the 3,500 SF portion of the building which was agreed to be $1,000

per month since FormFactor's occupancy of May 15, 1996 until the present date and continue to pay $1,000 per month until the electricity is turned on to this suite, at which time the lease contract rental rate of $1,330 per month will take effect per the terms of the lease.

READ AND AGREED TO:

LESSOR:	LESSEE:
FORMFACTOR, INC.	PAUL E. IOCANO
/s/ Robert Netter	By: /s/ Paul E. Iocano
Date: 1/23/97	Date 1-29-97

EXHIBIT "A"

In reference to the contract (Standard Industrial/Commercial Multi-Tenant Lease - -- Modified Net) dated November 19, 1996 covering the premises commonly known as 2140 Research Drive, Livermore, CA 94550 between FORMFACTOR, INC., as Lessee and PAUL E. IACONO as Lessor.

[Proposed Tenant Improvement Chart]

STANDARD INDUSTRIAL/COMMERCIAL MULTI-TENANT
LEASE - MODIFIED NET
AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

1. BASIC PROVISIONS ("BASIC PROVISIONS").

1.1 PARTIES: This Lease ("LEASE"), dated for reference purposes only, April 24, 1997 is made by and between Paul E. Iacono ("LESSOR") and FormFactor, Inc. (a Delaware corporation) ("LESSEE"), (collectively the "PARTIES", or individually a "PARTY").

1.2 (a) PREMISES: That certain portion of the Building, including all improvements therein or to be provided by Lessor under the terms of this Lease, commonly known by the street address of 2142 Research Drive, located in the City of Livermore, County of Alameda, State of California, with zip code 94550, as outlined on Exhibit "A" attached hereto ("PREMISES"). The "BUILDING" is that certain building containing the Premises and generally described as (describe briefly the nature of the Building): approximately 10,000 SF of improved office and warehouse space within a larger building (see Exhibit A). In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, exterior walls or utility raceways of the Building or to any other buildings in the Industrial Center. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the "INDUSTRIAL CENTER." (Also see Paragraph 2.)

1.2 (b) PARKING: ten unreserved vehicle parking spaces ("UNRESERVED PARKING SPACES"); and -0- reserved vehicle parking spaces ("RESERVED PARKING SPACES"). (See also Paragraph 2.6 and Para. 20)

1.3 TERM: 2 years and 6 months ("ORIGINAL TERM") commencing August 1, 1997 ("COMMENCEMENT DATE") and ending January 31, 2000 ("EXPIRATION DATE"). (Also see Paragraph 3).

1.4 EARLY POSSESSION: N/A ("Early Possession Date"). (Also see also Paragraphs 3.2 and 3.3).

1.5 BASE RENT: $5,500.00 per month ("BASE RENT"), payable on the first day of each month commencing August 1, 1997 (Also see also Paragraph 4)

[ ] If this box is checked, this Lease provides for the Base Rent to be adjusted per Addendum ___ attached hereto.

1.6 (a) BASE RENT PAID UPON EXECUTION: $5,500 as Base Rent for the period August 1, 1997 thru August 31, 1997.

1.6 (b) LESSEE'S SHARE OF COMMON AREA OPERATING EXPENSES: Fifty percent (50%) ("Lessee's Share") as determined by [X] prorata square footage of the Premises as compared to the total square footage of the Building or [ ] other criteria as described in Addendum ___.

1.7 SECURITY DEPOSIT: $5,550 ("SECURITY DEPOSIT"). (Also see also Paragraph 5).

1.8 PERMITTED USE: office and manufacturing use and any other lawful use as it relates to the business at 2130 Research Drive. ("PERMITTED USE") (Also see paragraph 6.)

1.9 INSURING PARTY. Lessor is the "INSURING PARTY". (Also see also Paragraph 8.)

1.10 (a) REAL ESTATE BROKERS: The following real estate broker(s) (collectively, the "BROKERS") and brokerage relationships exist in this transaction and are consented to by the Parties (check applicable boxes):

[ ] represents Lessor exclusively ("LESSOR'S BROKER");
[ ] represents Lessee exclusively ("LESSEE'S BROKER"); or
[X] REALTECH Real Estate Services, Inc. represents both Lessor and Lessee ("DUAL AGENCY"). (Also see Paragraph 15.)

1.10 (b) PAYMENT TO BROKERS: Upon execution of this Lease by both Parties, Lessor shall pay to the said Broker(s) jointly, or in such separate shares as they may mutually designate in writing, a fee as set forth in a separate written agreement between Lessor and said Broker(s) (or in the event there is not separate written agreement between Lessor and said Broker(s), the sum of per agreement) for brokerage services rendered by said Broker(s) in connection with this transaction.

1.11 GUARANTOR. The obligations of the Lessee under this Lease are to be guaranteed by N/A ("GUARANTOR"). (Also see Paragraph 37)

1.12 ADDENDA AND EXHIBITS. Attached hereto is an Addendum or Addenda consisting of Paragraphs 49 through 54 and Exhibits A through --, all of which constitute a part of this Lease and a second Addendum, Paragraphs 1 through 19.

2. PREMISES, PARKING AND COMMON AREAS.

2.1 LETTING. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of square footage set forth in this Lease, or that may have been used in calculating rental and/or Common Area Operating Expenses, is an approximation which Lessor and Lessee agree is reasonable and the rental and Lessee's Share (as defined in Paragraph 1.6(b)) based thereon is not subject to revision whether or not the actual square footage is more or less.

2.2 CONDITION. Lessor shall deliver the Premises to Lessee clean and free of debris on the Commencement Date and warrants to Lessee that the existing plumbing, electrical systems, fire sprinkler systems, lighting, air conditioning and heating systems and loading doors, if any, in the Premises, other than those constructed by Lessee, shall be in good operating condition on the Commencement Date. If a non-compliance with said warranty exists as of the Commencement Date, Lessor shall, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within thirty (30) days after the Commencement Date,

correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense.

2.3 COMPLIANCE WITH COVENANTS, RESTRICTIONS AND BUILDING CODE. Lessor warrants that any improvements (other than those constructed by Lessee or at Lessee's direction) on or in the Premises which have been constructed or installed by Lessor or with Lessor's consent or at Lessor's direction shall comply with all applicable covenants or restrictions of record and applicable building codes, regulations and ordinances in effect on the Commencement Date. Lessor further warrants to Lessee that Lessor has no knowledge of any claim having been made by any governmental agency that a violation or violations of applicable building codes, regulations, or ordinances exist with regard to the Premises as of the Commencement Date. Said warranties shall not apply to any Alternations or Utility Installations (defined in Paragraph 7.3(a)) made or to be made by Lessee. If the Premises do not comply with said warranties, Lessor shall, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee given within six (6) months following the Commencement Date and setting forth with specificity the nature and extent of such non-compliance, taken such action, at Lessor's expense, as may be reasonable or appropriate to rectify the non-compliance. Lessor makes no warranty that the Permitted Use in Paragraph 1.8 is permitted for the Premises under Applicable Laws (as defined in Paragraph 2.4).

2.4 ACCEPTANCE OF PREMISES. Lessee hereby acknowledges: (a) that it has been advised by the Broker(s) to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical and fire sprinkler systems, security, environmental aspects, seismic and earthquake requirements, and compliance with the Americans with Disabilities Act and applicable zoning, municipal, county, state and federal laws, ordinances and regulations and any covenants or restrictions of record (collectively, "APPLICABLE LAWS") and the present and future suitability of the Premises for Lessee's intended use; (b) that Lessee has made such investigation as it deems necessary with reference to such matters, is satisfied with reference thereto, and assumes all responsibility therefore as the same relate to Lessee's occupancy of the Premises and/or the terms of this Lease; and (c) that neither Lessor, nor any of Lessor's agents, has made any oral or written representations or warranties with respect to said matters other than set forth in this Lease.

2.5 LESSEE AS PRIOR OWNER/OCCUPANT. The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the date set forth in Paragraph 1.1 Lessee was the owner or occupant of the Premises. In such event, Lessee shall, at Lessee's sole cost and expense, correct any non-compliance of the Premises with said warranties.

2.6 VEHICLE PARKING. Lessee shall be entitled to use the number of Unreserved Parking Spaces and Reserved Parking Spaces specified in Paragraph 1.2(b) on those portions of the Common Areas designated from time to time by Lessor for parking. Lessee shall not use more parking spaces than said number. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called "PERMITTED SIZE VEHICLES." Vehicles other than Permitted Size Vehicles shall be parked and loaded or unloaded as directed by Lessor in the Rules and Regulations (as defined in Paragraph 40) issued by Lessor. (Also see Paragraph 2.9)

(a) Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

(b) If Lessee permits or allows any of the prohibited activities described in this Paragraph 2.6, then Lessor shall have the right, upon reasonable notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.7 COMMON AREAS - DEFINITION. The term "COMMON AREAS" is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Industrial Center and interior utility raceways within the Premises that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other tenants of the Industrial Center and their respective employees, suppliers, shippers, customers, contractors and invitees, including parking areas, loading and unloading areas, trash areas, roadways, sidewalks, walkways, parkways, driveways and landscaped areas.

2.8 COMMON AREAS - LESSEE'S RIGHTS. Lessor hereby grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Industrial Center. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 COMMON AREAS - RULES AND REGULATIONS. Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to establish, modify, amend and enforce reasonable Rules and Regulations with respect thereto in accordance with Paragraph 40. Lessee agrees to abide by and conform to all such Rules and Regulations, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the non-compliance with said Rules and Regulations by other Lessees of the Industrial Center.

2.10 COMMON AREAS - CHANGES. Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the 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;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Industrial Center to be a part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Industrial Center, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Industrial Center as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

3. TERM.

3.1 TERM. The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

3.2 EARLY POSSESSION. If an Early Possession Date is specified in Paragraph 1.4 and if Lessee totally or partially occupies the Premises after the Early Possession Date but prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early occupancy. All other terms of this Lease, however, (including but not limited to the obligations to pay Lessee's Share of Common Area Operating Expenses and to carry the insurance required by Paragraph 8) shall be in effect during such period. Any such early possession shall not affect nor advance the Expiration Date of the Original Term.

3.3 DELAY IN POSSESSION. If for any reason Lessor cannot deliver possession of the Premises to Lessee by the Early Possession Date, if one is specified in Paragraph 1.4, or if no Early Possession Date is specified, by the Commencement Date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease, or the obligations of Lessee hereunder, or extend the term hereof, but in such case, Lessee shall not, except as otherwise provided herein, be obligated to pay rent or perform any other obligation of Lessee under the terms of this Lease until Lessor delivers possession of the Premises to Lessee. If possession of the Premises is not delivered to Lessee within sixty (60) days after the Commencement Date, Lessee may, at its option, by notice in writing to Lessor within 10 days after the end of said sixty (60) day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder; provided further, however, that if such written notice of Lessee is not received by Lessor within said ten (10) day period, Lessee's right to cancel this Lease hereunder shall terminate and be of no further force or effect. Except as may be otherwise provided, and regardless of when the Original Term actually commences, if possession is not tendered to Lessee when required by this Lease and Lessee does not terminate this lease, as aforesaid, the period free of the obligation to pay Base Rent, if any, that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to

the period during which the Lessee would have otherwise enjoyed under the terms hereof, but minus any days of delay caused by the acts, changes or omissions of Lessee.

4. RENT.

4.1 BASE RENT. Lessee shall pay Base Rent and other rent or charges, as the same may be adjusted from time to time, to Lessor in lawful money of the United States, without offset or deduction, on or before the day on which it is due under the terms of this Lease. Base Rent and all other rent and charges for any period during the term hereof which is for less than one full month shall be prorated based upon the actual number of days of the month involved. Payment of Base Rent and other charges shall be made to Lessor at its address stated herein or to such other persons or at such other addresses as Lessor may from time to time designate in writing to Lessee.

4.2 COMMON AREA OPERATING EXPENSES. Lessee shall pay to Lessor during the term hereof, in addition to the Base Rent, Lessee's Share (as specified in Paragraph 1.6(b)) of all Common Area Operating Expenses, as hereinafter defined, during each calendar year of the term of this Lease, in accordance with the following provisions:

(a) "COMMON AREA OPERATING EXPENSES" are defined, for purposes of this Lease, as all costs incurred by Lessor relating to the ownership and operation of the Industrial Center, including, but not limited to, the following:

(i) The operation, repair and maintenance, in neat, clean, good order and condition of the following:

(aa) The Common Areas including parking areas, loading and unloading areas, trash areas, roadways, sidewalks, walkways, parkways, driveways, landscaped areas, striping, bumpers, irrigation systems. Common Area lighting facilities, fences and gates, elevators and roof

(bb) Exterior signs and any tenant directories.

(cc) Fire detection and sprinkler systems.

(ii) The cost of water, gas, electricity and telephone to service the Common Areas.

(iii) Trash disposal, property management and security services and the costs of any environmental inspections.

(iv) Reserves set aside for maintenance and repair of Common Areas.

(v) Real Property Taxes (as defined in Paragraph 10.2) to be paid by Lessor for the Building and the Common Areas under Paragraph 10 hereof.

(vi) The cost of the premiums for the insurance policies maintained by Lessor under Paragraph 8 hereof.

(vii) Any deductible portion of an insured loss concerning the Building or the Common Areas.

(viii) Any other services to be provided by Lessor that are stated elsewhere in this Lease to be a Common Area Operating Expense.

(b) Any Common Area Operating Expenses and Real Property Taxes that are specifically attributable to the Building or to any other building in the Industrial Center or to the operation, repair and maintenance thereof, shall be allocated entirely to the Building or to such other building. However, any Common Area Operating Expenses and Real Property Taxes that are not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Industrial Center.

(c) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(a) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Industrial Center already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(d) Lessee's Share of Common Area Operating Expenses shall be payable by Lessee within thirty (30) days after a reasonably detailed statement of actual expenses is presented to Lessee by Lessor. At Lessor's option, however, an amount may be estimated by Lessor from time to time of Lessee's Share of annual Common Area Operating Expenses and the same shall be payable monthly or quarterly, as Lessor shall designate, during each 12 month period of the Lease term, on the same day as the Base Rent is due hereunder. Lessor shall deliver to Lessee within sixty (60) days after the expiration of each calendar year a reasonably detailed statement showing Lessee's Share of the actual Common Area Operating Expenses incurred during the preceding year. If Lessee's payments under this Paragraph 4.2(d) during said preceding year exceed Lessee's Share as indicated on said statement, Lessor shall be credited the amount of such over-payment against Lessee's Share of Common Area Operating Expenses next becoming due. If Lessee's payments under this Paragraph 4.2(d) during said preceding year were less than Lessee's Share as indicated on such statement, Lessee shall pay to Lessor the amount of the deficiency within thirty (30) days after delivery by Lessor to Lessee of said statement.

5. SECURITY DEPOSIT. Lessee shall deposit with Lessor upon execution hereof the Security Deposit set forth in Paragraph 1.7 as security for Lessee's faithful performance of Lessee's obligations under this Lease. If Lessee fails to pay Base Rent or other rent or charges due hereunder, or otherwise Defaults under this Lease (as defined in Paragraph 13.1), Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, cost, expense, loss or damage (including attorneys' fees) which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of said Security Deposit, Lessee shall within ten (10) days after written request therefore deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. Any time the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor as an

addition to the Security Deposit so that the total amount of the Security Deposit shall at all times bear the same proportion to the then current Base Rent as the initial Security Deposit bears to the initial Base Rent set forth in Paragraph 1.5. Lessor shall not be required to keep all or any part of the Security Deposit separate from its general accounts. Lessor shall, at the expiration or earlier termination of the term hereof and after Lessee has vacated the Premises, return to Lessee (or, at Lessor's option, to the last assignee, if any, of Lessee's interest herein), that portion of the Security Deposit not used or applied by Lessor. Unless otherwise expressly agreed in writing by Lessor, no part of the Security Deposit shall be considered to be held in trust, to bear interest or other increment for its use, or to be prepayment for any monies to be paid by Lessee under this Lease.

6. USE.

6.1 PERMITTED USE.

(a) Lessee shall use and occupy the Premises only for the Permitted Use set forth in Paragraph 1.8, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates waste or a nuisance, or that disturbs owners and/or occupants of, or causes damage to the Premises or neighboring premises or properties.

(b) Lessor hereby agrees to not unreasonably withhold or delay its consent to any written request by Lessee. Lessee's assignees or subtenants, and by prospective assignees and subtenants of Lessee, its assignees and subtenants, for a modification of said Permitted Use, so long as the same will not impair the structural integrity of the improvements on the Premises or in the Building or the mechanical or electrical systems therein, does not conflict with uses by other lessees, is not significantly more burdensome to the Premises or the Building and the improvements thereon, and is otherwise permissible pursuant to this Paragraph 6. If Lessor elects to withhold such consent, Lessor shall within five (5) business days after such request give a written notification of same, which notice shall include an explanation of Lessor's reasonable objections to the change in use.

6.2 HAZARDOUS SUBSTANCES.

(a) REPORTABLE USES REQUIRE CONSENT. The term "HAZARDOUS SUBSTANCE" as used in this Lease 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 Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, crude oil or any products or by-products thereof. Lessee shall not engage in any activity in or about the Premises which constitutes a Reportable Use (as hereinafter defined) of Hazardous Substances without the express prior written consent of Lessor and compliance in a timely manner (at Lessee's sole cost and expense) with all Applicable Requirements (as defined in Paragraph 6.3). "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 Laws require that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may, without Lessor's prior consent, but upon notice to Lessor and in compliance with all Applicable Requirements, use any ordinary and customary materials reasonably required to be used by Lessee in the normal course of the Permitted Use, so long as such use is not a Reportable Use and does not expose the Premises or neighboring properties to any meaningful risk or contamination or damage or expose Lessor to any liability therefore. In addition, Lessor may, (but without any obligation to do so) condition its consent to any Reportable Use of any Hazardous Substance by Lessee upon Lessee's giving Lessor such additional assurances as Lessor, in its reasonable discretion, deems necessary to protect itself, the public, the Premises and the environment against damage, contamination or injury and/or liability therefor, including but not limited to the installation (and, at Lessor's option, removal on or before Lease expiration or earlier termination) of reasonably necessary protective modifications to the Premises (such as concrete encasements) and/or the deposit of an additional Security Deposit under Paragraph 5 hereof.

(b) DUTY TO INFORM LESSOR. If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises or the Building, other than as previously consented to by Lessor, Lessee shall immediately give Lessor 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 private 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. Lessee 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 or sanitary sewer system).

(c) INDEMNIFICATION. Lessee shall indemnify, protect, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, and the Premises, 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 brought onto the Premises by or for Lessee or by anyone under Lessee's control. Lessee's obligations under this Paragraph 6.2(c) shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation (including 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 Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

6.3 LESSEE'S COMPLIANCE WITH REQUIREMENTS. Lessee shall, at Lessee's sole cost and expense, fully, diligently and in a timely manner, comply with all "APPLICABLE

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, and the recommendations of Lessor's engineers and/or consultants relating in any manner to the Premises (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), now in effect of which may hereafter come into effect. Lessee shall, within five (5) days after receipt of Lessor's written request, provide Lessor with copies of all documents and information, including but not limited to permits, registrations, manifests, applications, reports and certificates, evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor 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 Lessee or the Premises to comply with any Applicable Requirements.

6.4 INSPECTION; COMPLIANCE WITH LAW. Lessor, Lessor'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 the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease and all Applicable Requirements (as defined in Paragraph 6.3), and Lessor shall be entitled to employ experts and/or consultants in connection therewith to advise Lessor with respect to Lessee's activities, including but not limited to Lessee's installation, operation, use, monitoring, maintenance, or removal of any Hazardous Substance to or from the Premises. The costs and expenses of any such inspections shall be paid by the party requesting same, unless a Default or Breach of this Lease by Lessee or a violation of Applicable Requirements or a contamination, caused or materially contributed to by Lessee, is found to exist or to be imminent, or unless the inspection is requested or ordered by a governmental authority as the result of any such existing or imminent violation or contamination. In such case, Lessee shall upon request reimburse Lessor or Lessor's Lender, as the case may be, for the costs and expenses of such inspections.

7. MAINTENANCE; REPAIRS, UTILITY INSTALLATIONS; TRADE FIXTURES AND ALTERATIONS.

7.1 LESSEE'S OBLIGATIONS.

(a) Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance with Covenants, Restrictions and Building Code), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole cost and expense and at all times, keep the Premises and every part thereof in good order, condition and repair (whether or not such portion of the Premises requiring repair, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), 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, but excluding any items which are the responsibility of Lessor pursuant to Paragraph 7.2 below. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices. Lessee's 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.

(b) If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after thirty (30) days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, in accordance with Paragraph 13.2 below.

7.2 LESSOR'S OBLIGATIONS. Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance with Covenants, Restrictions and Building Code), 4.2 (Common Area Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler and/or standpipe and hose (if located in the Common Areas) or other automatic fire extinguishing system including the fire alarm and/or smoke detection systems and equipment, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof, as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.2. Lessor shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Lessor be obligated to maintain, repair or replace windows, doors or plate glass of the Premises. Lessee expressly waives the benefit of any statute now or hereafter in effect which would otherwise afford Lessee the right to make repairs at Lessor's expense or to terminate this Lease because of Lessor's failure to keep the Building, Industrial Center or Common Areas in good order, condition and repair.

7.3 UTILITY INSTALLATIONS; TRADE FIXTURES; ALTERATIONS.

(a) DEFINITIONS; CONSENT REQUIRED. The term "UTILITY INSTALLATIONS" is used in this Lease to refer to all air lines, power panels, electrical distribution, security, fire protection systems, communications systems, lighting fixtures, heating, ventilating and air conditioning equipment, plumbing, and fencing in, on or about the Premises. The term "TRADE FIXTURES" shall mean Lessee's machinery and equipment which can be removed without doing material damage to the Premises. The term "ALTERATIONS" shall mean any modification of the improvements on the Premises which are provided by Lessor under the terms of this Lease, other than Utility Installations or Trade Fixtures. "LESSEE-OWNED ALTERATIONS AND/OR UTILITY INSTALLATIONS" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a). Lessee shall not make nor cause to be made any Alterations or Utility Installations in, on, under or about the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations and alteration to the interior of the Premises (excluding the roof) without Lessor's consent but upon notice to Lessor, so long as they are not visible from the outside of the Premises, do not involve puncturing, relocating or removing the roof or any existing walls, or changing or interfering with

the fire sprinkler or fire detection systems and the cumulative cost thereof during the term of this Lease as extended does not exceed $10,000.00.

(b) CONSENT. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. All consents given by Lessor, whether by virtue of Paragraph 7.3(a) or by subsequent specific consent, shall be deemed conditioned upon: (i) Lessee's acquiring all applicable permits required by governmental authorities; (ii) the furnishing of copies of such permits together with a copy of the plans and specifications for the Alteration or Utility Installation to Lessor prior to commencement of the work thereon; and (iii) the compliance by Lessee with all conditions of said permits in a prompt and expeditious manner. Any Alterations or Utility Installations by Lessee during the term of this Lease shall be done in a good and workmanlike manner with good and sufficient materials, and be in compliance with all Applicable Requirements. Lessee shall promptly upon completion thereof furnish Lessor with as-built plans and specifications therefor. Lessor may, (but without obligation to do so) condition its consent to any requested Alteration or Utility Installation that costs $10,000.00 or more upon Lessee's providing Lessor with a lien and completion bond in an amount equal to one and one-half times the estimated cost of such Alteration or Utility Installation.

(c) LIEN PROTECTION. Lessee shall pay when due all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than 10 days' notice prior to the commencement of any work in, on, or about the Premises, and Lessor shall have the right to post notices of non-responsibility in or on the Premises as provided by law. If Lessee shall, in good faith, contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense, defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against the Lessor or the Premises. If Lessor shall require, Lessee shall furnish to Lessor a surety bond satisfactory to Lessor in an amount equal to one and one-half times the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same as required by law for the holding of the Premises free from the effect of such lien or claim. In addition, Lessor may require Lessee to pay Lessor's attorneys' fees and costs in participating in such action if Lessor shall decide it is to its best interest to do so.

7.4 OWNERSHIP; REMOVAL; SURRENDER; AND RESTORATION.

(a) OWNERSHIP. Subject to Lessor's right to require their removal and to cause Lessee to become the owner thereof as hereinafter provided in this Paragraph 7.4, all Alterations and Utility Installations made to the Premises by Lessee shall be the property of and owned by Lessee, but considered a part of the Premises. Lessor may, at any time and at its option, elect in writing to Lessee to be the owner of all or any specified part of the Lessee-Owned Alterations and Utility Installations. Unless otherwise instructed per Subparagraph 7.4(b) hereof, all Lessee-Owned Alterations and Utility Installations shall, at the expiration or earlier termination of this Lease, become the property of Lessor and remain upon the Premises and be surrendered with the Premises by Lessee.

(b) REMOVAL. Unless otherwise agreed in writing, Lessor may require that any or all Lessee-Owned Alterations or Utility Installations be removed by the expiration or earlier termination of this Lease, notwithstanding that their installation may have been consented to by Lessor. Lessor may require the removal at any time of all or any part of any Alterations or Utility Installations made without the required consent of Lessor.

(c) SURRENDER; RESTORATION. Lessee shall surrender the Premises by the end of the last day of the Lease term or any earlier termination date, clean and free of debris and in good operating order, condition and state of repair, ordinary wear and tear excepted. Ordinary wear and tear shall not include any damage or deterioration that would have been prevented by good maintenance practice or by Lessee performing all of its obligations under this Lease. Except as otherwise agreed or specified herein, the Premises, as surrendered, shall include the Alterations and Utility Installations. The obligation of Lessee shall include the repair of any damage occasioned by the installation, maintenance or removal of Lessee's Trade Fixtures, furnishings, equipment, and Lessee-Owned Alterations and Utility Installations, as well as the removal of any storage tank installed by or for Lessee, and the removal, replacement, or remediation of any soil, material or ground water contaminated by Lessee, all as may then be required by Applicable Requirements and/or good practice. Lessee's Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee subject to its obligation to repair and restore the Premises per this Lease.

8. INSURANCE; INDEMNITY.

8.1 PAYMENT OF PREMIUMS. The cost of the premiums for the insurance policies maintained by Lessor under this Paragraph 8 shall be a Common Area Operating Expense pursuant to Paragraph 4.2 hereof. Premiums for policy periods commencing prior to, or extending beyond, the term of this Lease shall be pro-rated to coincide with the corresponding Commencement Date or Expiration Date.

8.2 LIABILITY INSURANCE.

(a) CARRIED BY LESSEE. Lessee shall obtain and keep in force during the term of this Lease a Commercial General Liability policy of insurance protecting Lessee, Lessor and any Lender(s) whose names have been provided to Lessee in writing (as additional insureds) against claims for bodily injury, personal injury and property damage based upon, involving or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "INSURED CONTRACT" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance required by this Lease or as carried by Lessee shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance to be carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

(b) CARRIED BY LESSOR. Lessor shall maintain liability insurance described in Paragraph 8.2(a) above, in addition to and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 PROPERTY INSURANCE - BUILDING, IMPROVEMENTS AND RENTAL VALUE.

(a) BUILDING AND IMPROVEMENTS. Lessor shall obtain and keep in force during the term of this Lease a policy or policies in the name of Lessor, with loss payable to Lessor and to any Lender(s), insuring against loss or damage to the Premises. Such insurance shall be for full replacement cost, as the same shall exist from time to time, or the amount required by any Lender(s), but in no event more than the commercially reasonable and available insurable value thereof if, by reason of the unique nature or age of the improvements involved, such latter amount is less than full replacement cost. Lessee-Owned Alterations and Utility Installations, Trade Fixtures and Lessee's personal property shall be insured by Lessee pursuant to Paragraph 8.4 if the coverage is available and commercially appropriate. Lessor's policy or policies shall insure against all risks or direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for any additional costs resulting from debris removal and reasonable amounts of coverage for the enforcement of any ordinance or law regulating the reconstruction or replacement of any undamaged sections of the Building required to be demolished or removed by reason of the enforcement of any building, zoning, safety or land use laws as the result of a covered loss, but not including plate glass insurance. Said policy or policies shall also contain an agreed valuation provision in lieu of any co-insurance clause, waiver or subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located.

(b) RENTAL VALUE. Lessor shall also obtain and keep in force during the term of this Lease a policy or policies in the name of Lessor, with loss payable to Lessor and any Lender(s), insuring the loss of the full rental and other charges payable by all lessees of the Building to Lessor for one year (including all Real Property Taxes, insurance costs, all Common Area Operating Expenses and any scheduled rental increases). Said insurance may provide that in the event the Lease is terminated by reason of an insured loss, the period of indemnity for such coverage shall be extended beyond the date of the completion of repairs or replacement of the Premises, to provide for one full year's loss of rental revenues from the date of any such loss. Said insurance shall contain an agreed valuation provision in lieu of any co-insurance clause, and the amount of coverage shall be adjusted annually to reflect the projected rental income, Real Property Taxes, insurance premium costs and other expenses, if any, otherwise payable, for the next twelve (12) month period. Common Area Operating Expenses shall include any deductible amount in the event of such loss.

(c) ADJACENT PREMISES. Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Industrial Center if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) LESSEE'S IMPROVEMENTS. Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee-Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

8.4 LESSEE'S PROPERTY INSURANCE. Subject to the requirements of Paragraph 8.5, Lessee at its cost shall either by separate policy or, by endorsement to a policy already carried, maintain insurance coverage on all of Lessee's personal property. Trade Fixtures and Lessee-Owned Alterations and Utility Installations in, on, or about the Premises similar in coverage to that carried by Lessor as the Insuring Party under Paragraph 8.3(a). Such insurance shall be full replacement cost coverage. Upon request from Lessor, Lessee shall provide Lessor with written evidence that such insurance is in force.

8.5 INSURANCE POLICIES. Insurance required hereunder shall be by companies duly licensed to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, or such other rating as may be required by a Lender, as set forth in the most current issue of "Best's Insurance Guide." Lessee shall not do or permit to be done anything which shall invalidate the insurance policies referred to in this Paragraph 8. Lessee shall cause to be delivered to Lessor, within seven (7) days after the earlier of the Early Possession Date or the Commencement Date, certified copies of, or certificates evidencing the existence and amounts of, the insurance required under Paragraph 8.2(a) and 8.4. No such policy shall be cancelable or subject to modification except after thirty (30) days' prior written notice to Lessor. Lessee shall at least thirty (30) days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand.

8.6 WAIVER OF SUBROGATION. Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages (whether in contract or in tort) against the other, for loss or damage to their property arising out of or incident to the perils required to be insured against under Paragraph 8. The effect of such releases and waivers of the right to recover damages shall not be limited by the amount of insurance carried or required, or by any deductibles applicable hereto. Lessor and Lessee agree to have their respective insurance companies issuing property damage insurance waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 INDEMNITY. Except for Lessor's negligence and/or breach of express warranties, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, costs, liens, judgments, penalties, loss of permits, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, any act, omission, or neglect of Lessee, its agents, contractors, employees or invitees, and out of any Default or Breach by Lessee in the performance in a timely manner of any obligation on Lessee's part to be performed under this Lease. The foregoing shall include, but not be limited to, the defense or pursuit of any claim or any action or proceeding involved therein and whether or not (in the case of claims made against Lessor) litigated and/or reduced to judgment. In case any action or proceeding be brought against Lessor by reason of any of the foregoing matters, Lessee

upon notice from Lessor shall defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be so indemnified.

8.8 EXEMPTION OF LESSOR FROM LIABILITY. Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether said injury or damage results from conditions arising upon the Premises or upon other portions of the Building of which the Premises are a part, from other sources or places, and regardless of whether the cause of such damage or injury or the means of repairing the same is accessible or not. Lessor shall not be liable for any damages arising from any act or neglect of any other lessee of Lessor nor from the failure of Lessor to enforce the provisions of any other lease in the Industrial Center other than as a result of Lessor's breach of this Lease or Lessor's gross negligence or intentional misconduct.

9. DAMAGE OR DESTRUCTION.

9.1 DEFINITIONS.

(a) "PREMISES PARTIAL DAMAGE" shall mean damage or destruction to the Premises, other than Lessee-Owned Alterations and Utility Installations, the repair cost of which damage or destruction is less than fifty percent (50%) of the Replacement Cost (as defined in Paragraph 9.1(d)) of the Premises (excluding Lessee-Owned Alterations and Utility Installations and Trade Fixtures) immediately prior to such damage or destruction.

(b) "PREMISES TOTAL DESTRUCTION" shall mean damage or destruction to the Premises, other than Lessee-Owned Alterations and Utility Installations, the repair cost of which damage or destruction is fifty percent (50%) or more of the then Replacement Cost of the Premises (excluding Lessee-Owned Alterations and Utility Installations and Trade Fixtures) immediately prior to such damage or destruction. In addition, damage or destruction to the Building, other than Lessee-Owned Alterations and Utility Instillations and Trade Fixtures of any lessees of the Building, the cost of which damage or destruction is fifty percent (50%) or more of the then Replacement Cost (excluding Lessee-Owned Alterations and Utility Installations and Trade Fixtures of any lessees of the Building), if the Building shall, at the option of Lessor, be deemed to be Premises Total Destruction.

(c) "INSURED LOSS" shall mean damage or destruction to the Premises, other than Lessee-Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) "REPLACEMENT COST" shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the

operation of applicable building codes, ordinances or laws, and without deduction for depreciation.

(e) "HAZARDOUS SUBSTANCE CONDITION" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 PREMISES PARTIAL DAMAGE - INSURED LOSS. If Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee-Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect. In the event, however, that there is a shortage of insurance proceeds and such shortage is due to the fact that, by reason of the unique nature of the improvements in the Premises, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within ten (10) days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said ten (10) day period, Lessor shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If Lessor does not receive such funds or assurance within said period, Lessor may nevertheless elect by written notice to Lessee within ten (10) days thereafter to make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect. If Lessor does not receive such funds or assurance within such ten (10) day period, and if Lessor does not so elect to restore and repair then this Lease shall terminate sixty (60) days following the occurrence of the damage or destruction. Unless otherwise agreed, Lessee shall in no event have any right to reimbursement from Lessor for any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3 rather than Paragraph 9.2, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either party.

9.3 PARTIAL DAMAGE - UNINSURED LOSS. If Premises Partial Damage that is not an Insured Loss occurs, Lessor may at Lessor's option, either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage of Lessor's desire to terminate this Lease as of the date sixty (60) days following the date of such notice. In the event Lessor elects to give such notice of Lessor's intention to terminate this Lease, Lessee shall have the right within ten (10) days after the receipt of such notice to give written notice to Lessor at Lessee's commitment to pay for the repair of such damage totally at Lessee's expense and without reimbursement from Lessor. Lessee shall provide Lessor with the required funds or satisfactory assurance thereof within thirty (30) days following such commitment from Lessee. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the funds or assurance thereof within the times specified above, this Lease shall terminate as of the date specified in Lessor's notice of termination.

9.4 TOTAL DESTRUCTION. Notwithstanding any other provision hereof, if Premises Total Destruction occurs (including any destruction required by any authorized public authority), this Lease shall terminate sixty (60) days following the date of such Premises Total Destruction, whether or not the damage or destruction is an Insured Loss or was caused by a negligent or willful act of Lessee.

9.5 ABATEMENT OF RENT; LESSEE'S REMEDIES.

(a) In the event of (i) Premises Partial Damage or (ii) Hazardous Substance Condition for which Lessee is not legally responsible, the Base Rent, Common Area Operating Expenses and other charges, if any, payable by Lessee hereunder for the period during which such damage or condition, its repair, remediation or restoration continues, shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not in excess of proceeds from insurance required to be carried under Paragraph 8.3(b). Except for abatement of Base Rent, Common Area Operating Expenses and other charges, if any, as aforesaid, all other obligations of Lessee hereunder shall be performed by Lessee, and Lessee shall have no claim against Lessor for any damage suffered by reason of any such damage, destruction, repair, remediation or restoration.

(b) If Lessor shall be obligated to repair or restore the Premises under the provisions of this Paragraph 9 and shall not commence in a substantial and meaningful way, the repair or restoration of the Premises within ninety (90) days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice of Lessee's election to terminate this Lease on a date not less than sixty (60) days following the giving of such notice. If Lessee gives such notice to Lessor and such Lenders and such repair or a restoration is not commenced within thirty (30) days after receipt of such notice, this Lease shall terminate as of the date specified in said notice. If Lessor or a Lender commences the repair or restoration of the Premises within thirty (30) days after receipt of such notice, this Lease shall continue in full force and effect. "Commence" as used in this Paragraph 9.5 shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.6 TERMINATION; ADVANCE PAYMENTS. Upon termination of this Lease pursuant to this Paragraph 9, Lessor shall return to Lessee any advance payment made by Lessee to Lessor and so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor under the terms of this Lease.

9.7 WAIVER OF STATUTES. Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises and the Building with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

10. REAL PROPERTY TAXES.

10.1 PAYMENT OF TAXES. Lessor shall pay the Real Property Taxes, as defined in Paragraph 10.2, applicable to the Industrial Center, and except as otherwise provided in Paragraph 10.3, any such amounts shall be included in the calculation of Common Area Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.2 REAL PROPERTY TAX DEFINITION. As used herein, the term "REAL PROPERTY TAXES" shall include any form of real estate or assessment, general, special, ordinary or extraordinary, and any License fee, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance, personal income or estate taxes) imposed upon the Industrial Center by any authority having the direct or indirect power to tax, including any city, state or federal government, or any school, agricultural, sanitary, fire, street, drainage, or other improvement district thereof, levied against any legal or equitable interest of Lessor in the Industrial Center or any portion thereof, Lessor's right to rent or other income therefrom, and/or Lessor's business of leasing the Premises. The term "REAL PROPERTY TAXES" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring or changes in Applicable Law taking effect during the term of this Lease, including but not limited to, a change in the ownership of the Industrial Center or in the improvements thereon, the execution of this Lease, or any modification, amendment or transfer thereof, and whether or not contemplated by the Parties. In calculating Real Property Taxes for any calendar year, the Real Property Taxes for any real estate tax year shall be included in the calculation of Real Property Taxes for such calendar year based upon the number of days which such calendar year and tax year have in common.

10.3 ADDITIONAL IMPROVEMENTS. Common Area Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Industrial Center by other lessees or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.1 hereof, Lessee shall, however, pay to Lessor at the time Common Area Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request.

10.4 JOINT ASSESSMENT. If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 LESSEE'S PROPERTY TAXES. Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee-Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises or stored within the Industrial Center. When possible, Lessee shall cause its Lessee-Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of

Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within ten (10) days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. UTILITIES. Lessee shall pay directly for utilities and services supplied to the Premises, including but not limited to electricity, telephone, security, gas and cleaning of the Premises, together with any taxes thereon. If any such utilities or services are not separately metered to the Premises or separately billed to the Premises, Lessee shall pay to Lessor a reasonable proportion to be determined by Lessor of all charges jointly metered or billed with other premises in the Building, in the manner and within the time periods set forth in Paragraph 4.2(d).

12. ASSIGNMENT AND SUBLETTING.

12.1 LESSOR'S CONSENT REQUIRED.

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or otherwise transfer or encumber (collectively, "ASSIGN") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent given under and subject to the terms of Paragraph 36.

(b) An assignment or subletting of Lessee's interest in this Lease without Lessor's specific prior written consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1, or a non-curable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unconsented to assignment or subletting as a noncurable Breach, Lessor shall have the right to either: (i) terminate this Lease, or (ii) upon thirty (30) days written notice ("LESSOR'S NOTICE"), increase the monthly Base Rent for the Premises to the greater of the then fair market rental value of the Premises, as reasonably determined by Lessor, or one hundred ten percent (110%) of the Base Rent then in effect. Pending determination of the new fair market rental value, if disputed by Lessee, Lessee shall pay the amount set forth in Lessor's Notice, with any overpayment credited against the next installment(s) of Base Rent coming due, and any underpayment for the period retroactively to the effective date of the adjustment being due and payable immediately upon the determination thereof. Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to the then fair market value as reasonably determined by Lessor (without the Lessee being considered an encumbrance or any deduction for depreciation or obsolescence, and considering the Premises at its highest and best use and in good condition) or one hundred ten percent (110%) of the price previously in effect, (ii) any index-oriented rental or price adjustment formulas contained in this Lease shall be adjusted to require that the base index be determined with reference to the index applicable to the time of such adjustment, and (iii) all fixed rental adjustments scheduled during the remainder of the Lease term shall be increased in the same ratio as the new rental bears to the Base Rent in effect immediately prior to the adjustment specified in Lessor's Notice.

(c) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

12.2 TERMS AND CONDITIONS APPLICABLE TO ASSIGNMENT AND SUBLETTING.

(a) Regardless of Lessor's consent, any assignment or subletting shall not: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Base Rent and other sums due Lessor hereunder or for the performance of any other obligations to be performed by Lessee under this Lease.

(b) Lessor may accept any rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment neither a delay in the approval or disapproval of such assignment nor the acceptance of any rent for performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for the Default or Breach by Lessee of any of the terms, covenants or conditions of this Lease.

(c) The consent of Lessor to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting by Lessee or to any subsequent or successive assignment or subletting by the assignee or sublessee. However, Lessor may consent to subsequent sublettings and assignments of the sublease or any amendments or modifications thereto without notifying Lessee or anyone else liable under this Lease or the sublease and without obtaining their consent, and such action shall not relieve such persons from liability under this Lease or the sublease.

(d) In the event of any Default or Breach of Lessee's obligation under this Lease, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefor to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises for consent which will not be unreasonably withheld. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested by Lessor.

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment or entering into such sublease, be deemed, for the benefit of Lessor, to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

(g) The occurrence of a transaction described in Paragraph 12.2(c) shall give Lessor the right (but not the obligation) to require that the Security Deposit be increased by an amount equal to the new monthly Base Rent, and Lessor may make the actual receipt by Lessor of the Security Deposit increase a condition to Lessor's consent to such transaction.

(h) Lessor, as a condition to giving its consent to any assignment or subletting may require that the amount and adjustment schedule of the rent payable under this Lease be adjusted to the C.P.I.

12.3 ADDITIONAL TERMS AND CONDITIONS APPLICABLE TO SUBLETTING. The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all rentals and income arising from any sublease or all or a portion of the Premises heretofore or hereafter made by Lessee, and Lessor may collect such rent and income and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach (as defined in Paragraph 13.1) shall occur in the performance of Lessee's obligations under this Lease, Lessee may, except as otherwise provided in this Lease, receive, collect and enjoy the rents accruing under such sublease. Lessor shall not, by reason of the foregoing provisions or any assignment of such sublease, nor by reason of the collection of the rents from a sublessee, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee under such Sublease. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor the rents and other charges due and to become due under the Sublease. Sublessee shall rely upon any such statement and request from Lessor and shall pay all rents and other charges to Lessor without any obligation or right to inquire as to whether such Breach exists and notwithstanding any notice from or claim from Lessee to the contrary. Lessee shall have no right or claim against such sublessee, or, until the Breach has been cured, against Lessor, for any such rents and other charges so paid by said sublessee to Lessor.

(b) In the event of a Breach by Lessee in the performance of its obligations under this Lease, Lessor, at its option and without any obligation to do so, may require any sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any other prior defaults or breaches of such sublessor under such sublease.

(c) Any matter or thing requiring the consent of the sublessor under a sublease shall also require the consent of Lessor herein.

(d) No sublessee under a sublease approved by Lessor shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. DEFAULT; BREACH; REMEDIES.

13.1 DEFAULT; BREACH. Lessor and Lessee agree that if an attorney is consulted by Lessor in connection with a Lessee Default or Breach (as hereinafter defined) at a reasonable minimum sun per such occurrence for legal services and costs in the preparation and service of a notice of Default, and that Lessor may include the cost of such services and costs in said notice as rent due and payable to cure said default. A "DEFAULT" by Lessee is defined as a failure by the Lessee to observe, comply with or perform any of the terms, covenants, conditions or rules applicable to Lessee under this Lease. A "BREACH" by Lessee is defined as the occurrence of any one or more of the following Defaults, and, where a grace period for cure after notice is specified herein, the failure of Lessee to cure such Default prior to the expiration of the applicable grace period, and shall entitle Lessor to pursue the remedies set forth in Paragraph 13.2 and/or 13.3:

(a) The vacating of the Premises without the intention to reoccupy same, or the abandonment of the Premises.

(b) Except as expressly otherwise provided in this Lease, the failure by Lessee to make any payment of Base Rent, Lessee's Share of Common Area Operating Expenses, or any other monetary payment required to be made by Lessee hereunder as and when due, the failure of Lessee to provide Lessor with reasonable evidence of insurance or surety bond required under this Lease, or the failure of Lessee to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of five (5) days following written notice thereof by or on behalf of Lessor to Lessee.

(c) Except as expressly otherwise provided in this Lease, the failure by Lessee to provide Lessor with reasonable written evidence (in duly executed original form, if applicable) of (1) compliance with Applicable Requirements per Paragraph 6.3, (ii) the inspection, maintenance and service contracts required under Paragraph 7.1(b), (iii) the rescission of an unauthorized assignment or subletting per Paragraph 12.1, (iv) a Tenancy Statement per Paragraphs 16 or 37, (v) the subordination or non-subordination of this Lease per Paragraph 30, (vi) the guaranty of the performance of Lessee's obligations under this Lease if required under Paragraphs 1.11 and 37 evidence, (vii) the execution of any document requested under Paragraph 42 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of ten (10) business days following written notice to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 40 hereof that are to be observed, complied with or performed by Lessee, other than those described in Subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of thirty (30) days after written notice thereof by or on behalf of Lessor to Lessee; provided, however, that if the nature of Lessee's Default is such that more than thirty (30) days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making by Lessee of any general arrangement or assignment for the benefit of creditors; (ii) Lessee's becoming a "DEBTOR" as defined in 11 U.S.C Code Section 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within sixty (60) days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within thirty (30) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within thirty (30) days; provided, however, in the event that any provision of this Subparagraph 13.1(e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(f) The discovery by Lessor that any financial statement of Lessee or of any Guarantor, given to Lessor by Lessee or any Guarantor, was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within sixty (60) days following written notice by or on behalf of Lessor to Lessee of any such event, to provide Lessor with written alternative assurances of security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 REMEDIES. If Lessee fails to perform any of its affirmative duty or obligation of Lessee under this Lease, within 60 days the time period set forth above after written notice to Lessee (or in case of an emergency, without notice), Lessor may, at its option (but without obligation to do so), perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Lessor shall be due and payable by Lessee to Lessor upon invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made under this Lease by Lessee to be made only by cashier's check in the event of a Breach of this Lease by Lessee (as defined in Paragraph 13.1) with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach: Lessor may:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease and the term hereof shall terminate and Lessee shall immediately surrender possession of the Premises to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the worth at the time of the award of the unpaid rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee

proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco or the Federal Reserve Bank District in which the Premises are located at the time of award plus one percent (1%). Efforts by Lessor to mitigate damages caused by Lessee's Default or Breach of this Lease shall not waive Lessor's right to recover damages under this Paragraph 13.2. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding the unpaid rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit for such rent and/or damages.

(b) Continue the Lease and Lessee's right to possession in effect (in California under California Civil Code Section 1951.4) after Lessee's Breach and recover the rent as it becomes due, provided Lessee has the right to sublet or assign, subject only to reasonable limitations. Lessor and Lessee agree that the limitations on assignment and subletting in this Lease are reasonable. Acts of maintenance or preservation, efforts to relet the Premises, or the appointment of a receiver to protect the Lessor's interest under this Lease, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located.

(d) The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 INDUCEMENT RECAPTURE IN EVENT OF BREACH. Any agreement by Lessor for free or abated rent or other charges applicable to the Premises, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "INDUCEMENT PROVISIONS" shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease to be performed or observed by Lessee during the term hereof as the same may be extended. Upon the occurrence of a breach (as defined in Paragraph 13.1) of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, and recoverable by Lessor, as additional rent due under this Lease, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initialed the operation of this Paragraph 13.3 shall not be deemed a waiver by Lessor of the

provisions of this Paragraph 13.3 unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 LATE CHARGES. Lessee hereby acknowledges that late payment by Lessee to Lessor of rent and other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by the terms of any ground lease, mortgage or deed of trust covering the Premises. Accordingly, if any installment of rent or other sum due from Lessee shall not be received by Lessor or Lessor's designee within ten (10) days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a late charge equal to six percent (6%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of Base Rent, then notwithstanding Paragraph 4.1 or any other provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 BREACH BY LESSOR. Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph 13.5, a reasonable time shall in no event be more than thirty (30) days after receipt by Lessor, and by any Lender(s) whose name and address shall have been furnished to Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligations is such that more than thirty (30) days after such notice are reasonably required for its performance, then Lessor shall not be in breach of this Lease if performance is commenced within such thirty (30) day period and thereafter diligently pursued to completion.

14. CONDEMNATION. If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (all of which are herein called "condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than ten percent (10%) of the floor area of the Premises, or more than twenty-five (25%) of the portion of the Common Areas designated for Lessee's parking, is taken by condemnation, Lessee may, at Lessee's option, to be exercised in writing within ten (10) days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in the same proportion as the rentable floor area of the Premises taken bears to the total rentable floor area of the Premises. No reduction of Base Rent shall occur if the condemnation does not apply to any portion of the Premises. Any award for the taking of all or any part of the Premises under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Lessor, whether such award shall be made as compensation for diminution of value

of the leasehold or for the taking of the fee, or as severance damages; provided, however, that Lessee shall be entitled to any compensation, separately awarded to Lessee for Lessee's relocation expenses an/or loss of Lessee's Trade Fixtures. In the event that this Lease is not terminated by reason of such condemnation, Lessor shall repair any damage to the Premises caused by such condemnation authority.

15. BROKER'S FEES.

15.1 PROCURING CAUSE. The Broker(s) named in Paragraph 1.10 is/are the procuring cause of this Lease.

15.2 ADDITIONAL TERMS. Unless Lessor and Broker(s) have otherwise agreed in writing. Lessor agrees that: (a) if Lessee exercises any Option (as defined in Paragraph 39.1) granted under this Lease or any Option subsequently granted, or (b) if Lessee acquires any rights to the Premises or other premises in which Lessor has an interest, or (c) if Lessee remains in possession of the Premises with the consent of Lessor after the expiration of the term of this Lease after having failed to exercise an Option, or (d) if said Brokers are the procuring cause of any other lease or sale entered into between the Parties pertaining to the Premises and/or any adjacent property in which Lessor has an interest, or (e) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then as to any of said transactions, Lessor shall pay said Broker(s) a fee in accordance with the schedule of said Broker(s) in effect at the time of the execution of this Lease.

15.3 ASSUMPTION OF OBLIGATIONS. Any buyer or transferee of Lessor's interest in this Lease, whether such transfer is by agreement or by operation of law, shall be deemed to have assumed Lessor's obligation under this Paragraph 15. Each Broker shall be an intended third party beneficiary of the provisions of Paragraph 1.10 and of this Paragraph 15 to the extent of its interest in any commission arising from this Lease any may enforce that right directly against Lessor and its successors.

15.4 REPRESENTATIONS AND WARRANTIES. Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder other than as named in Paragraph 1.10(a) in connection with the negotiation of this Lease and/or the consummation of the transaction contemplated hereby, and that no broker or other person, firm or entity other than said named Broker(s) is entitled to any commission of finder's fee in connection with said transaction. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. TENANCY AND FINANCIAL STATEMENTS.

16.1 TENANCY STATEMENT. Each Party (as "RESPONDING PARTY") shall within ten (10) days after written notice from the other Party (the "REQUESTING PARTY") execute, acknowledge and deliver to the Requesting Party a statement in writing containing such information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

16.2 FINANCIAL STATEMENT. If Lessor desires to finance, refinance, or sell the Premises or the Building, or any part thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser designated by Lessor such financial statements of Lessee and such Guarantors as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past three (3) years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. LESSOR'S LIABILITY. The term "LESSOR" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor at the time of such transfer or assignment. Except as provided in Paragraph 15.3, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

18. SEVERABILITY. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. INTEREST ON PAST-DUE OBLIGATIONS. Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor within ten (10) days following the date on which it was due, shall bear interest from the date due at the prime rate charged by the largest state chartered bank in the state in which the Premises are located plus four percent (4%) per annum, but not exceeding the maximum rate allowed by law, in addition to the potential late charge provided for in Paragraph 13.4.

20. TIME OF ESSENCE. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

21. RENT DEFINED. All monetary obligations of Lessee to Lessor under the terms of this Lease are deemed to be rent.

22. NO PRIOR OR OTHER AGREEMENTS; BROKER DISCLAIMER. This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. Each Broker shall be an intended third party beneficiary of the provisions of this Paragraph 22.

23. NOTICES.

23.1 NOTICE REQUIREMENTS. All notices required or permitted by this Lease shall be in writing and may be delivered in person (by hand or by messenger or courier service) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage

prepaid, or by facsimile transmission during normal business hours, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices purposes. Either Party may by written notice to the other specify a different address for notice purposes, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for the purpose of mailing or delivery notices to Lessee. A copy of all notices required or permitted to be given to Lessor hereunder shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate by written notice to Lessee.

23.2 DATE OF NOTICE. Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 3 business day after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given twenty-four (24) hours after delivery of the same to the United States Postal Service or courier. If any notice is transmitted by facsimile transmission or similar means, the same shall be deemed served or delivered upon telephone confirmation of receipt of the transmission thereof, provided a copy is also delivered via delivery or mail. If notice is received on a Saturday or a Sunday or legal holiday, it shall be deemed received on the next business day.

24. WAIVERS. No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. Regardless of Lessor's knowledge of a Default or Breach at the time of accepting rent, the acceptance of rent by Lessor shall not be a waiver of any Default or Breach by Lessee of any provision hereof. Any payment given Lessor by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. RECORDING. Either Lessor or Lessee shall, upon request of the other, execute, acknowledge and deliver to the other a short form memorandum of this Lease for recording purposes. The Party requesting recordation shall be responsible for payment of any fees or taxes applicable thereto.

26. NO RIGHT TO HOLDOVER. Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over in violation of the Paragraph 26 then the Base Rent payable from and after the time of the expiration or earlier termination of this Lease shall be increased to one hundred twenty-five (125%) of the Base Rent applicable during the month immediately preceding such expiration or

earlier termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. CUMULATIVE REMEDIES. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. BINDING EFFECT; CHOICE OF LAW. This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

29. SUBORDINATION; ATTORNMENT; NON-DISTURBANCE.

29.1 SUBORDINATION. This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "SECURITY DEVICE"), now or hereafter placed by Lessor upon the real property of which the Premises are a part, to any and all advances made on the security thereof, and to all renewals, modifications, consolidations, replacements and extensions thereof. Lessee agrees that the Lender's holding any such Security Devices shall have no duty, liability or obligation to perform any of the obligations of Lessor under this Lease, but that in the event of Lessor's default with respect to any such obligation, Lessee will give any Lender whose name and address have been furnished Lessee in writing for such purpose notice of Lessor's default pursuant to Paragraph 13.5. If any Lender shall elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device and shall give written notice thereof to Lessee, this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

29.2 ATTORNMENT. Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (i) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership, (ii) be subject to any offsets or defenses which Lessee might have against any prior lessor, or (iii) be bound by prepayment of more than one month's rent.

29.3 NON-DISTURBANCE. With respect to Security Devices that are currently in effect entered into by Lessor after the execution of this lease, Lessee's subordination of this Lease shall be subject to receiving assurance (a "non-disturbance agreement") from the Lender that Lessee's possession and this Lease, including any options to extent the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises.

29.4 SELF-EXECUTING. The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of Premises. Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any such subordination or non-subordination, attornment and/or non-disturbance agreement as is provided for herein.

30. ATTORNEYS' FEES. If any Party or Broker brings an action or proceeding to enforce the terms hereof or declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, "PREVAILING PARTY" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. Lessor shall be entitled to attorneys' fees, costs and expenses incurred in preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach Broker(s) shall be intended third party beneficiaries of this Paragraph 31.

31. LESSOR'S ACCESS; SHOWING PREMISES; REPAIRS. Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or lessee, and making such alterations, repairs, improvements or additions to the Premises or to the Building, as Lessor may reasonably deem necessary. Lessor may at any time place on or about the Premises or Building any ordinary "FOR SALE" signs and Lessor may at any time during the last one hundred eighty (180) days of the term hereof place or about the Premises any ordinary "FOR LEASE" signs. All such activities of Lessor shall be without abatement of rent or liability to Lessee.

32. AUCTIONS. Lessee shall not conduct, nor permit to be conducted, either voluntarily or involuntarily, any auction upon the Premises without first having obtained Lessor's prior written consent. Notwithstanding anything to the contrary in this Lease, Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to grant such consent.

33. SIGNS. Lessee shall not place any sign upon the exterior of the Premises or the Building, except that Lessee may, with Lessor's prior written consent, install (but not on the roof) such signs as are reasonably required to advertise Lessee's own business so long as such signs are in a location designated by Lessor and comply with Applicable Requirements and the signage criteria established for the Industrial Center by Lessor. The installation of any sign on the Premises by or for Lessee shall be subject to the provisions of Paragraph 7 (Maintenance, Repairs, Utility Installations, Trade Fixtures and Alterations). Unless otherwise expressly agreed herein, Lessor reserves all rights to the use of the roof of the Building, and the right to install advertising signs on the Building, including the roof, which do not unreasonably interfere with the conduct of Lessee's business; Lessor shall be entitled to all revenues from such advertising signs.

34. TERMINATION; MERGER. Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, Lessor shall, in the event of any such surrender, termination or cancellation, have the option to continue any one or all of any existing subtenancies. Lessor's failure within ten (10) days following any such event to make a

written election to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest.

35. CONSENTS.

(a) Except for Paragraph 33 hereof (Auctions) or as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's consent to any act, assignment of this Lease or subletting of the Premises by Lessee shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent.

(b) All conditions to Lessor's consent authorized by this Lease are acknowledged by Lessee as being reasonable. The failure to specify herein any particular condition to Lessor's consent shall not preclude the impositions by Lessor at the time of consent of such further or other conditions as are then reasonably with reference to the particular matter for which consent is being given.

36. GUARANTOR.

36.1 FORM OF GUARANTY. If there are to be any Guarantors of this Lease per Paragraph 1.11, the form of the guaranty to be executed by each such Guarantor shall be in the form most recently published by the American Industrial Real Estate Association, and each such Guarantor shall have the same obligations as Lessee under this lease, including but not limited to the obligation to provide the Tenancy Statement and information required in Paragraph 16.

36.2 ADDITIONAL OBLIGATIONS OF GUARANTOR. It shall constitute a Default of the Lessee under this Lease if any such Guarantor fails or refuses, upon reasonable request by Lessor to give: (a) evidence of the due execution of the guaranty called for by this Lease, including the authority of the Guarantor (and of the party signing on Guarantor's behalf) to obligate such Guarantor on said guaranty, and resolution of its board of directors authorizing the making of such guaranty, together with a certificate of incumbency showing the signatures of the persons authorized to sign on its behalf, (b) current financial statements of Guarantor as may from time to time be requested by Lessor, (c) a Tenancy Statement, or (d) written confirmation that the guaranty is still in effect.

37. QUIET POSSESSION. Upon payment by Lessee of the rent for the Premises and the performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession of the Premises for the entire term hereof subject to all of the provisions of this Lease.

38. OPTIONS.

38.1 DEFINITION. As used in this Lease, the word "OPTION" has the following meaning: (a) the right to extend the term of this Lease or to renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal to lease the Premises or the right of first offer to lease the Premises or the right of first refusal to lease other

property of Lessor or the right of first offer to lease other property of Lessor; (c) the right to purchase Premises, or the right of first refusal to purchase the Premises, or the right of first offer to purchase the Premises, or the right to purchase other property of Lessor, or the right, of first refusal to purchase other property of Lessor, or the right of first offer to purchase other property of Lessor.

38.2 OPTIONS PERSONAL TO ORIGINAL LESSEE. Each Option granted to Lessee in this Lease is personal to the original Lessee named in Paragraph 1.1 hereof, and cannot be voluntarily or involuntarily assigned or exercised by any person or entity other than said original Lessee while the original Lessee is in full and actual possession of the Premises and without the intention of thereafter assigning or subletting. The Options, if any, herein granted to Lessee are not assignable, either as a part of an assignment of this Lease or separately or apart therefrom, and no Option may be separated from this Lease in any manner, by reservation or otherwise.

38.3 MULTIPLE OPTIONS. In the event that Lessee has any multiple Options to extend or renew this Lease, a later option cannot be exercised unless the prior Options to extend or renew this Lease have been validly exercised.

38.4 EFFECT OF DEFAULT ON OPTIONS.

(a) Lessee shall have no right to exercise an Option, notwithstanding any provision in the grant of Option to the contrary: (i) during the period commencing with the giving of any notice of Default under Paragraph 13.1 and continuing until the noticed Default is cured, or (ii) during the period of time any monetary obligation due Lessor from Lessee is unpaid (without regard to whether notice thereof is given Lessee), or (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessor has given to Lessee three (3) or more notices of separate Default under Paragraph 13.1 during the twelve (12) month period immediately preceding the exercise of the Option, whether or not the Defaults are cured.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) All rights of Lessee under the provisions of an Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and during the term of this Lease, (i) Lessee fails to pay to Lessor a monetary obligation of Lessee for a period of thirty (30) days after such obligation becomes due (without any necessity of Lessor to give notice thereof to Lessee), or (ii) Lessor gives to Lessee three (3) or more notices of separate Defaults under Paragraph 13.1 during any twelve (12) month period, whether or not the Defaults are cured, or (iii) if Lessee commits a Breach of this Lease.

39. RULES AND REGULATIONS. Lessee agrees that it will abide by, and keep and observe all reasonable rules and regulations ("Rules and Regulations") which Lessor may make from time to time for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Industrial Center and their invitees.

40. SECURITY MEASURES. Lessee hereby acknowledges that the rental payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

41. RESERVATIONS. Lessor reserves the right, from time to time, to grant, without the consent or joiner of Lessee, such easements, rights of way, utility raceways, and dedications that Lessor deems necessary, and to cause the recordation of parcel maps and restrictions, so long as such easements, rights of way, utility raceways, dedications, maps and restrictions do not reasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate any such easement rights, dedication, map or restrictions.

42. PERFORMANCE UNDER PROTEST. If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay under the provisions of this Lease.

43. AUTHORITY. If either Party hereto is a corporation, trust, or general or limited partnership, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. If Lessee is a corporation, trust or partnership, Lessee shall, within thirty (30) days after request by Lessor, deliver to Lessor evidence satisfactory to Lessor of such authority.

44. CONFLICT. Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

45. OFFER. Preparation of this Lease by either Lessor or Lessee or Lessor's agent or Lessee's agent and submission of same to Lessee or Lessor shall not be deemed an offer to lease. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

46. AMENDMENTS. This Lease may be modified only in writing, signed by the parties in interest at the time of the modification. The Parties shall amend this Lease from time to time to reflect any adjustments that are made to the Base Rent or other rent payable under this Lease. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by an institutional insurance company or pension plan Lender in connection with the obtaining of normal financing or refinancing of the property of which the Premises are a part.

47. MULTIPLE PARTIES. Except as otherwise expressly provided herein, if more than one person or entity is named herein as either Lessor or Lessee, the obligations of such multiple

parties shall be the joint and several responsibility of all persons or entities named herein as such Lessor or Lessee.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

IF THIS LEASE HAS BEEN FILLED IN, IT HAS BEEN PREPARED FOR YOUR ATTORNEY'S REVIEW AND APPROVAL. FURTHER, EXPERTS SHOULD BE CONSULTED TO EVALUATE THE CONDITION OF THE PROPERTY FOR THE POSSIBLE PRESENCE OF ASBESTOS, UNDERGROUND STORAGE TANKS OR HAZARDOUS SUBSTANCES. NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY THE REAL ESTATE BROKERS OR THEIR CONTRACTORS, AGENTS OR EMPLOYEES AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES: THE PARTIES SHALL RELY SOLELY UPON THE ADVICE OF THEIR OWN COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE. IF THE SUBJECT PROPERTY IS IN A STATE OTHER THAN CALIFORNIA, AN ATTORNEY FROM THE STATE WHERE THE PROPERTY IS LOCATED SHOULD BE CONSULTED.

The parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

Executed at: Torrence, CA	Executed at: Livermore, CA
on: 6-27-97	on: May 21, 1997
By LESSOR: PAUL E. IACONO	By LESSEE: FORMFACTOR, INC.
-	-
By: /s/ Paul E. Iocono	By: /s/ Robert Netter
Name Printed: Paul E. Iocono	Name Printed: Bob Netter
Title: Owner	Title: C.F.O. & V.P. Administration
By:	By:
Name Printed:	Name Printed:
Title:	Title:
Address: 2510 W. 237th Street Torrance, CA 90505	Address: 2130 Research Drive Livermore, CA 94550
Telephone: (310) 530-2410	Telephone: (510) 294-4300
Facsimile: (310) 530-0531	Facsimile: (510) 294-8147
BROKER: REALTECH Real Estate Services, Inc.	BROKER: REALTECH Real Estate Services, Inc.
Executed at: San Ramon	Executed at: San Ramon
On: 5-21-97	on:
By: /s/ James M. Gatwood	By: /s/ James M. Gatwood
Name Printed: James M. Gatwood	Name Printed: James M. Gatwood
Title: Broker	Title: Broker
Address: 2278 Camino Ramon, Suite 11 San Ramon, CA 94583	Address: 2278 Camino Ramon, Suite 11 San Ramon, CA 94583
Telephone: (510) 806-0888	Telephone: (510) 806-0888
Facsimile: (510) 806-0668	Facsimile: (510) 806-0668

NOTE: These forms are often modified to meet changing requirements of law and needs of the industry. Always write or call to make sure you are utilizing the most current form: American Industrial Real Estate Association, 345 So. Figueroa St., M-1, Los Angeles, CA 90071. (213) 687-8777.

ADDENDUM "A"

In reference to the contract (Standard Industrial/Commercial Multi-Tenant Lease-Modified Net) dated April 24, 1997 covering the premises commonly known as 2142 Research Drive, Livermore, California 94550 between FormFactor, Inc. as Lessee and PAUL E. IACONO as Lessor.

48. All rent checks and other payment due are to be made payable to and delivered to:

Mail check to:	PAUL E. IACONO
And delivered to:	2510 W. 237th Street, #100 Torrance, CA 90505 (310) 530-2410 (310) 530-0531 (Fax)

49. CARPET MATS

Lessee agrees to provide carpet mats for all chairs with casters used in the carpeted area of the offices.

50. LEASE RENTAL RATE

Month 01 through 30	$5,500.00 NNN

51. OPTION TO EXTEND

Landlord hereby grants to Tenant two (2) options to extend the Lease Term for an additional term of 36 months each option (the "Extension"), on the same terms and conditions as set forth in the Lease, but at an increased rent as set forth below. This Option shall be exercised only by written notice delivered to Landlord at least ninety (90) days before the expiration of the Lease Term. If Tenant fails to deliver Landlord written notice of exercise of Option within the prescribed time period, said Option shall lapse, and there shall be no further right to extend the Lease Term. Option shall be exercisable by Tenant on the express conditions that (a) at the time of the exercise, and at all times prior to the commencement of such Extension, Tenant shall not be in default under any of the provisions of the Lease.

If Lessee exercises the first Option to Extend, the rental rate shall be adjusted as follow:

Beginning Month 31, the above monthly rent shall be adjusted in the same percentage proportion that the Consumer Price Index for Pacific Cities and U.S. Average - All items (1982=100) for the San Francisco Bay Area (Index) published monthly by the U.S. Department of Labor, Bureau of Labor Statistics last published prior to the adjustment date has increased or decreased over the Index last published prior to commencement of this lease. In no ever, however, shall the rent be less than that described above. If the Index is discontinued or revised, such other government index or computation with which

it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index has not been discontinued or revised.

If Lessee exercises the second Option to Extend, the rental rate shall be adjusted as follows:

Beginning the first month of the second option period, the above monthly rent shall be adjusted in the same percentage proportion that the Consumer Price Index for Pacific Cities and U.S. Average - All items (1982=100) for the San Francisco Bay Area (Index) published monthly by the U.S. Department of Labor, Bureau of Labor Statistics last published prior to the adjustment date has increased or decreased over the Index last published prior to commencement of this lease. In no event, however, shall the rent be less than that described above. If the Index is discontinued or revised, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

In reference to the contract (Stand Industrial/Commercial Multi-Tenant Lease-Modified Net) dated April 24, 1997 covering the premises commonly known as 2142 Research Drive, Livermore, California 94550 between FormFactor, Inc., as Lessee and PAUL E. IACONO as Lessor.

52. Upon vacating the premises, the Lessee will remove the existing concrete pad as located on the south side of the building shown on Exhibit A and marked NITRO PAD.

53. Lessee will pay $1,000 to the Lessor with the signing of this lease which represent the deposit required in Para. 12.2(e) in the lease between Masterpiece Quality Products and Paul E. Iacono dated March 23, 1995.

54. Lessor hereby grants to Lessee the right to remove the existing warehouse freezer walls and/or office and/or restroom walls.

Lessee may also, at Lessee's sole cost and expense, remodel and add restrooms and offices and improve the space to include research and development and/or manufacturing.

Notwithstanding anything to the contrary in Paragraphs 7 through 7.4, the Lessee will not be required to demolish their office, restroom and R&D/manufacturing portion of their improvements or bring reconstruction back to the original condition as it exists now.

55. Lessor will make roof repairs to maintain a leak resistant membrane. Any Lessee roof penetrations will be the responsibility of the Lessee.

SECOND ADDENDUM TO STANDARD INDUSTRIAL/
COMMERCIAL MULTI-TENANT LEASE-MODIFIED NET

THIS SECOND ADDENDUM TO STANDARD INDUSTRIAL/COMMERCIAL MULTI-TENNANT LEASE (this "Addendum") is made by and between Mr. Paul E. Iacono ("Lessor") and FormFactor, Inc., a California corporation ("Lessee"), to be a part of that certain Lease Agreement (the "Lease") of even date herewith between Lessor and Lessee concerning space located at 2142 Research Drive, Livermore, California 94550 ("Premises"). Lessor and Lessee agrees that, notwithstanding anything to the contrary in the Lease, the Lease is hereby modified and supplemented as set forth below.

1. Acceptance of Premises. Lessee's acceptance of the Premises shall not be deemed a waiver of Lessee's right to have defects in the Premises or violations of warranties contained in Section 2 of the Lease corrected at no cost to Lessee. Lessee shall give notice to Lessor whenever any such defect or violation becomes reasonable apparent, and Lessor shall correct such defect or violation as soon as practicable at Lessor's sole cost and expense.

2. Common Area Operating Expenses. "Common Area Operating Expenses" shall not include and Lessee shall in no event have any obligation to perform or to pay directly, or to reimburse Lessor for, all or any portion of the following repairs, maintenance, improvements, replacement, premiums, claims, losses, fees, charges, costs and expenses (collectively, "Costs"): (a) Costs occasioned by the act, omission or violation of any Applicable Law by Lessor, any other occupants of the Building, the Industrial Center, or their respective agent, employees or contractors; (b) Costs occasioned by fire, acts of God, or other casualties or by the exercise of the power of eminent domain; (c) Costs to correct any construction defect in the Premises or the Industrial Center or to comply with any Applicable Law on the Commencement Date; (d) Costs of any renovation, improvement, painting or redecorating or any portion of the Industrial Center not made available for Lessee's use; (e) Costs incurred in connection with negotiations or disputes with any other occupant of the Industrial Center and Costs arising from the violation by Lessor or any occupant of the Industrial Center (other than Lessor) of the terms and conditions of any lease or other agreement; (f) insurance costs for coverage not customarily paid by tenants of similar projects in the vicinity of the Premises (including earthquake insurance), insurance deductibles, and co-insurance payments (g) Costs incurred in connection with the presence of any Hazardous Substances, except to the extent caused by the release or emission of the Hazardous Substance in question by Lessee; (h) Costs which could properly be capitalized under generally accepted accounting principles; (i) Costs relating to the repair, maintenance and replacement of the structural elements of the Building and the Industrial Center; (j) interest, charges and fees incurred on debt, payments on mortgages and rent under ground leases; (k) any fee, profit or compensation retained by Lessor or its affiliates for management and administration of the Industrial Center in excess of the management fee which would be charged by the professional management service for operation of comparable projects in the vicinity of the Building; and (1) reserves set aside for maintenance or repair of the Common Areas. The CAM charges shall not be increased by more than 10% per year.

3. Hazardous Substances. To the knowledge of Lessor, (a) no Hazardous Substances are present on the Industrial Center or the soil, surface water or groundwater thereof, (b) no underground storage tanks or asbestos containing building materials are present on the

Industrial Center, and (c) no action, proceeding, or claim is pending or threatened involving the Industrial Center concerning any Hazardous Substances or pursuant to any Applicable laws or Requirements. Under no circumstance shall Lessee be liable for or indemnify Lessor from, and Lessor shall indemnify, defend and hold harmless Lessee, its agents, contractors, stockholders, directors, successors, representatives, and assigns from and against, all losses, costs, claims, liabilities and damages (including attorneys' and consultants' fees) of every type and nature, directly or indirectly arising out of or in connection with any Hazardous Substance present at any time or about the Industrial Center, or the soil, air, improvements, groundwater or surface water thereof, or the violation of any Applicable Laws or Requirements, relating to any such Hazardous Substance, except to the extent that any of the foregoing actually results from the release or emission of Hazardous Substance on or about the Premises during the term of the Lease by Lessee or its agents or employees in violation of Applicable Laws or Requirements.

4. Capital Improvements. If any of Lessee's obligations under the Lease would require Lessee to pay any charge which could be treated as a capital improvement under generally accepted accounting principles, then Lessor shall instead pay such charge, the cost of the improvement shall be amortized over the useful life thereof (as reasonably determined by Lessor), and Lessee shall pay the monthly amortized amount for such improvements for each month of such useful life as it occurs during the term of the Lease.

5. Maintenance Repairs. Lessor shall perform and construct, and Lessee shall have no responsibility to perform, construct or pay for, any repair, maintenance or improvement (a) necessitated by the acts or omissions of Lessor or any other occupant of the Industrial Center, or their respective agents, employees or contractors, (b) required as a consequence of any violation of Applicable Law or construction defect in the Premises or Building as of the Commencement Date, (c) for which Lessor has a right of reimbursement from others, (d) which could be treated as a "capital expenditure" under generally accepted accounting principles, (e) to the heating, ventilating, air conditioning, electrical, water, sewer, and plumbing systems serving the Premises or the Building, and (f) to any portion of the Building outside of the demising walls of the Premises. Notwithstanding the foregoing, Lessee shall pay Lessor's Share of the expenses described in (c) and (f) of the preceding sentence to the extent that such expenses are properly included in Common Area Operating Expenses.

6. Utility Installations, Trade Fixtures, Alterations. Lessee-Owned Alterations and/or Utility Installations and Lessee's trade fixtures, furniture, equipment and other personal property installed in the Premises (Lessee's Property") shall at all times be and remain Lessee's property. Except for Alterations and/or Utility Installations which cannot be removed with structural injury to the Premises, at any time Lessee may remove Lessee's Property from the Premises, provided that Lessee repairs all damage caused by such removal. Upon request, Lessor shall advise Lessee in writing whether it reserves the right to require Lessee to remove any Lessee-Owned Alterations and/or Utility Installations from the Premises upon termination of the Lease.

7. Surrender Restoration. Lessee's obligations to surrender the Premises shall be fulfilled if Lessee surrender possession of the Premises in the condition existing at the

Commencement Date, except ordinary wear and tear, acts of God, casualties, condemnation, Hazardous Substances (other than those released or emitted by Lessee in or about the Premises in violation of Applicable Law) and Alterations with respect to which Lessor has not reserved the right to require removal.

8. Indemnity. Lessor shall not be released or indemnified from, and shall indemnify, defend, protect and hold harmless Lessee from, any damages, liabilities, judgments, actions, claims, attorneys' fees, consultants' fees, payments, costs or expenses arising from the negligence or willful misconduct of Lessor or its agents, contractors, licenses or invitees, Lessor's violation of Applicable Law, or a breach of Lessor's obligations or representations under the Lease.

9. Damages or Destruction. If the Premises are damages by any peril and Lessor does not elect to terminate the Lease or is not entitled to terminate the Lease, Lessee may terminate the Lease, by delivery to Lessor of a written notice, if the Premises cannot be or are not fully repaired by Lessor within ninety (90) days after the damage or destruction. If the Lease is not terminated by Lessor or Lessee as provided herein, Lessor shall restore the Premises to the condition in which they existed immediately prior to the casualty.

10. Real Property Taxes. Lessee shall not be required to pay any portion of any tax or assessment expense (a) levied on Lessor's rental income, unless such tax or assessment expense is imposed in lieu of real property taxes; (b) in excess of the amount which would be payable if such tax or assessment expense were paid in installments over the longest possible term; (c) imposed on land and improvements other than the Industrial Center, (d) attributable to Lessor's net income, inheritance, gift, transfer, franchise, estate or state taxes; or (e) occasioned by or relating to a voluntary or involuntary change of ownership or other conveyance of the Premises occasioned by or relating to a involuntary change of ownership or other conveyance of the Premises.

11. Services and Utilities. Lessor convents that public utilities, including water and electric, will be available in and for the Premises throughout the Lease term.

12. Assignment and Subletting. Lessee, without Lessor's prior written consent and without complying with any of the restrictions of Sections 12 or 36 of the Lease, may sublet the Premises or assign the Lease to: (a) a subsidiary, affiliate, franchisee, division or corporation controlling, controlled by or under common control with Lessee: (b) a successor corporation related to Lessee by merger, consolidation, non-bankruptcy reorganization or government action; or (c) a purchaser of substantially all of Lessee's assets located at the Premises. For purposes of the Lease, a sale of Lessee's capital stock shall not be deemed an assignment, subletting or other transfer of the Lease or the Premises requiring Lessor's consent.

13. Lessor's Access. Lessor and Lessor's agents, except in the case of emergency, shall provide Lessee with twenty-four (24) hours' notice prior to entry of the Premises. Any entry by Lessor and Lessor's agents shall not impair Lessee's operations more than reasonably

necessary. Lessor shall not show the Premises to prospective lessees prior to the last ninety (90) days of the Lease term.

14. Rules and Regulations. Lessee shall not be require to comply with any new rule or regulation unless the same applies non-discriminatorily to all occupants of the Industrial Center, does not unreasonably interfere with Lessee's use of the Premises or Lessee's parking rights and does not materially increase the obligations or decrease the rights of Lessee under the Lease.

15. Common Area Reservations. Lessor shall not (a) modify the Common Areas, (b) grant any easements, rights of way, utility raceways or dedications, or (c) record any Parcel Maps or restrictions, if such actions would unreasonably interfere with Lessee's use of the Premises or increase the obligations or decrease the rights of Lessee under the Lease. In taking such actions, Lessor shall at all times use its best efforts to minimize any disruption to Lessee.

16. Options. Lessee shall be entitled to exercise any Option under the Lease and such Option shall be effective so long as Lessee is not in Breach of the Lease at the time of exercise of such option or at the commencement date of the Option term.

17. Approvals. Whenever the lease requires an approval, consent, designation, determination, selection or judgment by either Lessor or Lessee, such approval, consent, designation, determination, selection or judgment and any conditions imposed thereby shall be reasonable and shall not be unreasonably withheld or delayed and, in exercising any right or remedy hereunder, each party shall at all times act reasonably and in good faith.

18. Reasonably Expenditures. Any expenditure by a party permitted or required under the Lease, for which such party is entitled to demand and does demand reimbursement from the other party, shall be limited to the fair market value of the goods and services involved, shall be reasonably incurred and shall be substantiated by documentary evidence available for inspection and review by the other party or its representative during normal business hours.

19. Effect of Addendum. All terms with initial capital letters and herein as defined terms shall have the meanings ascribed to them in the Lease unless specifically defined herein. In the event of any inconsistency between this Addendum and the Lease, the terms of this Addendum shall prevail.

20. Lessor will provide Lessee with an additional condition to extend the lease term for the 2130 Research Drive and half of 2140 Research Drive facility.

LESSOR	LESSEE:
MR. PAUL E. IACONO	FORMFACTOR, INC. A Delaware corporation
By: /s/ Paul E. Iocono	By: /s/ Robert T. Netter
	Name: Robert T. Netter
	Its: Vice President of Finance

THIRD ADDENDUM
10,000 SF PORTION

In reference to the contract (Standard Industrial/Commercial Multi-Tenant Lease-Modified Net) dated April 24, 1997 covering the premises commonly known as 2142 Research Drive, Livermore, California 94550 between FORMFACTOR, INC. (a Delaware corporation) and Lessee and PAUL E. IACONO as Lessor.

FIRST OPTION (OF TWO OPTIONS) TO EXTEND LEASE TERM

Per the terms in Paragraph 52 of the subject Lease, Lessee is exercising their first Option to Extend the term for thirty-six (36) moths commencing February 1, 2000 (10,000 SF portion).

The new rental rate is as follows:

Month 1 through 36 $5,986.00/Month NNN

Additional Security Deposit

Lessor is now holding $5,550.00 as a security deposit per Paragraph 1.7 and Paragraph 5 per the terms of the April 24, 1997 Lease.

Upon the execution of this Lease extension an additional amount of $465.00 will be submitted as additional security per Paragraph 1.7 and Paragraph 5 which will make the new total of $6,015.00 as a security deposit being held by Lessor.

READ AND AGREED:

LESSOR	LESSEE:
MR. PAUL E. IACONO	FORMFACTOR, INC.
By: /s/ Paul E. Iocono	By: /s/ John R. MacKay
Paul E. Iacono Owner	
	Name Printed: John R. MacKay
	Title: S.VP Operations
Executed on: 6-7-00	Executed on: 6/5/00

EXHIBIT "A"

In reference to the contract (Standard Industrial/Commercial Multi-Tenant Lease - - Modified Net) dated April 24, 1997 covering the premises commonly known as 2142 Research Drive, Livermore, CA 94550 between FormFactor, Inc. as Lessee and PAUL E. IOCONO as Lessor.

EXHIBIT 10.16

AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

STANDARD INDUSTRIAL/COMMERCIAL SINGLE-TENANT LEASE--NET

(Do not use this form for Multi-Tenant Property)

1. BASIC PROVISIONS ("BASIC PROVISIONS")

1.1 PARTIES: This Lease ("LEASE"), dated for reference purposes only, March 12, 1998, is made by and between Richard K. and Pamela Corbett, Robert and Cheryl Rumberger, Connie Duke ("LESSOR") and Form Factor, Inc., a Delaware corporation ("LESSEE"), (collectively the "PARTIES," or individually a "PARTY").

1.2 PREMISES: That certain real property, including all improvements therein or to be provided by Lessor under the terms of this Lease, and commonly known by the street address of 2020 Research Drive, Livermore, located in the County of Alameda, State of California, and generally described as (describe briefly the nature of the property) 10,060 square foot two-story office building located on .864 acres (APN 99A-1500-6-23). The premises shall be repainted on the interior and exterior shall be recarpeted. ("PREMISES"). (See Paragraph 2 for further provisions.)

1.3 TERM: Five (5) and 0 months ("ORIGINAL TERM") commencing April 1, 1998 ("COMMENCEMENT DATE") and ending March 31, 2003 ("EXPIRATION DATE"). (See Paragraph 3 for further provisions.)

1.4 EARLY POSSESSION: N/A ("EARLY POSSESSION DATE"). (See Paragraphs 3.2 and 3.3 for further provisions.)

1.5 BASE RENT: $8,551.00 per month ("BASE RENT"), payable on the first day of each month commencing April 1, 1998. Rent shall increase to $9,149.57 commencing upon April 1, 2000 and to $9,790.04 on April 1, 2002 (See Paragraph 4 for further provisions.) If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted.

1.6 BASE RENT PAID UPON EXECUTION: $8,551.00 as Base Rent for the period April 1, 1998 -- April 30, 1998.

1.7 SECURITY DEPOSIT: $8,551.00 ("SECURITY DEPOSIT"). (See Paragraph 5 for further provisions.)

1.8 PERMITTED USE: office space, laboratory space and other permitted uses (See Paragraph 6 for further provisions.)

1.9 INSURING PARTY: Lessor is the "INSURING PARTY" unless otherwise stated herein. (See Paragraph 8 for further provisions.)

1.10 REAL ESTATE BROKERS: The following real estate brokers (collectively, the "BROKERS") and brokerage relationships exist in this transaction and are consented to by the Parties (check applicable boxes): Colliers Parrish International represents

[ ] Lessor exclusively ("LESSOR'S BROKER"); |X| both Lessor and Lessee, and represents

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ADDENDUM "A" to the contract (Standard Industrial/Commercial Single-Tenant Lease - - Net) dated June 26, 1995 covering the premises commonly known as 2130 Research Drive, Livermore, CA 94550 between FORMFACTOR, INC., as Lessee and PAUL E. IACONO as Lessor.

[ ] Lessee exclusively ("LESSEE'S BROKER"); [ ] both Lessor and Lessor. (See Paragraph 15 for further provisions.)

1.11 GUARANTOR. The obligations of the Lessee under this Lease are to be guaranteed by N/A ("GUARANTOR"). (See Paragraph 37 for further provisions.)

1.12 ADDENDA. Attached hereto is an Addendum or Addenda consisting of Paragraphs N/A through _____ and Exhibits_____ all of which constitute a part of this Lease.

2. PREMISES.

2.1 LETTING. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of square footage set forth in this Lease, or that may have been used in calculating rental, is an approximation which Lessor and Lessee agree is reasonable and the rental based thereon is not subject to revision whether or not the actual square footage is more or less.

2.2 CONDITION. Lessor shall deliver the Premises to Lessee clean and free of debris on the Commencement Date and warrants to Lessee that the existing plumbing, fire sprinkler system, lighting, air conditioning, heating, and loading doors, if any, in the Premises, other than those constructed by Lessee, shall be in good operating condition on the Commencement Date. If a non-compliance with said warranty exists as of the Commencement Date, Lessor shall, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within thirty (30) days after the Commencement Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense.

2.3 COMPLIANCE WITH COVENANTS, RESTRICTIONS AND BUILDING CODE. Lessor warrants to Lessee that the improvements on the Premises comply with all applicable covenants or restrictions of record and applicable building codes, regulations and ordinances in effect on the Commencement Date. Said warranty does not apply to the use to which Lessee will put the Premises or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee. If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within six (6) months following the Commencement Date, correction of that compliance shall be the obligation of the Lessee at Lessee's sole cost and expense.

2.4 ACCEPTANCE OF PREMISES. Lessee hereby acknowledges: (a) that it has been advised by the Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical and fire sprinkler systems, security, environmental aspects, compliance with Applicable Law, as defined in Paragraph 6.3) and the present and future suitability of the Premises for Lessee's intended use, (b) that Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to Lessee's occupancy of the Premises for the term of this Lease, and (c) that neither Lessor, nor any of Lessor's agents, has made any oral or written representations or warranties with respect to the said matters other than as set forth in this Lease.

2.5 LESSEE PRIOR OWNER/OCCUPANT. The warranties made by Lessor in this Paragraph 2 shall be of no force or effect if immediately prior to the date set forth in Paragraph 1.1 Lessee was the owner or occupant of the Premises. In such event, Lessee shall, at Lessee's sole cost and expense, correct any non-compliance of the Premises with said warranties.

3. TERM.

3.1 TERM. The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

ADDENDUM "A" to the contract (Standard Industrial/Commercial Single-Tenant Lease - - Net) dated June 26, 1995 covering the premises commonly known as 2130 Research Drive, Livermore, CA 94550 between FORMFACTOR, INC., as Lessee and PAUL E. IACONO as Lessor.

3.2 EARLY POSSESSION. If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. All other terms of this Lease, however (including but not limited to the obligations to pay Real Property Taxes and insurance premiums and to maintain the Premises) shall be in effect during such period. Any such early possession shall not affect nor advance the Expiration Date of the Original Term.

3.3 DELAY IN POSSESSION. If for an reason Lessor cannot deliver possession of the Premises to Lessee as agreed herein by the Early Possession Date, if one is specified in Paragraph 1.4, or, if no Early Possession Date is specified, by the Commencement Date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease, or the obligations of Lessee hereunder, or extend the term hereof, but in such case, Lessee shall not, except as otherwise provided herein, be obligated to pay rent or perform any other obligation of Lessee under the terms of this Lease until Lessor delivers possession of the Premises to Lessee. If possession of the Premises is not delivered to Lessee within sixty (60) days after the Commencement Date, Lessee may, at its option, by notice in writing to Lessor within ten (10) days thereafter, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder; provided, however, that if such written notice by Lessee is not received by Lessor within said ten (10) days period, Lessee's right to cancel this Lease shall terminate and be of no further force or effect. Except as may be otherwise provided, and regardless of when the term actually commences, if possession is not tendered to Lessee when required by this Lease and Lessee does not terminate this Lease, as aforesaid, the period free of the obligation to pay Base Rent, if any, that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts, changes or omissions of Lessee.

4. RENT.

4.1 BASE RENT. Lessee shall cause payment of Base Rent and other rent or charges, as the same may be adjusted from time to time, to be received by Lessor in lawful money of the United States, without offset or deduction, on or before the day on which it is due under the terms of this Lease. Base Rent and all other rent and charges for any period during the term hereof which is for less than one (1) full calendar month shall be prorated based upon the actual number of days of the calendar month involved. Payment of Base Rent and other charges shall be made to Lessor at its address stated herein or to such other persons or at such other addresses as Lessor may from time to time designate in writing to Lessee.

5. SECURITY DEPOSIT. Lessee shall deposit with Lessor upon execution hereof the Security Deposit set forth in Paragraph 1.7 as security for Lessee's faithful performance of Lessee's obligations under this Lease. If Lessee fails to pay Base Rent or other rent charges due hereunder, or otherwise Defaults under this Lease (as defined in Paragraph 13.1), Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, cost, expense, loss or damage (including attorney's fees) which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of said Security Deposit, Lessee shall within ten (10) days after written request therefor deposit moneys with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. Any time the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional moneys with Lessor sufficient to maintain the same ratio between the Security Deposit and the Base Rent as those amounts are specified in the Basic Provisions. Lessor shall not be required to keep all or any part of the Security Deposit separate from its general accounts. Lessor shall, at the expiration or earlier termination of the term hereof and after Lessee has vacated the Premises, return to Lessee (or, at Lessor's option, to the last assignee, if any, of Lessee's interest herein), that portion of the Security Deposit not used or applied by Lessor. Unless otherwise expressly agreed in writing by Lessor, no part of the Security Deposit shall be considered to be held in trust, to bear interest or other increment for its use, or to be prepayment for any moneys to be paid by Lessee under this Lease.

6. USE.

6.1 USE. Lessee shall use and occupy the Premises only for the purposes set forth in Paragraph 1.8, or any other use which is comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that creates waste or a nuisance, or that disturbs owners and/or occupants of, or causes damage to, neighboring premises or properties. Lessor hereby agrees to not unreasonably withhold or delay its consent to any written request by Lessee, Lessee's assignees or subtenants, and by prospective assignees and subtenants of the Lessee, its assignees and subtenants, for a modification of said permitted purpose for which the Premises may be used or occupied, so long as the same will not impair

the structural integrity of the improvements on the Premises, the mechanical or electrical systems therein, is not significantly more burdensome to the Premises and the improvements thereon, and is otherwise permissible pursuant to this Paragraph 6. If Lessor elects to withhold such consent, Lessor shall within five (5) business days give a written notification of same, which notice shall include an explanation of Lessor's reasonable objections to the change in use.

6.2 HAZARDOUS SUBSTANCES.

(a) REPORTABLE USES REQUIRE CONSENT. The term "HAZARDOUS SUBSTANCE" as used in this Lease 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 liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substance shall include, but not be limited to, hydrocarbons, petroleum, gasoline, crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in, on or about the Premises which constitutes a Reportable Use (as hereinafter defined) of Hazardous Substances without the express prior written consent of Lessor and compliance in a timely manner (at Lessee's sole cost and expense) with all Applicable Law (as defined in Paragraph 6.3). "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. Reportable Use shall also include Lessee's being responsible for the presence in, on or about the Premises of a Hazardous Substance with respect to which any Applicable Law requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may, without Lessor's prior consent, but in compliance with all Applicable Law, use any ordinary and customary materials reasonably required to be used by Lessee in the normal course of Lessee's business permitted on the Premises, so long as such use is not a Reportable Use and does not expose the Premises or neighboring properties to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may (but without any obligation to do so) condition its consent to the use or presence of any Hazardous Substance, activity or storage tank by Lessee upon Lessee's giving Lessor such additional assurances as Lessor, in its reasonable discretion, deems necessary to protect itself, the public, the Premises and the environment against damage, contamination or injury and/or liability therefrom or therefor, including, but not limited to, the installation (and removal on or before Lease expiration or earlier termination) of reasonably necessary protective modifications to the Premises (such as concrete encasements) and/or the deposit of an additional Security Deposit under Paragraph 5 hereof.

(b) DUTY TO INFORM LESSOR. If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance, or a condition involving or resulting from same, has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor. Lessee shall also immediately give Lessor 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 private party, or persons entering or occupying the Premises, concerning the presence, spill, release, discharge of, or exposure to, any Hazardous Substance or contamination in, on, or about the Premises, including but not limited to all such documents as may be involved in any Reportable Uses involving the Premises.

(c) INDEMNIFICATION. Lessee shall indemnify, protect, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, and the Premises, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, costs, claims, liens, expenses, penalties, permits and attorney's and consultant's fees arising out of or involving any Hazardous Substance or storage tank brought onto the Premises by or for Lessee or under Lessee's control. Lessee's obligations under this Paragraph 6 shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation (including consultant's and attorney's 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 Lessor and Lessee shall release Lessee from its obligation under this Lease with respect to Hazardous Substances or storage tanks, unless specifically so agreed by Lessor in writing at the time of such agreement.

ADDENDUM "A" to the contract (Standard Industrial/Commercial Single-Tenant Lease - - Net) dated June 26, 1995 covering the premises commonly known as 2130 Research Drive, Livermore, CA 94550 between FORMFACTOR, INC., as Lessee and PAUL E. IACONO as Lessor.

6.3 LESSEE'S COMPLIANCE WITH LAW. Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole cost and expense, fully, diligently and in a timely manner, comply with all "APPLICABLE LAW," which term is used in this Lease to include all laws, rules, regulations, ordinances, directives, covenants, easements and restrictions of record, permits, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants, relating in any manner to the Premises (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 or storage tank), now in effect or which may hereafter come into effect, and whether or not reflecting a change in policy from any previously existing policy. Lessee shall, within five (5) days after receipt of Lessor's written request, provide Lessor with copies of all documents and information, including, but not limited to, permits, registrations, manifests, applications, reports and certificates, evidencing Lessee's compliance with any Applicable Law specified by Lessor, and shall immediately upon receipt, notify Lessor 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 Lessee or the Premises to comply with any Applicable Law.

6.4 INSPECTION; COMPLIANCE. Lessor and Lessor's Lender(s) (as defined in Paragraph 8.3(a)) shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease and all Applicable Laws (as defined in Paragraph 6.3), and to employ experts and/or consultants in connection therewith and/or to advise Lessor with respect to Lessee's activities, including but not limited to the installation, operation, use, monitoring, maintenance, or removal of any Hazardous Substance or storage tank on or from the Premises. The costs and expenses of any such inspections shall be paid by the party requesting same, unless a Default or Breach of this Lease, violation of Applicable Law, or a contamination, caused or materially contributed to by Lessee is found to exist or be imminent, or unless the inspection is requested or ordered by a governmental authority as a result of any such existing or imminent violation or contamination. In any such case, Lessee shall upon request reimburse Lessor or Lessor's Lender, as the case may be, for the costs and expenses of such inspections for which Lessee is responsible.

7. MAINTENANCE; REPAIRS; UTILITY INSTALLATIONS; TRADE FIXTURES AND ALTERATIONS.

7.1 LESSEE'S OBLIGATIONS.

(a) Subject to the provisions of Paragraph 2.2 (Lessor's warranty as to condition), 2.3 (Lessor's warranty as to compliance with covenants, etc.), 7.2 (Lessor's obligations to repair), 9 (damage and destruction), and 14 (condemnation), Lessee shall, at Lessee's sole cost and expense and at all times, keep the Premises and every part thereof in good order, condition and repair, structural and non-structural (whether or not such portion of the Premises requiring repairs, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, without limiting the generality of the foregoing all equipment or facilities serving the Premises, such as plumbing, heating, air conditioning, ventilating, electrical, lighting facilities, boilers, fired or unfired pressure vessels, fire sprinkler and/or standpipe and hose or other automatic fire extinguishing system, including fire alarm and/or smoke detection systems and equipment, fire hydrants, fixtures, walls (interior and exterior), foundations, ceilings, roofs, floors, windows, doors, plate glass, skylights, landscaping, driveways, parking lots, fences, retaining walls, signs, sidewalks and parkways located in, on, about, or adjacent to the Premises. Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security, and/or monitoring of the Premises, the elements surrounding same, or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance and/or storage tank brought onto the Premises by or for Lessee or under its control. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices. Lessee's 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. If Lessee occupies the Premises for seven (7) years or more, Lessor may require Lessee to repaint the exterior of the buildings on the Premises as reasonably required, but not more frequently than once every seven (7) years.

ADDENDUM "A" to the contract (Standard Industrial/Commercial Single-Tenant Lease - - Net) dated June 26, 1995 covering the premises commonly known as 2130 Research Drive, Livermore, CA 94550 between FORMFACTOR, INC., as Lessee and PAUL E. IACONO as Lessor.

(b) Lessee shall, at Lessee's sole cost and expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in, the inspection, maintenance and service of the following equipment and improvements, if any, located on the Premises: (i) heating, air conditioning and ventilation equipment, (ii) boiler, fired or unfired pressure vessels, (iii) fire sprinkler and/or standpipe and hose or other automatic fire extinguishing systems, including fire alarm and/or smoke detection, (iv) landscaping and irrigation systems, (v) roof covering and drain maintenance and (vi) asphalt and parking lot maintenance.

7.2 LESSOR'S OBLIGATIONS. Except for the warranties and agreements of Lessor contained in Paragraphs 2.2 (relating to condition of the Premises), 2.3 (relating to compliance with covenants, restrictions and building code), 9 (relating to destruction of the Premises) and 14 (relating to condemnation of the Premises), it is intended by the Parties hereto that Lessor have no obligation, in any manner whatsoever, to repair and maintain the Premises, the improvements located thereon, or the equipment therein, whether structural or non structural, all of which obligations are intended to be that of the Lessee under Paragraph 7.1 hereof. It is the intention of the Parties that the terms of this Lease govern the respective obligations of the Parties as to maintenance and repair of the Premises. Lessee and Lessor expressly waive the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease with respect to, or which affords Lessee the right to make repairs at the expense of Lessor or to terminate this Lease by reason of any needed repairs.

7.3 UTILITY INSTALLATIONS; TRADE FIXTURES; ALTERATIONS.

(a) DEFINITIONS; CONSENT REQUIRED. The term "UTILITY INSTALLATIONS" is used in this Lease to refer to all carpeting, window coverings, air lines, power panels, electrical distribution, security, fire protection systems, communication systems, lighting fixtures, heating, ventilating, and air conditioning equipment, plumbing, and fencing in, on or about the Premises. The term "TRADE FIXTURES" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "ALTERATIONS" shall mean any modification of the improvements on the Premises from that which are provided by Lessor under the terms of this Lease, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "LESSEE OWNED ALTERATIONS AND/OR UTILITY INSTALLATIONS" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor as defined in Paragraph 7.4(a). Lessee shall not make any Alterations or Utility Installations in, on, under or about the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof), as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, and the cumulative cost thereof during the term of this Lease as extended does not exceed $25,000.

(b) CONSENT. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with proposed detailed plans. All consents given by Lessor, whether by virtue of Paragraph 7.3(a) or by subsequent specific consent, shall be deemed conditioned upon: (i) Lessee's acquiring all applicable permits required by governmental authorities, (ii) the furnishing of copies of such permits together with a copy of the plans and specifications for the Alteration or Utility Installation to Lessor prior to commencement of the work thereon, and (iii) the compliance by Lessee with all conditions of said permits in a prompt and expeditious manner. Any Alteration or Utility Installations by Lessee during the term of this Lease shall be done in a good and workmanlike manner, with good and sufficient materials, and in compliance with all Applicable Law. Lessee shall promptly upon completion thereof furnish Lessor with as-built plans and specifications therefor. Lessor may (but without obligation to do so) condition its consent to any requested Alteration or Utility Installation that costs $10,000 or more upon Lessee's providing Lessor with a lien and completion bond in an amount equal to one and one-half times the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor under Paragraph 36 hereof.

(c) INDEMNIFICATION. Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanics' or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than ten (10) days' notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility in or on the Premises as provided by law. If Lessee shall, in good faith, contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against the Lessor or the Premises. If Lessor shall require, Lessee shall furnish to Lessor a surety bond satisfactory to Lessor in an

amount equal to one and one-half times the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same, as required by law for the holding of the Premises free from the effect of such lien or claim. In addition, Lessor may require Lessee to pay Lessor's attorney's fees and costs in participating in such action if Lessor shall decide it is to its best interest to do so.

7.4 OWNERSHIP; REMOVAL; SURRENDER; AND RESTORATION.

(a) OWNERSHIP. Subject to Lessor's right to require their removal or become the owner thereof as hereinafter provided in this Paragraph 7.4, all Alterations and Utility Additions made to the Premises by Lessee shall be the property of and owned by Lessee, but considered a part of the Premises. Lessor may, at any time and at its option, elect in writing to Lessee to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per subparagraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or earlier termination of this Lease, become the property of Lessor and remain upon and be surrendered by Lessee with the Premises.

(b) REMOVAL. Unless otherwise agreed in writing, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or earlier termination of this Lease, notwithstanding their installation may have been consented to by Lessor. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent of Lessor.

(c) SURRENDER/RESTORATION. Lessee shall surrender the Premises by the end of the last day of the Lease term or any earlier termination date, with all of the improvements, parts and surfaces thereof clean and free of debris and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice or by Lessee performing all of its obligations under this Lease. Except as otherwise agreed or specified in writing by Lessor, the Premises, as surrendered, shall include the Utility Installations. The obligation of Lessee shall include the repair of any damage occasioned by the installation, maintenance or removal of Lessee's Trade Fixtures, furnishings, equipment, and Alterations and/or Utility Installations, as well as the removal of any storage tanks installed by or for Lessee, and the removal, replacement, or remediation of any soil, material or ground water contaminated by Lessee, all as may then be required by Applicable Law and/or good service practice. Lessee's Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee subject to its obligation to repair and restore the Premises per this Lease.

8. INSURANCE; INDEMNITY.

8.1 PAYMENT FOR INSURANCE. Regardless of whether the Lessor or Lessee is the Insuring Party, Lessee shall pay for all insurance required under this Paragraph 8 except to the extent of the cost attributable to liability insurance carried by Lessor in excess of $1,000,000 per occurrence. Premiums for policy periods commencing prior to or extending beyond the Lease term shall be prorated to correspond to the Lease term. Payment shall be made by Lessee to Lessor within ten (10) days following receipt of an invoice for any amount due.

8.2 LIABILITY INSURANCE.

(a) CARRIED BY LESSEE. Lessee shall obtain and keep in force during the term of this Lease a Commercial General Liability policy of insurance protecting Lessee and Lessor (as an additional insured) against claims for bodily injury, personal injury and property damage based upon, involving or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence with an "Additional Insured-Managers or Lessors of Premises" Endorsement and contain the "Amendment of the Pollution Exclusion" for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance required by this Lease or as carried by Lessee shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance to be

carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

(b) CARRIED BY LESSOR. In the event Lessor is the Insuring Party, Lessor shall also maintain liability insurance described in Paragraph 8.2(a), above, in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 PROPERTY INSURANCE -- BUILDING, IMPROVEMENTS AND RENTAL VALUE.

(a) BUILDING AND IMPROVEMENTS.. The Insuring Party shall obtain and keep in force during the term of this Lease a policy or policies in the name of Lessor with loss payable to Lessor and to the holders of any mortgages, deeds of trust or ground leases on the Premises ("LENDER(s)"), insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full replacement cost of the Premises, as the same shall exist from time to time or the amount required by the Lenders, but in no event more than the commercially reasonable and available insurance value thereof if, by reason of the unique nature or age of the improvements involved, such latter amount is less than full replacement cost. If Lessor is the Insuring Party, however, Lessee Owned Alterations and Utility Installations shall be insured by Lessee under Paragraph 8.4 rather than by Lessor. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for any additional costs resulting from debris removal and reasonable amounts of coverage for the enforcement of any ordinance or law regulating the reconstruction or replacement of any undamaged sections of the Premises required to be demolished or removed by reason of the enforcement of any building, zoning, safety or land use laws as the result of a covered cause of loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $1,000 per occurrence, and Lessee shall be liable for such deductible amount in the event of an Insured Loss, as defined in Paragraph 9.1(c).

(b) RENTAL VALUE. The Insuring Party shall, in addition, obtain and keep in force during the term of this Lease a policy or policies in the name of Lessor, with loss payable to Lessor and Lendor(s), insuring the loss of the full rental and other charges payable by Lessee to Lessor under this Lease for one (1) year (including all real estate taxes, insurance costs, and any scheduled rental increases). Said insurance shall provide that in the event the Lease is terminated by reason of an insured loss, the period of indemnity for such coverage shall be extended beyond the date of the completion of repairs or replacement of the Premises, to provide for one full year's loss of rental revenues from the date of any such loss. Said insurance shall contain an agreed valuation provision in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected rental income, property taxes, insurance premium costs and other expenses, if any, otherwise payable by Lessee, for the next twelve (12) month period. Lessee shall be liable for any deductible amount in the event of such loss.

(c) ADJACENT PREMISES. If the Premises are part of a larger building, or if the Premises are part of a group of buildings owned by Lessor which are adjacent to the Premises, the Lessee shall pay for any increase in the premiums for the property insurance of such building or buildings if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) TENANT'S IMPROVEMENTS. If the Lessor is the Insuring Party, the Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease. If Lessee is the Insuring Party, the policy carried by Lessee under this Paragraph 8.3 shall insure Lessee Owned Alterations and Utility Installations.

8.4 LESSEE'S PROPERTY INSURANCE. Subject to the requirements of Paragraph 8.5, Lessee at its cost shall either by separate policy or, at Lessor's option, by endorsement to a policy already carried, maintain insurance coverage on all of Lessee's personal property, Lessee Owned Alterations and Utility Installations in, on, or about the Premises similar in coverage to that carried by the Insuring Party under Paragraph 8.3. Such insurance shall be full replacement cost coverage

with a deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property or the restoration of Lessee Owned Alterations and Utility Installations. Lessee shall be the Insuring Party with respect to the insurance required by this Paragraph 8.4 and shall provide Lessor with written evidence that such insurance is in force.

8.5 INSURANCE POLICIES. Insurance required hereunder shall be in companies duly licensed to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, or such other rating as may be required by a Lender having a lien on the Premises, as set forth in the most current issue of "Best's Insurance Guide." Lessee shall not do or permit to be done anything which shall invalidate the insurance policies referred to in this Paragraph 8. If Lessee is the Insuring Party, Lessee shall cause to be delivered to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of such insurance with the insureds and loss payable clauses as required by this Lease. No such policy shall be cancellable or subject to modification except after thirty (30) days prior written notice to Lessor. Lessee shall at least thirty (30) days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. If the Insuring Party shall fail to procure and maintain the insurance required to be carried by the Insuring Party under this Paragraph 8, the other Party may, but shall not be required to, procure and maintain the same, but at Lessee's expense.

8.6 WAIVER OF SUBROGATION. Without affecting any other rights or remedies, Lessee and Lessor ("WAIVING PARTY") each hereby release and relieve the other, and waive their entire right to recover damages (whether in contract or in tort) against the other, for loss of or damage to the Waiving Party's property arising out of or incident to the perils required to be insured against under Paragraph 8. The effect of such releases and waivers of the right to recover damages shall not be limited by the amount of insurance carried or required, or by any deductibles applicable thereto.

8.7 INDEMNITY. Except for Lessor's negligence and/or breach of express warranties, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, costs, liens, judgments, penalties, permits, attorney's and consultant's fees, expenses and/or liabilities arising out of, involving, or in dealing with, the occupancy of the Premises by Lessee, the conduct of Lessee's business, any act, omission or neglect of Lessee, its agents, contractors, employees or invitees, and out of any Default or Breach by Lessee in the performance in a timely manner of any obligation on Lessee's part to be performed under this Lease. The foregoing shall include, but not be limited to, the defense or pursuit of any claim or any action or proceeding involved therein, and whether or not (in the case of claims made against Lessor) litigated and/or reduced to judgment, and whether well founded or not. In case any action or proceeding be brought against Lessor by reason of any of the foregoing matters, Lessee upon notice from Lessor shall defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be so indemnified.

8.8 EXEMPTION OF LESSOR FROM LIABILITY. Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the building of which the Premises are a part, or from other sources or places, and regardless of whether the cause of such damage or injury or the means of repairing the same is accessible or not. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of Lessor. Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit therefrom.

9. DAMAGE OR DESTRUCTION.

9.1 DEFINITIONS.

(a) "PREMISES PARTIAL DAMAGE" shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, the repair cost of which damage or destruction is less than 50% of

the then Replacement Cost of the Premises immediately prior to such damage or destruction, excluding from such calculation the value of the land and Lessee Owned Alterations and Utility Installations.

(b) "PREMISES TOTAL DESTRUCTION" shall mean damage or destruction to the Premises, other than Lessee Owned Alterations and Utility Installations the repair cost of which damage or destruction is 50% or more of the then Replacement Cost of the Premises immediately prior to such damage or destruction, excluding from such calculation the value of the land and Lessee Owned Alterations and Utility Installations.

(c) "INSURED LOSS" shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) "REPLACEMENT COST" shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of applicable building codes, ordinances or laws, and without deduction for depreciation.

(e) "HAZARDOUS SUBSTANCE CONDITION" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 PARTIAL DAMAGE -- INSURED LOSS. If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $10,000 or less, and, in such event, Lessor shall make the insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds (except as to the deductible which is Lessee's responsibility) as and when required to complete said repairs. In the event, however, the shortage in proceeds was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within ten (10) days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said ten (10) day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If Lessor does not receive such funds or assurance within said period, Lessor may nevertheless elect by written notice to Lessee within ten (10) days thereafter to make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect. If in such case Lessor does not so elect, then this Lease shall terminate sixty (60) days following the occurrence of the damage or destruction. Unless otherwise agreed, Lessee shall in no event have any right to reimbursement from Lessor for any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3 rather than Paragraph 9.2, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 PARTIAL DAMAGE -- UNINSURED LOSS. If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 13), Lessor may at Lessor's option, either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within thirty (30) days after receipt by Lessor of knowledge of the occurrence of such damage of Lessor's desire to terminate this Lease as of the date sixty (60) days following the giving of such notice. In the event Lessor elects to give such notice of Lessor's intention to terminate this Lease, Lessee shall have the right within ten (10) days after the receipt of such notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage totally at Lessee's expense and without reimbursement from Lessor. Lessee shall provide Lessor with the required funds or satisfactory assurance thereof within thirty (30) days following Lessee's said commitment. In such event this Lease shall continue in full force and effect, and Lessor shall

proceed to make such repairs as soon as reasonably possible and the required funds are available. If Lessee does not give such notice and provide the funds or assurance thereof within the times specified above, this Lease shall terminate as of the date specified in Lessor's notice of termination.

9.4 TOTAL DESTRUCTION. Notwithstanding any other provision hereof, if a Premises Total Destruction occurs (including any destruction required by any authorized public authority), this Lease shall terminate sixty (60) days following the date of such Premises Total Destruction, whether or not the damage or destruction is an insured Loss or was caused by a negligent or willful act of Lessee. In the event, however, that the damage or destruction was caused by Lessee, Lessor shall have the right to recover Lessor's damages from Lessee except as released and waived in Paragraph 8.6.

9.5 DAMAGE NEAR END OF TERM. If at any time during the last six (6) months of the term of this Lease there is damage for which the cost to repair exceeds one (1) month's Base Rent, whether or not an Insured Loss, Lessor may, at Lessor's option, terminate this Lease effective sixty (60) days following the date of occurrence of such damage by giving written notice to Lessee of Lessor's election to do so within thirty (30) days after the date of occurrence of such damage. Provided, however, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, within twenty (20) days following the occurrence of the damage, or before the expiration of the time provided in such option for its exercise, whichever is earlier ("EXERCISE PERIOD"), (i) exercising such option and (ii) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs. If Lessee duly exercises such option during said Exercise Period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's expense repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during said Exercise Period, then Lessor may at Lessor's option terminate this Lease as of the expiration of said sixty (60) day period following the occurrence of such damage by giving written notice to Lessee of Lessor's election to do so within ten (10) days after the expiration of the Exercise Period, notwithstanding any term or provision in the grant of option to the contrary.

9.6 ABATEMENT OF RENT; LESSEE'S REMEDIES.

(a) In the event of damage described in Paragraph 9.2 (Partial Damage -- Insured), whether or not Lessor or Lessee repairs or restores the Premises, the Base Rent, Real Property Taxes, insurance premiums, and other charges, if any, payable by Lessee hereunder for the period during which such damage, its repair or the restoration continues (not to exceed the period for which rental value insurance is required under Paragraph 8.3(b)), shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired. Except for abatement of Base Rent, Real Property Taxes, insurance premiums, and other charges, if any, as aforesaid, all other obligations of Lessee hereunder shall be performed by Lessee, and Lessee shall have no claim against Lessor for any damage suffered by reason of any such repair or restoration.

(b) If Lessor shall be obligated to repair or restore the Premises under the provisions of this Paragraph 9 and shall not commence, in a substantial and meaningful way, the repair or restoration of the Premises within ninety (90) days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice of Lessee's election to terminate this Lease on a date not less than sixty (60) days following the giving of such notice. If Lessee gives such notice to Lessor and such Lenders and such repair or restoration is not commenced within thirty (30) days after receipt of such notice, this Lease shall terminate as of the date specified in said notice. If Lessor or a Lender commences the repair or restoration of the Premises within thirty (30) days after receipt of such notice, this Lease shall continue in full force and effect. "COMMENCE" as used in this Paragraph shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 HAZARDOUS SUBSTANCE CONDITIONS. If a Hazardous Substance Condition occurs, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by Applicable Law and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 13), Lessor may at Lessor's option either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to investigate and remediate such condition exceeds twelve (12) times the then monthly Base Rent or $100,000, whichever is

greater, give written notice to Lessee within thirty (30) days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition of Lessor's desire to terminate this Lease as of the date sixty (60) days following the giving of such notice. In the event Lessor elects to give such notice of Lessor's intention to terminate this Lease, Lessee shall have the right within ten (10) days after the receipt of such notice to give written notice to Lessor of Lessee's commitment to pay for the investigation and remediation of such Hazardous Substance Condition totally at Lessee's expense and without reimbursement from Lessor except to the extent of an amount equal to twelve (12) times the then monthly Base Rent or $100,000,whichever is greater. Lessee shall provide Lessor with the funds required of Lessee or satisfactory assurance thereof within thirty (30) days following Lessee's said commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such investigation and remediation as soon as reasonably possible and the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the times specified above, this Lease shall terminate as of the date specified in Lessor's notice of termination. If a Hazardous Substance Condition occurs for which Lessee is not legally responsible, there shall be abatement of Lessee's obligations under this Lease to the same extent as provided in Paragraph 9.6(a) for a period of not to exceed twelve (12) months.

9.8 TERMINATION -- ADVANCE PAYMENTS. Upon termination of this Lease pursuant to this Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor under the terms of this Lease.

9.9 WAIVE STATUTES. Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

10. REAL PROPERTY TAXES.

10.1 (a) PAYMENT OF TAXES. Lessee shall pay the Real Property Taxes, as defined in Paragraph 10.2, applicable to the Premises during the term of this Lease. Subject to Paragraph 10.1(b), all such payments shall be made at least ten (10) days prior to the delinquency date of the applicable installment. Lessee shall promptly furnish Lessor with satisfactory evidence that such taxes have been paid. If any such taxes to be paid by Lessee shall cover any period of time prior to or after the expiration or earlier termination of the term hereof, Lessee's share of such taxes shall be equitably prorated to cover only the period of time within the tax fiscal year this Lease is in effect, and Lessor shall reimburse Lessee for any overpayment after such proration. If Lessee shall fail to pay any Real Property Taxes required by this Lease to be paid by Lessee, Lessor shall have the right to pay the same, and Lessee shall reimburse Lessor therefor upon demand.

(b) ADVANCE PAYMENT. In order to insure payment when due and before any delinquency of any or all Real Property Taxes, Lessor reserves the right, at Lessor's option, to estimate the current Real Property Taxes applicable to the Premises, and to require such current year's Real Property Taxes to be paid in advance to Lessor by Lessee, either: (i) in a lump sum amount equal to the installment due, at least twenty (20) days prior to the applicable delinquency date, or (ii) monthly in advance with the payment of the Base Rent. If Lessor elects to require payment monthly in advance, the monthly payment shall be that equal monthly amount which, over the number of months remaining before the month in which the applicable tax installment would become delinquent (and without interest thereon), would provide a fund large enough to fully discharge before delinquency the estimated installment of taxes to be paid. When the actual amount of the applicable tax bill is known, the amount of such equal monthly advance payment shall be adjusted as required to provide the fund needed to pay the applicable taxes before delinquency. If the amounts paid to Lessor by Lessee under the provisions of this paragraph are insufficient to discharge the obligations of Lessee to pay such Real Property Taxes as the same become due, Lessee shall pay to Lessor, upon Lessor's demand, such additional sums as are necessary to pay such obligations. All moneys paid to Lessor under this Paragraph may be intermingled with other moneys of Lessor and shall not bear interest. In the event of a Breach by Lessee in the performance of the obligations of Lessee under this Lease, then any balance of funds paid to Lessor under the provisions of the Paragraph may, subject to proration as provided in Paragraph 10.1(a), at the option of Lessor, be treated as an additional Security Deposit under Paragraph 5.

10.2 DEFINITION OF "REAL PROPERTY TAXES." As used herein, the term "REAL PROPERTY TAXES" shall include any form of real estate tax or assessment, general, special, ordinary or extraordinary, and any license fee, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance, personal, income or estate taxes) imposed upon the Premises

by any authority having the direct or indirect power to tax, including any city, state or federal government, or any school, agricultural, sanitary, fire, street, drainage or other improvement district thereof, levied against any legal or equitable interest of Lessor in the Premises or in the real property of which the Premises are a part. Lessor's right to rent or other income therefrom, and/or Lessor's business of leasing the Premises. The term "REAL PROPERTY TAXES" shall also include any tax, fee, levy, assessment or charge, or any increase therein imposed by reason of events occurring, or changes in applicable law taking effect, during the term of this Lease, including but not limited to a change in the ownership of the Premises or in the improvements thereon, the execution of this Lease, or any modification, amendment or transfer thereof, and whether or not contemplated by the Premises.

10.3 JOINT ASSESSMENT. If the Premises are not separately assessed, Lessee's liability shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.4 PERSONAL PROPERTY TAXES. Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations, Utility installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises or elsewhere. When possible, Lessee shall cause its Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said personal property shall be assessed with Lessor's real property. Lessee shall pay Lessor the taxes attributable to Lessee within ten (10) days after receipt of a written statement setting forth the taxes applicable to Lessee's property or, at Lessor's option, as provided in Paragraph 10.1(b).

11. UTILITIES. Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. If any such services are not separately metered to Lessee, Lessee shall pay a reasonable proportion, to be determined by Lessor, of all charges jointly metered with other premises.

12. ASSIGNMENT AND SUBLETTING.

12.1 LESSOR'S CONSENT REQUIRED.

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or otherwise encumber (collectively, "ASSIGNMENT") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent given under and subject to the terms of Paragraph 36.

(b) A change in control of lessee shall constitute an assignment requiring Lessor's consent. The transfer, on a cumulative basis, of twenty-five percent (25%) or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, refinancing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee, as hereinafter defined, by an amount equal to or greater than 25% of such Net Worth of Lessee as it was represented to Lessor at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, at whichever time said Net Worth of Lessee was or is greater, shall be considered an assignment of this Lease by Lessee to which Lessor may reasonably withhold its consent. "NET WORTH OF LESSEE" for purposes of this Lease shall be the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles consistently applied.

(d) An assignment or subletting of Lessee's interest in this Lease without Lessor's specific prior written consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unconsented to assignment or subletting as a noncurable Breach, Lessor shall have the right to either: (i) terminate this Lease, or (ii) upon thirty (30) days written notice ("LESSOR'S NOTICE"), increase the monthly Base Rent to fair market rental value or one hundred ten percent (110%) of the

Base Rent then in effect, whichever is greater. Pending determination of the new fair market rental value, if disputed by Lessee, Lessee shall pay the amount set forth in Lessor's Notice, with any overpayment credited against the next installment(s) of Base Rent coming due, and any underpayment for the period retroactively to the effective date of the adjustment being due and payable immediately upon the determination thereof. Further, in the event of such Breach and market value adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to the then fair market value (without the Lease being considered an encumbrance or any deduction for depreciation or obsolescence, and considering the Premises at its highest and best use and in good condition), or one hundred ten percent (110%) of the price previously in effect, whichever is greater, (ii) any index-oriented rental or price adjustment formulas contained in this Lease shall be adjusted to require that the base index be determined with reference to the index applicable to the time of such adjustment, and (iii) any fixed rental adjustments scheduled during the remainder of the Lease term shall be increased in the same ratio as the new market rental bears to the Base Rent in effect immediately prior to the market value adjustment.

(e) Lessee's remedy for any breach of this Paragraph 12.1 by Lessor shall be limited to compensatory damages and injunctive relief.

12.2 TERMS AND CONDITIONS APPLICABLE TO ASSIGNMENT AND SUBLETTING.

(a) Regardless of Lessor's consent, any assignment or subletting shall not: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Base Rent and other sums due Lessor hereunder or for the performance of any other obligations to be performed by Lessee under this Lease.

(b) Lessor may accept any rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of any rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for the Default or Breach by Lessee of any of the terms, covenants or conditions of this Lease.

(c) The consent of Lessor to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting by Lessee or to any subsequent or successive assignment or subletting by the sublessee. However, Lessor may consent to subsequent sublettings and assignments of the sublease or any amendments or modifications thereto without notifying Lessee or anyone else liable on the Lease or sublease and without obtaining their consent, and such action shall not relieve such persons from liability under this Lease or sublease.

(d) In the event of any Default or Breach of Lessee's obligations under this Lease, Lessor may proceed directly against Lessee, any Guarantors or any one else responsible for the performance of the Lessee's obligations under this Lease, including the sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefore to Lessor, or any security held by Lessor or Lessee.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a non-refundable deposit of $1,000 or ten percent (10%) of the current monthly Base Rent, whichever is greater, as reasonable consideration for Lessor's considering and processing the request for consent. Lessee agrees to provide Lessor such other or additional information and/or documentation as may be reasonable requested by Lessor.

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment or entering into such sublease, be deemed, for the benefit of Lessor, to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented in writing.

ADDENDUM "A" to the contract (Standard Industrial/Commercial Single-Tenant Lease - - Net) dated June 26, 1995 covering the premises commonly known as 2130 Research Drive, Livermore, CA 94550 between FORMFACTOR, INC., as Lessee and PAUL E. IACONO as Lessor.

(g) The occurrence of a transaction described in Paragraph 12.1(c) shall give Lessor the right (but not the obligation) to require that the Security Deposit be increased to an amount equal to six (6) times the then monthly base Rent, and Lessor may make the actual receipt by Lessor the amount required to establish such Security Deposit a condition to Lessor's consent to such transaction.

(h) Lessor, as a condition to giving its consent to any assignment or subletting, may require that the amount and adjustment structure of the rent payable under this Lease be adjusted to what is then the market value and/or adjustment structure for property similar to the Premises as then constituted.

12.3 ADDITIONAL TERMS AND CONDITIONS APPLICABLE TO SUBLETTING. The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all rentals and income arising from any sublease of all or a portion of the Premises heretofore or hereafter made by Lessee, and Lessor may collect such rent and income and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach (as defined in Paragraph 13.1) shall occur in the performance of Lessee's obligations under this Lease, Lessee may, except as otherwise provided in this Lease, receive, collect and enjoy the rents accruing under such sublease. Lessor shall not, by reason of this or any other assignment of such sublease to Lessor, nor by reason of the collection of the rents from a sublessee, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee under such sublease. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor the rents and other charges due and to become due under the sublease. Sublessee shall rely upon any statement and request from Lessor and shall pay such rents and other charges to Lessor without any obligation or right to inquire as to whether such Breach exists and notwithstanding any notice from or claim from Lessee to the contrary. Lessee shall have no right or claim against said sublessee, or, until the Breach has been cured, against Lessor, for any such rents and other charges so paid by said sublessee to Lessor.

(b) In the event of a Breach by Lessee in the performance of its obligations under this Lease, Lessor, at its option and without any obligation to do so, may require any sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any other prior Defaults or Breaches of such sublessor under such sublease.

(c) Any matter or thing requiring the consent of the sublessor under a sublease shall also require the consent of Lessor herein.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. DEFAULT; BREACH; REMEDIES.

13.1 DEFAULT; BREACH. Lessor and Lessee agree that if an attorney is consulted by Lessor in connection with a Lessee Default or Breach (as hereinafter defined), $350 is a reasonable minimum sum per such occurrence for legal services and costs in the preparation and service of a notice of Default, and that Lessor may include the cost of such services and costs in said notice as rent due and payable in cure said Default. A "DEFAULT" is defined as a failure by the Lessee to observe, comply with or perform any of the terms, covenants, conditions or rules applicable to Lessee under this Lease. A "BREACH" is defined as the occurrence of any one or more of the following Defaults, and, where a grace period for cure after notice is

specified herein, the failure by Lessee to cure such Default prior to the expiration of the applicable grace period, shall entitle Lessor to pursue the remedies set forth in Paragraphs 13.2 and/or 13:

(a) The vacating of the Premises without the intention to reoccupy same, or the abandonment of the Premises.

(b) Except as expressly otherwise provided in this Lease, the failure by Lessee to make any payment of Base Rent or any other monetary payment required to be made by Lessee hereunder, whether to Lessor or to a third party, as and when due, the failure by Lessee to provide Lessor with reasonable evidence of insurance or surety bond required under this Lease, or the failure of Lessee to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of three (3) days following written notice thereof by or on behalf of Lessor to Lessee.

(c) Except as expressly otherwise provided in this Lease, the failure by Lessee to provide Lessor with reasonable written evidence (in duly executed original form, if applicable) or (i) compliance with Applicable Law per Paragraph 6.3, (ii) the inspection, maintenance and service contracts required under Paragraph 7.1(b), (iii) the recission of an unauthorized assignment or subletting per Paragraph 12.1(b), (iv) a Tenancy Statement per Paragraphs 16 or 37, (v) the subordination or non-subordination of this Lease per Paragraph 30, (vi) the guaranty of the performance of Lessee's obligations under this Lease if required under Paragraphs 1.11 and 37, (vii) the execution of any document requested under Paragraph 42 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of ten (10) days following written notice by or on behalf of Lessor to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 40 hereof, that are to be observed, complied with or performed by Lessee, other than those described in subparagraphs (a), (b) or (c), above, where such Default continues for a period of thirty (30) days after written notice thereof by or on behalf of Lessor to Lessee; provided, however, that if the nature of Lessee's Default is such that more than thirty (30) days are reasonably required for its cure, then it shall not be deemed to be a Breach of this Lease by Lessee if Lessee commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) The making by Lessee of any general arrangement or assignment for the benefit of creditors, (ii) Lessee's becoming a "debtor" as defined in 11 U.S.C. Section 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within sixty (60) days); (ii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within thirty (30) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within thirty (30) days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(f) The discovery by Lessor that any financial statement given to Lessor by Lessee or any Guarantor of Lessee's obligations hereunder was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a guarantor, (ii) the termination of a guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a guarantor's refusal to honor the guaranty, or (v) a guarantor's breach of its guaranty obligation on an anticipatory breach basis and Lessee's failure, within sixty (60) days following written notice by or on behalf of Lessor to Lessee of any such event, to provide Lessor with written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the guarantors that existed at the time of execution of this Lease.

13.2 REMEDIES. If Lessee fails to perform any affirmative duty or obligation of Lessee under this Lease, within ten (10) days after written notice to Lessee (or in case of emergency, without notice), Lessor may at its option (but without obligation to do so), perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies or governmental licenses, permits or approvals. The costs and expenses of any

such performance by Lessor shall be due and payable by Lessee to Lessor upon invoice therefore. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made under this Lease by Lessee to be made only by cashier's check. In the event of a Breach of this Lease by Lessee, as defined in Paragraph 13.1, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach, Lessor may:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease and the term hereof shall terminate and Lessee shall immediately surrender possession of the Premises to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the worth at the time of the award of the unpaid rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of the leasing commission paid by Lessor applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the prior sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%). Efforts by Lessor to mitigate damages caused by Lessee's Default or Breach of this Lease shall not waive Lessor's right to recover damages under this Paragraph. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding the unpaid rent and damages as are recoverable therein, or Lessor may reserve therein the right to recover all or any part thereof in a separate suit for such rent and/or damages. If a notice and grace period required under subparagraphs 13.1(b), (c) or (d) was not previously given, a notice to pay rent or quit, or to perform or quit, as the case may be, given to Lessee under any statute authorizing the forfeiture of leases for unlawful detainer shall also constitute the applicable notice for grace period purposes required by subparagraphs 13.1(b), (c) or (d). In such case, the applicable grace period under subparagraphs 13.1(b), (c) or (d) and under the unlawful detainer statute shall run concurrently after the one such statutory notice, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession in effect (in California under California Civil Code Section 1951.4) after Lessee's Breach and abandonment and recover the rent as it becomes due, provided Lessee has the right to sublet or assign, subject only to reasonable limitations. See Paragraphs 12 and 36 for the limitations on assignment and subletting which limitations Lessee and Lessor agree are reasonable. Acts of maintenance or preservation, efforts to relet the Premises, or the appointment of a receiver to protect the Lessor's interest under the Lease, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available to Lessor under the laws or judicial decisions of the state wherein the Premises are located.

(d) The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 INDUCEMENT RECAPTURE IN EVENT OF BREACH. Any agreement by Lessor for free or abated rent or other charges applicable to the Premises, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "INDUCEMENT PROVISIONS," shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease to be performed or observed by Lessee during the term hereof as the same may be extended. Upon the occurrence of a Breach of this Lease by Lessee, as defined in Paragraph 13.1, any such inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, and recoverable by Lessor as additional rent due under this Lease,

notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this Paragraph shall not be deemed a waiver by Lessor of the provisions of this Paragraph unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 LATE CHARGES. Lessee hereby acknowledges that late payment by Lessee to Lessor of rent and other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by the terms of any ground lease, mortgage or trust deed covering the Premises. Accordingly, if any installment of rent or any other sum due from Lessee shall not be received by Lessor or Lessor's designee within five (5) days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a late charge equal to six percent (6%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of Base Rent, then notwithstanding Paragraph 4.1 or any other provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 BREACH BY LESSOR. Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph 13.5, a reasonable time shall in no event be less than thirty (30) days after receipt by Lessor, and by the holders of any ground lease, mortgage or deed of trust covering the Premises whose name and address shall have been furnished Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than thirty (30) days after such notice are reasonably required for its performance, then Lessor shall not be in breach of this Lease if performance is commenced within such thirty (30) day period and thereafter diligently pursued to completion.

14. CONDEMNATION. If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (all of which are herein called "CONDEMNATION"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than ten percent (10%) of the floor area of the Premises, or more than twenty-five percent (25%) of the land area not occupied by any building, is taken by condemnation, Lessee may, at Lessee's option, to be exercised in writing within ten (10) days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in the same proportion as the rentable floor area of the Premises taken bears to the total rentable floor area of the building located on the Premises. No reduction of Base Rent shall occur if the only portion of the Premises taken is land on which there is no building. Any award for the taking of all or any part of the Premises under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold or for the taking of the fee, or as severance damages; provided, however, that Lessee shall be entitled to any compensation separately awarded to Lessee for Lessee's relocation expenses and/or loss of Lessee's Trade Fixtures. In the event that this Lease is not terminated by reason of such condemnation, Lessor shall to the extent of its net severance damages received, over and above the legal and other expenses incurred by Lessor in the condemnation matter, repair any damage to the Premises caused by such condemnation, except to the extent that Lessee has been reimbursed therefore by the condemning authority. Lessee shall be responsible for the payment of any amount in excess of such net severance damages required to complete such repair.

15. BROKER'S FEE.

15.1 The Broker's named in Paragraph 1.10 are the procuring causes of this Lease.

15.2 Upon execution of this Lease by both Parties, Lessor shall pay to said Brokers jointly, or in such separate shares as they may mutually designate in writing, a fee as set forth in a separate written agreement between Lessor and said Brokers

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(or in the event there is no separate written agreement between Lessor and said Brokers, the sum of $_15,000.00_ per agreement) for brokerage services rendered by said Brokers to Lessor in this transaction.

15.3 Unless Lessor and Brokers have otherwise agreed in writing, Lessor further agrees that: (a) if Lessee exercises any Option (as defined in Paragraph 39.1) or any Option subsequently granted which is substantially similar to an Option granted to Lessee in this Lease, or (b) if Lessee acquires any rights to the Premises or other premises described in this Lease which are substantially similar to what Lessee would have acquired had an Option herein granted to Lessee been exercised, or (c) if Lessee remains in possession of the Premises, with the consent of Lessor, after the expiration of the term of this Lease after having failed to exercise an Option, or (d) if said Brokers are the procuring cause of any other lease or sale entered into between the Parties pertaining to the Premises and/or any adjacent property in which Lessor has an interest, or (e) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then as to any of said transactions, Lessor shall pay said Brokers a fee in accordance with the schedule of said Brokers in effect at the time of the execution of this Lease.

15.4 Any buyer or transferee of Lessor's interest in this Lease, whether such transfer is by agreement or by operation of law, shall be deemed to have assumed Lessor's obligation under this Paragraph 15. Broker shall be a third party beneficiary of the provisions of this Paragraph 15 to the extent of its interest in any commission arising from this Lease and may enforce that right directly against Lessor and its successors.

15.5 Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any named in Paragraph 1.10) in connection with the negotiation of this Lease and/or the consummation of the transaction contemplated hereby, and that no broker or other person, firm or entity other than said named Brokers is entitled to any commission or finder's fee in connection with said transaction. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

15.6 Lessor and Lessee hereby consent to and approve all agency relationships, including any dual agencies, indicated in Paragraph 1.10.

16. TENANCY STATEMENT.

16.1 Each Party (as "RESPONDING PARTY") shall within ten (10) days after written notice from the other Party (the "REQUESTING PARTY") execute, acknowledge and deliver to the Requesting party a statement in writing in form similar to the then most current "TENANCY STATEMENT" form published by the American Industrial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

16.2 If Lessor desires to finance, refinance or sell the Premises, any part thereof, or the building of which the Premises are a part, Lessee and all Guarantors of Lessee's performance hereunder shall deliver to any potential lender or purchaser designated by Lessor such financial statements of Lessee and such Guarantors as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past three (3) years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. LESSOR'S LIABILITY. The term "LESSOR" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or in this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor at the time of such transfer or assignment. Except as provided in Paragraph 15, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinafter defined.

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18. SEVERABILITY. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. INTEREST ON PAST-DUE OBLIGATIONS. Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor within thirty (30) days following the date on which it was due, shall bear interest from the thirty-first (31st) day after it was due at the rate of 12% per annum, but not exceeding the maximum rate allowed by law, in addition to the late charge provided for in Paragraph 13.4

20. TIME OF ESSENCE. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

21. RENT DEFINED. All monetary obligations of Lessee to Lessor under the terms of this Lease are deemed to be rent.

22. NO PRIOR OR OTHER AGREEMENTS; BROKER DISCLAIMER. This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party.

23. NOTICES.

23.1 All notices required or permitted by this Lease shall be in writing and may be delivered in person (by hand or by messenger or courier service) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notice purposes. Either Party may by written notice to the other specify a different address for notice purposes, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for the purpose of mailing or delivering notices to Lessee. A copy of all notices required or permitted to be given to Lessor hereunder shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate by written notice to Lessee.

23.2 Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given forty-eight (48) hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantees next day delivery shall be deemed given twenty-four (24) hours after delivery of the same to the United States Postal Service or courier. If any notice is transmitted by facsimile transmission or similar means, the same shall be deemed served or delivered upon telephone confirmation of receipt of the transmission thereof, provided a copy is also delivered via delivery or mail. If notice is received on a Sunday or legal holiday, it shall be deemed received on the next business day.

24. WAIVERS. No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. Regardless of Lessor's knowledge of a Default or Breach at the time of accepting rent, the acceptance of rent by Lessor shall not be a waiver of any preceding Default or Breach by Lessee of any provision hereof, other than the failure of Lessee to pay the particular rent so accepted. Any payment given Lessor by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

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25. RECORDING. Either Lessor or Lessee shall, upon request of the other, execute, acknowledge and deliver to the other a short form memorandum of this Lease for recording purposes. The Party requesting recordation shall be responsible for payment of any fees or taxes applicable thereto.

26. NO RIGHT TO HOLDOVER. Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or earlier termination of this Lease.

27. CUMULATIVE REMEDIES. No remedy or election hereunder shall be deemed exclusive but shall, whenever possible, be cumulative with all other remedies at law or in equity.

28. COVENANTS AND CONDITIONS. All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions.

29. BINDING EFFECT; CHOICE OF LAW. This Lease shall be binding upon the parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. SUBORDINATION; ATTORNMENT; NON-DISTURBANCE.

30.1 SUBORDINATION. This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "SECURITY DEVICE"), now or hereafter placed by Lessor upon the real property of which the Premises are a part, to any and all advances made on the security thereof, and to all renewals, modifications, consolidations, replacements and extensions thereof. Lessee agrees that the Lenders holding any such Security Device shall have no duty, liability or obligation to perform any of the obligations of Lessor under this Lease, but in the event of Lessor's default with respect to such obligation, Lessee will given any Lender whose name and address have been furnished Lessee in writing for such purpose notice of Lessor's default and allow such Lender thirty (30) days following receipt of such notice for the cure of said default before invoking any remedies Lessee may have by reason thereof. If any Lender shall elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device and shall give written notice thereof to Lessee, this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 ATTORNMENT. Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (i) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership, (ii) be subject to any offsets or defenses which Lessee might have against any prior lessor, or (iii) be bound by prepayment of more than one (1) month's rent.

30.3 NON-DISTURBANCE. With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving assurance (a "NON-DISTURBANCE AGREEMENT") from the Lender that Lessee's possession and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises.

30.4 SELF-EXECUTING. The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any such subordination or non-subordination, attornment and/or non-disturbance agreement as is provided for herein.

31. ATTORNEY'S FEES. If any Party or Broker brings an action or proceeding to enforce the terms hereof or declare rights hereunder, the Prevailing Party (as hereafter defined) or Broker in any such proceeding, action or appeal thereon, shall be entitled to reasonable attorney's fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term "PREVAILING PARTY," shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by

compromise, settlement, judgment, or the abandonment by the other party or Broker of its claim or defense. The attorney's fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorney's fees reasonably incurred. Lessor shall be entitled to attorney's fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach.

32. LESSOR'S ACCESS; SHOWING PREMISES; REPAIRS. Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders or lessees, and making such alterations, repairs, improvements or additions to the Premises or to the building of which they are a part, as Lessor may reasonably deem necessary. Lessor may at any time place on or about the Premises or building any ordinary "For Sale" signs and Lessor may at any time during the last one hundred twenty (120) days of the term hereof place on or about the Premises any ordinary "For Lease" signs. All such activities of Lessor shall be without abatement of rent or liability to Lessee.

33. AUCTIONS. Lessee shall not conduct, nor permit to be conducted, either voluntarily or involuntarily, any auction upon the Premises without first having obtained Lessor's prior written consent. Notwithstanding anything to the contrary in this Lease, Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to grant such consent.

34. SIGNS. Lessee shall not place any sign upon the Premises, except that Lessee may, with Lessor's prior written consent, install (but not on the roof) such signs as are reasonably required to advertise Lessee's own business. The installation of any sign on the Premises by or for Lessee shall be subject to the provisions of Paragraph 7 (Maintenance, Repairs, Utility Installations, Trade Fixtures and Alterations). Unless otherwise expressly agreed herein, Lessor reserves all rights to the use of the roof and the right to install, and all revenues from the installation of, such advertising signs on the Premises, including the roof, as do not unreasonably interfere with the conduct of Lessee's business.

35. TERMINATION; MERGER. Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, Lessor shall, in the event of any such surrender, termination or cancellation, have the option to continue any one or all of any existing subtenancies. Lessor's failure within ten (10) days following any such event to make a written election to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest.

36. CONSENTS.

(a) Except for Paragraph 33 hereof (Auctions) or as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' or other consultants fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent pertaining to this Lease or the Premises, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, practice or storage tank, shall be paid by Lessee to Lessor upon receipt of an invoice and supporting documentation therefore. Subject to Paragraph 12.2(e) (applicable to assignment or subletting) Lessor may, as a condition to considering any such request by Lessee, require that Lessee deposit with Lessor an amount of money (in addition to the Security Deposit held under Paragraph 5) reasonably calculated by Lessor to represent the cost Lessor will incur in considering and responding to Lessee's request. Except as otherwise provided, any unused portion of said deposit shall be refunded to Lessee without interest. Lessor's consent to any act, assignment of this Lease or subletting of the Premises by Lessee shall not constitute an acknowledgement that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent.

(b) All conditions to Lessor's consent authorized by this Lease are acknowledged by Lessee as being reasonable. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the

time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given.

37. GUARANTOR.

37.1 If there are to be any Guarantors of this Lease per Paragraph 1.11, the form of the guaranty to be executed by each such Guarantor shall be in the form most recently published by the American Industrial Real Estate Association, and each said Guarantor shall have the same obligations as Lessee under this Lease, including but not limited to the obligation to provide the Tenancy Statement and information called for by Paragraph 16.

37.2 It shall constitute a Default of the Lessee under this Lease if any such Guarantor fails or refuses, upon reasonable request by Lessor to give (a) evidence of the due execution of the guaranty called for by this Lease, including the authority of the Guarantor (and of the party signing on Guarantor's behalf) to obligate such Guarantor on said guaranty, and including in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, together with a certificate of incumbency showing the signature of the persons authorized to sign on its behalf, (b) current financial statements of Guarantor as may from time to time be requested by Lessor, (c) a Tenancy Statement, or (d) written confirmation that the guaranty is still in effect.

38. QUIET POSSESSION. Upon payment by Lessee of the rent for the Premises and the observance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession of the Premises for the entire term hereof subject to all of the provisions of this Lease.

39. OPTIONS.

39.1 DEFINITION. As used in this Paragraph 39 the word "OPTION" has the following meaning: (a) the right to extend the term of this Lease or to renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal to lease the Premises or the right of first offer to lease the Premises or the right of first refusal to lease other property of Lessor or the right of first offer to lease other property of Lessor; (c) the right to purchase the Premises, or the right of first refusal to purchase the Premises, or the right of first offer to purchase the Premises, or the right to purchase other property of Lessor, or the right of first refusal to purchase other property of Lessor, or the right of first offer to purchase other property of Lessor.

39.2 OPTIONS PERSONAL TO ORIGINAL LESSEE. Each Option granted to Lessee in this Lease is personal to the original Lessee named in Paragraph 1.1 hereof, and cannot be voluntarily or involuntarily assigned or exercised by any person or entity other than said original Lessee while the original Lessee is in full and actual possession of the Premises and without the intention of thereafter assigning or subletting. The Options, if any, herein granted to Lessee are not assignable, either as a part of an assignment of this Lease or separately or apart therefrom, and no Option may be separated from this Lease in any manner, by reservation or otherwise.

39.3 MULTIPLE OPTIONS. In the event that Lessee has any Multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options to extend or renew this Lease have been validly exercised.

39.4 EFFECT OF DEFAULT ON OPTIONS.

(a) Lessee shall have no right to exercise an Option, notwithstanding any provision in the grant of Option to the contrary: (i) during the period commencing with the giving of any notice of Default under Paragraph 13.1 and continuing until the noticed Default is cured, or (ii) during the period of time any monetary obligation due Lessor from Lessee is unpaid (without regard to whether notice thereof is given Lessee), or (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessor has given to Lessee three (3) or more notices of Default under Paragraph 13.1, whether or not the Defaults are cured, during the twelve (12) month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) All rights of Lessee under the provisions of an Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and during the term of this Lease, (i) Lessee fails to pay to Lessor a monetary obligation of Lessee for a period of thirty (30) days after such obligation becomes due (without any necessity of Lessor to give notice thereof to Lessee), or (ii) Lessor gives to Lessee three (3) or more notices of Default under Paragraph 13.1 during any twelve (12) month period, whether or not the Defaults are cured, or (iii) if Lessee commits a Breach of this Lease.

40. MULTIPLE BUILDINGS. If the Premises are part of a group of buildings controlled by Lessor, Lessee agrees that it will abide by, keep and observe all reasonable rules and regulations which Lessor may make from time to time for the management, safety, care and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of such other buildings and their invitees, and that Lessee will pay its fair share of common expenses incurred in connection therewith.

41. SECURITY MEASURES. Lessee hereby acknowledges that the rental payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

42. RESERVATIONS. Lessor reserves to itself the right, from time to time, to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, and to cause the recordation of parcel maps and restrictions, so long as such easements, rights, dedications, maps and restrictions do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate any such easement rights, dedication, map or restrictions.

43. PERFORMANCE UNDER PROTEST. If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay under the provisions of this Lease.

44. AUTHORITY. If either Party hereto is a corporation, trust or general or limited partnership, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. If Lessee is a corporation, trust or partnership, Lessee shall, within thirty (30) days after request by Lessor, deliver to Lessor evidence satisfactory to Lessor of such authority.

45. CONFLICT. Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

46. OFFER. Preparation of this Lease by Lessor or Lessor's agent and submission of same to Lessee shall not be deemed an offer to lease to Lessee. This Lease is not intended to be binding until executed by all Parties hereto.

47. AMENDMENTS. This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. The parties shall amend this Lease from time to time to reflect any adjustments that are made to the Base Rent or other rent payable under this Lease. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by an institutional, insurance company or pension plan Lender in connection with the obtaining of normal financing or refinancing of the property of which the Premises are a part.

48. MULTIPLE PARTIES. Except as otherwise expressly provided herein, if more than one person or entity is named herein as either Lessor or Lessee, the obligations of such Multiple Parties shall be the joint and several responsibility of all persons or entities named herein as such Lessor or Lessee.

ADDENDUM "A" to the contract (Standard Industrial/Commercial Single-Tenant Lease - - Net) dated June 26, 1995 covering the premises commonly known as 2130 Research Drive, Livermore, CA 94550 between FORMFACTOR, INC., as Lessee and PAUL E. IACONO as Lessor.

49. OPTION TO EXTEND. Provided Lessee is not in default of the provisions of this Lease, Lessee shall have the right to extend the term of this Lease for two (2) periods of three (3) years each by giving Lessor notice of its exercise of each option at least six (6) months prior to the expiration of the current lease term. Rent for said option terms shall be at the then current market rent but in no event less than the rent being paid at the end of the then current term.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

IF THIS LEASE HAS BEEN FILLED IN, IT HAS BEEN PREPARED FOR SUBMISSION TO YOUR ATTORNEY FOR HIS APPROVAL. FURTHER, EXPERTS SHOULD BE CONSULTED TO EVALUATE THE CONDITION OF THE PROPERTY AS TO THE POSSIBLE PRESENCE OF ASBESTOS, STORAGE TANKS OR HAZARDOUS SUBSTANCES. NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY THE REAL ESTATE BROKER(S) OR THEIR AGENTS OR EMPLOYEES AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES; THE PARTIES SHALL RELY SOLELY UPON THE ADVICE OF THEIR OWN COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE. IF THE SUBJECT PROPERTY IS LOCATED IN A STATE OTHER THAN CALIFORNIA, AN ATTORNEY FROM THE STATE WHERE THE PROPERTY IS LOCATED SHOULD BE CONSULTED.

The parties hereto have executed this Lease at the place on the dates specified above to their respective signatures.

Executed at _____	Executed at _____
on _____	on _____
by LESSOR:	by LESSEE:
Richard K. and Pamela K. Corbett, Robert	Form Factor, Inc.
and Cheryl Rumberger, Connie Duke	
By /s/ Richard K Corbett, /s/ Pamela K. Corbett	By /s/ James T. Lindstrom
/s/ Robert Rumberger, /s/ Cheryl Rumberger, /s/ Connie Duke	
Name Printed:	Name Printed: James T. Lindstrom
Title:	Title: CFO
By	By
Name Printed	Name Printed:
Title:	Title:
Address: 2056 First St.	Address:
Livermore, CA 94550	
Tel. No. ( ) 373-2424 Fax No. ( ) 373-0394	Tel. No. ( ) Fax No. ( )

ADDENDUM "A" to the contract (Standard Industrial/Commercial Single-Tenant Lease - - Net) dated June 26, 1995 covering the premises commonly known as 2130 Research Drive, Livermore, CA 94550 between FORMFACTOR, INC., as Lessee and PAUL E. IACONO as Lessor.

NET

AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

STANDARD INDUSTRIAL/COMMERCIAL SINGLE-TENANT LEASE -- GROSS
(DO NOT USE THIS FORM FOR MULTI-TENANT BUILDINGS)

1. BASIC PROVISIONS ("BASIC PROVISIONS").

1.1 PARTIES: This Lease ("Lease"), dated for reference purposes only March 25, 1998, is made by and between L One, a partnership ("LESSOR") and FormFactor, Inc., a California Corporation ("LESSEE"), (collectively the "PARTIES," or individually a "PARTY").

1.2 PREMISES: That certain real property, including all improvements therein or to be provided by Lessor under the terms of this Lease, and commonly known as 2159 Research Drive, located in the County of Alameda, State of California, and generally described as (describe briefly the nature of the property and, if applicable, the "PROJECT", if the property is located within a Project) that certain concrete tilt up industrial building consisting of approximately 19,764+ square feet as shown on the Alameda County Tax Assessors Map as Parcel #_____ and attached as Exhibit A ("PREMISES"). (See also Paragraph 2)

*1.3 TERM: six years and 0 months ("ORIGINAL TERM") commencing May 1, 1998 ("COMMENCEMENT DATE") and ending April 30, 2004 ("EXPIRATION DATE"). (See also Paragraph 3)

*1.4 EARLY POSSESSION: April 1, 1998 ("EARLY POSSESSION DATE"). (See also Paragraphs 3.2 and 3.3)

1.5 BASE RENT: $9,036.00 per month ("BASE RENT"), payable on the 1st day of each month commencing May 1 - May 1, 1998 (See also Paragraph 4)

[ ] If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted and/or for common area maintenance charges.

*1.6 BASE RENT PAID UPON EXECUTION: $9,036.00 as Base Rent for the period May 1 - May 30, 1998.

1.7 SECURITY DEPOSIT: $13,900.00 ("SECURITY DEPOSIT"). (See also Paragraph 5)

1.8 AGREED USE: Administrative Office, Research and Development and Storage of electronic manufacturing equipment. (See also Paragraph 6)

1.9 INSURING PARTY: Lessor is the "INSURING PARTY". The annual "Base Premium" is 1998 base year. (See also Paragraph 8)

1.10 REAL ESTATE BROKERS: (See also Paragraph 15)

(a) REPRESENTATION: The following real estate brokers (collectively the "BROKERS") and brokerage relationships exist in this transaction (check applicable boxes):

[X] Chris Pearson, Len Magnani - Lee & Assoc., Jim Gatwood - Realtech C.R.E., represents Lessor exclusively ("LESSOR'S BROKER");

[ ] _____ represents Lessee exclusively ("LESSEE'S BROKER"); or

[ ] _____ represents both Lessor and Lessee ("DUAL AGENCY").

(b) PAYMENT TO BROKERS: Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Broker the fee agreed to in their separate written agreement (or if there is no such agreement, the sum of per agreement % of the total Base Rent for the brokerage services rendered by said Broker).

1.11 GUARANTOR. The obligations of the Lessee under this Lease are to be guaranteed by _____ ("GUARANTOR"). (See also Paragraph 37)

1.12 ADDENDA AND EXHIBITS. Attached hereto is an Addendum or Addenda consisting of Paragraphs 50 through 53 and Exhibits _____, all of which constitute a part of this Lease.

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* with the exception of pertinent energy codes, and American Disabilities Act requirements.

2. PREMISES.

2.1 LETTING. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of size set forth in this Lease, or that may have been used in calculating rental, is an approximation which the Parties agree is reasonable and the rental based thereon is not subject to revision whether or not the actual size is more or less.

2.2 CONDITION. Lessor shall deliver the Premises broom clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs ("START DATE"), and warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems ("HVAC"), loading doors, if any, and all other such elements of the building, in the Premises, other than those constructed by Lessee, shall be in good operating condition on said date and that the surface and structural elements of the roof, bearing walls and foundation of any buildings on the Premises (the "BUILDING") shall be free of material defects. If a non-compliance with said warranty exists as of the Start Date, Lessor shall, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify same at Lessor's expense. If, after the Start Date, Lessee does not give Lessor written notice of any non-compliance with this warranty within (i) six (6) months as to the HVAC systems or (ii) thirty 30 days as to the remaining systems, and other elements of the Building, correction of such non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense, except for the roof, foundations, and bearing walls which are handled as provided in paragraph 7.

2.3 COMPLIANCE. Lessor warrants that the improvements on the Premises comply with all applicable laws, covenants or restrictions of record, building codes, regulations and ordinances ("APPLICABLE REQUIREMENTS") in effect on the Start Date.* Said warranty does not apply to the use to which Lessee will put the Premises or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee. NOTE: Lessee is responsible for determining whether or not the zoning is appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed. If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within six (6) months following the Start Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. If the Applicable Requirements are hereafter changed (as opposed to being in existence at the Start Date, which is addressed in Paragraph 6.2(e) below) so as to require during the term of this Lease the construction of an addition to or an alteration of the Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Building ("CAPITAL EXPENDITURE"), Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor and Lessee shall allocate the obligation to pay for such costs pursuant to the provisions of Paragraph 7.1(c).

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall be fully responsible for the cost thereof.

2.4 ACKNOWLEDGEMENTS. Lessee acknowledges that: (a) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler systems, security, environmental aspects, and compliance with Applicable Requirements), and their suitability for Lessee's intended use; (b) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to its occupancy of the Premises; and (c) neither Lessor, Lessor's agents, nor any Broker has made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (a) Broker has made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (b) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants.

2.5 LESSEE AS PRIOR OWNER/OCCUPANT. The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

3. TERM.

3.1 TERM. The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

3.2 EARLY POSSESSION. If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. All other terms of this Lease shall, however, be in effect during such period. Any such early possession shall not affect the Expiration Date.

3.3 DELAY IN POSSESSION. Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession of Orange Coast Copy and D.L. Reed Plumbing space as agreed, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease. Lessee shall not, however, be obligated to pay Rent on the Orange Coast copy and D.L. Reed Plumbing space until it receives possession of that space. If possession is not delivered within ninety (90) days after the Commencement Date, Lessee may, at its option, by notice in writing within ten (10) days after the end of such ninety (90) day period, cancel the Lease on the Orange Coast copy and D.L. Reed Plumbing space, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said ten (10) day period, Lessee's right to cancel shall terminate.

3.4 LESSEE COMPLIANCE. Lessor shall not be required to deliver possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. RENT.

4.1 RENT DEFINED. All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent ("RENT").

4.2 PAYMENT. Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. Rent for any period during the term hereof which is for less than one (1) full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to

such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating.

5. SECURITY DEPOSIT. Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of said Security Deposit, Lessee shall within ten (10) days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional moneys with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sublessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on said change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within fourteen (14) days after the expiration or termination of this Lease, if Lessor elects to apply the Security Deposit only to unpaid Rent, and otherwise within thirty (30) days after the Premises have been vacated pursuant to Paragraph 7.4(c) below, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.

6. USE.

6.1 USE. Lessee shall use and occupy the Premises only for the Agreed Use, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs owners and/or occupants of, or causes damage to neighboring properties. Lessor shall not unreasonably withhold or delay its consent to any written request for a modification of the Agreed Use, so long as the same will not impair the structural integrity of the improvements on the Premises or the mechanical or electrical systems therein, or is not significantly more burdensome to the Premises. If Lessor elects to withhold consent, Lessor shall within five (5) business days after such request give written notification of same, which notice shall include an explanation of Lessor's objections to the change in use.

6.2 HAZARDOUS SUBSTANCES.

(a) REPORTABLE USES REQUIRE CONSENT. The term "HAZARDOUS SUBSTANCE" as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, 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 Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. "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/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability, including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) DUTY TO INFORM LESSOR. If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) LESSEE REMEDIATION. Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) LESSEE INDEMNIFICATION. Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all

loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from adjacent properties). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. NO TERMINATION, CANCELLATION OR RELEASE AGREEMENT ENTERED INTO BY LESSOR AND LESSEE SHALL RELEASE LESSEE FROM ITS OBLIGATIONS UNDER THIS LEASE WITH RESPECT TO HAZARDOUS SUBSTANCES, UNLESS SPECIFICALLY SO AGREED BY LESSOR IN WRITING AT THE TIME OF SUCH AGREEMENT.

(e) LESSOR INDEMNIFICATION. Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which existed as a result of Hazardous Substances on the Premises prior to the Start Date or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) INVESTIGATIONS AND REMEDIATIONS. Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to the Start Date, unless such remediation measure is required as a result of Lessee's use (including alterations) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) LESSOR TERMINATION OPTION. If a Hazardous Substance Condition occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to remediate such condition exceeds twelve (12) times the then monthly Base Rent or $100,000, whichever is greater, give written notice to Lessee, within thirty (30) days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date sixty (60) days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within ten (10) days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to twelve (12) times the then monthly Base Rent or $100,000, whichever is greater. Lessee shall

provide Lessor with said funds or satisfactory assurance thereof within thirty (30) days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 LESSEE'S COMPLIANCE WITH APPLICABLE REQUIREMENTS. Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether such Requirements are now in effect or become effective after the Start Date. Lessee shall, within ten (10) days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements.

6.4 INSPECTION; COMPLIANCE. Lessor and Lessor's "Lender" (as defined in Paragraph 30 below) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a contamination is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspections, so long as such inspection is reasonably related to the violation or contamination.

7. MAINTENANCE; REPAIRS; UTILITY INSTALLATIONS; TRADE FIXTURES AND ALTERATIONS.

7.1 LESSEE'S OBLIGATIONS.

(a) IN GENERAL. Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance with Covenants, Restrictions and Building Code), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage and Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations, and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, heating, ventilating, air-conditioning, electrical, lighting facilities, boilers, pressure vessels, fire protection system, fixtures, walls (interior and exterior), ceilings, floors, windows, doors, skylights, landscaping, driveways, parking lots,

fences, signs, sidewalks and parkways located in, on, or adjacent to the Premises. Lessee is also responsible for keeping the roof and roof drainage clean and free of debris. Lessor shall keep the surface and structural elements of the roof, foundations, and bearing walls in good repair (see paragraph 7.2). Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices. Lessee's 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. Lessee shall, during the term of this Lease, keep the exterior appearance of the Building in a first-class condition (including, e.g. graffiti removal) consistent with the exterior appearance of other similar facilities of comparable age and size in the vicinity, including, when necessary, the exterior repainting of the Building.

(b) SERVICE CONTRACTS. Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements ("Basic Elements"), if any, if and when installed on the Premises: (i) HVAC equipment, (ii) boiler, and pressure vessels, (iii) fire extinguishing systems, including fire alarm and/or smoke detection, (iv) landscaping and irrigation systems, (v) driveways and parking lots, (vi) clarifiers, (vii) basic utility feed to the perimeter of the Building, and (viii) any other equipment, if reasonably required by Lessor.

(c) REPLACEMENT. Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if the Basic Elements described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such Basic Elements, then such Basic Elements shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is the number of months of the useful life of such replacement as such useful life is specified pursuant to Federal income tax regulations or guidelines for depreciation thereof (including interest on the unamortized balance as is then commercially reasonable in the judgment of Lessors' accountants), with Lessee reserving the right to prepay its obligation at any time.

7.2 LESSOR'S OBLIGATIONS. Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance with Covenants, Restrictions and Building Code), 9 (Damage or Destruction) and 14 (Condemnation), it is intended by the Parties hereto that Lessor have no obligation, in any manner whatsoever, to repair and maintain the Premises, or the equipment therein, all of which obligations are intended to be that of the Lessee, except for the surface and structural elements of the roof, foundations and bearing walls, the repair of which shall be the responsibility of Lessor upon receipt of written notice that such a repair is necessary. It is the intention of the Parties that the terms of this Lease govern the respective obligations of the Parties as to maintenance and repair of the Premises, and they expressly waive the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease.

7.3 UTILITY INSTALLATIONS; TRADE FIXTURES; ALTERATIONS.

(a) DEFINITIONS; CONSENT REQUIRED. The term "UTILITY INSTALLATIONS" refers to all floor and window coverings, air lines, power panels, electrical distribution, security and fire protection systems and signs, communication systems, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term "TRADE FIXTURES" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "ALTERATIONS" shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "LESSEE OWNED ALTERATIONS AND/OR UTILITY INSTALLATIONS" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a). Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, and the cumulative cost thereof during this Lease as extended does not exceed $50,000 in the aggregate or $10,000 in any one year.

(b) CONSENT. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount equal to the greater of one month's Base Rent, or $10,000, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to one and one-half times the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) INDEMNIFICATION. Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than ten (10) days' notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to one and one-half times the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 OWNERSHIP; REMOVAL; SURRENDER; AND RESTORATION.

(a) OWNERSHIP. Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) REMOVAL. By delivery to Lessee of written notice from Lessor not earlier than ninety (90) and not later than thirty (30) days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) SURRENDER/RESTORATION. Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee Owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee, and the removal, replacement, or remediation of any soil, material or groundwater contaminated by Lessee. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below.

8. INSURANCE; INDEMNITY.

8.1 PAYMENT OF PREMIUM INCREASES.

(a) Lessee shall pay to Lessor any insurance cost increase ("INSURANCE COST INCREASE") occurring during the term of this Lease. "Insurance Cost Increase" is defined as any increase in the actual cost of the insurance required under Paragraph 8.2(b), 8.3(a) and 8.3(b) ("REQUIRED INSURANCE"), over and above the Base Premium as hereinafter defined calculated on an annual basis. "Insurance Cost Increase" shall include but not be limited to increases resulting from the nature of Lessee's occupancy, any act or omission of Lessee, requirements of the holder of mortgage or deed of trust covering the Premises, increased valuation of the Premises and/or a premium rate increase. The parties are encouraged to fill in the Base Premium in paragraph 1.9 with a reasonable premium for the Required Insurance based on the Agreed Use of the Premises. If the parties fail to insert a dollar amount in Paragraph 1.9, then the Base Premium shall be the lowest annual premium reasonably obtainable for the Required Insurance as of the commencement of the Original Term for the Agreed Use of the Premises. In no event, however,

shall Lessee be responsible for any portion of the increase in the premium cost attributable to liability insurance carried by Lessor under Paragraph 8.1(b) in excess of $2,000,000 per occurrence.

(b) Lessee shall pay any such Insurance Cost Increase to Lessor within thirty (30) days after receipt by Lessee of a copy of the premium statement or other reasonable evidence of the amount due. If the insurance policies maintained hereunder cover other property besides the Premises, Lessor shall also deliver to Lessee a statement of the amount of such Insurance Cost Increase attributable only to the Premises showing in reasonable detail the manner in which such amount was computed. Premiums for policy periods commencing prior to, or extending beyond the term of this Lease, shall be prorated to correspond to the term of this Lease.

8.2 LIABILITY INSURANCE.

(a) CARRIED BY LESSEE. Lessee shall obtain and keep in force a Commercial General Liability Policy of Insurance protecting Lessee and Lessor against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $2,000,000 per occurrence with an "ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES ENDORSEMENT" and contain the "AMENDMENT OF THE POLLUTION EXCLUSION ENDORSEMENT" for damage caused by heat, smoke or fumes from a hostile fire. The Policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

(b) CARRIED BY LESSOR. Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 PROPERTY INSURANCE - BUILDING, IMPROVEMENTS AND RENTAL VALUE.

(a) BUILDING AND IMPROVEMENTS. The Insuring Party shall obtain and keep in force a policy or policies in the name of Lessor, with loss payable to Lessor, any groundlessor, and to any Lender(s) insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lenders, but in no event more than the commercially reasonable and available insurable value thereof. If Lessor is the Insuring Party, however, Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee under Paragraph 8.4 rather than by Lessor. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender or

included in the Base Premium), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located.

(b) RENTAL VALUE. The Insuring Party shall obtain and keep in force a policy or policies in the name of Lessor, with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one (1) year. Said insurance shall provide that in the event the Lease is terminated by reason of an insured loss, the period of indemnity for such coverage shall be extended beyond the date of the completion of repairs or replacement of the Premises, to provide for one full year's loss of Rent from the date of any such loss. Said insurance shall contain an agreed valuation provision in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next twelve (12) month period.

(c) ADJACENT PREMISES. If the Premises are part of a larger building, or of a group of buildings owned by Lessor which are adjacent to the Premises, the Lessee shall pay for any increase in the premiums for the property insurance of such building or buildings if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

8.4 LESSEE'S PROPERTY/BUSINESS INTERRUPTION INSURANCE.

(a) PROPERTY DAMAGE. Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property, Trade Fixtures and Lessee Owned Alterations and Utility Installations. Lessee shall provide Lessor with written evidence that such insurance is in force.

(b) BUSINESS INTERRUPTION. Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent lessees in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) NO REPRESENTATION OF ADEQUATE COVERAGE. Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 INSURANCE POLICIES. Insurance required herein shall be by companies duly licensed or admitted to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, as set forth in the most current issue of "Best's Insurance Guide", or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the

required insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification except after thirty (30) days prior written notice to Lessor. Lessee shall, at least thirty (30) days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 WAIVER OF SUBROGATION. Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 INDEMNITY. Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 EXEMPTION OF LESSOR FROM LIABILITY. Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building of which the Premises are a part, or from other sources or places. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of Lessor. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit therefrom.

9. DAMAGE OR DESTRUCTION.

9.1 DEFINITIONS.

(a) "PREMISES PARTIAL DAMAGE" shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which can reasonably be repaired in six (6) months or less from the date of the damage or destruction. Lessor shall notify Lessee in writing within thirty (30) days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) "PREMISES TOTAL DESTRUCTION" shall mean damage or destruction to the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in six (6) months or less from the date of the damage or destruction. Lessor shall notify Lessee in writing within thirty (30) days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) "INSURED LOSS" shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) "REPLACEMENT COST" shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) "HAZARDOUS SUBSTANCE CONDITION" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 PARTIAL DAMAGE - INSURED LOSS. If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $10,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within ten (10) days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said ten (10) day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor

may nevertheless elect by written notice to Lessee within ten (10) days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate thirty (30) days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 PARTIAL DAMAGE - UNINSURED LOSS. If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within thirty (30) days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective sixty (60) days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within thirty (30) days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 TOTAL DESTRUCTION. Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate sixty (60) days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6.

9.5 DAMAGE NEAR END OF TERM. If at any time during the last six (6) months of this Lease there is damage for which the cost to repair exceeds one (1) month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective sixty (60) days following the date of occurrence of such damage by giving a written termination notice to Lessee within thirty (30) days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is ten days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and

provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 ABATEMENT OF RENT; LESSEE'S REMEDIES.

(a) ABATEMENT. In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) REMEDIES. If Lessor shall be obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within ninety (90) days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than sixty (60) days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within thirty (30) days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such thirty (30) days, this Lease shall continue in full force and effect. "COMMENCE" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 TERMINATION; ADVANCE PAYMENTS. Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

9.8 WAIVE STATUTES. Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

10. REAL PROPERTY TAXES.

10.1 DEFINITION OF "REAL PROPERTY TAXES". As used herein, the term "REAL PROPERTY TAXES" shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Premises, Lessor's right to other income therefrom, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Building address and where the proceeds so generated

are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Premises are located. The term "REAL PROPERTY TAXES" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Premises.

10.2

(a) PAYMENT OF TAXES. Lessor shall pay the Real Property Taxes applicable to the Premises provided, however, that Lessee shall pay to Lessor the amount, if any, by which Real Property Taxes applicable to the Premises increase over the fiscal tax year during which the Commencement Date occurs ("TAX INCREASE"). Subject to Paragraph 10.2(b), payment of any such Tax Increase shall be made by Lessee to Lessor within 30 days after receipt of Lessor's written statement setting forth the amount due and the computation thereof. If any such taxes shall cover any period of time prior to or after the expiration or termination of this Lease, Lessee's share of such taxes shall be prorated to cover only that portion of the tax bill applicable to the period that this Lease is in effect.

(b) ADVANCE PAYMENT. In the event Lessee incurs a late charge on any Rent payment, Lessor may, at Lessor's option, estimate the current Real Property Taxes, and require that the Tax Increase be paid in advance to Lessor by Lessee, either: (i) in a lump sum amount equal to the amount due, at least twenty (20) days prior to the applicable delinquency date; or (ii) monthly in advance with the payment of the Base Rent. If Lessor elects to require payment monthly in advance, the monthly payment shall be an amount equal to the amount of the estimated installment of the Tax Increase divided by the number of months remaining before the month in which said installment becomes delinquent. When the actual amount of the applicable Tax Increase is known, the amount of such equal monthly advance payments shall be adjusted as required to provide the funds needed to pay the applicable Tax Increase. If the amount collected by Lessor is insufficient to pay the Tax Increase when due, Lessee shall pay Lessor, upon demand, such additional sums as are necessary to pay such obligations. All moneys paid to Lessor under this Paragraph may be intermingled with other moneys of Lessor and shall not bear interest. In the event of a Breach by Lessee in the performance of its obligations under this Lease, then any balance of funds paid to Lessor under the provisions of this Paragraph may at the option of Lessor, be treated as an additional Security Deposit.

(c) ADDITIONAL IMPROVEMENTS. Notwithstanding anything to the contrary in this Paragraph 10.2, Lessee shall pay to Lessor upon demand therefor the entirety of any increase in Real Property Taxes assessed by reason of Alterations or Utility Installations placed upon the Premises by Lessee or at Lessee's request.

10.3 JOINT ASSESSMENT. If the Premises are not separately assessed, Lessee's liability shall be an equitable proportion of the Tax Increase for all of the land and improvements included within the tax parcel assessed, such proportion to be conclusively determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available.

10.4 PERSONAL PROPERTY TAXES. Lessee shall pay, prior to delinquency, all taxes assessed against and levied upon Lessee Owned Alterations, Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee. When possible, Lessee shall cause such property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said personal property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within ten (10) days after receipt of a written statement.

11. UTILITIES. Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. If any such services are not separately metered to Lessee, Lessee shall pay a reasonable proportion, to be determined by Lessor, of all charges jointly metered.

12. ASSIGNMENT AND SUBLETTING.

12.1 LESSOR'S CONSENT REQUIRED.

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, "ASSIGN OR ASSIGNMENT") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) A change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of twenty-five percent (25%) or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than twenty five percent (25%) of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. "NET WORTH OF LESSEE" shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon thirty (30) days written notice, increase the monthly Base Rent to one hundred ten percent (110%) of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to one hundred ten percent (110%) of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to One Hundred Ten Percent (110%) of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

12.2 TERMS AND CONDITIONS APPLICABLE TO ASSIGNMENT AND SUBLETTING.

(a) Regardless of Lessor's consent, no assignment or subletting shall: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefor to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of $1,000 or ten percent (10%) of the current monthly Base Rent applicable to the portion of the Premises which is the subject of the proposed assignment or sublease, whichever is greater, as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested.

(f) Any assignment of, or sublessee under, this Lease shall, by reason of accepting such assignment or entering in to such sublease, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

12.3 ADDITIONAL TERMS AND CONDITIONS APPLICABLE TO SUBLETTING. The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises

and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary.

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. DEFAULT; BREACH; REMEDIES.

13.1 DEFAULT; BREACH. A "DEFAULT" is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A "BREACH" is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, and/or Security Deposit or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of three (3) business days following written notice to Lessee.

(c) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Tenancy Statement, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 42 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of ten (10) days following written notice to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 40 hereof, other than those described in subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of thirty (30) days after written notice; provided, however, that if the nature of Lessee's Default is such that more than thirty (30) days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a "DEBTOR" as defined in 11 U.S.C. Section 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within sixty (60) days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within thirty (30) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within thirty (30) days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(f) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or

exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 REMEDIES. If Lessee fails to perform any of its affirmative duties or obligations, within ten (10) days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Lessor shall be due and payable by Lessee upon receipt of invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made by Lessee to be by cashier's check. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent (1%). Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 INDUCEMENT RECAPTURE. Any agreement for free or abated rent or other charges, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "INDUCEMENT PROVISIONS," shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 LATE CHARGES. Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within five (5) days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a one-time late charge equal to ten percent (10%) of each such overdue amount. The Parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 INTEREST. Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within thirty (30) days following the date on which it was due for non-scheduled payment, shall bear interest from the date when due, as to scheduled payments, or the thirty-first (31st) day after it was due as to non-scheduled payments. The interest ("INTEREST") charged shall be equal to the prime rate reported in the Wall Street Journal as published closest prior to the date when due plus 4%, but

shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 BREACH BY LESSOR.

(a) NOTICE OF BREACH. Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than thirty (30) days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than thirty (30) days are reasonably required for its performance, then Lessor shall not be in breach if performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) PERFORMANCE BY LESSEE ON BEHALF OF LESSOR. In the event that neither Lessor nor Lender cures said breach within thirty (30) days after receipt of said written notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent an amount equal to the greater of one month's Base Rent or the Security Deposit, and to pay an excess of such expense under protest, reserving Lessee's right to reimbursement from Lessor. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. CONDEMNATION. If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "CONDEMNATION"), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than ten percent (10%) of any building portion of the premises, or more than twenty-five percent (25%) of the land area portion of the premises not occupied by any building, is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within ten (10) days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided, however, that Lessee shall be entitled to any compensation for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefor. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15. BROKERS' FEES.

15.1 [Intentionally deleted.]

15.2 ASSUMPTION OF OBLIGATIONS. Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Each Broker shall be a third party beneficiary of the provisions of Paragraphs 1.10, 15, 22 and 31. If Lessor fails to pay to a Broker any amounts due as and for commissions pertaining to this Lease when due, then such amounts shall accrue Interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within ten (10) days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker.

15.3 REPRESENTATIONS AND INDEMNITIES OF BROKER RELATIONSHIPS. Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. ESTOPPEL CERTIFICATES.

(a) Each Party (as "RESPONDING PARTY") shall within ten (10) days after written notice from the other Party (the "REQUESTING PARTY") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "ESTOPPEL CERTIFICATE" form published by the American Industrial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such ten day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past three 3 years. All such

financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. DEFINITION OF LESSOR. The term "LESSOR" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Except as provided in Paragraph 15, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined. Notwithstanding the above, and subject to the provisions of Paragraph 20 below, the original Lessor under this Lease, and all subsequent holders of the Lessor's interest in this Lease shall remain liable and responsible with regard to the potential duties and liabilities of Lessor pertaining to Hazardous Substances as outlined in Paragraph 6 above.

18. SEVERABILITY. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. DAYS. Unless otherwise specifically indicated to the contrary, the word "days" as used in this Lease shall mean and refer to calendar days.

20. LIMITATION ON LIABILITY. Subject to the provisions of Paragraph 17 above, the obligations of Lessor under this Lease shall not constitute personal obligations of Lessor, the individual partners of Lessor it its or their individual partners, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against the individual partners of Lessor, or its or their individual partners, members, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. TIME OF ESSENCE. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. NO PRIOR OR OTHER AGREEMENTS; BROKER DISCLAIMER. This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. The liability (including court costs and Attorneys' fees), of any Broker with respect to negotiation, execution, delivery or performance by either Lessor or Lessee under this Lease or any amendment or modification hereto shall be limited to an amount up to the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each

Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

23. NOTICES.

23.1 NOTICE REQUIREMENTS. All notices required or permitted by this Lease shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may by written notice to the other specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 DATE OF NOTICE. Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given forty-eight (48) hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given twenty-four (24) hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt, provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. WAIVERS. No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. RECORDING. Either Lessor or Lessee shall, upon request of the other, execute, acknowledge and deliver to the other a short form memorandum of this Lease for recording purposes. The Party requesting recordation shall be responsible for payment of any fees applicable thereto.

26. NO RIGHT TO HOLDOVER. Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to one hundred fifty percent (150%) of the Base Rent applicable during the month immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. CUMULATIVE REMEDIES. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. COVENANTS AND CONDITIONS; CONSTRUCTION OF AGREEMENT. All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. BINDING EFFECT; CHOICE OF LAW. This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. SUBORDINATION; ATTORNMENT; NON-DISTURBANCE.

30.1 SUBORDINATION. This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "SECURITY DEVICE"), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as "LESSOR'S LENDER") shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 ATTORNMENT. Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (i) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (ii) be subject to any offsets or defenses which Lessee might have against any prior lessor; or (iii) be bound by prepayment of more than one (1) month's rent.

30.3 NON-DISTURBANCE. With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a "NON-DISTURBANCE AGREEMENT") from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the

Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within sixty (60) days after the execution of this Lease, Lessor shall use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said sixty (60) days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 SELF-EXECUTING. The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. ATTORNEYS' FEES. If any Party or Broker brings an action or proceeding involving the Premises to enforce the terms hereof, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, "PREVAILING PARTY" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach.

32. LESSOR'S ACCESS; SHOWING PREMISES; REPAIRS. Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or lessees, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary. All such activities shall be without abatement of rent or liability to Lessee. Lessor may at any time place on the Premises any ordinary "FOR SALE" signs and Lessor may during the last six (6) months of the term hereof place on the Premises any ordinary "FOR LEASE" signs. Lessee may at any time place on or about the Premises any ordinary "FOR SUBLEASE" sign.

33. AUCTIONS. Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. SIGNS. Except for ordinary "For sublease" signs, Lessee shall not place any sign upon the Premises without Lessor's prior written consent. All signs must comply with all Applicable Requirements.

35. TERMINATION; MERGER. Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within ten (10) days following any such event to elect to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest.

36. CONSENTS. Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within ten (10) business days following such request.

37. GUARANTOR.

37.1 EXECUTION. The Guarantors, if any, shall each execute a guaranty in the form most recently published by the American Industrial Real Estate Association, and each such Guarantor shall have the same obligations as Lessee under this Lease.

37.2 DEFAULT. It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantor's behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) a Tenancy Statement, or (d) written confirmation that the guaranty is still in effect.

38. QUIET POSSESSION. Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under

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this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. OPTIONS.

39.1 DEFINITION. "OPTION" shall mean: (a) the right to extend the term of or renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Premises or other property of Lessor; (c) the right to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 OPTIONS PERSONAL TO ORIGINAL LESSEE. Each Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 MULTIPLE OPTIONS. In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised.

39.4 EFFECT OF DEFAULT ON OPTIONS.

(a) Lessee shall have no right to exercise an Option: (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured; (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee); (iii) during the time Lessee is in Breach of this Lease; or (iv) in the event that Lessee has been given three (3) or more notices of separate Default, whether or not the Defaults are cured, during the twelve (12) month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term, (i) Lessee fails to pay Rent for a period of thirty (30) days after such Rent becomes due (without any necessity of Lessor to give notice thereof), (ii) Lessor gives to Lessee three (3) or more notices of separate Default during any twelve (12) month period, whether or not the Defaults are cured, or (iii) if Lessee commits a Breach of this Lease.

40. MULTIPLE BUILDINGS. If the Premises are a part of a group of buildings controlled by Lessor, Lessee agrees that it will observe all reasonable rules and regulations which Lessor may make from time to time for the management, safety, and care of said properties, including the care and cleanliness of the grounds and including the parking, loading and unloading of vehicles, and that Lessee will pay its fair share of common expenses incurred in connection therewith.

41. SECURITY MEASURES. Lessee hereby acknowledges that the rental payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

42. RESERVATIONS. Lessor reserves to itself the right, from time to time, to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, and to cause the recordation of parcel maps and restrictions, so long as such easements, rights, dedications, maps and restrictions do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate any such easement rights, dedication, map or restrictions.

43. PERFORMANCE UNDER PROTEST. If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay.

44. AUTHORITY. If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. Each party shall, within thirty (30) days after request, deliver to the other party satisfactory evidence of such authority.

45. CONFLICT. Any conflict between the printed provisions of this Lease and typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

46. OFFER. Preparation of this Lease by either Party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

47. AMENDMENTS. This Lease may be modified only in writing, signed by the ' Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

48. MULTIPLE PARTIES. If more than one person or entity is named herein as either Lessor or Lessee, such multiple Parties shall have joint and several responsibility to comply with the terms of this Lease.

49. MEDIATION AND ARBITRATION OF DISPUTES. An Addendum requiring the Mediation and/or the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease [ ] IS [ ] IS NOT attached to this Lease.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.

2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES IS LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES IS LOCATED.

The parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

Executed at: Dublin	Executed at: Livermore
on: 4-30-98	on: 4-29-98
By LESSOR:	By LESSEE:
L One, a partnership	FormFactor, Inc., a California corporation
By:	By:
Name Printed: Gerald Martin Eschen	Name Printed: Ted Walker
Title: Secretary Treasurer	Title:
By: /s/ Gerald Martin Eschen	By: /s/ James T. Lindstrom
Name Printed: Gerald Martin Eschen	Name Printed: James T. Lindstrom
Title: Secretary Treasurer	Title: CFO
Address: P.O. Box 2434	Address: 2130 Research Drive
Dublin, CA 94568	Livermore, CA 94450
Telephone: (510) 828-4166	Telephone: (510) 294-4300
Facsimile: (510) 828-4168	Facsimile: (510) 294-8147
Federal ID No.	Federal ID No.

NOTE: These forms are often modified to meet the changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION, 700 So. Flower Street, Suite 600, Los Angeles, California 90017. (213) 687-8777. Fax No. (213) 687-8616

ADDENDUM

PARAGRAPH 50

RENTAL SCHEDULE:

May 1, 1998 -- May 30, 1998	15,714+ square feet -	$0.575 p.s.f.	Gross $9,036.00/month
June 1, 1998 -- April 30, 1999	19,764+ square feet -	$0.575 p.s.f.	Gross $11,364.00/month
May 1, 1999 -- April 30, 2000	19,764+ square feet -	$0.598 p.s.f.	Gross $11,819.00/month
May 1, 2000 -- April 30, 2001	19,764+ square feet -	$0.622 p.s.f.	Gross $12,292.00/month
May 1, 2001 -- April 30, 2002	19,764+ square feet -	$0.647 p.s.f.	Gross $12,784.00/month
May 1, 2002 -- April 30, 2003	19,764+ square feet -	$0.673 p.s.f.	Gross $13,295.00/month
May 1, 2003 -- April 30, 2004	19,764+ square feet -	$0.70 p.s.f.	Gross $13,827.00/month

Lessee shall be allowed to occupy the rear section of the building during the month of April, 1998 and shall abide by all terms and conditions of this lease with the exception of rent which shall be waived for the month of April.

The date of June 1, 1998 for occupancy of the entire building by Lessee shall be contingent upon Lessor's ability to gain possession of the front 4,050+ square foot portion of the Premises which are currently leased to two (2) existing tenants. Lessor shall give the two (2) existing tenants thirty (30) days written notice to vacate the Premises on the date Lessor receives a fully executed lease agreement.

PARAGRAPH 51

OPTION TO EXTENT: Provided Tenant is not in default of any of terms and conditions of this lease agreement, the Landlord shall grant Tenant two (2), three (3) year options to extend this lease at the same terms and conditions with the exception of the rent which shall be the then determined fair market rent for comparable industrial buildings within Livermore.

Lessee shall notify Lessor, in writing, of its intention to extend this lease not later than one hundred and eighty (180) days prior to the expiration date of this lease. Failure to so notify will make this paragraph null and void.

PARAGRAPH 52

TENANT IMPROVEMENTS: Lessor at Lessor's sole cost and expense, shall provide the following tenant improvements:

Remove all existing walls in Suite A with the exception of the existing restrooms and the demising walls in warehouse.

PARAGRAPH 53

TENANT IMPROVEMENTS -- LESSEE:

Lessee shall be obligated to construct approximately 4,000 square feet of improved office space within the premises. The final space plan shall be approved by Lessor and Lessee shall have all construction performed by a licensed contractor and shall receive all pertinent governmental building permits. Work shall be completed no later than nine (9) months from occupancy of said space.

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

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

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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 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:	CERTIFIED TO BE A TRUE COPY OF DOCUMENT RECORDED 8-3-01 IN BOOK __
WHEN RECORDED RETURN TO:	SERIES 2001-281501 OF OFFICIAL RECORDS
Pacific Union Commercial Development	CHICAGO TITLE INS. CO
675 Hartz Avenue, #300	BY_____
Danville, CA 94526	

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.

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.

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ARTICLE XI
ARCHITECTURAL AND LANDSCAPING CONTROL

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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

[Map of Parcels 1-8 appears here]

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.

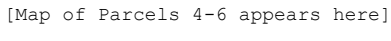

EXHIBIT B-2
SHARED MAINTENANCE
AREA
JMH WEISS INC.

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

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

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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 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
- ----------

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RECORDED AT THE REQUEST OF:	CERTIFIED TO BE A TRUE COPY OF DOCUMENT RECORDED 8-3-01 IN BOOK __
WHEN RECORDED RETURN TO:	SERIES 2001-281501 OF OFFICIAL RECORDS
Pacific Union Commercial Development	CHICAGO TITLE INS. CO
675 Hartz Avenue, #300	BY_____
Danville, CA 94526	

Attention Bill Drummond
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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.

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.

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ARTICLE X
AMENDMENT AND ENFORCEMENT

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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.

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ARTICLE XI
ARCHITECTURAL AND LANDSCAPING CONTROL

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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

[Map of Parcels 1-8 appears here]

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.

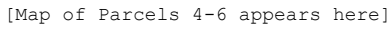

EXHIBIT B-2
SHARED MAINTENANCE
AREA
JMH WEISS INC.

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

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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 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:
CERTIFIED TO BE A TRUE COPY OF DOCUMENT
RECORDED 8-3-01 IN BOOK __
WHEN RECORDED RETURN TO:
SERIES 2001-281501 OF OFFICIAL RECORDS
Pacific Union Commercial Development
675 Hartz Avenue, #300
CHICAGO TITLE INS. CO
Danville, CA 94526
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

- ---

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.

ARTICLE VII
MEMBERSHIP IN AND DUTIES OF THE ASSOCIATION

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.

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ARTICLE XI
ARCHITECTURAL AND LANDSCAPING CONTROL

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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

[Map of Parcels 1-8 appears here]

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.

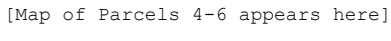

EXHIBIT B-2
SHARED MAINTENANCE
AREA
JMH WEISS INC.

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 10.21

SECOND AMENDED AND RESTATED
LOAN AND SECURITY AGREEMENT

This Second Amended and Restated Loan and Security Agreement ("Agreement") is made and entered into on March 20, 2001 by and between FormFactor, Inc., a Delaware corporation ("Borrower"), and Imperial Bank, a California banking corporation ("Lender"). Except as otherwise defined herein, initially capitalized terms used in this Agreement have the meanings assigned to them in Appendix A attached hereto.

Borrower and Lender entered into an Amended and Restated Loan and Security Agreement dated July 7, 2001 ("Prior Agreement") and hereby agree that the Prior Agreement is amended and restated in full on the terms and conditions contained herein.

Subject to the terms and conditions of, and in reliance upon the representations and warranties made in, this Agreement and the other Loan Documents, Lender shall make the Loans to Borrower in an aggregate amount up to US$16,000,000 as set forth below.

In consideration of the mutual covenants and conditions hereof, the parties agree as follows:

1. AMOUNT AND TERMS OF CREDIT

1.1 REVOLVING LINE OF CREDIT COMMITMENT.

1.1.1 REVOLVING LINE OF CREDIT. Subject to the terms and conditions of this Agreement, from time to time from the Closing Date to April 30, 2002 (the "Maturity Date"), Lender shall, upon Borrower's request in accordance with this Agreement, make advances (each a "Revolving Loan" and collectively, the "Revolving Loans") to Borrower in an aggregate amount outstanding not to exceed at any one time $12,000,000, the "Maximum Revolving Amount", the proceeds of which shall be used by Borrower only for short term working capital requirements and the issuance of Letters of Credit (as defined below). Revolving Loans may be repaid and reborrowed, subject to the terms and conditions hereof including the provisions of the LIBOR Addendum, provided that the outstanding principal amount of all Revolving Loans, together with all accrued and unpaid interest thereon, shall be due and payable in full on the Maturity Date.

1.1.2 LETTER OF CREDIT USAGE AND SUBLIMIT. Subject to availability of Revolving Loans and subject to the terms and conditions of this Agreement, from time to time from the Closing Date to the Business Day immediately prior to the Maturity Date, Lender shall issue for the account of Borrower such standby letters of credit (each a "Letter of Credit," and collectively, the "Letters of Credit") as Borrower may request, which requests shall be made by delivering to Lender a duly executed letter of credit application on Lender's standard form; provided, however, that the outstanding and undrawn amounts under all such Letters of Credit (i) shall not at any time exceed $4,000,000 in the aggregate (the "Letter of Credit Sublimit"), (ii) shall be deemed to constitute Revolving Loans for the purpose of calculating the availability of Revolving Loans. Each Letter of Credit shall have an initial maturity not to exceed 365 days from the issuance date and shall be renewable annually for another year unless at least 60 days prior to the then current maturity date the Lender gives notice to the beneficiary that the Letter of

Credit will not be renewed, provided, however, that the maximum maturity date of any Letter of Credit shall not be more that eight (8) years from its issuance date. All Letters of Credit shall be in form and substance acceptable to Lender in its sole discretion and shall be subject to the terms and conditions of Lender's form application and letter of credit agreement and such other agreements as are required by Lender. Borrower shall pay all usual issuance and other fees that Lender notifies Borrower it will be charged for issuing and processing Letters of Credit for Borrower. The standard bank fees related to issuing and processing Letters of Credit are as follows:

- Processing fee: $250
- Applicable Annual Fee if cash collateralized Letter(s) of Credit: 1% of the letter of credit amount
- Applicable Annual Fee if Letter(s) of Credit is not cash collateralized: 1.25% of the letter of credit amount.

1.1.3 REVOLVING NOTE. The interest rate, payment terms, maturity date and certain other terms of the Revolving Loans shall be contained in a promissory note dated the date of this Agreement, as such may be amended or replaced from time to time, but which shall be substantially identical in material terms and substance to the form attached hereto as Schedule 1.1.3.

1.2 CONVERTING NON-REVOLVING EQUIPMENT LINE OF CREDIT COMMITMENT.

1.2.1 CONVERTING NON- REVOLVING EQUIPMENT LINE OF CREDIT. Subject to the terms and conditions of this Agreement, from time to time from the Closing Date to the Revolving Line of Credit Maturity Date ("Maturity Date"), Lender shall, upon Borrower's request in accordance with this Agreement, make advances (each a "Converting Non-Revolving Loan," and collectively, the "Converting Non-Revolving Loans") to Borrower in an aggregate amount not to exceed $2,000,000, the proceeds of which shall be used by Borrower only for equipment expenditures. Subject to all of the limitations, terms and conditions contained herein or in the promissory note representing the Converting Non-Revolving Loans, Borrower may, from time to time through the Maturity Date, borrow, repay its outstanding borrowings in part or in whole, but may not reborrow any amount of the Converting Non-Revolving Loans so repaid. From and after the Maturity Date any amounts repaid may not be reborrowed.

1.2.2 REQUESTS FOR CONVERTING NON-REVOLVING EQUIPMENT ADVANCES. Each request for a Converting Non-Revolving Loan made for Equipment acquisitions hereunder shall be in writing, duly executed by Borrower in form satisfactory to Lender, and shall be irrevocable upon receipt by Lender. Each such notice shall be received by Lender no later than 3:00 p.m. Pacific time (1) Business Days prior to the date on which the requested Converting Non-Revolving Loan is to be made. Converting Non-Revolving Loans shall only be used to purchase Equipment approved by Lender from time to time, and shall be limited to 100% of the invoice amount for such Equipment approved by Lender, less any taxes, shipping and freight charges or discounts, warranty charges, installation expenses and other soft costs.

1.2.3 CONVERSION OF NON-REVOLVING EQUIPMENT LOANS. On April 30, 2002, the outstanding amount of all Converting Non-Revolving Loans shall be converted to a term loan payable in 48 equal principal payments, due on the last day of each month, plus interest.

1.3 CONVERTING NON-REVOLVING NOTE. The interest rate, payment terms, maturity date and certain other terms of the Converting Non-Revolving Loans and each term loan conversion thereof in accordance with subsection 1.2.3 hereof shall be contained in a promissory note dated the date of this Agreement, as such may be amended or replaced from time to time but which shall be substantially identical in material terms and substance to the form attached hereto as Schedule 1.3.

1.4 TERM LOAN COMMITMENT.

1.4.1 TERM LOAN. Subject to the terms and conditions of this Agreement, Lender shall make available to Borrower a term loan (the "Term Loan") on the Closing Date in the amount of $2,000,000, the proceeds of which shall be used only for consolidating existing terms loans from the Bank to the Borrower and to refund other long term debt of the Borrower, which it previously retired in the amount of approximately $886,714.

1.4.2 TERM LOAN NOTE. The interest rate, payment terms, maturity date and certain other terms of the Term Loan shall be contained in a promissory note dated the date of this Agreement, as such may be amended or replaced from time to time, but which shall be substantially identical in material terms and substance to the form attached hereto as Schedule 1.4.2.

1.5 MERCHANT SERVICES, CORPORATE CREDIT CARDS. Subject to the terms and conditions of this Agreement, Borrower may request corporate credit cards and merchant services from Lender (collectively the "Credit Card Services"). The aggregate limit of the corporate credit cards plus any amounts that may become due or owing to Lender in connection with the Credit Card Services shall not exceed One Hundred Fifty Thousand Dollars ($150,000) in the aggregate at any one time. The terms and conditions (including fees and repayment) of such Credit Card Services shall be subject to the terms and conditions of the Lender's standard forms of application and agreement for the Credit Card Services, which Borrower hereby agrees to execute, and copies of which are attached hereto as Schedule 1.5. Lender's obligations hereunder shall terminate in accordance with such applications and agreements.

1.6 LATE CHARGE. If any installment payment, interest payment, principal payment or principal balance due under the Revolving Loans or any other payment due to Lender in connection with the Loan Account is delinquent 10 or more days after written notice to Borrower from Lender in accordance with the Notice provisions of this Agreement, in addition to and not in substitution of Lender's other rights and remedies with respect to such late payment, Borrower agrees to pay Lender a late charge in the amount of 5% of the payment so due and unpaid, in addition to the payment. All payments, at Lender's sole discretion, shall be applied first to any late charges owing, then to interest and the remainder, if any, to principal.

1.7 DEFAULT RATE. If an Event of Default occurs hereunder, then during the continuance thereof, at Lender's option, all Obligations shall bear interest at a rate equal to 5.00% per year in excess of the rate applicable immediately prior to the occurrence of the Event of Default, and such rate of interest shall fluctuate thereafter from time to time at the same time and in the same amount as any fluctuation in the rate applicable immediately prior to any such occurrence.

1.8 LOAN FEE. In addition to any other amounts due or to become due under this Agreement concurrent with the execution hereof, Borrower shall pay to Lender the following fees:

1.8.1 UNUSED COMMITMENT FEE. On the first day of each quarter during the term of this Agreement, an unused facility fee, payable in arrears in an amount equal to 0.25% per annum times the average available amount of the Revolving Loans (any amounts reserved for letters of credit will be included in used portion).

1.8.2 DOCUMENTATION FEE, COSTS AND EXPENSES. In addition to any other amounts due, or to become due, concurrently with the execution hereof, Borrower agrees to pay to Lender documentation fee of $450, and all actual costs and expenses (other than attorneys' fees) incurred by Lender in the preparation of this Agreement, the other Loan Documents and the perfection of any security interest granted to Lender by Borrower; provided that Lender presents Borrower in advance with a written estimate of such costs and expenses which are anticipated to exceed $5,000, and does not exceed such written estimate by more than ten percent (10%).

1.9 COLLECTION OF PAYMENTS. Borrower hereby authorizes Lender to collect all interest, fees, costs, or expenses due under this Agreement as follows:

1.9.1 AUTOMATIC PAYMENTS. Borrower authorizes Lender to automatically deduct from Borrower's account number 18-064-065 with Lender, or any other account maintained by Borrower with Lender, the full amount thereof. Should there be insufficient funds in any such account to pay all such sums when due, the full amount of such deficiency shall be immediately due and payable by Borrower; provided, however, that Lender shall not be obligated to advance funds to cover any such payment.

1.9.2 OTHER PAYMENTS. Any such amounts not collected in accordance with the forgoing instructions may be paid in cash or deducted from loan proceeds; provided, however, that Lender shall not be obligated to advance funds to cover payment of any such amounts.

2. CREATION OF SECURITY INTEREST

2.1 GRANT OF SECURITY INTEREST. Borrower hereby grants to Lender a continuing security interest in all presently existing and hereafter acquired or arising Collateral in order to secure prompt repayment of any and all Obligations and in order to secure prompt performance by Borrower of each of its covenants and duties under the Loan Documents. Lender's security interests in the Collateral shall attach to all Collateral without further act on the part of Lender or Borrower. Such security interest constitutes a valid, first priority security interest in the presently existing Collateral, and shall constitute a valid, first priority security interest in Collateral acquired after the date hereof, other than Permitted Liens as shown on Schedule 2.1 attached hereto, and as that schedule may be amended form time to time hereafter by mutual consent, which consent on the part of Borrower and Lender shall not be unreasonably withheld.

2.2 NEGOTIABLE COLLATERAL. In the event that any Collateral, including proceeds, is evidenced by or consists of Negotiable Collateral, Borrower, immediately upon the request of Lender, shall (a) endorse or assign such Negotiable Collateral to Lender, (b) deliver physical possession of such Negotiable Collateral to Lender, and (c) mark conspicuously all of its records pertaining to such Negotiable Collateral with a legend, in form and substance satisfactory to

Lender (and in the case of Negotiable Collateral consisting of tangible Chattel Paper, immediately mark all such Chattel Paper with a conspicuous legend in form and substance satisfactory to Lender), indicating that the Negotiable Collateral is subject to the security interest granted hereby.

2.3 DELIVERY OF ADDITIONAL DOCUMENTATION REQUIRED. At any time at the request of Lender, Borrower shall execute and deliver to Lender all financing statements, continuation financing statements, fixture filings, security agreements, pledges, assignments, endorsements of certificates of title, applications for title, affidavits, reports, notices, schedules of accounts, letters of authority and other documents that Lender may reasonably request, in form satisfactory to Lender, to perfect and continue perfected Lender's security interests in the Collateral and in order to fully consummate all of the transactions contemplated under the Loan Documents.

2.4 RIGHT TO INSPECT. Lender (through any of its officers, employees, or agents) shall have the right upon reasonable prior notice, from time to time during Borrower's usual business hours (or at any time and without notice required if an Event of Default has occurred and is continuing) but no more than once a year (unless an Event of Default has occurred and is continuing), to inspect Borrower's Books and to make copies thereof and to check, test, and appraise the Collateral in order to verify Borrower's financial condition or the amount, condition of, or any other matter relating to, the Collateral. This right to inspect is conditional upon (i) the inspecting entities' execution of the Confidentiality Letter Agreement attached hereto as Schedule 2.4 ("Confidentiality Letter Agreement"); and (ii) the treatment of all information of Borrower's Books as confidential consistent with the Confidentiality Letter Agreement.

2.5 BAILEES AND OTHER THIRD PARTIES IN POSSESSION. In the event that any Collateral is in the possession of a third party, Borrower shall join with Lender in notifying such third party of Lender's security interest and obtaining an acknowledgment from such third party that it is holding such Collateral for the benefit of Lender.

2.6 CONTROL AGREEMENTS. Borrower shall cooperate with Lender in obtaining a control agreement in form and substance satisfactory to Lender with respect to all Deposit Accounts, electronic Chattel Paper, Investment Property, and Letter of Credit Rights.

3. CONDITIONS PRECEDENT

3.1 CONDITIONS PRECEDENT TO INITIAL LOANS. The obligation of Lender to make the initial Loan or issue the initial Letter of Credit is subject to the fulfillment, to the satisfaction of Lender, of each of the following conditions on or before the Closing Date:

3.1.1 PROMISSORY NOTE(S). Lender shall have received original, executed promissory note(s) as applicable, in form and substance satisfactory to Lender;

3.1.2 FINANCING STATEMENT(S). Lender shall have received original, executed financing statement(s) executed by Borrower and any grantor of a security interest, in each case in form and substance satisfactory to Lender;

3.1.3 SEARCH RESULTS. Lender shall have received Uniform Commercial Code and other public record searches with respect to Borrower and any grantor of a security interest, in each case in form and substance satisfactory to Lender;

3.1.4 DUE DILIGENCE. Lender shall have completed its due diligence requirements with respect to Borrower and each Guarantor, including audits, financial and legal survey, the results of which in each case shall be satisfactory to Lender in its sole discretion;

3.1.5 INSURANCE. Borrower shall have delivered to Lender satisfactory evidence of insurance coverage required pursuant to that certain Agreement to Provide Insurance executed by Borrower, in form, substance, amounts, covering risks and issued by companies satisfactory to Lender, including, where required by Lender, certified copies of the policies of insurance therefor, together with endorsements thereto, and where required by Lender, with a Lenders Loss Payable Endorsement in favor of Lender as an additional loss payee thereunder, in form, substance, amount and covering risks satisfactory to Lender, and specifying that the insurer shall give Lender at least 30 days prior written notice of the cancellation of any such policies of insurance for any reason;

3.1.6 ORGANIZATIONAL DOCUMENTS. Borrower shall have delivered to Lender copies of the charter/articles of incorporation or similar document, as the case may be, of Borrower, in each case in form and substance satisfactory to Lender;

3.1.7 AUTHORIZATIONS. Certified copies of all action taken by Borrower to authorize the execution, delivery and performance of the Loan Documents;

3.1.8 GOOD STANDING. Good standing certificates from the appropriate secretary of state of the state in which any Borrower is organized and in each state in which it is required to be qualified to do business;

3.1.9 EXECUTED AGREEMENT. Lender shall have received an original of this Agreement, duly executed by Borrower;

3.1.10 CERTIFICATES OF TITLE. Lender shall have received duly executed certificates of title with respect to that portion of the Collateral that is subject to certificates of title;

3.1.11 COLLATERAL ACCESS AGREEMENTS. Lender shall have received such collateral access agreements from each lessor, warehouseman, bailee, and other Person as Lender may reasonably require;

3.1.12 CONTROL AGREEMENTS. Lender shall have received such control agreements from each Person as Lender may reasonably require;

3.1.13 PAYMENT OF ALL FEES AND EXPENSES. Lender shall have received payment of all fees payable on the Closing Date in accordance with the provisions of Article 1 hereof, together with all Lender expenses owing on the Closing Date;

3.1.14 MATERIAL ADVERSE CHANGE. No event that has resulted or could reasonably be expected to result in a Material Adverse Change shall have occurred, as reasonably determined jointly by Lender after reasonable efforts by Lender to discuss the matter with Borrower.

3.2 CONDITIONS PRECEDENT TO ALL LOANS. The following shall be conditions precedent to the obligation of Lender to make each Loan or issue each Letter of Credit hereunder:

3.2.1 BORROWING REQUEST. With respect to each Loan or other extension of credit hereunder, Lender shall have received a request for borrowing that complies with the applicable provisions of Article 1 hereof, and, with respect to each Letter of Credit, Lender shall have received an application for such Letter of Credit that complies with the applicable provisions of Article 1 hereof;

3.2.2 REPRESENTATIONS AND WARRANTIES. Each of the representations and warranties contained in this Agreement and the other Loan Documents shall be true and correct in all respects on and as of the date of such Loan or other extension of credit, as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date);

3.2.3 DEFAULTS. No Event of Default shall occur, or shall have occurred and be continuing, on the date of such extension of credit, nor shall either result from the making thereof.

4. REPRESENTATIONS AND WARRANTIES OF BORROWER

In order to induce Lender to enter into this Agreement and to make Loans or issue Letters of Credit, Borrower makes the following representations and warranties to Lender which shall be true, correct, and complete in all respects as of the Closing Date and at, and as of, the date of the making of each Loan or issuance of each Letter of Credit made thereafter (except to the extent that such representations and warranties relate solely to an earlier date):

4.1 EXISTENCE AND RIGHTS. Borrower is a corporation, duly organized and existing and in good standing under the laws of the state of Delaware, which shall survive at least five years beyond the maturity of any Loans hereunder. Borrower is authorized and in good standing to do business in the state of its incorporation; Borrower has the appropriate powers and adequate authority, rights and franchises to own its property and to carry on its business as now conducted, and is duly qualified and in good standing in each state in which the character of the properties owned by it therein or the conduct of its business makes such qualification necessary and where the failure to be so qualified could reasonably be expected to result in a Material Adverse Change; and Borrower has the power and adequate authority to execute, deliver and perform this Agreement and the other Loan Documents. Borrower has no investment in any other business entity unless specified in writing to Lender;

4.2 AGREEMENT AUTHORIZED. The execution, delivery and performance of this Agreement and the Loan Documents are duly authorized and do not require any registration with, consent or approval of, or notice to, or other action with or by, any governmental body or other regulatory authority; are not in contravention of or in conflict with any law or regulation or any term or provision of Borrower's charter/articles of incorporation, or similar document as the case may be, and this Agreement and each of the other Loan Documents is a valid, binding and legally enforceable obligation of Borrower in accordance with its terms; subject only to bankruptcy, insolvency or similar laws affecting creditors rights generally;

4.3 NO CONFLICT. To the Borrower's knowledge, after due diligence, the execution, delivery and performance of this Agreement and the Loan Documents are not in contravention of or in conflict with, and do not result in a breach or constitute a default under any agreement, contract, indenture, instrument or undertaking to which Borrower is a party, or by which it or any

of its property may be bound or affected, and do not cause any Lien, charge or other encumbrance to be created or imposed upon any such property by reason thereof. To the Borrower's knowledge, after due diligence, it is not in default under any agreement, contract, indenture, instrument or undertaking to which Borrower is a party or by which it may be bound, which default could result in a Material Adverse Change.;

4.4 LITIGATION. There is no litigation or other proceeding pending or, to the best of Borrower's knowledge, threatened against or affecting Borrower which if determined adversely to Borrower or its interest could result in a Material Adverse Change, and Borrower is not aware that it is in default with respect to any order, writ, injunction, decree or demand of any court or other governmental or regulatory authority;

4.5 FINANCIAL CONDITION. The consolidated balance sheet of Borrower as of December 30, 2000, and the related profit and loss statement for the period ended as of that date, a copy of which has heretofore been delivered to Lender by Borrower, and all other statements and data submitted in writing by Borrower to Lender in connection with this request for credit are true and correct, and said balance sheet and profit and loss statement each fairly presents the financial condition of Borrower as of the date thereof and the results of the operations of Borrower for the period covered thereby, and has been prepared in accordance with GAAP. Since such date there have been no changes in the financial condition or business of Borrower that have resulted or could reasonably be expected to result in a Material Adverse Change. Borrower is not aware of any material liabilities, contingent or otherwise, at such date not reflected in said balance sheet, and Borrower has not entered into special commitments or substantial contracts that have resulted or could reasonably result in a Material Adverse Change;

4.6 TITLE TO ASSETS. Borrower has the power and authority to transfer the Collateral, and Borrower has good and indefeasible title to the Collateral, which to the best of its knowledge after reasonable inquiry is free and clear of any Liens or restrictions, except for Permitted Liens;

4.7 NAME; LOCATION OF CHIEF EXECUTIVE OFFICE. Borrower has not done business under any name other than that specified on the signature page hereof. The chief executive office of Borrower is located at the address and the Federal Employer Identification Number is that set forth in Schedule 4.7 to this Agreement;

4.8 SUBSIDIARIES. Borrower does not own any Stock, partnership interest or other equity securities of any Person that is a Subsidiary, other than those identified in Schedule 4.8 attached hereto;

4.9 TAX STATUS. Borrower has filed or caused to be filed all tax returns required to be filed by Borrower, and has no liability for any delinquent state, local or federal taxes, and, if Borrower has contracted with any government agency, Borrower has no liability for renegotiation of profits;

4.10 TRADEMARKS, PATENTS. Borrower, as of the date hereof, possesses all necessary trademarks, trade names, copyrights, patents, trade secrets, and licenses to conduct its business as now operated, without any known conflict with the valid trademarks, trade names, copyrights, patents and license rights of others;

4.11 REGULATORY COMPLIANCE. Borrower is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940. Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulations T, U and X of the Board of Governors of the Federal Reserve System). Borrower has complied with all the provisions of the Federal Fair Labor Standards Act. Borrower has not violated any statutes, laws, ordinances or rules applicable to it, violation of which could result in a Material Adverse Change;

4.12 ERISA. All defined benefit pension plans as defined in the Employees Retirement Income Security Act of 1974, as amended ("ERISA"), of Borrower meet, as of the date hereof, the minimum funding standards of Section 302 of ERISA. No Reportable Event or Prohibited Transaction as defined in ERISA has occurred with respect to any such plan, or any other failure by Borrower to comply with ERISA that is reasonably likely to result in Borrower's incurring any liability that could result in a Material Adverse Change;

4.13 SOLVENCY, PAYMENT OF DEBTS. Borrower is solvent and able to pay its debts (including trade debts) as they mature. No transfer of property is being made by Borrower and no obligation is being incurred by Borrower in connection with the transactions contemplated by this Agreement or the other Loan Documents with the intent to hinder, delay, or defraud either present or future creditors of Borrower;

4.14 FULL DISCLOSURE. No representation, warranty or other statement made by Borrower in any certificate or written statement furnished to Lender contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained in such certificates or statements not misleading;

4.15 ENFORCEABILITY; PRIORITY OF SECURITY INTEREST. (i) This Agreement creates a security interest which is enforceable against the Collateral in which Borrower now has rights and will create a security interest which is enforceable against the Collateral in which Borrower hereafter acquires rights at the time Borrower acquires any such rights, and (ii) when financing statements in appropriate form are filed in the office of the Secretary of State of the State of California in accordance with the provisions of the California Uniform Commercial Code ("California UCC") and the equivalent code in effect in the State of Delaware ("Delaware Code"), this Agreement shall constitute a fully perfected security interest in all right, title and interest of the Borrower in such Collateral (other than intellectual property related collateral, e.g., patents, trademarks and copyrights, as to which Borrower covenants and agrees to not grant a security interest to any third party Person pursuant to Section 6.5 of this Agreement), in each case prior and superior in right to any other person to the extent perfection can be obtained by filing uniform commercial code financing statements in accordance with the California UCC and Delaware Code, other than with respect to the rights of persons to Permitted Liens as shown on Schedule 2.1 attached hereto, and as that schedule may be amended from time to time hereafter by mutual consent, which consent on the part of Borrower and Lender shall not be unreasonably withheld;

4.16 OTHER FINANCING STATEMENTS. Other than financing statements in favor of Lender and financing statements filed in connection with Permitted Liens, no effective financing statement naming Borrower as debtor, assignor, grantor, mortgagor, pledgor or the like and

covering all or any part of the Collateral is on file in any filing or recording office in any jurisdiction.

5. AFFIRMATIVE COVENANTS OF BORROWER

Borrower agrees that until the full and final payment of the Obligations and so long as Lender has any obligation to extend credit to Borrower, and unless Lender shall otherwise consent in writing, Borrower shall do each of the following:

5.1 RIGHTS AND FACILITIES. Maintain and preserve all rights, franchises, qualifications, licenses, approvals and other authority adequate for the conduct of its business; maintain its properties, equipment and facilities in good order and repair; conduct its business in an orderly manner without voluntary interruption and maintain and preserve its legal existence;

5.2 USE OF PROCEEDS. Use the proceeds of the Loans only for purposes specified in Article 1 hereof;

5.3 INSURANCE. Maintain public liability, property damage and workers' compensation insurance and insurance on all its insurable property against fire and other hazards with responsible insurance carriers to the extent usually maintained by similar businesses or in the exercise of good business judgment, and as required by that certain Agreement to Provide Insurance executed by Borrower, with Lender to be shown as Lenders Loss Payee on such policies, and specifying that the insurer shall give Lender at least 30 days prior written notice of the cancellation of any such policies of insurance for any reason;

5.4 TAXES AND OTHER LIABILITIES. Pay and discharge, before the same become delinquent and before penalties accrue thereon, all taxes, assessments and governmental charges upon or against it or any of its properties, and all its other liabilities at any time existing, except to the extent and so long as: (a) the same are being contested in good faith and by appropriate proceedings in such manner as not to cause any materially adverse effect upon its financial condition or the loss of any right of redemption from any sale thereunder; and (b) Borrower shall have set aside on its books reserves (segregated to the extent required by GAAP) deemed by it to be adequate with respect thereto;

5.5 RECORDS AND REPORTS. Maintain a standard and modern system of accounting in accordance with GAAP; permit Lender's representatives to have access to, and to examine its properties, books and records in conformity to section 2.4, hereof. Borrower agrees to furnish to Lender the following:

5.5.1 QUARTERLY FINANCIAL STATEMENT. As soon as available, and in any event within 45 days after and as of each fiscal quarter end the Borrower's consolidated balance sheet, profit and loss statement, reconciliation of Borrower's capital balance accounts and cash flow statement as of the close of such period and covering operations for the portion of Borrower's fiscal year ending on the last day of such period, all in reasonable detail and reasonably acceptable to Lender, stating in comparative form the figures for the corresponding date and period in the preceding fiscal year, prepared in accordance with GAAP by Borrower and certified by an appropriate officer of Borrower, subject, however, to year-end adjustments required by fiscal year end statements not published prior to the date of such statement;

5.5.2 ANNUAL FINANCIAL STATEMENT. As soon as available, and in any event within 120 days after and as of the close of each fiscal year of Borrower, a consolidated report of audit of Borrower, all in reasonable detail and reasonably acceptable to Lender, stating in comparative form the figures for the corresponding date and period in the preceding fiscal year, prepared on an audit basis by an independent certified public accountant selected by Borrower and reasonably acceptable to Lender, in accordance with GAAP and certified by an appropriate officer of Borrower. Lender agrees that as of the date of this Agreement PriceWaterhouseCoopers is an acceptable independent certified public accountant;

5.5.3 COMPLIANCE CERTIFICATE. Concurrently with the submission of each financial statement of Borrower, a certificate signed by chief financial officer of Borrower (in the form of Exhibit 5.5.3 attached hereto, "Compliance Certificate"), stating that Borrower has performed and observed each and every covenant contained in this Agreement to be performed by it and that no event has occurred and no condition then exists which constitutes an event of default hereunder or would constitute such an event of default hereunder or would constitute such an event of default upon the lapse of time or upon the giving of notice and the lapse of time specified herein; or, if any such event has occurred or any such condition exists, specifying the nature thereof;

5.5.4 OTHER INFORMATION. Such other information relating to the affairs of Borrower as Lender may reasonably request from time to time. This right to information is conditional upon Borrower's consent, which Borrower agrees will not be unreasonably withheld, provided that upon the occurrence and continuance of an Event of Default, Borrower's consent will not be required;

5.6 ERISA. Cause all defined benefit pension plans, as defined in ERISA, of Borrower to, at all times, meet the minimum funding standards of Section 302 of ERISA, and ensure that no Reportable Event or Prohibited Transaction, as defined in ERISA, shall occur with respect to any such plan;

5.7 LAWS. At all times comply with, or cause to be complied with, all laws, statues, rules, regulations, orders and directions of any governmental authority having jurisdiction over Borrower or Borrower's business;

5.8 COMPLIANCE WITH GAAP. All information used in and the calculation of Borrower's compliance with all financial covenants hereunder shall be based on and in accordance with GAAP;

5.9 OPERATING ACCOUNTS. Maintain, or cause to be maintained, on deposit with Lender, non-interest bearing demand deposit balances sufficient to compensate Lender for all services provided to Borrower by Lender. All deposit balances shall be calculated after reduction for the reserve requirement of the Federal Reserve Board and uncollected funds. Any deficiencies therein shall be charged directly to Borrower on a monthly basis;

5.10 NOTICES. Promptly notify Lender in writing of (i) the occurrence of any Event of Default hereunder or any event that, upon notice or upon notice and the lapse of time specified herein, would be an Event of Default under this Agreement or under any other Loan Document; (ii) all litigation affecting Borrower where the amount is $100,000 or more; any substantial dispute which may exist between Borrower and any governmental regulatory body or law

enforcement authority; any change in Borrower's name or principal place of business; or any other matter which has resulted or could result in a Material Adverse Change.

6. NEGATIVE COVENANTS OF BORROWER

Borrower agrees that until the full and final payment of the Obligations and so long as Lender has any obligation to extend credit to Borrower, and unless Lender has consent in writing, Borrower shall not do any of the following:

6.1 TYPE OF BUSINESS. Make any substantial change in the character of its business;

6.2 CHANGE OF NAME. Change its legal name, trade names, or trade styles (a name under which Borrower has conducted all or part of its business) or add any new trade names or trade styles unless (i) Borrower gives Lender 30 days' prior written notice thereof, and (ii) Borrower executes and delivers such additional agreements, instruments and documents as Lender shall reasonably require to maintain Lender's perfected security interests in the Collateral;

6.3 CHANGE OF STATE OF INCORPORATION. Change its state of incorporation or formation;

6.4 OUTSIDE INDEBTEDNESS. Except for Permitted Indebtedness, create, incur, assume or permit to exist any indebtedness (other than lease obligations but including sale and lease back transactions) for borrowed moneys in excess of $750,000 in any one year other than Loans from Lender except obligations now existing as shown in the financial statement dated December 30, 2000, excluding those obligations being refinanced by Lender, or sell or transfer, either with or without recourse, any accounts or notes receivable or any moneys due or to become due;

6.5 LIENS, ENCUMBRANCES AND NEGATIVE PLEDGE. Except for Permitted Liens, create, incur, permit to exist, or assume any mortgage, pledge, encumbrance, Lien or charge of any kind upon any asset now owned or hereafter acquired by it, other than liens for taxes not delinquent and liens in Lender's favor and other than liens agreed to in writing by Lender. In addition Borrower shall not enter into any agreement with a third party by which Borrower places an additional negative pledge on its assets or promises not to hypothecate or transfer said assets. Borrower acknowledges and agrees that assets shall include, without limitation, Intellectual Property Rights;

6.6 LOANS, INVESTMENTS, SECONDARY LIABILITIES. Except for Permitted Investments, directly or indirectly make any loans or advances to any Person or other entity except loans to employees (which shall be limited to $300,000 per employee, and $2,000,000 in aggregate) and or loans to employees from time to time to facilitate exercise of stock options which Borrower may have granted to them, other than in the ordinary and normal course of its business as now conducted, or directly or indirectly make any capital contribution to, or acquire, own or make any investment in the securities of, any person; directly or indirectly guarantee or otherwise become liable upon the obligation of any person, except by endorsement of negotiable instruments for deposit or collection in the ordinary and normal course of its business as now conducted;

6.7 ACQUISITION OR SALE OF BUSINESS; MERGER OR CONSOLIDATION. Purchase or otherwise acquire the assets or business of any person or other entity; or liquidate, dissolve, merge or consolidate, or commence any proceedings therefor; or sell any assets; or sell, lease, assign, or transfer any substantial part of its business or fixed assets, or any property or other assets necessary for the continuance of its business as now conducted, including without limitation the selling of any property or other asset accompanied by the leasing back of the same, other than: (a) transfers of Inventory in the ordinary course of Borrower's business; (b) transfers of non-exclusive licenses and similar arrangements for the use of the property of Borrower or its Subsidiaries; (c) transfers of surplus, worn-out or obsolete Equipment; or (d) other assets not in excess of i.) $ $500,000 per calendar year if for non-Intellectual Property Rights assets, and ii.) $2,000,000 per calendar year if for any Intellectual Property Rights (e.g. patent portfolios);

6.8 DISTRIBUTIONS; DIVIDENDS. Make any distribution or declare or pay any dividend on any of its Stock now outstanding or hereafter issued or purchase, redeem or retire any of such Stock other than in dividends or distributions payable in Borrower's Stock, except for the repurchase of Borrower's Stock from officers, directors, employees or consultants of Borrower upon termination of their employment with or rendering of service to Borrower;

6.9 SUBORDINATED LIABILITIES. Make any payments of interest or principal on any Subordinated Debt, other than regularly scheduled payments of in accordance with the provisions of any subordination agreement executed by Lender and the subordinated debt holder, or amend any provision contained in any documentation relating to the Subordinated Debt without Lender's prior written consent;

6.10 TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES. Directly or indirectly enter into or permit to exist any material transaction with any Subsidiary or Affiliate of Borrower except for transactions that are in the ordinary course of Borrower's business, upon fair and reasonable terms that are no less favorable to Borrower than would be obtained in an arm's length transaction with a non-affiliated Person.

7. FINANCIAL COVENANTS

Borrower agrees that until the full and final payment of the Obligations and so long as Lender has any obligation to extend credit to Borrower, and unless Lender shall otherwise consent in writing, Borrower shall not fail to comply with the following:

7.1 QUICK RATIO. Maintain on a quarterly basis a consolidated quick ratio of cash and accounts receivable to current liabilities (including all amounts due to stockholders, officers and Affiliates and contingent liabilities represented by standby letters of credit issued and outstanding) of at least 1.25:1.00;

7.2 TANGIBLE NET WORTH. Maintain on a monthly basis a consolidated Tangible Net Worth of not less than $35,000,000;

7.3 TOTAL LIABILITIES TO TANGIBLE NET WORTH RATIO. Maintain on a monthly basis a consolidated ratio of total liabilities to Tangible Net Worth of not greater than 0.75:1.00;

7.4 DEBT COVERAGE RATIO. Maintain quarterly on a rolling 4-quarter basis, starting with the four quarters ending December 31, 2000, a consolidated Debt Coverage Ratio of not less than 1.25:1.00;

7.5 PROFITABILITY. Maintain on a consolidated basis net profit after taxes of at least (a) $1.00 on a quarterly basis, and (b) $500,000 on an annual basis;

7.6 CAPITAL EXPENDITURES. Make or incur obligations for fixed or capital assets, which includes purchase money indebtedness or capital lease obligations in excess of $25,000,000 from the date hereof until December 31, 2001, or in any single fiscal year thereafter;

7.7 CASH AND EQUIVALENTS. Maintain on a monthly basis a minimum amount of cash and cash equivalents of not less than $5,000,000.

8. EVENTS OF DEFAULT

The occurrence of any of the following events of default ("Events of Default") shall, at Lender's option, terminate Lender's commitment after the applicable cure period, to lend and make all sums of principal and interest then remaining unpaid on all Borrower's indebtedness to Lender immediately due and payable, all without demand, presentment or notice, all of which are hereby expressly waived:

8.1 FAILURE TO PAY. Failure to pay any installment of principal or of interest on the Obligations or any other amount payable hereunder or under any other Loan Document within 10 days of the due date thereof;

8.2 BREACH OF NEGATIVE OR FINANCIAL COVENANTS. Failure of Borrower or any Guarantor to observe or perform any term or condition set forth in Article 6 or Article 7 hereof and such failure continues for 10 days after such breach;

8.3 BREACH OF OTHER COVENANTS. Failure of Borrower or any Guarantor to observe or perform any term or condition of this Agreement, instrument or agreement with or in favor of Lender entered into by or binding upon Borrower (other than those terms and conditions described in Sections 8.1 and 8.2 hereof), and such failure continues for 15 days after the earlier of (a) Borrower's discovery of such failure and (b) Lender's dispatch of notice to Borrower of such failure;

8.4 BREACH OF WARRANTY. Any of Borrower's or any Guarantor's representations or warranties made herein or in any statement or certificate at any time given in writing pursuant hereto or in connection herewith shall be false or misleading in any respect, or if any such representation, warranty, statement or certification is withdrawn;

8.5 INSOLVENCY; RECEIVER OR TRUSTEE. Borrower or any Guarantor shall become insolvent; or admit its inability to pay its debts as they mature; or make an assignment for the benefit of creditors; or apply for or consent to the appointment of a receiver or trustee for it or for a substantial part of its property or business;

8.6 JUDGMENTS, ATTACHMENTS. Any money judgment in excess of $100,000, writ or warrant of attachment, or similar process shall be entered or filed against Borrower or any

Guarantor or any of its assets and shall remain unsatisfied, unvacated, unbonded or unstayed for a period of 15 days or in any event later than 5 days prior to the date of any proposed sale thereunder;

8.7 BANKRUPTCY. Bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against Borrower or any Guarantor and, if instituted against it, shall not be dismissed within 30 days thereafter;

8.8 SECURITY INTEREST. This Agreement or any other Loan Document ceases to be in full force and effect (including the failure of this Agreement or any other Loan Document to create a valid and perfected security interest or lien on the Collateral) at any time and for any reason;

8.9 CESSATION OF BUSINESS. Borrower shall voluntarily suspend its business;

8.10 MATERIAL ADVERSE CHANGE. No event that has resulted or could reasonably be expected to result in a Material Adverse Change shall have occurred, as determined by Lender after reasonable efforts by Lender to discuss the matter with Borrower;

8.11 OTHER DEFAULTS. Borrower or any Guarantor shall commit or do or fail to commit or do any act or thing which would constitute an event of default under any of the terms of any other agreement, document or instrument executed or to be executed by it concerning the obligation to pay money, and such event of default continues for 15 days.

9. LENDER'S RIGHTS AND REMEDIES

9.1 RIGHTS AND REMEDIES. Upon the occurrence and during the continuation of an Event of Default, Lender may, at its election, without notice of its election and without demand, do any one or more of the following, all of which are authorized by Borrower:

9.1.1 Declare all Obligations, whether evidenced by this Agreement, by any of the other Loan Documents, or otherwise, immediately due and payable; provided, however, that upon the occurrence of an Event of Default described in Section 8.7, all Obligations shall become immediately due and payable without any action by Lender;

9.1.2 Cease advancing money or extending credit to or for the benefit of Borrower under this Agreement, under any of the other Loan Documents, or under any other agreement between Borrower and Lender; provided, however, that Lender shall have no duty to make advances while any Event of Default exists notwithstanding any cure period provided for herein;

9.1.3 Terminate this Agreement and any of the other Loan Documents as to any future liability or obligation of Lender, but without affecting Lender's rights and security interests in the Collateral and without affecting the Obligations;

9.1.4 Settle or adjust disputes and claims directly with account debtors for amounts, upon terms and in whatever order that Lender reasonably considers advisable;

9.1.5 Without notice to or demand upon Borrower or any guarantor, make such acts as Lender considers necessary or reasonable to protect its security interest in the Collateral. Borrower agrees to assemble the Collateral if Lender so requires, and to deliver or make available to Lender all or any portion of the Collateral and any and all certificates of title and other documents relating thereto as Lender may designate. Borrower authorizes Lender to enter the premises where the Collateral is located, to take and maintain possession of the Collateral, or any part of it, and to pay, purchase, contest, or compromise any encumbrance, charge, or lien which in Lender's determination appears to be prior or superior to its security interest and to pay all expenses incurred in connection therewith. With respect to any of Borrower's owned premises, Borrower hereby grants Lender a license to enter into possession of such premises and to occupy the same, without charge, in order to exercise any of Lender's rights or remedies provided herein, at law, in equity, or otherwise;

9.1.6 Set off and apply to the Obligations any and all (i) balances and deposits of Borrower held by Lender, or (ii) indebtedness at any time owing to or for the credit or the account of Borrower held by Lender;

9.1.7 Sell the Collateral at either a public or private sale, or both, by way of one or more contracts or transactions, for cash or on terms, in such manner and at such places (including Borrower's premises) as Lender determines is commercially reasonable, and apply any proceeds to the Obligations in whatever manner or order Lender deems appropriate; provided, however, that Lender shall have no obligation to clean-up or otherwise prepare the Collateral for sale;

9.1.8 Lender may credit bid and purchase at any public sale;

9.1.9 To the extent permitted by applicable law, Lender may have a receiver appointed as a matter of right, who may be an employee of Lender and may serve without bond, and all fees of such receiver and his or her attorney shall become part of the Obligations secured by this Agreement and payable from the disposition of the Collateral, payable upon demand with interest at the rate applicable to Loans hereunder until repaid; and

9.1.10 Any deficiency that exists after disposition of the Collateral as provided above shall be paid immediately by Borrower.

9.2 POWER OF ATTORNEY. Borrower hereby irrevocably makes, constitutes, and appoints Lender (and any of Lender's designated officers, employees or agents) as Borrower's true and lawful attorney to, upon the occurrence and during the continuance of an Event of Default: (a) send requests for verification of Accounts or notify account debtors of Lender's security interest in the Accounts; (b) endorse Borrower's name on any checks or other forms of payment or security that may come into Lender's possession; (c) sign Borrower's name on any invoice or bill of lading relating to any Account, drafts against account debtors, schedules and assignments of Accounts, verifications of Accounts, and notices to account debtors; (d) dispose of any Collateral; (e) make, settle, and adjust all claims under and decisions with respect to Borrower's policies of insurance; (f) settle and adjust disputes and claims respecting the accounts directly with account debtors, for amounts and upon terms which Lender determines to be reasonable; (g) to file, in its sole discretion, one or more financing or continuation statements and amendments thereto, relative to any of the Collateral without the signature of Borrower where permitted by law; provided, however, that Lender or any of its designees or attorneys-in-fact may

exercise such power of attorney to sign the name of Borrower on any of the documents described in Section 2.3, and to do any and all things necessary in the name and on behalf of Borrower in order to perfect, or continue the perfection of, Lender's security interests in the Collateral, regardless of whether an Event of Default has occurred or is continuing. Borrower agrees that neither Lender, nor any of its designees or attorneys-in-fact, will be liable for any act of commission or omission, or for any error of judgment or mistake of fact or law with respect to the exercise of the power of attorney granted under this Section 9.2, other than as a result of its or their gross negligence or willful misconduct. The appointment of Lender as Borrower's attorney-in-fact and each and every one of Lender's rights and powers granted under this Section 9.2, being coupled with an interest, shall be irrevocable until all of the Obligations have been indefeasibly paid in full, Lender's obligation to provide advances hereunder has been terminated, and all Borrower's duties hereunder have been performed in full.

9.3 ACCOUNTS COLLECTION. At any time during the occurrence and continuance of an Event of Default hereunder, Lender may notify any Person owing funds to Borrower of Lender's security interest in such funds and verify the amount of such Account. Borrower shall collect all amounts owing to Borrower for Lender, receive in trust all payments as Lender's trustee, and immediately deliver such payments to Lender in their original form as received from the account debtor, with proper endorsements for deposit.

9.4 PAYMENT OF EXPENSES BY LENDER. If Borrower fails to pay any amounts or furnish any required proof of payment due to third persons or entities, as required under the terms of this Agreement, then Lender may do any or all of the following after reasonable notice to Borrower: (a) make payment of the same or any part thereof; (b) set up such reserves under the Revolving Facility as Lender deems necessary to protect Lender from the exposure created by such failure; or (c) obtain and maintain insurance policies of the type discussed in Section 5.3 hereof, and take any action with respect to such policies as Lender deems prudent. Any amounts so paid or deposited by Lender shall be immediately due and payable, and shall bear interest at the rate applicable to the Loans from time to time, and shall be secured by the Collateral. Any payments made by Lender shall not constitute an agreement by Lender to make similar payments in the future or a waiver by Lender of any Event of Default under this Agreement.

9.5 NO OBLIGATION TO PURSUE OTHERS. Lender shall have no obligation to attempt to satisfy the Obligations by collecting them from any third Person which may be liable for them or any portion thereof, and Lender may release, modify or waive any collateral provided by any other Person as security for the Obligations or any portion thereof, all without affecting Lender's rights against Borrower. Borrower waives any right it may have to require Lender to pursue any third Person for any of the Obligations.

9.6 COMPLIANCE WITH OTHER LAWS. Lender may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral, and Lender's compliance therewith will not be considered to adversely affect the commercial reasonableness of any sale of the Collateral.

9.7 WARRANTIES. Lender may sell the Collateral without giving any warranties as to the Collateral. Lender may specifically disclaim any warranties of title or the like. This procedure will not be considered to adversely affect the commercial reasonableness of any sale of the Collateral.

9.8 SALES ON CREDIT. If Lender sells any of the Collateral upon credit, Borrower will be credited only with payments actually made by the purchaser, received by Lender and applied to the indebtedness of the purchaser. In the event that the purchaser fails to pay for the Collateral, Lender may resell the Collateral and Borrower will be credited with the proceeds of such sale.

9.9 NO MARSHALING. Lender shall be under no obligation to marshal any assets in favor of Borrower, or against or in payment of the Obligations or any other obligation owed to Lender by Borrower or any other Person.

9.10 GOVERNMENT CONSENTS. Upon the exercise by Lender of any power, right, privilege, or remedy pursuant to this Agreement which requires any consent, approval, registration, qualification, or authorization of any federal, state, local or other governmental authority, Borrower agrees to execute and deliver, or will cause the execution and delivery of, all applications, certificates, instruments, assignments, and other documents and papers that Lender or any purchaser of the Collateral may be required to obtain for such governmental consent, approval, registration, qualification, or authorization.

9.11 LENDER'S LIABILITY FOR COLLATERAL. So long as Lender complies with its obligations under the Code, Lender shall not in any way or manner be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage thereto occurring or arising in any manner or fashion from any cause; (c) any diminution in the value thereof; or (d) any act or default of any carrier, warehouseman, bailee, forwarding agency, or other person whomsoever. All risk of loss, damage or destruction of the Collateral shall be borne by Borrower.

9.12 REMEDIES CUMULATIVE. Lender's rights and remedies under this Agreement, the Loan Documents, and all other agreements shall be cumulative and not alternative. Lender shall have all other rights, powers and remedies not inconsistent herewith as provided under the Code, by law, or in equity against Borrower or any other person, including but not limited to Lender's rights of setoff or banker's lien. No exercise by Lender of one right or remedy shall be deemed an election, and no waiver by Lender of any Event of Default on Borrower's part shall be deemed a continuing waiver. No delay by Lender shall constitute a waiver, election, or acquiescence by it. No waiver by Lender shall be effective unless made in a written document signed on behalf of Lender and then shall be effective only in the specific instance and for the specific purpose for which it was given.

9.13 DEMAND; PROTEST. Borrower waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees at any time held by Lender on which Borrower may in any way be liable.

10. MISCELLANEOUS PROVISIONS

10.1 FAILURE OR INDULGENCE NOT WAIVER. No failure or delay on the part of Lender or any holder of notes issued hereunder, in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege. All rights and remedies existing under this Agreement or any note(s) issued in connection with a

Loan that Lender may make hereunder, are cumulative to, and not exclusive of, any rights or remedies otherwise available.

10.2 AMENDMENTS AND MODIFICATIONS. This Agreement may be modified only by a writing signed by all parties hereto.

10.3 CONSTRUCTION, INTERPRETATION.

10.3.1 Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Lender or Borrower, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto.

10.3.2 Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the term "including" is not limiting, and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or." The words "hereof," "herein," "hereby," "hereunder," and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. An Event of Default shall "continue" or be "continuing" until such Event of Default has been waived in writing by Lender. Section, subsection, clause, schedule, and exhibit references are to this Agreement unless otherwise specified. Any reference in this Agreement or in the Loan Documents to this Agreement or any of the Loan Documents shall include all alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, and supplements, thereto and thereof, as applicable. All accounting terms shall have the meanings applied under GAAP unless otherwise specified. All section titles appear as a matter of convenience only and shall not affect the interpretation of this Agreement.

10.4 CUMULATIVE EFFECT, CONFLICT OF TERMS. The provisions of the other Loan Documents are hereby made cumulative with the provisions of this Agreement. Except as otherwise provided in any of the other Loan Documents by specific reference to the applicable provision of this Agreement, if any provision contained in this Agreement is in direct conflict with, or inconsistent with, any provision in any of the other Loan Documents, the provision contained in this Agreement shall govern and control.

10.5 COUNTERPARTS; ENTIRE AGREEMENT. This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement. This Agreement, together with the other Loan Documents constitute the entire understanding among the parties hereto with respect to the subject matter hereof and supersedes amends and restates in full any prior agreements, written or oral, with respect thereto.

10.6 LENDER'S EXPENSES AND ATTORNEY'S FEES. If, at any time or times regardless of whether an Event of Default then exists, Lender pays or incurs legal or accounting expenses or any other costs or expenses in connection with (a) the negotiation and preparation of this Agreement or any of the other Loan Documents, any amendment of or modification of this Agreement or any of the other Loan Documents, (b) the administration of this Agreement or any of the other Loan Documents and the transactions or the Collateral contemplated hereby and

thereby, (c) any litigation, contest, dispute, suit, proceeding or action (whether instituted by Lender, Borrower, or any other Person) in any way relating to the Collateral, this Agreement or any of the other Loan Documents or Borrower's affairs, (d) any attempt to enforce any rights of Lender against Borrower, any Guarantor, or any other person which may be obligated to Lender by virtue of this Agreement or any of the other Loan Documents, whether or not suit is filed, or (e) any attempt to inspect, verify, protect, preserve, restore, collect, sell, liquidate or otherwise dispose of or realize upon the Collateral, then all such reasonable legal and accounting expenses (including all reasonable attorneys' fees) together with all other reasonable costs and expenses of Lender shall be payable by Borrower without demand after notice, and Borrower shall promptly pay all such amounts payable to Lender under this Section 10.6, and all such amounts shall be secured by the Collateral and shall bear interest from the date of such notice until paid in full at the rate applicable to the Loans from time to time. If suit is brought to enforce any provision of this Agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and court costs in addition to any other remedy or recovery awarded by the court.

10.7 INUREMENT. This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties; provided, however, that Borrower may not assign this Agreement or any rights or duties hereunder without Lender's prior written consent and any prohibited assignment shall be absolutely void. No consent to an assignment by Lender shall release Borrower from its Obligations. Lender may assign this Agreement and its rights and duties hereunder and no consent or approval by Borrower is required in connection with any such assignment to an equally rated and bona fide financial institution. Lender reserves the right to sell, assign, transfer, negotiate, or grant participations in all or any part of, or any interest in Lender's rights and benefits hereunder. In connection with any such assignment or participation, Lender may disclose all documents and information which Lender now or hereafter may have relating to Borrower or Borrower's business. To the extent that Lender assigns its rights and obligations hereunder to a third Person, Lender thereafter shall be released from such assigned obligations to Borrower and such assignment shall effect a novation between Borrower and such third Person.

10.8 APPLICABLE LAW. This Agreement and all other agreements and instruments required by Lender in connection therewith shall be governed by and construed according to the internal laws of the State of California, except to the extent that the Code provides for the application of the laws of another state.

10.9 SEVERABILITY. Should any one or more provisions of the Agreement be determined to be illegal or unenforceable, all other provisions nevertheless shall be effective.

10.10 TIME OF THE ESSENCE. Time is hereby declared to be of the essence of this Agreement and of every part hereof.

10.11 REFERENCE PROVISION.

10.11.1 Other than (i) nonjudicial foreclosure and all matters in connection therewith regarding security interests in real or personal property; or (ii) the appointment of a receiver, or the exercise of other provisional remedies (any and all of which may be initiated pursuant to applicable law), each controversy, dispute or claim between the parties arising out of or relating to this Agreement, any security agreement executed by Borrower in favor of Lender or any note executed by Borrower in favor of Lender or any other agreement or instrument

issued in favor of Lender by Borrower (collectively in this Section, the "Agreement") which controversy, dispute or claim is not settled in writing within 30 days after the "Claim Date" (defined as the date on which a party subject to this Agreement gives written notice to all other parties that a controversy, dispute or claim exists), shall be settled by a reference proceeding in California in accordance with the provisions of Section 638 et seq. of the California Code of Civil Procedure, or their successor section ("CCP"), which shall constitute the exclusive remedy for the settlement of any controversy, dispute or claim concerning this Agreement, including whether such controversy, dispute or claim is subject to the reference proceeding and except as set forth above, the parties waive their rights to initiate any legal proceedings against each other in any court or jurisdiction other than the Superior Court in the County where the Real Property, if any, is located or the County in which the Obligations are payable to Lender if none (the "Court"). The referee shall be a retired judge of the Court selected by mutual agreement of the parties, and if they cannot so agree within 45 days after the Claim Date, the referee shall be promptly selected by the Presiding Judge of the Court (or his representative). The referee shall be appointed to sit as a temporary judge, with all of the powers of a temporary judge, as authorized by law, and upon selection should take and subscribe to the oath of office as provided for in Rule 244 of the California Rules of Court (or any subsequently enacted Rule). Each party shall have one peremptory challenge pursuant to CCP Section 170.6. The referee shall (a) be requested to set the matter FOR hearing within 60 days after the date of selection of the referee and (b) try any and all issues of law or fact and report a statement of decision upon them, if possible, within 90 days of the Claim Date. Any decision rendered by the referee shall be final, binding and conclusive and judgment shall be entered pursuant to CCP Section 644 in any court in the State of California having jurisdiction. Any party may apply for a reference proceeding at any time after 30 days following notice to any other party of the nature of the controversy, dispute or claim, by filing a petition for a hearing or trial. All discovery permitted by this Agreement shall be completed no later than 15 days before the first hearing date established by the referee. The referee may extend such period in the event of a party's refusal to provide requested discovery for any reason whatsoever, including, without limitation, legal objections raised to such discovery or unavailability of a witness due to absence or illness. No party shall be entitled to "priority" in conducting discovery. Depositions may be taken by either party upon 14 days written notice, and request for production or inspection of documents shall be responded to within 20 days after service. All disputes relating to discovery which cannot be resolved by the parties shall be submitted to the referee whose decision shall be final and binding upon the parties. Pending appointment of the referee as provided herein, the Court is empowered to issue temporary or provisional remedies, as appropriate.

10.11.2 Except as expressly set forth in this Agreement, the referee shall determine the manner in which the reference proceeding is conducted including the time and place of all hearings, the order of presentation of evidence, and all other questions that arise with respect to the course of the reference proceeding. All proceedings and hearings conducted before the referee, except for trial, shall be conducted without a court reporter except that when any party so requests, a court reporter will be used at any hearing conducted before the referee. The party making such a request shall have the obligation to arrange for and pay for the court reporter. The costs of the court reporter at the trial shall be borne equally by the parties.

10.11.3 The referee shall be required to determine all issues in accordance with existing case law and the statutory laws of the State of California. The rules of evidence applicable to proceedings at law in the state of California shall be applicable to the reference

proceeding. The referee shall be empowered to enter equitable as well as legal relief, to provide all temporary or provisional remedies and to enter equitable orders that shall be binding upon the parties. The referee shall issue a single judgment at the close of the reference proceeding which shall dispose of all of the claims of the parties that are the subject of the reference. The parties hereto expressly reserve the right to contest or appeal from the final judgment or any appealable order or appealable judgment entered by the referee. The parties hereto expressly reserve the right to findings of fact, conclusions of laws, a written statement of decision, and the right to move for a new trial or a different judgment, which new trial, if granted, is also to be a reference proceeding under this provision.

10.11.4 In the event that the enabling legislation which provides for appointment of a referee is repealed (and no successor statute is enacted), any dispute between the parties that would otherwise be determined by the reference procedure herein described shall be resolved and determined by arbitration. The arbitration shall be conducted by a retired judge of the Court, in accordance with the California Arbitration Act, Section 1280 through Section 1294.2 of the CCP as amENDED FROM time to time. The limitations with respect to discovery as set forth hereinabove shall apply to any such arbitration proceeding.

11. NOTICES. All notices, requests and other communications hereunder shall be in written form (including bank wire, telegram, facsimile, telex, or similar writing) and shall be given to the party to whom addressed, at its address, facsimile or telex number set forth below, or such other address, facsimile or telex number as such party may hereafter specify for the purpose by notice to the other parties listed below. Each such notice, request or communication shall be effective (i) if given by facsimile, telex or other electronic means, when such communication is transmitted to the address specified below and the appropriate answer back is received, (ii) if given by mail, three days after such communication is deposited in the United States mail with postage prepaid by registered or certified mail, return receipt requested, address as aforesaid or (iii) if given by any other means, when addressed at the address specified below. All notices given by telex, facsimile or other electronic means shall be confirmed in writing as promptly as practicable.

If to Borrower:	FormFactor, Inc. 2140 Research Drive Livermore, CA 94550 Attention: Jens Meyerhoff Facsimile No: 925 294-4067
If to Lender:	Imperial Bank, a Comerica Incorporated company 9920 So. La Cienega Blvd., Suite 628 Inglewood, California 90301 Attention: Loan Services Facsimile No. (310) 417-5444 or (310) 338-6110
With copy to:	Imperial Bank East Bay Regional Office 1131 N. California Blvd. Suite 400 Walnut Creek, CA 94596-9504 Attention: Randy Bauder, Senior Vice President Facsimile No. (925) 941-1999

This Agreement is duly executed on behalf of each of the parties hereto by duly authorized officers as of the date first above written.

IMPERIAL BANK, a California corporation	FORMFACTOR, INC., a Delaware corporation
X /s/ Randy L. Bauder	X /s/ Jens Meyerhoff
By: Randy L. Bauder	By: Jens Meyerhoff
Title: Senior Vice President	Title: CFO

APPENDIX A

GENERAL DEFINITIONS

When used in the Amended and Restated Loan and Security Agreement dated as of March 20, 2001, by and between Imperial Bank, a California banking corporation and FormFactor, Inc., the following terms shall have the following meanings (terms defined in the singular to have the same meaning when used in the plural and vice versa):

Accounts - all presently existing and hereafter arising accounts, accounts receivable, contract rights and other forms of monetary obligations and receivables (including healthcare receivables) owing to Borrower, and any credit insurance, guaranties, or security therefor, irrespective of whether earned by performance.

Affiliate - with respect to any Person, any other Person who, directly or indirectly, controls, is controlled by, is under common control with, or is a director, officer or partner of such Person. For purposes of this definition, "control" means the possession, directly or indirectly, of the power to vote 5% or more of the Stock having ordinary voting power for the election of directors (or comparable managers) or the direct or indirect power to direct the management and policies of a Person.

Agreement - the Amended and Restated Loan and Security Agreement referred to in the first sentence of this Appendix A, all Schedules and Exhibits thereto, and this Appendix A.

Bankruptcy Code - the United States Bankruptcy Code (11 U.S.C.Section 101 et seq.), as amended, and any successor statute.

Borrower's Books - means all of Borrower's books and records including: ledgers; records indicating, summarizing, or evidencing Borrower's properties or assets (including the Collateral) or liabilities; all information relating to Borrower's business operations or financial condition; and all computer programs, disk or tape files, printouts, runs, or other computer prepared information.

Business Day - any day that is not a Saturday, Sunday, or other day on which banks in the State of California, Arizona, Colorado or Washington are authorized or required to close.

Chattel Paper - all chattel paper (including tangible chattel paper and electronic chattel paper) (as such terms are defined in the Code).

Closing Date - the date of the making of the initial Loan under the Agreement.

Code - the California Uniform Commercial Code, as amended or supplemented from time to time, including revised Division 9 of the Uniform Commercial Code-Secured Transactions, added by Stats. 1999, c.991 (S.B. 45), Section 35, operative July 1, 2001. Any and all terms used in the Agreement which are defined in the UCC shall be construed and defined in accordance with the meaning and definition ascribed to such terms under the UCC, unless otherwise defined herein.

Collateral - all of Borrower's right, title, and interest in and to each of the following in which Borrower now has rights or hereafter acquires right:

1. the Accounts,

2. Borrower's Books,

3. the Deposit Accounts,

4. the Equipment,

5. the General Intangibles,

6. the Inventory,

7. the Investment Property,

8. the Letter of Credit Rights,

9. the Negotiable Collateral,

10. the Supporting Obligations,

11. any money, or other assets of Borrower that now or hereafter come into the possession, custody, or control of Lender, and

12. the proceeds and products , whether tangible or intangible, of any of the foregoing, including proceeds of insurance covering any or all of the Collateral, and any and all Accounts, Borrower's Books, Deposit Accounts, Equipment, General Intangibles, Inventory, Investment Property, Letter of Credit Rights, Negotiable Collateral, Real Property, Supporting Obligations, money, deposit accounts, or other tangible and intangible property received or receivable from the sale, exchange, collection, lease, license, use or other disposition of any of the foregoing, or any portion thereof or interest therein, and the proceeds thereof. Notwithstanding the foregoing, Collateral does not include: (i) leasehold interests as a lessee or sublessee under real property leases or subleases; (ii) leasehold interests as a lessee under an equipment lease or loan, or equipment subject to a lease or loan unless and to the extent permitted by the applicable contractual arrangement; (iii) interests as a licensee under software or other intellectual property right subleases unless and to the extent permitted by the applicable contractual arrangement; or (iv) Intellectual Property Rights.

Debt Coverage Ratio - net profit after taxes plus depreciation and amortization, divided by current portion of long term debt, plus the current amount due on all capital leases. This ratio to be measured on a rolling 4-quarter basis, starting with the 4 quarters ending December 30, 2000.

Deposit Account - any demand, time, savings, passbook or similar account now or hereafter maintained by or for the benefit of Borrower with an organization that is engaged in the business of banking including a bank, savings bank, savings and loan association, credit union and trust

companies, and all funds and amounts therein, whether or not restricted or designated for a particular purpose.

Documents - any and all documents and documents of title, including documents of title, bills of lading, dock warrants, dock receipts, warehouse receipts and other documents of Borrower, whether or not negotiable, and includes all other documents which purport to be issued by a bailee or agent and purport to cover goods in any bailee's or agent's possession which are either identified or are fungible portions of an identified mass, including such documents of title made available to Borrower for the purpose of ultimate sale or exchange of goods or for the purpose of loading, unloading, storing, shipping, transshipping, manufacturing, processing or otherwise dealing with goods in a manner preliminary to their sale or exchange, in each case whether now existing or hereafter acquired.

Equipment - all of Borrower's machinery, machine tools, apparatus, motors, equipment, fittings, furniture, furnishings, fixtures, vehicles (including motor vehicles and trailers), tools, parts, goods (including software imbedded in such goods) and other tangible personal property (other than Inventory) of every kind and description used in Borrower's operations or owned by Borrower or in which Borrower has an interest, whether now owned or hereafter acquired by Borrower and wherever located, and all parts, accessories, and special tools, and all increases and accessions thereto and substitutions and replacements therefor.

GAAP - generally accepted accounting principles as in effect from time to time in the United States, consistently applied.

General Intangibles - all of Borrower's present and future general intangibles and other personal property (including payment intangibles, electronic Chattel Paper, contract rights, rights arising under common law, statutes, or regulations, choses or things in action, blueprints, drawings, plans, diagrams, schematics, purchase orders, customer lists, monies due or recoverable from pension funds, route lists, software, information contained on computer disks or tapes, literature, reports, catalogs, deposit accounts, insurance premium rebates, tax refunds, and tax refund claims), other than goods, Accounts, Intellectual Property and Negotiable Collateral.

Guarantor - means, jointly and severally, individually and collectively, each Person that from time to time enters into a continuing guaranty of the obligations of Borrower to Lender.

Indebtedness - all (a) obligations of Borrower for borrowed money, (b) obligations of Borrower evidenced by bonds, debentures, notes, or other similar instruments and all reimbursement or other obligations of Borrower in respect of letters of credit, bankers acceptances, interest rate swaps, or other financial products, (c) obligations of Borrower under capital leases, (d) obligations or liabilities of others secured by a Lien on any property or asset of Borrower, irrespective of whether such obligation or liability is assumed, and (e) any obligation of Borrower guaranteeing or intended to guarantee (whether guaranteed, endorsed, co-made, discounted, or sold with recourse to Borrower) any indebtedness, lease, dividend, letter of credit, or other obligation of any other Person.

Insolvency Proceeding - any proceeding commenced by or against any Person under any provision of the Bankruptcy Code or under any other bankruptcy or insolvency law, including

assignments for the benefit of creditors, formal or informal moratoria, compositions, extension generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

Instruments - any and all negotiable instruments, and every other writing which evidences a right to the payment of a monetary obligation, in each case whether now existing or hereafter acquired.
Intellectual Property Rights - any inventions (patentable or otherwise), patents, trademarks, copyrights, trade secrets or other intellectual property rights, and any licenses in or to the same.

Inventory - all of Borrower's goods (including software imbedded in such goods), merchandise and other personal property which are held for sale or lease, including those held for display or demonstration or out on lease or consignment or to be furnished under a contract of service or are raw materials, work in process or materials used or consumed, or to be used or consumed in Borrower's business, and shall include any returns or repossessions thereof and all property rights, patents, copyrights, trademarks, plans, drawings, diagrams, schematics, assembly and display materials relating thereto.

Investment Property - any and all of Borrower's presently existing and hereafter acquired investment property (as defined in the Code).

Letter of Credit Rights - any and all of Borrower's presently existing and hereafter acquired letter of credit rights (as defined in the Code).

LIBOR Addendum - the LIBOR Addendum attached to each applicable promissory note evidencing the Loans, in the form attached hereto as Schedule A.

Lien - any lien or security interest arising from a mortgage, deed of trust, encumbrance, pledge, hypothecation, assignment, deposit arrangement, security agreement, adverse claim or charge, conditional sale or trust receipt, or from a lease, consignment, or bailment for security purposes and any agreement to grant any lien or security interest.

Loan Documents - the Agreement, all promissory note(s) executed by Borrower in favor of Lender, any security agreements, guaranties, mortgages, deeds of trust, environmental agreements, executed by Borrower with or in favor of Lender, and any other instruments, documents, or agreements entered into, now or in the future by Borrower in connection therewith.

Loans - all loans and advances of any kind made by Lender to Borrower pursuant to the Agreement.

Long Term Debt - as of any date of determination, all debts and other obligations of Borrower for borrowed money and all renewals or extensions thereof whose remaining term exceeds 1 year.

Material Adverse Change - a material adverse effect on (a) the business, prospects, operations, results of operations, assets, liabilities or condition (financial or otherwise) of Borrower, any Subsidiary or Affiliate of Borrower, (b) the ability of Borrower, any Subsidiary or Affiliate of

Borrower, to perform its obligations under the Loan Documents to which it is a party or of Lender to enforce the Obligations or realize upon the Collateral, (c) the value of the Collateral or the amount that Lender would be likely to receive (after giving consideration to delays in payment and costs of enforcement) in the liquidation of such Collateral (d) the validity or enforceability of this Agreement, the other Loan Documents, or the rights and remedies of Lender hereunder or thereunder, or (e) the priority of Lender's liens with respect to the Collateral.

Maturity Date - April 30, 2002.

Maximum Revolving Amount - US$12,000,000.

Negotiable Collateral - all of Borrower's present and future letters of credit, advises of credit, certificates of deposit, notes, drafts, money, Instruments, Documents, and tangible Chattel Paper.

Obligations - all Loans, advances, debt, principal, interest, fees, expenses, costs and other amounts owed to Lender by Borrower pursuant to this Agreement or any other agreement, together with all guaranties, covenants and duties owing by Borrower to Lender of any kind or description, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, including any interest, fees, expenses, costs and other amounts owed to Lender that but for the provisions of the Bankruptcy Code would have accrued after the commencement of any Insolvency Proceeding and including any debt, liability, or obligation owing from Borrower to others that Lender may have obtained by assignment or otherwise.

Permitted Indebtedness - all: (a) Indebtedness of Borrower in favor of Lender arising under this Agreement or any other Loan Document; (b) Indebtedness existing on the Closing Date and disclosed in writing; (c) Indebtedness secured by a lien described in clause (c) of the defined term "Permitted Liens," provided such Indebtedness does not exceed the lesser of the cost or fair market value of the Equipment financed with such Indebtedness; and (d) Subordinated Debt.

Permitted Investments - all: (a) investments existing on the Closing Date disclosed in writing; and (b) investments in (i) marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency or any State thereof maturing within one (1) year from the date of acquisition thereof, (ii) commercial paper maturing no more than one (1) year from the date of creation thereof and currently having rating of at least A-2 or P-2 from either Standard & Poor's Corporation or Moody's Investors Service, (iii) certificates of deposit maturing no more than one (1) year from the date of investment therein issued by Lender and/or (iv) Lender's money market accounts, and such investments that Borrower's Board of Directors shall permit as defined in the investment policy as duly adopted by such Board, from time to time.

Permitted Liens - any: (a) any Liens existing on the Closing Date and disclosed in writing or arising under this Agreement or the other Loan Documents; (b) Liens for taxes, fees, assessments or other governmental charges or levies, either not delinquent or being contested in good faith by appropriate proceedings, provided the same have no priority over any of Lender's security interests; (c) Liens (i) upon or in any Equipment acquired or held by Borrower or any of its Subsidiaries to secure the purchase price of such Equipment or indebtedness incurred solely for the purpose of financing the acquisition of such Equipment, or (ii) existing on such Equipment at

the time of its acquisition, provided that the Lien is confined solely to the Equipment so acquired and improvements and additions thereto, and the proceeds of such Equipment to the extent that the acquisition of such Equipment is permitted under Section 7.6; (d) Liens incurred in connection with the extension, renewal or refinancing of the indebtedness secured by Liens of the type described in clauses (a) through (c) above, provided that any extension, renewal or replacement Lien shall be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness being extended, renewed or refinanced does not increase.

Person - any individual, sole proprietorship, partnership, limited liability company, joint venture, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or governmental agency.

Real Property - means any estates or interests in real property now owned or hereafter acquired by Borrower.

Stock - means all shares, options, warrants, interests, participations, or other equivalents (regardless of how designated) of or in a corporation or equivalent entity, whether voting or nonvoting, including common stock, preferred stock, or any other "equity security" (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the SEC under the Securities Exchange Act of 1934).

Subsidiary - of a Person means any corporation, partnership, limited liability company, or other entity in which (i) any general partnership interest or (ii) more than 50% of the Stock of which by the terms thereof having ordinary voting power to elect the Board of Directors, managers or trustees of the entity, at the time as of which any determination is being made, is owned by Borrower, either directly or through an Affiliate.

Supporting Obligations - any and all of Borrower's presently existing and hereafter acquired supporting obligations (as defined in the Code).

Tangible Net Worth - as of any date of determination, the sum of Borrower's total stockholder's equity, less any value for goodwill, trademarks, patents, copyrights, leaseholds, organization expense and other similar intangible items, and any amounts due from stockholders, officers and Affiliates.

EXHIBIT 5.5.3

COMPLIANCE CERTIFICATE

To: IMPERIAL BANK
1331 N. California Blvd. Suite 400
Walnut Creek, CA 94596-9504

Attn.: Randy L. Bauder, Senior Vice President

This Compliance Certificate is given pursuant to Section 5.5.3 of that certain Amended and Restated Loan and Security Agreement, dated as of March 20, 2001 (the "Agreement"), by and among FormFactor, Inc. "Borrower"), and IMPERIAL BANK, a California banking corporation. All initially capitalized terms used but not defined in this Compliance Certificate shall have the meanings assigned to such terms in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. He/She is the duly elected _____ of Borrower;

2. He/She reviewed the terms of the Agreement and has made, or has caused to be made under his/her supervision, a detailed review of the transactions and condition of Borrowers during the accounting period covered by the attached financial statements;

3. Based on the examination described in Paragraph (2) above, Borrower has performed and observed each and every covenant contained in the Agreement to be performed or observed by it;

4. The examinations described in Paragraph (2) above did not disclose, and he/she has no knowledge of, the existence of any condition or the occurrence of any event that constitutes, or that upon the lapse of time or upon the giving of notice and the lapse of any time specified therefor shall constitute, an Event of Default during, or at the end of, the accounting period covered by the attached financial statements or as of the date of this Compliance Certificate, except as set forth below; and

5. Schedule 1 attached hereto and incorporated herein by this reference sets forth financial data and computations evidencing Borrowers' compliance with those covenants set forth in Sections 7.1 through 7.7 of the Agreement, all of which data and computations are to the best of my knowledge, true, complete and correct.

FORMFACTOR, INC.

By: _____
Title:_____

FIRST MODIFICATION TO
SECOND AMENDED AND RESTATED
LOAN AND SECURITY AGREEMENT

This First Modification to Second Amended and Restated Loan and Security Loan Agreement (this `Modification') is entered into by and between FORMFACTOR, INC. ("Borrower") and IMPERIAL BANK ("Bank") as of this 17th day of September, 2001, at Inglewood, California.

RECITALS

This Modification is entered into upon the basis of the following facts and understandings of the parties, which facts and understandings are acknowledged by the parties to be true and accurate:

Bank and Borrower previously entered into a Second Amended and Restated Loan and Security Agreement dated March 20, 2001. The Second Amended and Restated Loan and Security Agreement shall be referred to herein as the "Agreement."

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as set forth below.

AGREEMENT

1. Incorporation by Reference. The Recitals and the documents referred to therein are incorporated herein by this reference. Except as otherwise noted, the terms not defined herein shall have the meaning set forth in the Agreement.

2. Modification to the Agreement. Subject to the satisfaction of the conditions precedent as set forth in Section 3 hereof, the Agreement is hereby modified as set forth below.

Section 7.5 of the Agreement is hereby deleted in its entirety and replaced with the following:

> "7.5 LIMITATION ON LOSSES. Not to incur on a consolidated basis, a net loss after taxes of more than (a) $1,500,000 for the fiscal quarter ending September 30, 2001; (b) $1,000,000 for the fiscal quarter ending December 31, 2001; and (c) $1,400,000 for each fiscal year end."

3. Legal Effect. The effectiveness of this Modification is conditioned upon receipt by Bank of this Modification, and any other documents which Bank may require to carry out the terms hereof. Except as specifically set forth in this Modification, all of the terms and conditions of the Agreement remain in full force and effect.

4. Integration. This is an integrated Modification and supersedes all prior negotiations and agreements regarding the subject matter hereof. All amendments hereto must be in writing and signed by the parties.

IN WITNESS WHEREOF, the parties have agreed as of the date first set forth above.

FORMFACTOR, INC.	IMPERIAL BANK
By: /s/ JENS MEYERHOFF	By: /s/ RANDY L. BAUDER
Title: CFO	Randy L. Bauder Senior Vice President

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: ***

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 * * *:

FAILURE POINT	* * *
* * * touchdowns	* * *%
* * * touchdowns	* * *

7.5 Touchdown Calculation: ***

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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 * * *.

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 * * *.

11.2 VENDOR agrees to offer information regarding it's * * *, as described in APPENDIX 6.

11.3 BUYER and VENDOR agree to participate in regularly scheduled management meetings to discuss * * *, 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 * * * period unless all parties agree to extend. * * *

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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* * * 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.

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 * * *, provided that: (i) * * *; and, (ii) * * *. Otherwise, all Individual Contracts are * * *.

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 * * *.

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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.

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 * * *, 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.

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(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	* * *
APPENDIX 12	* * *

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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 * * *

3. SIEMENS agrees * * *

4. SIEMENS agrees * * *. VENDOR agrees to provide * * *.

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 * * * if it provides 90 days written notice to SIEMENS and provides * * * to SIEMENS.

10. The * * * shall be charged at the standard list price of $* * *. If VENDOR is able to * * * lower prices may apply and will be quoted as required. VENDOR will provide to SIEMENS a * * *.

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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 * * *, 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 * * *, subject to a * * * premium for expedited NRE and 1st article probecards.

NOTES:

1. Lead-time is defined as * * *.

2. Lead-time quoted is subject to * * *.

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.

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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 * * *.

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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. _____

Device: _____ DUT: _____

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"

* * *

2 pages

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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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(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 * * * (* * *) years commencing upon the Effective Date. At the end of such * * *-year period, this Agreement shall renew automatically for additional * * * 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

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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 * * * 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

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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 * * *. * * *.

(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 * * *. 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 * * * LIMITATION SHALL NOT APPLY TO THOSE CLAIMS BROUGHT BY DISTRIBUTOR AGAINST COMPANY IN WHICH: (I) THE CLAIM SEEKS INDEMNIFICATION FOR * * *; AND (II) THE * * * CLAIM * * * IS

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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.

BASED UPON * * *, AND IS NOT BASED UPON * * *; SUCH CLAIMS SHALL BE LIMITED BY THE LESSER OF THE * * *.

(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	DISTRIBUTOR
SIGNATURE: /s/ Peter B. Mathews	SIGNATURE: /s/ David Sheu
----------	----------

* * * 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: _____

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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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 * * * 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 * * * with BUYER on a regularly scheduled basis. VENDOR hereby designates all such * * * 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 * * * unless both Parties agree in writing to extend the Agreement for additional * * * year terms. ***

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

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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.

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 * * * 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 * * * 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, 2002	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 * * * shall be from December 2000 to * * *.

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
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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.

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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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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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	* * *	New Document
09/27/99	B	9090804	* * *	Add new standard * * * spec, * * *

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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)		* * *	

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 21.01

FormFactor, Inc.
List of Subsidiaries

FormFactor Europe Ltd.
FormFactor Germany GmbH
FormFactor Hungary Licensing LLC
FormFactor, KK
FormFactor Korea - YH

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form S-1 of our reports dated February 15, 2002, except for Note 14, as to which the date is April 18, 2002, relating to the consolidated financial statements and 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.

PricewaterhouseCoopers LLP

San Jose, California
April 22, 2002