



## Statement of Policy Regarding Insider Trading

This Statement of Policy Regarding Insider Trading (“Policy Statement”) sets forth FormFactor, Inc. (the “Company” or “FormFactor”)’s internal rules and procedures to: (1) prevent insider trading by Company employees, officers and directors, and (2) help Company employees, officers and directors avoid the severe consequences associated with the violation of insider trading laws.

Please read this Policy Statement carefully. For your convenience and ease of access, this Policy Statement will be maintained on “inFORM” – the Company’s intranet site. The Company may change these procedures or adopt other procedures in the future as it considers appropriate to carry out the purposes of this Policy Statement. You will be advised by email of any changes to this Policy Statement and of the implementation of any trading restrictions that affect you consistent with this Policy Statement. Changes and trading restrictions will also be posted on inFORM.

If you have any questions or concerns regarding this Policy Statement, please contact the Company Compliance Officer at (925) 290-4028, or by email to [complianceofficer@formfactor.com](mailto:complianceofficer@formfactor.com).

### I. Introduction

#### A. The Need For This Policy Statement

The Company’s common stock is publicly traded on the NASDAQ Global Market under the symbol **FORM**. The federal securities laws prohibit the purchase or sale of a company’s securities, such as FORM stock, while aware of material nonpublic information regarding the company, or the disclosure of material nonpublic information to others who then trade in the company’s securities. Insider trading violations are pursued vigorously by the Securities Exchange Commission (“SEC”) and the U.S. Attorneys Office and are punished severely. While regulatory authorities most frequently concentrate their efforts on the individuals who trade, or who tip inside information to others who trade, the federal securities laws also impose potential liability on companies and other "controlling persons" if they fail to take reasonable steps to prevent insider trading by company personnel. Insider trading violations can also form the basis for class action law suits against a company.

FormFactor’s Board of Directors has adopted this Policy Statement both to satisfy the Company's obligation to prevent insider trading and to help Company personnel avoid the severe consequences associated with violations of the insider trading laws. It is important to maintain and continue the Company’s established reputation for integrity and ethical conduct. This Policy Statement also is intended to prevent even the appearance of improper conduct on the part of anyone employed by or associated with the Company (not just so-called insiders).

## **B. The Consequences Of Insider Trading Violations**

The consequences of an insider trading violation can be severe.

### **1. For Traders and Tippees.**

Company personnel (or their tippees) who trade on inside information are subject to the following penalties:

- A civil penalty of up to three times the profit gained or loss avoided;
- A criminal fine of up to \$1,000,000 (no matter how small the profit); and
- A jail term of up to ten years.

An employee who tips information to a person who then trades is subject to the same penalties as the tippee, even if the employee did not trade and did not profit from the tippee's trading. Traders and tippees also, of course, run the risk of inflicting significant harm on their own professional careers, including job loss and the potential prohibition on holding certain positions at a public company.

### **2. For Control Persons.**

The Company and its supervisory personnel, who are considered to be "control persons", are subject to the following penalties if they fail to take appropriate steps to prevent illegal insider trading:

- A civil penalty of up to \$1,000,000 or, if greater, three times the profit gained or loss avoided as a result of the employee's violation; and
- A criminal penalty of up to \$2,500,000.

### **3. Company-Imposed Sanctions.**

An employee's, officer's or director's failure to comply with FormFactor's insider trading policy - this Policy Statement - may subject that individual to Company-imposed sanctions, including dismissal for cause, whether or not the employee's failure to comply results in a violation of law. FormFactor reserves the right to determine, in its own discretion and on the basis of information available to it, whether its policy has been violated. It is not necessary for the Company to await the filing or conclusion of a civil or criminal action against the alleged violator before taking disciplinary action.

## **II. Statement Of Policy**

### **A. General Policy Regarding Insider Trading.**

No FormFactor director, officer or employee who is aware of material nonpublic information relating to the Company may, directly or through family members or other persons or entities:

- Buy or sell securities of the Company (other than pursuant to a pre-approved trading plan that complies with SEC Rule 10b5-1 and complies with the Company's procedures described under "Procedures for Rule 10b5-1 Trading Plans" below), or engage in any other action to take personal advantage of that information; or,
- Pass that material nonpublic information on to others outside the Company, including to family and friends.

## 1. Material Nonpublic Information.

It is very important that you understand what is meant by the phrase “material nonpublic information.” That is, when information is deemed to be “material” and when information is deemed to be “nonpublic.”

**a. Material Information.** “*Material Information*” is any information that a reasonable investor would consider important in making a decision to buy, hold or sell securities such as stock. Any information that could be expected to affect the Company's stock price, whether it is positive or negative, should be considered material. Some examples of information that ordinarily would be regarded as material are:

- (i) Projections of future earnings or losses, or other earnings guidance;
- (ii) Earnings, bookings or revenues that are inconsistent with the consensus expectations of the investment community;
- (iii) A pending or proposed merger, acquisition or tender offer;
- (iv) A pending or proposed acquisition or disposition of a significant asset;
- (v) A change in dividend policy, the declaration of a stock split, or an offering of additional securities;
- (vi) A change in senior management;
- (vii) Development of a significant new product or process;
- (viii) Impending bankruptcy or the existence of severe liquidity problems;
- (ix) The gain or loss of a significant customer or supplier;
- (x) The imminent placement or cancellation of a significant purchase order; and,
- (xi) A significant design win at a current or new customer.

**b. Nonpublic Information.** “*Nonpublic Information*” is any information that has not been widely distributed to the public through, for example, a major newswire service, a national news service or a financial news service. For purposes of this Policy Statement, information is considered public, that is, no longer “nonpublic information,” after the close of trading on the second full trading day on the NASDAQ Global Market following the Company’s widespread public release of the information. For example, if the Company issues a press release announcing that a new customer has placed a large volume purchase order on a Tuesday after the NASDAQ Global Market has closed, then the information in the press release is considered “nonpublic” until after the close of trading on the following Thursday (two days after the press release). If the Company issues the same press release earlier on the same Tuesday when the NASDAQ Global Market is still open, the information in the press release is still considered “nonpublic” until after the close of trading on the following Thursday.

## 2. Third Party Companies.

A FormFactor director, officer or employee who, in the course of working for the Company, learns of material nonpublic information about a third party company may not trade in that company's securities until the information becomes public or is no longer material. This prohibition on trading includes the buying or selling of securities of third party companies that are customers or suppliers of FormFactor.

### **3. No Exceptions.**

Transactions that may be necessary or justifiable for personal reasons (such as the need to raise money for an emergency expenditure) are not excepted from this Policy Statement. The securities laws do not recognize such mitigating circumstances, and, in any event, even the appearance of an improper transaction must be avoided to preserve the Company's reputation for adhering to the highest standards of conduct. This means that you will not be able to make the decision to sell FORM stock during a closed window even in the event of an urgent family need for funds.

### **4. Trading Advice.**

The Company strongly discourages all directors, officers and other employees from giving trading advice concerning FORM securities to third parties even when they do not possess material non-public information.

### **5. 20-20 Hindsight.**

Remember, anyone scrutinizing your transactions will be doing so after the fact, with the benefit of hindsight. As a practical matter, before engaging in any transaction regarding FORM securities, you should carefully consider how enforcement authorities and others might view the transaction in hindsight. This is the case even if you are conducting the transaction during an open trading window.

#### **B. Disclosure Of Company Information To Others.**

FormFactor is required under Regulation FD of the federal securities laws to avoid the selective disclosure of material nonpublic information. FormFactor has established procedures for releasing material information in a manner that is designed to achieve broad public dissemination of the information immediately upon its release. You may not, therefore, disclose information to anyone outside the Company, including family members and friends, other than in accordance with those procedures.

#### **C. Pre-Clearance Procedures For Trading**

Once you have concluded that you do not have material, nonpublic information, you still need to confirm that your proposed trade of FORM securities is consistent with certain other Company rules and requirements set by this Policy Statement. To this goal, there are two basic issues that you must keep in mind in connection with any trade of FORM securities.

First, you need to confirm whether you fall within either one of two specific groups of employees who have additional restrictions imposed upon their trading in the Company's securities. These two groups, which are titled "Section 16 Parties" and "Access Individuals," are subject to certain additional trading restrictions based upon the specific individual's position or job responsibilities at the Company. With one limited exception relating to pre-approved trading plans, members of each group must also obtain pre-clearance approval of trades pursuant to the Company's "Pre-Clearance Procedures," which are discussed below. The Company may also, in its discretion, make the decision to pre-approve trades of the Company's securities by all employees of the Company, even individuals who are not Section 16 Parties or Access Individuals. If such a decision is made, employees will be promptly informed.

Second, you need to confirm that the trade is consistent with FormFactor's "Trading Windows" and "Trading Blackout Periods." Trading Windows are the predetermined periods of time during which employees, officers and directors can trade Company securities. As discussed below, the specific "Trading Window" applicable to an individual depends upon his/her position in the Company, and whether he/she is in the possession of material, nonpublic information. This can mean that while you are restricted from trading during certain time periods, other employees might be able to trade. Blackout Periods are the specific periods of time that the Company designates during which no employee, officer or director may trade in

Company securities. The Company may designate a special “Blackout Period” during which no trading in Company securities is permitted, even if the time period is during a “Trading Window.”

For your convenience, each of the *bold-italicized* terms is discussed below.

## **1. Restricted Individuals and Entities.**

To help prevent inadvertent violations of the federal securities laws and avoid even the appearance of trading on inside information, certain individuals associated with the Company must not engage in any transactions in the Company’s securities without first obtaining pre-clearance from the Company. These individuals fall into two groups: (1) directors and executive officers of the Company, and certain other individual or entities, all of whom are called in this Policy Statement “Section 16 Parties;” and (2) Company employees who have regular access to material, nonpublic information in the normal course of their duties and responsibilities for the Company, who are called in this Policy Statement “Access Individuals”.

Because there are trading restrictions on Section 16 Parties and on Access Individuals, a complete understanding of precisely who falls within each of these two groupings is required.

**a. Section 16 Parties.** “*Section 16 Parties*” are those directors, officers and entities that are subject to the reporting provisions and trading restrictions of Section 16 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the underlying rules and regulations promulgated by the SEC. All parties who the Company deems to be Section 16 Parties will be notified in writing by the Company. The current list of Section 16 Parties will also be maintained on “inFORM”. Section 16 Parties must obtain prior approval of all trades in Company securities from the Company’s Insider Trading Compliance Officer (“ITC Officer”) in accordance with the procedures set forth in Section II.C.2.b, below. The Company will amend the Section 16 Parties list from time to time as necessary. Prior to trading any securities of the Company, you should determine whether you are a Section 16 Party by reviewing the list maintained on “inFORM” under the Legal Department home page. The Governance Committee of FormFactor’s Board of Directors reviews on at least an annual basis the individuals identified as Section 16 officers, and further upon the hiring or promotion of an individual into a senior executive role. If the Governance Committee concludes that an individual should no longer be classified as a Section 16 Party, then such Section 16 Party shall promptly be removed from the Section 16 Parties list.

**b. Access Individuals.** “*Access Individuals*” are those employees who have regular access to material, nonpublic information in the normal course of their duties and responsibilities for the Company. The current list of Access Individuals is maintained on “inFORM” under the Legal Department home page. The Company will amend the Access Individuals list from time to time as necessary to reflect the addition and the resignation, departure or change of status of Access Individuals. Prior to trading any FORM securities, you should determine whether you are an Access Individual by reviewing the list maintained on “inFORM” under the Legal Department home page.

## **2. The Pre-Clearance Process**

Section 16 Parties, Access Individuals and any other employees designated by the ITC Officer on “inFORM” under the Legal Department home page may not engage in any transaction in FORM securities (including a gift, contribution to a trust or similar transfer, but excluding contributions to a revocable living trust created by the Section 16 Party, Access Individual or any designated employee) without first obtaining pre-clearance of the transaction from the Company. This preclearance requirement applies not only to Company securities held by the Section 16 Parties, by the Access Individuals, and by any other designated employees, but also to their family members and entities for which they control (or share control of) investment decisions with respect to Company securities (collectively, “Family and Controlled Entities”).

**a. The Pre-Clearance Request.** A request for pre-clearance should be submitted, in writing, to the ITC Officer at least two days in advance of the proposed transaction. Sales by Section 16 Parties may also be pre-cleared by the Company Chief Financial Officer. The ITC Officer is under no obligation to approve a trade submitted for preclearance and may determine not to permit the trade. The ITC Officer will provide written notice of approval, or non-approval, of the trade typically within 24 hours (business days) of receipt of the correct written request for pre-clearance. For proposed trades by the ITC Officer, any such proposed trades must be approved by the Company's Chief Executive Officer or Chief Financial Officer. The ITC Officer, or the Company Chief Executive Officer, as the case may be, will consult with the Company's outside legal counsel, as appropriate.

**b. The ITC Officer.** In addition to pre-clearance trading approvals, the duties of the ITC Officer include the following:

- (i) Administering and interpreting this Policy Statement and monitoring and enforcing compliance with all policy provisions and procedures;
- (ii) Responding to all inquiries relating to this Policy Statement and its procedures;
- (iii) Designating and announcing special trading blackout periods during which designated directors, officers or employees may not trade in Company securities;
- (iv) Providing copies of this Policy Statement and other appropriate materials to all current and new directors, officers and employees, and such other persons who the ITC Officer determines may have access to material nonpublic information concerning the Company;
- (v) Administering, monitoring and enforcing compliance with all federal and state insider trading laws and regulations, including without limitation Sections 10(b), 16, 20A and 21A of the Exchange Act and the rules and regulations promulgated thereunder, and Rule 144 under the Securities Act of 1933 (the "Securities Act"); and assisting in the preparation and filing of all required SEC reports relating to insider trading in Company securities, including without limitation Forms 3, 4, 5 and 144 and Schedules 13D and 13G;
- (vi) Revising the Policy Statement as necessary to reflect changes in federal or state insider trading laws and regulations;
- (vii) Maintaining as Company records originals or copies of all documents required by the provisions of this Policy Statement or the procedures set forth herein, and copies of all required SEC reports relating to insider trading, including without limitation Forms 3, 4, 5 and 144 and Schedules 13D and 13G; and,
- (viii) Maintaining the accuracy of the list of Section 16 Parties to be posted on inFORM and the list of Access Individuals to be posted on inFORM, and updating them periodically as necessary to reflect additions or deletions. The ITC Officer shall have the right and ability to review the list of Section 16 Parties and Access

Individuals, and to request the various Company department heads to critically review and update the list of Section 16 Parties and of Access Individuals.

c. The ITC Officer may designate one or more individuals who may perform the ITC Officer's duties in the event that the ITC Officer is unable or unavailable to perform such duties. The Company General Counsel is the current ITC Officer.

#### **D. Blackout Periods and Trading Windows.**

Under this Policy Statement, there are certain periods of time, Blackout Periods, that you may not trade in Company securities, even if you believe you do not have material, nonpublic information. These Blackout Periods, and the Trading Windows during which you may trade in Company securities, are discussed below.

##### **1. Quarterly Blackout Periods.**

The Company's announcement of quarterly financial results almost always has the potential to have a material effect on the market for the Company's securities. Therefore, to avoid even the appearance of trading while aware of material nonpublic information the Company has adopted quarterly blackout periods.

**a. Blackout Periods for Section 16 Parties and Access Individuals.** Section 16 Parties and Access Individuals, and their Family and Controlled Entities, may not trade in the Company's securities during the period beginning on the close of trading on the NASDAQ Global Market on the fifteenth (15th) calendar day of the third (3rd) calendar month of the Company's fiscal quarter and ending on the close of trading on the second (2nd) full trading day on the NASDAQ Global Market following the Company's wide-spread public release of its quarterly or year-end earnings.

**b. Blackout Periods for Employees who are not Section 16 Parties and are not Access Individuals.** All employees who are not Section 16 Parties and are not Access Individuals, together with their Family and Controlled Entities, may not trade in the Company's securities during the period beginning on the close of trading on the NASDAQ Global Market on the fifteenth (15th) calendar day of the third (3rd) calendar month of the Company's fiscal quarter and ending on the close of trading on the second (2nd) full trading day on the NASDAQ Global Market following the Company's wide-spread public release of its quarterly or year-end earnings. It is permissible for Section 16 Parties, Access Individuals and other employees, and their Family and Controlled Entities, to trade in Company securities during the quarterly Blackout Periods pursuant to a pre-approved trading plan that complies with both SEC Rule 10b5-1 and the Company's procedures described under "Procedures for Rule 10b5-1 Trading Plans" in Section II.E, below.

##### **2. Event-specific Blackout Periods.**

From time to time, an event may occur that is material to the Company and is known by only a few directors, executive officers and other employees. For so long as the event remains material and nonpublic, Section 16 Parties and Access Individuals and such other persons as are designated by the ITC Officer, together with their Family and Controlled Entities, may not trade in the Company's securities. The existence of an event-specific blackout will not be announced, other than to those who are aware of the event giving rise to the blackout. If, however, a person whose trades are subject to pre-clearance requests permission to trade in the Company's securities during an event-specific blackout, the ITC Officer will inform the requester of the existence of a blackout period without disclosing the reason for the blackout. Any person made aware of the existence of an event-specific blackout should not disclose the existence of the blackout

to any other person.

The failure of the ITC Officer to designate a person as being subject to an event-specific blackout will not relieve that person of the obligation to not trade while aware of material nonpublic information. No director, officer or employee may trade in Company securities outside of the applicable trading windows or during any special blackout periods that the ITC Officer may designate. No director, officer or employee may disclose to any outside third party that a special blackout period has been designated.

### **3. Trading Windows.**

While the Blackout Periods state the trading restrictions in the negative, for your convenience, the permissible trading windows are explained below.

**a. Trading Window for Section 16 Parties and Access Individuals.** After obtaining trading approval from the ITC Officer in accordance with the procedures set forth above, Section 16 Parties and Access Individuals may trade in FORM securities only during the period beginning after the close of trading on the second (2nd) full trading day on the NASDAQ Global Market following FormFactor's widespread public release of quarterly or year-end earnings, and ending at the close of trading on the NASDAQ Global Market on the fifteenth (15th) calendar day of the third (3rd) calendar month of the then-current fiscal quarter. If the fifteenth (15th) calendar day of the third (3rd) calendar month of the then-current fiscal quarter is a non-trading day for the NASDAQ Global Market, then the trading window shall be deemed closed at the close of trading on the first day after the fifteenth (15<sup>th</sup>) calendar day.

**b. Trading Window for Employees who are not Section 16 Parties and are not Access Individuals.** After determining whether trading approval from the ITC Officer is required to trade FORM securities and if required, obtaining the trading approval in accordance with the procedures set forth above, employees who are not either Section 16 Parties or Access Individuals may trade FORM securities only during the period beginning after the close of trading on the second (2nd) full trading day on the NASDAQ Global Market following the Company's widespread public release of quarterly or year-end earnings, and ending at the close of trading on the NASDAQ Global Market on the fifteenth (15th) calendar day of the third (3rd) calendar month of the then-current fiscal quarter. If the fifteenth (15th) calendar day of the third (3rd) calendar month of the then-current fiscal quarter is a non-trading day for the NASDAQ Global Market, then the trading window shall be deemed closed at the close of trading on the first day after the fifteenth (15<sup>th</sup>) calendar day.

**c. No Trading During Trading Windows While in the Possession of Material Non-public Information.** Please remember that no director, officer or employee possessing material non-public information concerning the Company may trade FORM securities even during applicable trading windows. Persons possessing such information may trade during an open trading window only after the close of trading on the second (2nd) full trading day on the NASDAQ Global Market following FormFactor's widespread public release of the information.

For example, if you learn that a customer will be placing a, material order in one week, you may not purchase (or sell) FORM securities in anticipation of the event, even if the trading window is otherwise open. As a further example, if you learn that a customer has pushed out the delivery date on a material order, you may not sell (or purchase) FORM securities in anticipation of the event, even if the trading window is otherwise open. In both examples, you cannot trade FORM securities until after the close of trading on the second (2nd) full trading day on the NASDAQ Global Market following FormFactor's widespread public



release (e.g., issuance of a press release) of the information.

#### **4. Transfers Without Consideration During Blackout Periods.**

Directors, officers and other employees, together with their Family and Controlled Entities, may not give or make any other transfer of securities without consideration during a blackout period that applies to such person unless the donee or transferee has agreed in writing to hold the securities until the transferor is no longer subject to a blackout period. These restrictions do not apply to the moving of FORM securities from one account into a revocable living trust created by the Director, officer or other employee, as the case may be, or to transactions pursuant to a pre-approved trading plan that complies with SEC Rule 10b5-1 and complies with the Company's procedures described under "Procedures for Rule 10b5-1 Trading Plans," immediately below.

#### **E. Procedures for Rule 10b5-1 Trading Plans.**

As noted above, it is possible to trade during Blackout Periods under a pre-approved SEC Rule 10b5-1 plan. Any person who wishes to implement a trading plan under SEC Rule 10b5-1 must first pre-clear the plan with the Company's ITC Officer. As required by Rule 10b5-1, you may enter into a trading plan only if the trading plan meets the requirements of Rule 10b5-1. You may not enter into a trading plan during a blackout period. In connection with the Rule 10b5-1 trading plan pre-clearance process, you will need to certify in writing to the ITC Officer that as of the date the Rule 10b5-1 trading plan is established:

- You are not entering into the plan on the basis of any material nonpublic information concerning the Company; and,
- The Rule 10b5-1 trading plan complies with all of the requirements of Rule 10b5-1.

Transactions effected pursuant to a pre-cleared Rule 10b5-1 trading plan will not require further pre-clearance at the time of the transaction. Pre-clearance by the ITC Officer of a Rule 10b5-1 trading plan should not be considered approval by the ITC Officer or the Company of the plan's compliance with the requirements of Rule 10b5-1. You shall have the sole responsibility to ensure that any trading plan complies with the requirements of Rule 10b5-1. Any amendment to a Rule 10b5-1 trading plan must also be pre-cleared by the Company's ITC Officer.

### **III. The Reach Of This Policy Statement**

#### **A. Family Members and Entities You Control.**

It is important to remember that this Policy Statement applies to your family members and to any entities that you control, which have been earlier defined as "Family and Controlled Entities."

##### **1. Transactions by Family.**

This Policy Statement and the trading restrictions set forth herein apply to your family members who reside with you, anyone else who lives in your household, and any family members who do not live in your household but whose transactions in Company securities are directed by you or are subject to your influence or control. Such individuals might be parents or children who consult with you before they trade in Company securities. You are responsible for the transactions of these other persons and therefore should make them aware of the need to confer with you before they trade in the Company's securities.

##### **2. Transactions by Controlled Entities.**

This Policy Statement and the trading restrictions set forth herein apply to Controlled Entities, that is, all entities (including corporations, partnerships and trusts) for which you control or share control of investment decisions. For example, if a director of the Company makes or participates in the investment decisions for a venture capital partnership that holds Company securities, this Policy Statement will apply to transactions by that venture capital partnership in the Company's securities. As a result, the venture capital partnership may not distribute Company securities to its general partners during a blackout period, unless the recipients agree in writing to hold the securities until a blackout period no longer applies to the partnership. If you participate in an investment club with several of your friends, this Policy Statement would apply to any transactions by your investment club, to the extent that you share control of the club's investment decisions.

## **B. Transactions Under Company Plans.**

There are two types of transactions related to Company securities that fall outside of this Policy Statement: (1) Stock *Option Exercises*; and (2) most purchases of shares from the Company under the *Employee Stock Purchase Plan*.

### **1. Stock Option Exercises.**

The Company's Policy Statement does not apply to:

- The exercise of an employee stock option, provided that you do not engage in any market sale for the purpose of generating the cash needed to pay the exercise price of the option; or
- The exercise of a tax withholding right pursuant to which you elect to have the Company withhold shares subject to an option to satisfy tax withholding requirements.

This Policy Statement does apply, however, to any sale of stock as part of a broker-assisted cashless exercise of an option, or any other market sale for the purpose of generating the cash needed to pay the exercise price of an option. You should understand that this means you can exercise stock options (i.e., buy stock) outside of this Policy Statement, but you can NOT sell that same stock without complying with this Policy Statement.

### **2. Employee Stock Purchase Plan.**

The Company's Policy Statement does not apply to purchases of Company stock in the Employee Stock Purchase Plan ("ESPP") resulting from:

- Your periodic contribution of money to the ESPP pursuant to the election you made at the time of your enrollment in the ESPP; or
- Lump sum contributions to the ESPP, provided that you elected to participate by lump-sum payment at the beginning of the applicable enrollment period; or
- Any enrollment to participate in a new Offering Period (as defined in the ESPP); or
- Any increase or decrease to a prior election under the ESPP, or any suspension or withdrawal from participation under the ESPP.

This Policy Statement does apply to your sales of Company stock purchased pursuant to the ESPP.

## **C. Additional Prohibited Transactions.**

Finally, there are a number of transactions in FORM securities that are also prohibited under this Policy Statement. The Company considers it improper and inappropriate for any director, officer or other employee of the Company to engage in short-term or speculative transactions in the Company's securities. There are also certain transactions that, while not absolutely prohibited under this Policy Statement, do require pre-clearance from the ITC Officer. FormFactor directors, officers and employees may not engage in any of the transactions listed below, except with the prior written consent of the ITC Officer, as noted.

### **1. Short Sales.**

Short sales of FORM securities evidence an expectation on the part of the seller that the securities will decline in value, and therefore signal to the market that the seller has no confidence in the Company or its short-term prospects. In addition, short sales may reduce the seller's incentive to improve the Company's performance. For these reasons, this Policy Statement prohibits short sales of the Company's securities by all Section 16 Parties, all Access Individuals and all other employees. In addition, Section 16(c) of the Exchange Act prohibits officers and directors from engaging in short sales.

### **2. Publicly Traded Options.**

A transaction in options is, in effect, a bet on the short-term movement of FORM stock and therefore creates the appearance that the director, officer or employee is trading based on inside information. Transactions in options also may focus the director's, officer's or employee's attention on short-term performance at the expense of the Company's long-term objectives. Accordingly, transactions in puts, calls or other derivative securities, on an exchange or in any other organized market, are prohibited by this Policy Statement. (Option positions arising from certain types of hedging transactions are governed by the section below captioned "Hedging Transactions.")

### **3. Hedging Transactions.**

Certain forms of hedging or monetization transactions, such as zero-cost collars and forward sale contracts, allow a shareholder to lock in much of the value of his or her stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions allow the director, officer or other employee to continue to own the covered securities, but without the full risks and rewards of ownership. While hedging transactions can be a useful tool for risk aversion in certain circumstances, such transactions also have the potential to create differences between the objectives of the director, officer or other employee and the objectives of the Company's other shareholders. Accordingly, directors and officers are prohibited from pledging Company stock in a margin account or otherwise entering into transactions designed to hedge or offset any decrease in the market value of Company stock. Directors and officers are prohibited from the purchasing of options on Company securities. Any person wishing to enter into a hedging arrangement or similar transaction that they believe is not prohibited under this policy must first pre-clear the proposed transaction with the ITC Officer. Any request for pre-clearance of a hedging or similar arrangement must be submitted to the ITC Officer at least two weeks prior to the proposed execution of documents; the request should include a description of the proposed transaction and an explanation of the reasons for the proposed transaction.

### **4. Margin Accounts and Pledges.**

Securities held in a margin account may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. Because a margin sale or foreclosure sale

may occur at a time when the pledgor is aware of material nonpublic information or otherwise is not permitted to trade in FORM securities, directors, officers and employees are prohibited from holding FORM securities in a margin account or pledging FORM securities as collateral for a loan. An exception to this prohibition may be granted where a person wishes to pledge FORM securities as collateral for a loan (not including margin debt) and clearly demonstrates the financial capacity to repay the loan without resort to the pledged securities. Any person who wishes to pledge FORM securities as collateral for a loan must submit a request for approval to the ITC Officer at least two weeks prior to the proposed execution of documents evidencing the proposed pledge.

#### **D. Post-Termination Transactions.**

Please keep in mind that the spirit of this Policy Statement will continue to impact your ability to trade in Company securities even after your engagement as a director, officer or employee ends. In addition, you will continue to be subject to the insider trading laws, including civil and criminal penalties for any violations of such laws, with respect to any trades in the Company's securities. Specifically, if you are in possession of material non-public information when your engagement terminates, you may not trade in Company securities until that information has become public or is no longer material.

### **IV. Closing Comments**

#### **A. Company Assistance.**

Any person who has a question about this Policy Statement or its application to any proposed transaction may obtain additional guidance from the ITC Officer, whose telephone number is 925-290-4028. Ultimately, however, the responsibility for adhering to this Policy Statement and avoiding unlawful transactions rests with the individual employee.

As explained above, the ITC Officer may designate one or more individuals who may perform the duties assigned to the ITC Officer under this Policy Statement, in the event that the ITC Officer is unable or unavailable to perform those duties.

#### **B. Reporting of Violations.**

Any director, officer or other employee who violates this Policy Statement or any federal or state laws governing insider trading or tipping, or who knows of any violation by any other director, officer or other employee, must report the violation immediately to the ITC Officer. Upon learning of the violation, the ITC Officer, in consultation with the Company's legal counsel, will determine whether the Company should release any material nonpublic information or report the violation to the SEC or other appropriate governmental authority.

The Company reserves the right to impose sanctions upon an employee's, officer's or director's failure to comply with this Policy Statement. For employees, these sanctions may include dismissal for cause, whether or not the employee's failure to comply results in a violation of law. The Company reserves the right to determine, in its own discretion and on the basis of information available to it, whether its policy has been violated. It is not necessary for the Company to await the filing or conclusion of a civil or criminal action against the alleged violator before taking disciplinary action.

#### **C. Certifications.**

All directors, officers and employees must certify their understanding of and intent to comply with this Policy Statement.