

FORMFACTOR INC  
Form DEF 14A  
April 08, 2009

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**FORMFACTOR, INC.**

---

(Name of Registrant as Specified In Its Charter)

---

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4) Proposed maximum aggregate value of transaction:

Edgar Filing: FORMFACTOR INC - Form DEF 14A

(5) Total fee paid:

- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

---

Table of Contents

## **FORMFACTOR, INC.**

**7005 Southfront Road  
Livermore, California 94551**

April 8, 2009

### **2009 ANNUAL MEETING OF STOCKHOLDERS**

To Our Stockholders:

You are cordially invited to attend the 2009 Annual Meeting of Stockholders of FormFactor, Inc., which will be held at our principal executive offices located at 7005 Southfront Road, Livermore, California 94551, on Wednesday, May 20, 2009, at 3:00 p.m., Pacific Daylight Time.

The agenda for the Annual Meeting is described in detail in the attached Notice of Annual Meeting of Stockholders and the attached Proxy Statement. We urge you to carefully review the attached proxy materials.

**Your vote is important. Whether or not you are able to attend the Annual Meeting in person, we urge you to vote your shares through the Internet in accordance with the instructions in the Notice of Internet Availability of Proxy Materials that you received in the mail, or by signing, dating, and returning a proxy card at your earliest convenience.**

We thank you for your continued support. We look forward to seeing you at our 2009 Annual Meeting of Stockholders.

With best regards,

Dr. Mario Ruscev  
*Chief Executive Officer*

Livermore, California  
April 8, 2009

---

Table of Contents

## FORMFACTOR, INC.

7005 Southfront Road  
Livermore, California 94551

### NOTICE OF 2009 ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 20, 2009  
At 3:00 p.m., Pacific Daylight Time

To Our Stockholders:

NOTICE IS HEREBY GIVEN that the 2009 Annual Meeting of Stockholders of FormFactor, Inc. will be held at our principal executive offices located at 7005 Southfront Road, Livermore, California 94551, on Wednesday, May 20, 2009, at 3:00 p.m., Pacific Daylight Time, for the following purposes:

1. To elect two Class III directors to our Board of Directors, each to serve on our Board of Directors until his successor has been elected and qualified or until his earlier death, resignation or removal. The director nominees are:  
James A. Prestridge and  
Harvey A. Wagner.
2. To ratify the selection of PricewaterhouseCoopers LLP as FormFactor's independent registered public accounting firm for fiscal year 2009.
3. To act upon such other matters as may properly come before the Annual Meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement for the 2009 Annual Meeting of Stockholders accompanying this Notice.

The record date for determining those stockholders of our company who will be entitled to notice of, and to vote at, the Annual Meeting and at any adjournment or postponement thereof is March 31, 2009. A list of those stockholders entitled to vote at the Annual Meeting will be available for inspection by any of our stockholders for any purpose germane to the Annual Meeting during regular business hours at FormFactor's principal executive offices for ten days prior to the Annual Meeting.

**Your vote is important. Whether or not you are able to attend the Annual Meeting in person, we urge you to vote your shares through the Internet in accordance with the instructions in the Notice of Internet Availability of Proxy Materials that you received in the mail, or by signing, dating, and returning a proxy card at your earliest convenience.**

On behalf of our Board of Directors, thank you for your participation in our 2009 Annual Meeting of Stockholders.

BY ORDER OF THE BOARD OF DIRECTORS

Stuart L. Merkadeau  
*Secretary*

Livermore, California  
April 8, 2009

---

## TABLE OF CONTENTS

	Page
<u>GENERAL INFORMATION</u>	1
<u>PROPOSAL NO. 1 ELECTION OF CLASS III DIRECTORS</u>	7
<u>Board of Directors</u>	7
<u>Emeritus Program</u>	9
<u>Independence of Directors</u>	10
<u>Board Meetings</u>	10
<u>Committees of the Board of Directors</u>	10
<u>Director Compensation</u>	12
<u>Compensation Committee Interlocks and Insider Participation</u>	14
<u>Consideration of Director Nominees</u>	15
<u>Corporate Codes</u>	15
<u>Stockholder Communications with our Board</u>	16
<u>Board Attendance at Annual Meetings</u>	16
<u>PROPOSAL NO. 2 RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2009</u>	17
<u>Principal Auditor Fees and Services</u>	17
<u>Pre-Approval of Audit and Non-Audit Services of Auditor</u>	18
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u>	19
<u>Beneficial Ownership of our Securities</u>	19
<u>Equity Compensation Plans</u>	22
<u>REPORT OF THE AUDIT COMMITTEE</u>	23
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	24
<u>Compensation Philosophy and Framework</u>	24
<u>Compensation Decisions</u>	26
<u>Compensation Components</u>	26
<u>Stock Ownership Guidelines</u>	32
<u>Change of Control Benefits</u>	32
<u>Other Benefits and Perquisites</u>	33
<u>Tax Considerations</u>	33
<u>REPORT OF THE COMPENSATION COMMITTEE</u>	34
<u>EXECUTIVE COMPENSATION AND RELATED INFORMATION</u>	35
<u>Summary Compensation</u>	35
<u>Grants of Plan-Based Awards in Fiscal Year 2008</u>	37
<u>Outstanding Equity Awards at Fiscal Year Ended December 27, 2008</u>	38
<u>Option Exercises and Stock Vested at Fiscal Year Ended December 27, 2008</u>	40
<u>Change of Control, Severance, Separation and Indemnification Agreements</u>	40
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	45
<u>PROPOSALS FOR THE 2010 ANNUAL MEETING OF STOCKHOLDERS</u>	45
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	46
<u>OTHER BUSINESS</u>	46

The information in the Report of the Audit Committee and the Report of the Compensation Committee contained in this Proxy Statement shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate this information by reference into such filings. In addition, this information shall not otherwise be deemed to be "soliciting material" or to be filed under those Acts.

Please note that information on FormFactor's website is not incorporated by reference in this Proxy Statement.

Table of Contents

## **FORMFACTOR, INC.**

**7005 Southfront Road  
Livermore, California 94551**

---

### **PROXY STATEMENT FOR 2009 ANNUAL MEETING OF STOCKHOLDERS**

---

April 8, 2009

#### **GENERAL INFORMATION**

##### **Why am I receiving FormFactor's proxy materials?**

Our Board of Directors has made FormFactor's proxy materials available to you on the Internet on or about April 8, 2009 or, upon your request, has delivered a printed set of the proxy materials to you by mail in connection with the solicitation of proxies by our Board for our 2009 Annual Meeting of Stockholders. FormFactor's proxy materials are available on the Internet at [www.edocumentview.com/FORM](http://www.edocumentview.com/FORM). We will hold the Annual Meeting at our principal executive offices located at 7005 Southfront Road, Livermore, California 94551, on Wednesday, May 20, 2009, at 3:00 p.m., Pacific Daylight Time.

##### **What is included in the proxy materials?**

The proxy materials include our company's Notice of Annual Meeting of Stockholders, Proxy Statement and 2008 Annual Report, which includes our audited consolidated financial statements. If you requested a printed set of the proxy materials by mail, the proxy materials also included a proxy card for the Annual Meeting.

##### **What specific proposals will be considered and acted upon at FormFactor's 2009 Annual Meeting?**

The specific proposals to be considered and acted upon at the Annual Meeting are:

*Proposal No. 1* Election of two Class III directors to our Board of Directors, each to serve on our Board until his successor has been elected and qualified or until his earlier death, resignation or removal. The director nominees are: James A. Prestridge and Harvey A. Wagner; and

*Proposal No. 2* Ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2009.

We will also consider any other matters that are properly presented for a vote at the Annual Meeting.

Table of Contents

**What are the voting recommendations of our Board of Directors?**

Our Board of Directors recommends a vote FOR each of Proposal No. 1 and 2. Specifically, our Board recommends a vote FOR:

Election of James A. Prestridge and Harvey A. Wagner to our Board of Directors as Class III directors; and

Ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2009.

**Why did I receive a notice in the mail regarding the Internet availability of the proxy materials?**

We mailed a Notice of Internet Availability of Proxy Materials to our stockholders of record and beneficial owners of our common stock on or about April 8, 2009 to notify you that you can access the proxy materials over the Internet. Instructions for accessing the proxy materials through the Internet are set forth in the Notice of Internet Availability of Proxy Materials. As we did last year for our 2008 Annual Meeting of Stockholders, we sent the Notice instead of mailing a printed set of the proxy materials in accordance with the "Notice and Access" rules adopted by the U.S. Securities and Exchange Commission. If you wish to receive a printed set of the proxy materials, please follow the instructions set forth on the Notice of Internet Availability of Proxy Materials.

**How can I get electronic access to the proxy materials?**

The Notice of Internet Availability of Proxy Materials contains instructions for how to review our company's proxy materials on the Internet and to instruct us to send future proxy materials to you by e-mail. Your election to receive future proxy materials by e-mail will remain in effect until you terminate it in writing.

**Who can vote at the Annual Meeting?**

Only stockholders of record of our common stock at the close of business on March 31, 2009, which is the record date, are entitled to notice of, and to vote at, the Annual Meeting. If you own shares of FormFactor common stock as of the record date, then you can vote at the Annual Meeting. At the close of business on the record date, we had 49,341,979 shares of our common stock outstanding and entitled to vote, which were held by 79 stockholders of record.

**How many votes am I entitled per share of common stock?**

Holders of our common stock are entitled to one vote for each share held as of the record date.

**What is the difference between holding FormFactor shares as a stockholder of record and a beneficial owner?**

Most of our stockholders hold their shares of our common stock as a beneficial owner through a broker, bank or other nominee in "street name" rather than directly in their own name. As summarized below, there are some important distinctions between shares held of record and those owned beneficially in "street name."

*Stockholder of Record:* If your shares of our common stock are registered directly in your name with our transfer agent, Computershare Trust Company, N.A., you are considered the stockholder of record with respect to those shares, and we delivered the Notice of Internet Availability of Proxy Materials directly to you. As the stockholder of record, you have the right to vote your shares in person or by proxy at the Annual Meeting.



Table of Contents

*Beneficial Owner:* If your shares of our common stock are held in an account with a broker, bank or other nominee, you are considered the beneficial owner of those shares held in "street name," and the nominee holding your shares on your behalf delivered the Notice of Internet Availability of Proxy Materials to you. The nominee holding your shares is considered the stockholder of record for purposes of voting at the Annual Meeting. As the beneficial owner, you have the right to direct your broker, bank or other nominee how to vote your shares being held by them.

**What do I need to bring with me to attend the Annual Meeting?**

If you are a stockholder of record of shares of our common stock, please bring photo identification with you. If you are a beneficial owner of shares of our common stock held in "street name," please bring photo identification and the "legal proxy," which is described below under the question "If I am a beneficial owner of shares held in 'street name,' how do I vote?", or other evidence of stock ownership (e.g., most recent account statement) with you. If you do not provide photo identification or if applicable, evidence of stock ownership, you will not be admitted to the Annual Meeting.

**If I am a stockholder of record of FormFactor shares, how do I vote?**

*Voting by Internet.* You can vote through the Internet by following the instructions provided in the Notice of Internet Availability of Proxy Materials that you received. Go to [www.envisionreports.com/FORM](http://www.envisionreports.com/FORM), follow the instructions on the screen to log in, make your selections as instructed and vote.

*Voting by Mail.* You can vote by mail by requesting a printed set of the proxy materials, which will contain a proxy card, and by then completing, dating, signing and returning the proxy card in the postage-paid envelope (to which no postage need be affixed if mailed in the United States) accompanying the proxy card.

*Voting in Person.* If you plan to attend the Annual Meeting and vote in person, we will give you a proxy card at the Annual Meeting. Even if you plan to attend the Annual Meeting, we encourage you also to vote by Internet or mail as described above so that your vote will be counted if you later decide not to attend the Annual Meeting.

**If I am a beneficial owner of shares held in "street name," how do I vote?**

*Voting by Internet.* You can vote through the Internet by following the instructions provided in the Notice of Internet Availability of Proxy Materials that you received. Go to [www.proxyvote.com](http://www.proxyvote.com), follow the instructions on the screen to log in, make your selections as instructed and vote.

*Voting by Mail.* You can vote by mail by requesting a printed set of the proxy materials, which will contain a voting instruction form, and by completing, dating, signing and returning the voting instruction form in the postage-paid envelope (to which no postage need be affixed if mailed in the United States) accompanying the voting instruction form.

*Voting in Person.* If you plan to attend the Annual Meeting and vote in person, you must obtain a "legal proxy" giving you the right to vote the shares at the Annual Meeting from the broker, bank or other nominee that holds your shares. Even if you plan to attend the Annual Meeting, we recommend that you also vote by Internet or mail as described above so that your vote will be counted if you later decide not to attend the Annual Meeting.

**Where will the Annual Meeting be held?**

We will hold the Annual Meeting at our principal executive offices located at 7005 Southfront Road, Livermore, California 94551, on Wednesday, May 20, 2009, at 3:00 p.m., Pacific Daylight Time. From San Francisco, CA, take I-80 East, merge onto I-580 East, take N. Greenville Road/

Table of Contents

Altamont Pass Road exit, turn right on the ramp onto Southfront Road and turn left into the Company's headquarters. From San Jose, CA, take I-880 North, merge onto Mission Boulevard/CA-262 East, merge onto I-680 North, merge onto I-580 East, take N. Greenville Road/Altamont Pass Road exit, turn right on the ramp onto Southfront Road and turn left into the Company's headquarters.

**What if I submit a proxy but I do not give specific voting instructions?**

*Stockholder of Record:* If you are a stockholder of record of shares of our common stock and if you indicate when voting through the Internet that you wish to vote as recommended by our Board of Directors, or if you sign and return a proxy without giving specific voting instructions, then the proxy holders designated by our Board, who are officers of our company, will vote your shares for the Class III nominees for director and for the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2009, both as recommended by our Board of Directors and as presented in this Proxy Statement.

*Beneficial Owner:* If you are a beneficial owner of shares of our common stock held in "street name" and do not present the broker, bank or other nominee that holds your shares with specific voting instructions, then the nominee may generally vote your shares on "routine" proposals but cannot vote on your behalf for "non-routine" proposals under the rules of various securities exchanges. If you do not provide specific voting instructions to the nominee that holds your shares with respect to a non-routine proposal, the nominee will not have the authority to vote your shares on that proposal. When a broker indicates on a proxy that it does not have authority to vote shares on a particular proposal, the missing votes are referred to as "broker non-votes." We understand that Proposals No. 1 and 2 involve matters that are considered "routine" under applicable rules.

**What is the quorum requirement for the Annual Meeting?**

A quorum is required for our stockholders to conduct business at the Annual Meeting. A majority of the outstanding shares of our common stock entitled to vote on the record date must be present in person or represented by proxy at the Annual Meeting in order to hold the meeting and conduct business. We will count your shares for purposes of determining whether there is a quorum if you are present in person at the Annual Meeting, if you have voted through the Internet, if you have voted by properly submitting a proxy card or if the nominee holding your shares submits a proxy card. We will also consider broker non-votes for the purpose of determining if there is a quorum.

**What is the voting requirement to approve each of the proposals?**

For Proposal No. 1, the Class III directors will be elected by a plurality of the votes cast by the holders of shares of our common stock entitled to vote who are present in person or represented by proxy at the Annual Meeting. You may not cumulate votes in the election of directors.

Approval of Proposal No. 2 requires the affirmative vote of a majority of the votes cast by the holders of shares of our common stock entitled to vote that are present in person or represented by proxy at the Annual Meeting.

The effectiveness of any of the proposals is not conditioned upon the approval by our stockholders of any other proposal by our stockholders.

Table of Contents

**How are abstentions treated?**

Abstentions are counted for the purposes of determining whether a quorum is present at the Annual Meeting. Abstentions will not be counted either in favor of or against the election of the Class III director nominees or the ratification of the selection of our independent registered public accounting firm for fiscal year 2009.

**Can I change my vote or revoke my proxy after I have voted?**

You may change your vote or revoke your proxy at any time before the final vote at the Annual Meeting. You may vote again on a later date (a) through the Internet (only your latest Internet proxy submitted prior to the Annual Meeting will be counted), (b) by signing and returning a new proxy card with a later date if you are a stockholder of record, or (c) by attending the Annual Meeting and voting in person if you are a stockholder of record or if you are a beneficial owner and have obtained a proxy giving you the right to vote your shares from the nominee holding your shares. However, your attendance at the Annual Meeting will not automatically revoke your proxy unless you vote again at the Annual Meeting or specifically request in writing that your prior proxy be revoked.

**Is my vote confidential?**

Proxy instructions, ballots and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within our company or to third parties, except (a) as necessary to meet applicable legal requirements, (b) to allow for the tabulation and certification of votes, and (c) to facilitate a successful proxy solicitation. Occasionally, stockholders provide written comments on their proxy cards, which we may forward to our company's Corporate Secretary.

**What happens if additional matters are presented at the Annual Meeting?**

Other than Proposals No. 1 and 2, we are not aware of any other matters to be presented for a vote at the Annual Meeting. If you grant a proxy, the proxy holders, who are officers of our company, will have the authority in their discretion to vote your shares on any other matters that are properly presented for a vote at the Annual Meeting. If for any reason any of the Class III nominees is not available as a candidate for director, the proxy holders will vote your proxy for such other candidate or candidates as may be recommended by our Board of Directors.

**What happens if there are insufficient votes in favor of the proposals?**

In the event that sufficient votes in favor of the proposals are not received by the date of the Annual Meeting, the proxy holders, who are officers of our company, may propose one or more adjournments of the Annual Meeting to permit further solicitations of proxies. Any such adjournment would require the affirmative vote of holders of the majority of the shares of common stock present in person or represented by proxy at the Annual Meeting.

**Where can I find the voting results of the Annual Meeting?**

We intend to announce the voting results at the Annual Meeting and to publish the results in our quarterly report on our Form 10-Q for the fiscal quarter ending on June 27, 2009 and/or other filings with the U.S. Securities and Exchange Commission.

Table of Contents

**Who is paying for the cost of this proxy solicitation?**

We will pay the entire cost for soliciting proxies to be voted at the Annual Meeting. We will pay brokers, banks and other nominees representing beneficial owners of shares of our common stock held in "street name" certain fees associated with delivering the Notice of Internet Availability of Proxy Materials, delivering printed proxy materials by mail to beneficial owners who request them and obtaining beneficial owners' voting instructions. In addition, our directors, officers and employees may also solicit proxies on our behalf by mail, telephone or in person. We will not pay any compensation to our directors, officers and employees for their proxy solicitation efforts, but we may reimburse them for reasonable out-of-pocket expenses in connection with any solicitation. In addition, we may engage a proxy solicitor to assist in the solicitation of proxies. If we engage a proxy solicitor, we expect that the fees we would pay to the proxy solicitor would not exceed \$5,000, plus reasonable out-of-pocket expenses.

Table of Contents**PROPOSAL NO. 1****ELECTION OF CLASS III DIRECTORS**

The first proposal is to elect two Class III directors to our Board of Directors. The Class III nominees are James A. Prestridge and Harvey A. Wagner, who are current directors of FormFactor. These nominees have been duly recommended by our Governance Committee and duly nominated by our Board of Directors, and have agreed to stand for re-election. The proxy holders intend to vote all proxies received for Messrs. Prestridge and Wagner, unless otherwise instructed. Proxies may not be voted for more than two directors. Stockholders may not cumulate votes in the election of directors. In the event any nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies may be voted for a nominee designated by our Board of Directors to fill the vacancy. As of the date of this Proxy Statement, our Board of Directors is not aware that any nominee is unable or will decline to serve as a director of our company.

**Our Board of Directors recommends a vote FOR the election of James A. Prestridge and Harvey A. Wagner to our Board of Directors as Class III directors.**

**Board of Directors**

Our Board of Directors consists of eight members and is divided into three classes, which we have designated as Classes I, II and III. Each director is elected for a three-year term of office, with one class of directors being elected at each annual meeting of stockholders. The Class III directors will be elected at the Annual Meeting, the Class I directors will be elected at our 2010 Annual Meeting of Stockholders and the Class II directors will be elected at our 2011 Annual Meeting of Stockholders. Each director holds office until his or her successor is duly elected and qualified or until his or her earlier death, resignation or removal.

Information regarding our Class III and other directors, including their names and positions with our company, is set forth in the table below.

<b>Name of Director</b>	<b>Age</b>	<b>Class</b>	<b>Position with FormFactor</b>	<b>Director Since</b>
Dr. Homa Bahrami(2)(3)	54	II	Director	December 2004
Dr. Thomas J. Campbell(3)	56	I	Director	January 2006(5)
G. Carl Everett, Jr.(1)(2)(4)	58	II	Director	June 2001
Dr. Igor Y. Khandros	54	I	Executive Chairman of the Board of Directors	April 1993
Lothar Maier(2)(4)	54	I	Director	November 2006
James A. Prestridge(1)(2)(4)	77	III	Lead Independent Director	April 2002
Dr. Mario Ruscev	52	II	Director and Chief Executive Officer	January 2008
Harvey A. Wagner(1)(3)	68	III	Director	February 2005

(1) Current member of the Audit Committee.

(2) Current member of the Compensation Committee.

(3) Current member of the Governance Committee.

(4) Current member of the M&A Committee.

(5) Dr. Campbell previously served as a FormFactor Director from July 2003 through November 2004, when he resigned to serve as Director of Finance for the State of California.

## Edgar Filing: FORMFACTOR INC - Form DEF 14A

*Dr. Homa Bahrami* has served as a Director since December 2004. Dr. Bahrami is a Senior Lecturer at the Haas School of Business, University of California at Berkeley. Dr. Bahrami has been on the Haas School faculty since 1986 and is widely published on organizational design and organizational

Table of Contents

development challenges and trends in the high technology sector. Dr. Bahrami currently serves on the board of directors of one privately held company. Dr. Bahrami holds a Ph.D. in organizational behavior from Aston University, United Kingdom.

*Dr. Thomas J. Campbell* has served as a Director since January 2006. Dr. Campbell previously served as a Director from July 2003 through November 2004, when he resigned to become the Director of Finance for the State of California. Dr. Campbell has served as a professor at the Haas School of Business since August 2002, and is currently on leave from the University of California at Berkeley to serve as Presidential Fellow and Distinguished Visiting Professor of Law at Chapman University in Orange, California. Dr. Campbell was the Dean of the Haas School of Business at the University of California at Berkeley from August 2002 to July 2008, taking a leave of absence from this post when he became California Director of Finance. Dr. Campbell was the California Director of Finance from December 2004 through November 2005. Dr. Campbell was a professor at Stanford Law School from 1983 to August 2002. Dr. Campbell served as a U.S. congressman from 1989 to 1993 and from 1995 to January 2001, and as a California state senator from 1993 to 1995. Dr. Campbell also served as Director of the Federal Trade Commission's Bureau of Competition from 1981 to 1983. Dr. Campbell serves on the board of directors of Visa Inc., a publicly traded company, where he is Chairman of the Governance Committee and a member of the Compensation Committee. Dr. Campbell holds a B.A., an M.A. and a Ph.D. in economics from the University of Chicago, and a J.D. from Harvard Law School.

*G. Carl Everett, Jr.* has served as a Director since June 2001. Mr. Everett founded GCE Ventures, a venture advisement firm, in April 2001. Mr. Everett has served as a partner at Accel LLP, a venture capital firm, since 2002. From February 1998 to April 2001, Mr. Everett served as Senior Vice President, Personal Systems Group of Dell Inc. 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 currently serves on the board of directors of one privately held company. Mr. Everett holds a B.A. in business administration and a Doctorate of laws from New Mexico State University.

*Dr. Igor Y. Khandros* founded FormFactor in April 1993. Dr. Khandros has served as Executive Chairman of our Board of Directors since June 2008 and as a Director since our company's founding. Dr. Khandros served as our Chief Executive Officer from April 1993 to June 2008 when he became Chairman, and, because he remained an employee, he is the Executive Chairman of the Board. Dr. Khandros also served as our President from April 1993 to November 2004. From 1990 to 1992, Dr. Khandros served as the Vice President of Development of Tessera Technologies, 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, Ukraine. Dr. Khandros holds an M.S. equivalent degree in metallurgical engineering from Kiev Polytechnic Institute in Kiev, Ukraine, and a Ph.D. in metallurgy from Stevens Institute of Technology.

*Lothar Maier* has served as a Director since November 2006. Mr. Maier has served as the Chief Executive Officer and a member of the board of directors of Linear Technology Corporation, a supplier of high performance analog integrated circuits, since January 2005. Prior to that, Mr. Maier served as Linear Technology's Chief Operating Officer from April 1999 to December 2004. Before joining Linear Technology, Mr. Maier held various management positions at Cypress Semiconductor Corporation, a provider of high-performance, mixed-signal, programmable solutions, from 1983 to 1999, most recently as Senior Vice President and Executive Vice President of Worldwide Operations. Mr. Maier holds a B.S. in chemical engineering from the University of California at Berkeley.

Table of Contents

*James A. Prestridge* has served as a Director since April 2002, and since June 2008, has served as our Lead Independent Director. Mr. Prestridge served as Chairman of our Board of Directors from August 2005 to June 2008. Mr. Prestridge served as a consultant for Empirix Inc., a provider of test and monitoring solutions for communications applications, from October 2001 until October 2003. From June 1997 to January 2001, Mr. Prestridge served as a Director of five private companies that were amalgamated into Empirix. Mr. Prestridge served as a director of Teradyne, Inc., a manufacturer of automated test equipment, from 1992 until 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 1997. Mr. Prestridge holds a B.S. in general engineering from the U.S. Naval Academy and an M.B.A. from Harvard University. Mr. Prestridge served as a Captain in the U.S. Marine Corps.

*Dr. Mario Ruscev* has served as our Chief Executive Officer since June 2008 and as a member of our Board of Directors since January 2008, when he joined our company. Dr. Ruscev previously served as our President from January 2008 to June 2008. Prior to joining FormFactor, Dr. Ruscev served as President of Testing Schlumberger Oilfield Services of Schlumberger Limited, a services company supplying technology, project management and information solutions for optimizing performance in the oil and gas industry, from April 2006 to December 2007. He also held several executive positions at Schlumberger during his 23 year career with that company, including President of Schlumberger Water and Carbon Services from April 2002 to March 2006, President of Wireline Schlumberger Oilfield Services from January 2001 to March 2002 and President of Geco-Prakla Schlumberger Oilfield Services from April 1999 to December 2000. Dr. Ruscev received a Doctorate in Nuclear Physics from Université, Pierre et Marie Curie in Paris, France and a Ph.D. in Nuclear Physics from Yale University.

*Harvey A. Wagner* has served as a Director since February 2005. Mr. Wagner joined Caregiver Services, Inc., a provider of in-home care services, as the President and Chief Executive Officer and a member of the board of directors in April 2008. Mr. Wagner founded the H.A. Wagner Group, LLC, a consulting firm, where he has served as managing principal since July 2007. Mr. Wagner previously served as President and Chief Executive Officer of Quovadx, Inc. (now Healthvision, Inc.), a software and services company, from October 2004 to July 2007, and as a member of the board of directors of Quovadx from April 2004 to July 2007. From May 2004 through October 2004, Mr. Wagner served as acting President and Chief Executive Officer of Quovadx. Prior to joining Quovadx, he served as Executive Vice President and Chief Financial Officer of Mirant Corporation, an independent energy company, from January 2003 through April 2004. Prior to joining Mirant, Mr. Wagner was Executive Vice President of Finance, Secretary, Treasurer, and Chief Financial Officer at Optio Software, Inc., a provider of business process improvement solutions, from February 2002 to December 2002. From May 2001 to January 2002, he performed independent consulting services for various corporations. He was Chief Financial Officer and Chief Operating Officer for PaySys International, Inc. from December 1999 to April 2001. Mr. Wagner also serves on the board of directors of Cree, Inc., a publicly traded company, where he is Chairman of the Audit Committee and a member of the Nominating and Governance Committee. Mr. Wagner serves on the board of directors of Startek, Inc., a publicly traded company, where he is Chairman of the Audit Committee, a member of the Governance Committee and a member of the Compensation Committee. Mr. Wagner holds a B.B.A. in accounting from the University of Miami.

**Emeritus Program**

Our Board of Directors established an Emeritus program in May 2005 under which our Board may appoint former directors to the position of Director Emeritus or Chairperson Emeritus in recognition of their service to our company and to assist in continuity of membership on our Board. Persons who accept appointment to the position of Director Emeritus or Chairperson Emeritus, as the case may be, provide advisory and consulting services on such business matters as our Board may determine and may participate in all meetings of our Board in a non-voting capacity. A Director Emeritus or Chairperson



Table of Contents

Emeritus serves for a one-year term that expires at the following annual meeting of our stockholders, which term is renewable. A Director Emeritus or Chairperson Emeritus is entitled to receive the same compensation for meetings actually attended as members of our Board of Directors, but they are not entitled to any equity awards, or any other fees or retainers. Dr. William H. Davidow, who served as a Director of FormFactor from April 1995 to August 2005, and as Chairman of the Board of Directors from June 1996 to August 2005, has served as Chairperson Emeritus since August 2005.

**Independence of Directors**

Our Board of Directors has determined that each of our directors, other than Dr. Khandros, our Executive Chairman of the Board of Directors, and Dr. Ruscev, our Chief Executive Officer, is independent. Accordingly, more than a majority of the members of our Board are independent. Our Board appointed Mr. Prestridge to serve as the Lead Independent Director in June 2008. We define "independent directors" pursuant to the rules of the U.S. Securities and Exchange Commission and the Nasdaq Global Market. To be considered independent, a director cannot be an officer or employee of our company or its subsidiaries, and cannot have a relationship with our company or its subsidiaries that, in the opinion of our Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Our Board consults with our company's legal counsel to ensure that its determinations are consistent with all relevant laws, rules and regulations regarding the definition of "independent director," including applicable securities laws and the rules of the U.S. Securities and Exchange Commission and Nasdaq Global Market.

**Board Meetings**

We set the dates and times of our Board of Directors and Board committee meetings in advance of each fiscal year. During our fiscal year 2008, our Board of Directors held six meetings, including two telephone conference meetings. During fiscal year 2008, all of the directors attended all of the meetings of the Board of Directors during the period that such director served, other than Ms. Bahrami and Mr. Everett who each attended all meetings but one, or 83.3% of such meetings.

The independent members of our Board of Directors meet regularly in executive sessions outside of the presence of management. The independent members met four times prior to regularly scheduled meetings of the Board of Directors during fiscal year 2008 in which all independent members attended.

**Committees of the Board of Directors**

Our Board of Directors has established four standing committees: the Audit Committee, the Compensation Committee, the Governance Committee and the M&A Committee. Members of each of the standing committees are set forth in the table above under "Board of Directors." Each committee has adopted a charter, which it reviews and assesses annually. Our Board of Directors has approved the charters of its committees. A copy of the charter of each committee is posted on our company's website at [www.formfactor.com](http://www.formfactor.com).

*Audit Committee.* The Audit Committee oversees our company's accounting and financial reporting processes and the audits of our financial statements, including oversight of our systems of internal controls and disclosure controls and procedures, compliance with legal and regulatory requirements, our internal audit function and the selection, compensation and evaluation of our independent registered public accounting firm. The members of our Audit Committee are currently and were in fiscal year 2008 Messrs. Everett, Prestridge and Wagner. Mr. Wagner is the chairperson of this committee and served as chairperson during fiscal year 2008. Our Board of Directors has determined that each member of the Audit Committee is independent within the meaning of the rules of the Securities and Exchange Commission and the Nasdaq Global Market, and is able to read and understand fundamental financial statements as contemplated by such rules. Our Board of Directors

Table of Contents

has also determined that Mr. Wagner is an audit committee financial expert within the meaning of the rules of the Securities and Exchange Commission and is financially sophisticated within the meaning of the rules of the Nasdaq Global Market. The Audit Committee met eleven times, including eight telephone conference meetings, during fiscal year 2008. During fiscal year 2008, all of the committee members attended all of the meetings of the Audit Committee during the period that such committee members served.

*Compensation Committee.* The Compensation Committee oversees our company's compensation and benefit plans, policies and programs, determines the compensation of our executive officers and executive chairman of the board of directors, and administers our equity and benefit plans. In addition, our Compensation Committee makes recommendations to the Board regarding appropriate compensation of our non-employee directors. The members of our Compensation Committee are currently and were in fiscal year 2008 Dr. Bahrami and Messrs. Everett, Maier and Prestridge. Mr. Prestridge is the chairperson of this committee and served as chairperson during fiscal year 2008. Our Board of Directors has determined that each member of the Compensation Committee is independent within the meaning of the rules of the Nasdaq Global Market, a non-employee director within the meaning of Section 16 of the Securities Exchange Act of 1934, and an outside director within the meaning of Section 162(m) of the Internal Revenue Code. The Compensation Committee met six times, including two telephone conference meetings, during fiscal year 2008. During fiscal year 2008, all of the committee members attended all of the meetings of the Compensation Committee during the period that such committee members served, other than Mr. Everett who attended all meetings but one, or 83.3% of such meetings.

*Governance Committee.* The Governance Committee oversees our company's corporate governance practices and our process for identifying, evaluating and recommending for nomination by our Board of Directors individuals for service on the Board and its committees. In addition, our Governance Committee assesses the composition and performance of our Board and our Board committees. The members of the Governance Committee are currently and were in fiscal year 2008 Dr. Bahrami and Messrs. Campbell and Wagner. Dr. Bahrami is the chairperson of this committee and served as chairperson during fiscal year 2008. Our Board of Directors has determined that each member of the Governance Committee is independent within the meaning of the rules of the Nasdaq Global Market and a non-employee director within the meaning of Section 16 of the Securities Exchange Act of 1934. The Governance Committee met five times, including one telephone conference meeting, during fiscal year 2008. During fiscal year 2008, all of the committee members attended all of the meetings of the Governance Committee during the period that such committee members served, other than Mr. Campbell who attended all meetings but two, or 60.0% of such meetings.

*M&A Committee.* The M&A Committee oversees the review and assessment of potential acquisitions, strategic investments, divestitures and joint ventures by our company. The members of the M&A Committee are currently Messrs. Everett, Maier and Prestridge. Mr. Everett is the chairperson of this committee. The members of the M&A Committee do, but are not required to, meet the independence requirements set forth in the Nasdaq Global Market rules. Our Board of Directors established the M&A Committee in February 2009. Accordingly, the M&A Committee did not meet in fiscal year 2008.

Table of Contents**Director Compensation**

The form and amount of compensation paid to our independent directors for serving on our Board and its committees is designed to be competitive in light of industry practices and the obligations imposed by such service. In order to align the long-term interests of our directors with those of our stockholders, a portion of director compensation is provided in equity-based compensation. The value of total annualized compensation of our independent directors is targeted to be at approximately the median of our peer group of companies, which is described below under the "Compensation Discussion and Analysis" section in this Proxy Statement. The compensation practices of this peer group of companies were the benchmark used when considering the competitiveness of our independent director compensation in 2008. Our independent outside compensation consultant, Frederic W. Cook & Co., Inc., or FWC, and our company's Human Resources department collected and developed the competitive data and analyses for benchmarking independent director compensation. In May 2008, the Compensation Committee recommended and our Board approved changes to the initial and annual equity awards for new and re-elected independent directors and an additional annual cash retainer to our Board of Directors' Lead Independent Director.

The following table presents the compensation paid to our independent directors for fiscal year 2008. Dr. Khandros and Dr. Ruscev are not considered independent directors of our company because they are employees of our company. Compensation of Dr. Khandros and Dr. Ruscev is described under "Compensation Discussion and Analysis" and "Executive Compensation and Related Information" in this Proxy Statement.

Name	Fees Earned or Paid in Cash (\$)	Option Awards \$(1)(2)	Stock Awards \$(1)(2)	Total (\$)
Dr. Homa Bahrami	48,000	97,102	75,151	220,253
Dr. Thomas J. Campbell	36,000	97,102	75,151	208,253
G. Carl Everett, Jr.	48,000	176,817	36,549	261,367
Lothar Maier	39,000	51,155	75,151	165,306
James A. Prestridge	79,000	187,838	26,948	293,786
Harvey A. Wagner	58,000	97,102	75,151	230,253

(1)

The stock awards are restricted stock units that we awarded to our independent directors under our 2002 Equity Incentive Plan. The restricted stock units will settle in shares of our common stock on the earlier of: (i) the date on which the units are fully vested, or (ii) the date that the director's engagement with our company is terminated (or the first market trading day during an open trading window under our company's Statement of Policy regarding Insider Trading thereafter if the applicable date is not on a market trading day during an open trading window). The price at which we will settle the restricted stock units is the closing price of our company's common stock on the Nasdaq Global Market on the trading date immediately prior to the settlement date.

The amounts shown reflect the dollar amount recognized for fiscal year 2008 financial statement reporting purposes in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (Revised), or FAS 123(R). For restricted stock units, fair value is calculated using the closing price on the grant date. The amounts shown disregard estimated forfeitures related to service-based vesting conditions. No restricted stock units were forfeited by any of our independent directors during fiscal year 2008. The grant date fair value of the restricted stock units granted on May 22, 2008 to each independent director re-elected on that date was \$128,340. These amounts are different than the amounts in our company's consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 27, 2008 due to the estimated forfeitures reflected in the consolidated financial statements. These amounts do not correspond to the actual value that may be recognized by our independent

Table of Contents

directors. Assumptions used in the calculation of these amounts are described in Note 9 Stock-Based Compensation to our company's consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 27, 2008.

(2)

A summary of options and restricted stock units outstanding as of December 27, 2008 for each of our independent directors is as follows:

Name	Stock Options Outstanding(#)	Restricted Stock Units Outstanding(#)
Dr. Homa Bahrami	48,013	6,000
Dr. Thomas J. Campbell	15,000	6,000
G. Carl Everett, Jr.	55,000	6,000
Lothar Maier	22,726	6,000
James A. Prestridge	55,000	6,000
Harvey A. Wagner	40,410	6,000

*Cash Compensation.* The fiscal year 2008 cash compensation for our independent directors is set forth in the following table.

Compensation Element	Fiscal Year 2008 Cash Compensation
Director Annual Retainer	\$20,000
Chairperson Annual Retainer	\$25,000 for Board chairperson \$10,000 for Audit Committee chairperson \$5,000 for other committee chairperson
Board Meeting Fee	\$2,000 per meeting, whether attended in person or telephonically
Committee Meeting Fee	\$1,000 per meeting, whether attended in person or telephonically

In August 2008, following Mr. Prestridge's appointment as the Lead Independent Director of our Board of Directors, the Compensation Committee approved an additional annual retainer of \$25,000 to the Lead Independent Director.

*Equity Compensation.* Each of our independent directors is eligible to receive equity awards under our 2002 Equity Incentive Plan.

On May 22, 2008, the Compensation Committee approved the amendment of our 2002 Equity Incentive Plan to provide for new annual equity awards for new and re-elected independent directors. Instead of the automatic annual grant of 15,000 stock options to these directors, our 2002 Equity Incentive Plan now provides that each year our Board of Directors will determine whether independent directors receive stock options, restricted stock units or restricted stock, and in what amounts.

On May 22, 2008, our Board of Directors, upon recommendation of the Compensation Committee, approved modifications to the annual equity grant policy for new and re-elected independent directors. To better focus independent directors on the long-term performance of our company, our Board approved a change in the grant of equity from stock options to restricted stock units. Beginning with the 2008 annual meeting of stockholders, each new independent director will receive an initial award of 6,000 restricted stock units under the 2002 Equity Incentive Plan on the date the director joins our Board. Additionally, each re-elected independent director will receive an annual award of 6,000 restricted stock units under the 2002 Equity Incentive Plan immediately following the annual meeting of stockholders, which is subject to pro-ration if such director has not served as a director for the full 12 months since the preceding equity award to such director. The initial equity awards generally vest over a one-year period at a rate of 1/12th of the total shares granted at the end of each full succeeding

Table of Contents

month, subject to the director's continued service on our Board. All annual equity awards generally 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 equity awards and all outstanding shares issued upon exercise or conversion of any equity awards granted to the independent director prior to the grant of such succeeding award have fully vested. Restricted stock units will be settled in shares of our common stock upon the earlier of: (i) the date on which the restricted stock units are fully vested, or (ii) the director's termination date. If either the date on which the restricted stock units are fully vested or the director's termination date is not a NASDAQ Global Market trading day during an open trading window under our company's Statement of Policy Regarding Insider Trading as then in effect, then the restricted stock units will be settled on the first NASDAQ Global Market trading day falling within an open trading window thereafter. In the event of our dissolution or liquidation or a change in control transaction, all equity awards granted to our independent directors will become fully vested prior to the consummation of the transaction at such times and on such conditions as the Compensation Committee will determine, and any equity awards that are stock options will expire if the directors do not exercise the awards, as applicable, within three months of the consummation of the transaction.

Our independent directors may elect to receive a restricted stock award or restricted stock unit under our 2002 Equity Incentive Plan in lieu of payment of a portion of his or her annual retainer based on the fair market value of our common stock on the date any annual retainer would otherwise be paid. The annual retainer consists of the director or chairperson annual retainer plus any additional retainer paid in connection with service on any committee of our Board or paid for any other reason. A director may make an election for any dollar or percentage amount equal to at least 25% of his or her annual retainer up to a maximum of 100%. A director must make the election in accordance with Section 409A of the Internal Revenue Code of 1986, as amended. Any amount of the director's annual retainer that is not elected to be received as a restricted stock award or restricted stock unit is payable in cash. As of the date of this Proxy Statement, none of our independent directors have elected to receive a restricted stock award or restricted stock unit under our 2002 Equity Incentive Plan in lieu of payment of a portion of his or her annual retainer.

*Other.* We reimburse all of our directors for travel, director continuing education programs and other business expenses incurred in connection with their services as a member of our company's Board and Board committees, and extend coverage to them under our company's travel accident and directors' and officers' indemnity insurance policies.

#### **Compensation Committee Interlocks and Insider Participation**

None of the members of our Compensation Committee has at any time since our incorporation 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.

Our Compensation Committee engaged Frederic W. Cook & Co., Inc., an independent outside compensation consultant, to provide advice and recommendations on competitive market practices and specific compensation decisions. To date, this consultant has not provided our company's management with any services.

Our company has engaged independent consultants and other data collection services to assist our Human Resources department with collecting and analyzing information regarding the compensation practices of companies, including companies within our "core" peer group as described in "Compensation Discussion and Analysis" in this Proxy Statement. Some of these service providers have met with members of our company's management and the Compensation Committee. The service providers engaged by our company have not provided specific compensation recommendations or any other related advice or consulting services to the Compensation Committee.

Table of Contents

**Consideration of Director Nominees**

Our Governance Committee identifies, evaluates and recommends individuals for nomination by our Board of Directors for election as directors of our Board. The committee generally identifies nominees based upon recommendations by our directors and management. In addition, our Governance Committee also considers recommendations properly submitted by our stockholders. The committee may retain recruiting professionals to assist in the identification and evaluation of candidates for director nominees. To date, we have not paid any third parties to assist us in this process.

In selecting nominees for our Board of Directors, the Governance Committee considers candidates based on the need to satisfy the applicable rules and regulations of the Securities and Exchange Commission and the rules of the Nasdaq Global Market, including the requirements for independent directors and an audit committee financial expert. Our Governance Committee also evaluates candidates in accordance with its charter, assessing a number of factors, including demonstrated outstanding achievement in the prospective board member's personal career, breadth of experience, soundness of judgment, ability to make independent, analytical inquiries, diversity of viewpoints and experience, and willingness to devote adequate time. The Governance Committee uses the same standards to evaluate nominees proposed by our directors, management and stockholders.

Stockholders can recommend qualified candidates for our Board of Directors by writing to our Corporate Secretary at FormFactor, Inc., 7005 Southfront Road, Livermore, California 94551. When making recommendations, a stockholder must submit recommendations for individuals that meet at least the criteria outlined above. Such recommendations should be accompanied by the information required by our bylaws and Regulation 14A under the Securities Exchange Act of 1934, as amended, which includes evidence of the nominating stockholder's ownership of FormFactor common stock, biographical information regarding the candidate, and the candidate's written consent to serve as a director if elected. We require that any such recommendations for inclusion in our proxy materials for our 2010 Annual Meeting of Stockholders be made no later than December 9, 2009 to ensure adequate time for meaningful consideration by our Governance Committee. See "Proposals for the 2010 Annual Meeting of Stockholders" for additional information regarding deadlines for submitting proposals. Properly submitted recommendations will be forwarded to our Governance Committee for review and consideration. The Governance Committee may consider in the future whether our company should adopt a more formal policy regarding stockholder nominations.

After evaluating Messrs. Prestridge and Wagner, our Governance Committee recommended to our Board of Directors in accordance with its charter, and our Board approved, the nomination of these current directors for election as Class III members to our Board at our Annual Meeting.

**Corporate Codes**

We have adopted a Statement of Corporate Code of Business Conduct that applies to our directors, officers and employees, and a Statement of Financial Code of Ethics that applies to our Chief Executive Officer, Chief Financial Officer and the employees in our finance department. Our directors, officers and employees are also subject to our Statement of Policy Regarding Insider Trading and our Statement of Policy Regarding Related Person Transactions. We provide training to our employees regarding our codes and various company policies, which all employees are required to complete. In addition, we have adopted a Statement of Policy Regarding Corporate Code Violations (Complaints and Concerns and Whistleblowers) that is designed to ensure that all of our directors, officers and employees observe high standards of personal and business ethics consistent with the Code of Business Conduct, the Code of Ethics and our other company policies, and to provide a forum to which our directors, officers and employees may report violations or suspected violations of our company policies without fear of harassment, retaliation or adverse employment consequences. In addition, we have adopted Governance Guidelines, which identify various corporate policies and

Table of Contents

practices we have implemented. Our policies and governance guidelines are posted on our website at [www.formfactor.com](http://www.formfactor.com).

**Stockholder Communications with our Board**

Our stockholders may communicate with our Board of Directors or any of our individual directors by submitting correspondence by mail to our Corporate Secretary at FormFactor, Inc., 7005 Southfront Road, Livermore, California 94551, or by e-mail at [corporatesecretary@formfactor.com](mailto:corporatesecretary@formfactor.com). Our Corporate Secretary or his designee will review such correspondence and provide such correspondence and/or summaries thereof, as appropriate, to our Board of Directors. Our company's acceptance and forwarding of communications to our Board does not imply that the company's directors owe or assume any fiduciary duties to persons submitting the communications. Our Corporate Secretary or his designee will handle correspondence relating to accounting, internal controls or auditing matters in accordance with our Statement of Policy Regarding Corporate Code Violations (Complaints and Concerns and Whistleblowers), which Statement is available on our company's website at [www.formfactor.com](http://www.formfactor.com). Our Governance Committee will periodically review our process for stockholders to communicate with our Board of Directors to ensure effective communications.

**Board Attendance at Annual Meetings**

We encourage the members of our Board of Directors to attend our annual meeting of stockholders. We do not have a formal policy regarding attendance of annual meetings by the members of our Board. We may consider in the future whether our company should adopt a more formal policy regarding director attendance at annual meetings. All of our directors serving at the time of our 2008 Annual Meeting of Stockholders attended that annual meeting.

Table of Contents**PROPOSAL NO. 2****RATIFICATION OF SELECTION OF  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR  
FISCAL YEAR 2009**

The second proposal is to ratify the selection of PricewaterhouseCoopers LLP as FormFactor's independent registered public accounting firm for fiscal year 2009. The Audit Committee of our Board of Directors has appointed PricewaterhouseCoopers LLP as the independent registered public accounting firm to perform the audit of our financial statements for fiscal year 2009, and our stockholders are being asked to ratify such selection. Representatives of PricewaterhouseCoopers LLP are expected to be present at the Annual Meeting, will have the opportunity to make a statement at the Annual Meeting if they desire to do so and are expected to be available to respond to appropriate questions.

Ratification by our stockholders of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm is not required by applicable law, our certificate of incorporation, our bylaws or otherwise. However, our Board of Directors is submitting the selection of PricewaterhouseCoopers LLP to our stockholders for ratification as a matter of good corporate practice. If our stockholders fail to ratify this selection, our Audit Committee will reconsider whether to retain that firm. Even if the selection is ratified, our Audit Committee in its discretion may direct the selection of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of our company and stockholders.

**Our Board of Directors recommends a vote FOR the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2009.**

**Principal Auditor Fees and Services**

The following is a summary of fees for professional services rendered to our company by PricewaterhouseCoopers LLP, our independent registered public accounting firm, related to fiscal year 2008 and 2007.

	2008	2007
Audit Fees	\$ 1,167,792	\$ 1,301,220
Audit-Related Fees		
Tax Fees	188,897	43,478
All Other Fees		
<b>Total</b>	<b>\$ 1,356,689</b>	<b>\$ 1,344,698</b>

*Audit Fees.* Consists of fees billed for professional services rendered for the audit of our annual consolidated financial statements, the audit of the effectiveness of our internal control over financial reporting, and the review of our consolidated financial statements included in our Form10-Q quarterly reports for fiscal year 2008 and 2007. For fiscal year 2007, the fees also include services in connection with the restatement of our annual and interim financial statements for fiscal year 2006 and interim financial statements for the first and second quarters of fiscal year 2007. Audit fees also include services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements for those fiscal years.

*Audit-Related Fees.* Consists of fees billed for assurance and related services that are traditionally performed by the independent registered public accountant and are not reported under "Audit Fees."



Table of Contents

*Tax Fees.* Consists of fees billed for professional services for tax compliance, tax preparation, tax advice and tax planning. These services consist of assistance regarding federal, state and international tax compliance, assistance with the preparation of various tax returns, research and design tax study and international compliance.

*All Other Fees.* Consists of fees for products and services other than the services reported above.

**Pre-Approval of Audit and Non-Audit Services of Auditor**

Our Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by our independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. Our independent registered public accounting firm and management are required to periodically report to our Audit Committee regarding the extent of services provided by our independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date. Our Audit Committee may also pre-approve particular services on a case-by-case basis. All of the services described above with respect to audit fees and tax fees were pre-approved by our Audit Committee pursuant to its pre-approval policy.

Table of Contents

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT  
AND RELATED STOCKHOLDER MATTERS**

**Beneficial Ownership of our Securities**

The following table presents information regarding the beneficial ownership of our common stock as of February 28, 2009 for:

each person or entity known by us to own beneficially more than 5% of our common stock;

each of our directors;

our Chief Executive Officer and the other current and former executive officers named in the summary compensation table under "Executive Compensation and Related Information;" and

all of our directors and such officers as a group.

The percentage of beneficial ownership for the following table is based on 49,299,032 shares of our common stock outstanding as of February 28, 2009. 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 February 28, 2009 through the exercise of any option, unit or other right. 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, units or other rights into shares of our common stock.

To our knowledge, except under community property laws or as otherwise noted, the persons named in the table below have sole voting and sole investment power with respect to all equity beneficially owned. Unless otherwise indicated, each director, officer and 5% stockholder listed below

## Edgar Filing: FORMFACTOR INC - Form DEF 14A

### Table of Contents

maintains a mailing address of c/o FormFactor, Inc., 7005 Southfront Road, Livermore, California 94551.

<b>Beneficial Owner</b>	<b>Number of Shares Beneficially Owned</b>	<b>Percentage of Shares Beneficially Owned</b>
PRIMECAP Management Company(1)	7,126,600	14.5%
Vanguard Horizon Funds Vanguard Capital Opportunity Fund(2)	5,983,300	12.1
FMR LLC and affiliated persons(3)	5,386,622	10.9
Franklin Resources, Inc. and affiliated persons(4)	4,654,541	9.4
Goldman Sachs Asset Management, L.P. and affiliated persons(5)	3,009,465	6.1
Dr. Igor Y. Khandros(6)	2,817,497	5.7
T. Rowe Price Associates, Inc.(7)	2,747,000	5.6
Kornitner Capital Management, Inc.(8)	2,529,285	5.1
Stuart L. Merkadeau(9)	277,640	*
Richard M. Freeman(10)	240,080	*
Dr. Mario Ruscev(11)	37,455	*
Jean B. Vernet(12)	18,239	*
Ronald C. Foster(13)	145,122	*
Jorge L. Titingier(14)		
James A. Prestridge (15)	104,748	*
G. Carl Everett, Jr.(16)	77,118	*
Dr. Homa Bahrami(17)	51,013	*
Harvey A. Wagner(18)	40,410	*
Lothar Maier(19)	22,726	*
Dr. Thomas J. Campbell(20)	15,000	*
All directors and officers as a group (13 persons)	3,847,048	7.6%

\*

Represents beneficial ownership of less than 1%.

(1)

As reported in the Schedule 13G/A of PRIMECAP Management Company for beneficial ownership as of December 31, 2008, which was filed on February 12, 2009 with the Securities and Exchange Commission. The address of PRIMECAP Management Company is 225 South Lake Avenue, #400, Pasadena, California 91101.

(2)

As reported in the Schedule 13G/A of Vanguard Horizon Funds Vanguard Capital Opportunity Fund for beneficial ownership as of December 31, 2008, which was filed on February 13, 2009 with the Securities and Exchange Commission. The address of Vanguard Horizon Funds Vanguard Capital Opportunity Fund is 100 Vanguard Boulevard, Malvern, Pennsylvania 19355.

(3)

As reported in the Schedule 13G/A of FMR LLC and affiliated persons for beneficial ownership as of December 31, 2008, which was filed on February 17, 2009 with the Securities and Exchange Commission. The address of FMR LLC and related persons is 82 Devonshire Street, Boston, Massachusetts 02109.

(4)

As reported in the Schedule 13G/A of Franklin Resources, Inc. and affiliated persons for beneficial ownership as of December 31, 2008, which was filed on February 6, 2009 with the Securities and Exchange Commission. The address of Franklin Resources, Inc. and related persons is One Franklin Parkway, San Mateo, California 94403.



## Edgar Filing: FORMFACTOR INC - Form DEF 14A

### Table of Contents

- (5) As reported in the Schedule 13G/A of Goldman Sachs Asset Management, L.P. and affiliated persons for beneficial ownership as of December 31, 2008, which was filed on February 5, 2009 with the Securities and Exchange Commission. The address of Goldman Sachs Asset Management, L.P. is 32 Old Slip, New York, New York 10005.
- (6) Represents 2,309,499 shares held by The Khandros Bloch Revocable Trust and 507,998 shares issuable upon exercise of options that are exercisable within 60 days of February 28, 2009, all of which shares will be vested.
- (7) As reported in the Schedule 13G of T. Rowe Price Associates, Inc. for beneficial ownership as of December 31, 2008, which was filed on February 10, 2009 with the Securities and Exchange Commission. The address of T. Rowe Price Associates, Inc. is 100 East Pratt Street, Baltimore, Maryland 21202.
- (8) As reported in the Schedule 13G of Kornitzer Capital Management, Inc. for beneficial ownership as of December 31, 2008, which was filed on January 9, 2009 with the Securities and Exchange Commission. The address of Kornitzer Capital Management, Inc. is 5420 West 61<sup>st</sup> Place, Shawnee Mission, Kansas 66205.
- (9) Represents 10,221 shares held by the Stuart L. Merkadeau and Lisa A. Merkadeau Living Trust, 2,386 shares held directly by Mr. Merkadeau and 265,033 shares issuable upon exercise of options that are exercisable within 60 days of February 28, 2009, all of which shares will be vested.
- (10) Represents 240,080 shares issuable upon exercise of options that are exercisable within 60 days of February 28, 2009, all of which shares will be vested.
- (11) Represents 6,205 shares held directly by Dr. Ruscev and 31,250 shares issuable upon exercise of options that are exercisable within 60 days of February 28, 2009, all of which shares will be vested.
- (12) Represents 739 shares held directly by Mr. Vernet, 12,500 shares issuable upon exercise of options that are exercisable within 60 days of February 28, 2009, all of which shares will be vested, and 5,000 shares issuable upon conversion of restricted stock units that will be settled within 60 days of February 28, 2009, all of which shares will be vested.
- (13) Represents 145,122 vested shares issuable upon exercise of options that are exercisable until September 21, 2009 pursuant to the Separation Agreement and General Release entered into by our company with Mr. Foster, who resigned as Senior Vice President, Chief Financial Officer of our company effective as of March 21, 2008. Additional information regarding his holdings of FormFactor securities is not available to our company.
- (14) Mr. Titinger resigned as Senior Vice President, Product Business Group of our company effective as of June 7, 2008. Information regarding his holdings of FormFactor securities is not available to our company.
- (15) Represents 49,748 shares held by the Prestridge Family Trust, and 55,000 shares issuable upon exercise of options that are exercisable within 60 days of February 28, 2009, of which 40,000 shares will be vested and 15,000 shares will be unvested.
- (16) Represents 22,118 shares held by the Everett Family Revocable Trust, and 55,000 shares issuable upon exercise of options that are exercisable within 60 days of February 28, 2009, of which 51,250 shares will be vested and 3,750 shares will be unvested.



Table of Contents

- (17) Represents 3,000 shares held directly by Dr. Bahrami and 48,013 shares issuable upon exercise of options that are exercisable within 60 days of February 28, 2009, all of which shares will be vested.
- (18) Represents 40,410 shares issuable upon exercise of options that are exercisable within 60 days of February 28, 2009, all of which shares will be vested.
- (19) Represents 22,726 shares issuable upon exercise of options that are exercisable within 60 days of February 28, 2009, all of which shares will be vested.
- (20) Represents 15,000 shares issuable upon exercise of options that are exercisable within 60 days of February 28, 2009, all of which shares will be vested.

**Equity Compensation Plans**

The following table sets forth certain information, as of December 27, 2008, concerning securities authorized for issuance under all equity compensation plans of our company:

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a)) (c)
Equity Compensation plans approved by our stockholders(1)(2)	7,270,685(3)	\$ 27.36(4)	8,870,550(5)
Equity compensation plans not approved by our stockholders			
<b>Total:</b>	<b>7,270,685</b>	<b>\$ 27.36</b>	<b>8,870,550</b>

- (1) Includes our 2002 Equity Incentive Plan, 2002 Employee Stock Purchase Plan, Incentive Option Plan and Management Incentive Option Plan. Since the effectiveness of our 2002 Equity Incentive Plan in connection with our initial public offering, we do not grant any options under our Incentive Option Plan and Management Incentive Option Plan.
- (2) Our 2002 Equity Incentive Plan and our 2002 Employee Stock Purchase Plan provide that on each January 1<sup>st</sup>, the number of shares available for issuance under such plans shall increase by an amount equal to 5% of our total outstanding shares as of December 31<sup>st</sup> of the prior year for the Equity Incentive Plan and 1% of our total outstanding shares as of December 31<sup>st</sup> of the prior year for the Employee Stock Purchase Plan.

Edgar Filing: FORMFACTOR INC - Form DEF 14A

- (3) Includes 583,865 shares subject to outstanding restricted stock units. Excludes securities that may be issued under our 2002 Employee Stock Purchase Plan.
- (4) Excludes outstanding restricted stock units, which do not have an exercise price.
- (5) Includes 2,291,804 shares of our common stock remaining reserved for future issuance under our 2002 Employee Stock Purchase Plan as of December 27, 2008.



Table of Contents

**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee oversees FormFactor's accounting and financial reporting processes on behalf of our Board of Directors. FormFactor's management has primary responsibility for the preparation and integrity of our company's consolidated financial statements, for implementing systems of internal control over financial reporting and for other financial reporting-related functions. The company's independent registered public accounting firm, PricewaterhouseCoopers LLP, is responsible for performing an independent audit of FormFactor's consolidated financial statements, expressing an opinion, based upon its audit, as to the conformity of such financial statements with generally accepted accounting principles in the United States and attesting to the effectiveness of FormFactor's internal control over financial reporting.

In discharging its oversight responsibility, the Audit Committee has reviewed and discussed, with our management and PricewaterhouseCoopers LLP, the audited consolidated financial statements of FormFactor as of and for the year ended December 27, 2008, including a discussion of the quality of FormFactor's financial reporting and internal control over financial reporting, as well as the selection, application and disclosure of critical accounting policies. In addition, the Audit Committee has reviewed and discussed the reports of FormFactor's internal audit function and the performance of the internal audit function during fiscal year 2008.

The Audit Committee has discussed with PricewaterhouseCoopers LLP, with and without the company's management present, the matters required to be discussed by Statement on Auditing Standards No. 114, "The Auditor's Communication With Those Charged With Governance," which supersedes Statement on Auditing Standards No. 61 as amended, "Communication with Audit Committees," including the judgment of PricewaterhouseCoopers LLP as to the quality of our company's financial reporting, effectiveness of internal control over financial reporting and such other matters as are required to be discussed with the Audit Committee under generally accepted auditing standards. The Audit Committee also discussed with PricewaterhouseCoopers LLP the remediated material weakness regarding the failure to maintain effective controls over the valuation of inventory and the related cost of revenues accounts, which was previously identified in our company's internal control over financial reporting, and the remediation steps our company's management took to address the material weakness.

The Audit Committee has received and reviewed the written disclosures and the letter from PricewaterhouseCoopers LLP required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and has discussed with PricewaterhouseCoopers LLP the independent accountant's independence.

Based on the above-mentioned reviews and discussions, the Audit Committee has recommended to our Board of Directors that FormFactor's consolidated financial statements as of and for the year ended December 27, 2008 be included in the company's Annual Report on Form 10-K for the year ended December 27, 2008.

Submitted by the Audit Committee

Harvey A. Wagner, Chairperson  
G. Carl Everett, Jr.  
James A. Prestridge

Table of Contents

**COMPENSATION DISCUSSION AND ANALYSIS**

This compensation discussion and analysis describes and analyzes FormFactor's compensation program for its named executive officers, namely, each of the two individuals who served as our Chief Executive Officer during fiscal year 2008, each of the two individuals who served as our Chief Financial Officer during fiscal year 2008, and the three most highly compensated executive officers (other than the Chief Executive Officer and the Chief Financial Officer) in fiscal year 2008. In June 2008, Dr. Mario Ruscev succeeded Dr. Igor Y. Khandros as Chief Executive Officer of our company, and Dr. Khandros was appointed Executive Chairman of the Board of Directors. In March 2008, Jean B. Vernet succeeded Ronald C. Foster as Senior Vice President, Chief Financial Officer. Therefore, in fiscal year 2008, we had seven named executive officers.

**Compensation Philosophy and Framework**

*Compensation Objectives*

We are committed to a compensation philosophy that is market-competitive and ensures that our executive officers and other employees share in our company's success. Our executive compensation plans, policies and programs are overseen by the Compensation Committee of our Board of Directors and are designed to achieve three primary objectives:

Attract, retain and motivate highly skilled individuals who contribute to the success of our company, and that of our stockholders,

Drive outstanding achievement of business objectives and reinforce our company's strong pay-for-performance culture, and

Align our executive officers' interests and value creation opportunities with the long-term interests and value creation opportunities of our stockholders.

*Target Pay Position/Mix of Pay*

Our compensation program is comprised of a combination of base salary, semi-annual pay-for-performance cash incentive payments, and long-term equity grants. Each of these components is discussed in greater detail below under "Compensation Decisions." We target our pay, both for the individual components and in the aggregate, to be competitive with the practices of our peer companies. Our strategy has been to examine peer group compensation practices, and with an understanding of those practices, create a highly leveraged, variable compensation opportunity for our executive officers. The Compensation Committee believes this approach best supports the pay-for-performance culture, and in turn, the creation of stockholder value. Our emphasis on variable, or at-risk, compensation ensures that our executive officers receive target or above-target compensation only to the extent that our company's performance goals have been achieved or exceeded.

The Compensation Committee has historically approved actual compensation levels for executive officers above and below the target pay position, based on individual and company performance, to ensure an appropriate pay-for-performance alignment.

Table of Contents*Compensation Benchmarking*

The Compensation Committee examines annually the compensation practices of a peer group of companies to assess the competitiveness of all elements of our executive officer compensation programs. In late 2007, with the assistance of FWC, we developed a "core" peer group of 19 companies that are comparable to our company based on the objective selection criteria in the table below and Global Industry Classification Standard codes. The compensation practices of this peer group of companies were the primary benchmark used when considering the competitiveness of our executive officer compensation in 2008. Additionally, we examined the compensation practices of 11 larger companies with which our company competes directly for key executive talent.

	Industry Sector (Global Industry Classification Standard Code)	Last Completed Fiscal Year Revenue		Market Capitalization as of November 2007		Employee Size as of Last Completed Fiscal Year-End	
		Range	Median	Range	Median	Range	Median
"Core" Peer Group	Semiconductor (45301020)/ Semiconductor equipment (45301010)	\$200 million- \$1.5 billion	\$850 million	\$750 million- \$6 billion	\$3.4 billion	400-3,000	1,700
FormFactor	Semiconductor equipment (45301010)		\$462 million		\$1.6 billion		1,124

The companies that are part of our "core" peer group for 2008 include:

ATMI, Inc.	Integrated Device Technology, Inc.	Silicon Laboratories Inc.	Teradyne, Inc.
Brooks Automation, Inc.	Intersil Corporation	Tessera Technologies, Inc.	
Cabot Microelectronics Corporation	Lam Research Corporation	Varian Semiconductor Equipment Associates, Inc.	
Cree, Inc.	MicroSemi Corporation	Verigy Ltd.	
Cymer, Inc.	MKS Instruments, Inc.		
Fairchild Semiconductor International, Inc.	Novellus Systems, Inc.		
FEI Company	OmniVision Technologies, Inc.		

In December 2008, the Compensation Committee, again with the assistance of FWC, completed its annual review of our peer group. Based on the Compensation Committee's review and advice of FWC, our updated "core" peer group consists of 22 companies for purposes of determining the competitiveness of our executive officer compensation in 2009. Similar to the "core" peer group used in 2008, the 2009 peer companies were selected using the Global Industry Classification Standard codes and the objective criteria shown in the table below.

	Industry Sector (Global Industry Classification Standard Code)	Last Completed Fiscal Year Revenue		Market Capitalization as of December 31, 2008		Employee Size as of Last Completed Fiscal Year-End	
		Range	Median	Range	Median	Range	Median
"Core" Peer Group	Semiconductor (45301020)/ Semiconductor equipment (45301010)	\$200 million- \$1.9 billion	\$554 million	\$100 million- \$2.7 billion	\$675 million	381-9,691	1,650
FormFactor	Semiconductor equipment (45301010)		\$210 million		\$716 million		940

Table of Contents

The companies that are part of our "core" peer group for 2009 include:

ATMI, Inc.	FEI Company	Semitool, Inc.*
Brooks Automation, Inc.	Integrated Device Technology, Inc.	Silicon Laboratories Inc.
Cabot Microelectronics Corporation	Intersil Corporation	Teradyne, Inc.
Cohu, Inc.*	Lam Research Corporation	Tessera Technologies, Inc.
Cree, Inc.	MicroSemi Corporation	Varian Semiconductor
Cymer, Inc.	MKS Instruments, Inc.	Equipment Associates, Inc.
Emcore Corporation*	Novellus Systems, Inc.	Verigy Ltd.
Fairchild Semiconductor International, Inc.	OmniVision Technologies, Inc.	

\*

New additions for 2009.

The Compensation Committee also reviews, on at least an annual basis, and makes recommendations, if necessary, to our Board of Directors for approval regarding compensation of the independent directors. The form and amount of compensation paid to our independent directors for serving on our Board and its committees is designed to be competitive in light of industry practices and the obligations imposed by such service. In order to align the long-term interests of our directors with those of our stockholders, a portion of director compensation is provided in equity-based compensation. The value of total annualized compensation of our independent directors is targeted to be at approximately the median of our peer group. The compensation practices of this peer group of companies were the benchmark used when considering the competitiveness of our independent director compensation in 2008. FWC and our company's Human Resources department collected and developed the competitive data and analyses for benchmarking independent director compensation. In May 2008, the Compensation Committee recommended and our Board approved changes to the initial and annual equity awards for new and re-elected independent directors and an additional annual cash retainer to our Board of Directors' Lead Independent Director. For a complete discussion of these changes and all compensation paid to independent directors in fiscal year 2008, please refer to the "Proposal No. 1 Election of Class III Directors Director Compensation" section above in this Proxy Statement.

### Compensation Decisions

The Compensation Committee retains and does not delegate any of its exclusive power to determine all matters of executive compensation and benefits, although our Chief Executive Officer and the company's Human Resources department periodically present compensation and benefit recommendations to the Compensation Committee. FWC works directly with the Compensation Committee, and not on behalf of our company's management, to provide advice and recommendations on competitive market practices and specific compensation decisions. To date, FWC has not provided our company's management with any services.

### Compensation Components

#### *Base Salary*

Base salaries are designed to provide market-competitive, fixed compensation, which allows us to attract and retain the highly skilled executive officers required to drive business results and stockholder value.

The Compensation Committee typically reviews base salary rates for our executive officers annually. Salary rates and any annual adjustments are determined by the Committee based on a number of factors, including level of responsibility, expertise, and experience of the individual, internal equity, individual and company performance, competitive conditions in the industry, and salary norms for individuals in comparable positions at comparable companies. Base salaries are targeted to be at

Table of Contents

approximately the median of our peer group. The Committee also considers recommendations made by our Chief Executive Officer regarding salary rate adjustments for his direct reports. Discussions regarding the compensation of each executive officer, including our Chief Executive Officer, are held outside of his presence.

In fiscal year 2008, the Compensation Committee set the base salary level of our Chief Executive Officer, who in turn recommended for approval by the Compensation Committee the base salary levels of our company's other officers who reported to the Chief Executive Officer.

*2008 Base Salary.* Dr. Khandros' base salary was decreased from \$500,000 to \$400,000 in connection with his appointment as Executive Chairman of the Board of Directors and his corresponding reduced role. Dr. Ruscev's base salary remained at \$500,000 when he was promoted from President to Chief Executive Officer. In determining Dr. Ruscev's 2008 base salary, the Compensation Committee discussed his performance and reviewed competitive data and analyses collected and developed by FWC and our company's Human Resources department. The Compensation Committee maintained Dr. Ruscev's salary at \$500,000 (the same as it was for Dr. Khandros when he was Chief Executive Officer), which approximates the 50<sup>th</sup> percentile of our 2008 peer group.

In May 2008, Dr. Khandros presented his base salary recommendations for the officers that reported to him, including the officers named in the summary compensation table under "Executive Compensation and Related Information" to the Compensation Committee. The Compensation Committee then discussed Dr. Khandros' recommendations and, based on the competitive data and analyses collected and developed by FWC and our company's Human Resources department, approved a merit-based base salary increase for Mr. Merkadeau as noted below effective June 30, 2008. Mr. Merkadeau's new base salary is slightly above the 50<sup>th</sup> percentile for the same position within our peer group. The Committee did not change the base salary of Mr. Vernet, who joined our company on March 31, 2008. Mr. Vernet's base salary is at approximately the 50<sup>th</sup> percentile for the same position within our peer group.

The base salaries for our executive officers in fiscal year 2008 were as follows:

<b>Executive Officer</b>	<b>Position</b>	<b>Base Salary</b>	<b>Percentage Increase (Decrease)</b>
Dr. Igor Y. Khandros(1)	Executive Chairman of the Board of Directors and former Chief Executive Officer	\$400,000	(20.0)%
Dr. Mario Ruscev(2)	Chief Executive Officer and former President	500,000	
Jean B. Vernet(3)	Senior Vice President, Chief Financial Officer	325,000	
Richard M. Freeman(4)	Senior Vice President, Operations	330,000	0.0
Stuart L. Merkadeau	Senior Vice President, General Counsel and Secretary	280,000	7.7
Ronald C. Foster(5)	Former Senior Vice President, Chief Financial Officer		
Jorge L. Titinger(6)	Former Senior Vice President, Product Business Group		

(1)

Dr. Khandros served as Chief Executive Officer of our company until he was appointed Executive Chairman of the Board of Directors effective June 28, 2008, at which point he reduced his work schedule to four days per week, with a proportionate reduction in base salary.

Table of Contents

- (2) Dr. Ruscev joined our company on January 7, 2008 as President. Effective June 28, 2008, we promoted him to Chief Executive Officer.
- (3) Mr. Vernet joined our company on March 31, 2008 as Senior Vice President, Chief Financial Officer.
- (4) Mr. Freeman has served as our company's Senior Vice President, Manufacturing since January 2009. Mr. Freeman was as our Senior Vice President, Operations from September 2004 to December 2008.
- (5) Mr. Foster, our former Senior Vice President, Chief Financial Officer, resigned from our company effective as of March 21, 2008.
- (6) We mutually agreed with Mr. Titing, our former Senior Vice President, Product Business Group, to eliminate his position as part of our company's restructuring that we announced in our first fiscal quarter of 2008. Mr. Titing's last day of employment was June 7, 2008.

In March 2009, Dr. Khandros requested, and the Compensation Committee approved, a 25% decrease in his annual base salary from \$400,000 to \$300,000 effective March 23, 2009 coinciding with a proportionate reduction in his work schedule to three days per week.

*Bonus*

We provide a semi-annual bonus opportunity through our company's Employee Incentive Plan (known as the Key Employee Bonus Plan prior to August 2008 when the Plan was expanded to include most of our professional employees worldwide), which awards cash bonuses to our Chief Executive Officer, other executive officers and other employees based upon the achievement of corporate and individual performance objectives. For the last several years, including fiscal year 2008, bonus target levels were established so that target total cash compensation was at the 75<sup>th</sup> percentile for comparable positions in our company's peer group. We set these levels to adequately reward our executive officers if our company meets or exceeds its corporate performance objectives.

The Compensation Committee, working with our management, approves corporate performance objectives for each half of the fiscal year for our Employee Incentive Plan. These corporate performance objectives are set at challenging levels to motivate high business performance and support attainment of company-critical financial and operational objectives. The Compensation Committee also approves a specific weighting for each objective.

For fiscal year 2008, Dr. Khandros worked with the officers who directly reported to him to identify and set individual performance objectives. Individual performance is generally based on a review of the individual's accomplishment towards specific agreed operational objectives and in the areas of leadership, management, overall performance and development. For fiscal year 2008, the Compensation Committee based the bonus payout for Dr. Khandros only on achievement of corporate performance objectives, because the Committee believes that Dr. Khandros should be rewarded for management of our company as measured by achievement of the corporate performance objectives, and in effect, the extent to which our company's performance enhances stockholder value. The Compensation Committee applied a very similar belief and approach to the bonus payout for Dr. Ruscev, though it was recognized that for fiscal 2008 Dr. Ruscev's bonus payout was contractually guaranteed. For our other executive officers, the Committee weighted individual performance objectives at 20% of the bonus. For a bonus to be awarded, an officer must meet his/her minimum individual performance objectives. In addition, an officer's actual achievement of individual performance objectives is used to adjust the achievement of corporate performance objectives when calculating the officer's bonus as set forth in the formula below, by multiplying the percent achievement of corporate objectives by the percent achievement of personal objectives.

Table of Contents

During the first half of fiscal year 2008, the corporate performance objectives were bookings, revenue, non-GAAP operating income and new product revenue. We derive non-GAAP operating income by subtracting stock-based compensation expense under FAS123 (R) from our company's operating income calculated in accordance with generally accepted accounting principles in the United States, or GAAP. Each corporate performance objective was weighted at 15%, except non-GAAP operating income was weighted at 55%. In addition, the Committee conditioned any payment for the first half of fiscal year 2008 upon our company achieving at a minimum the internal targets of \$175 million in revenue and \$8 million in non-GAAP operating loss. The Compensation Committee weighted the corporate performance objectives for Drs. Khandros and Ruscev at 100%. For our other executive officers, the Committee weighted the corporate objectives at 80%, with the remaining 20% consisting of individual performance objectives as discussed above.

For the first half of fiscal year 2008, the Compensation Committee determined that our company did not achieve our minimum corporate performance internal targets with revenue of \$117.7 million and \$41.7 million in non-GAAP operating loss.

The Compensation Committee did not approve any bonus payments for our executive officers for the first half of fiscal year 2008 based on the corporate performance results discussed above. However, pursuant to the terms of their employment letter agreements, Dr. Ruscev received a guaranteed bonus payment of \$250,000 and Mr. Vernet received a guaranteed bonus payment of \$73,125 for the first half of fiscal year 2008. Dr. Ruscev's employment letter agreement provides for a target bonus of 100% of base salary with the opportunity to earn 200% of base salary based on extraordinary achievement of objectives. For 2008, his annual bonus is guaranteed at 100% of base salary. Mr. Vernet's employment letter agreement provides for a target bonus of 90% of base salary. For the first half of fiscal year 2008, his semi-annual bonus is guaranteed at 100% of base salary, but prorated based upon Mr. Vernet's start date through the end of the bonus period.

During the second half of fiscal year 2008, the Compensation Committee divided the corporate performance objectives into financial and operational objectives. The corporate financial objectives were revenue and non-GAAP free cash flow from operations. We derive non-GAAP free cash flow from operations by calculating our company's operating income in accordance with GAAP and adding stock-based compensation expense under FAS123 (R) and depreciation and amortization expense, and by subtracting capital expenditures and working capital impacts of accounts receivable, accounts payable, accrued liabilities and inventory. The corporate operational objectives related to product development and qualification, next generation technology development, achievement of Korea assembly and test certification for certain products as part of our global regionalization strategy and reduction of certain product lead times. Each corporate financial objective was weighted at 25% and the corporate operational objectives were weighted between 3.3% and 10% for a total combined objective of 50%. For employee retention purposes, the Compensation Committee determined not to condition payment of bonuses for the second half of fiscal year 2008 on the achievement of the minimum corporate financial objectives. The Compensation Committee weighted each of the combined financial objectives and the combined operational objectives at 50% for Drs. Khandros and Ruscev. For our other executive officers, the Committee weighted the combined financial objectives at 40% and the combined operational objectives at 40%, with the remaining 20% consisting of individual performance objectives as discussed above.

Bonus payments for the second half of fiscal year 2008 under the Employee Incentive Plan for our executive officers, other than Drs. Khandros and Ruscev, were determined by multiplying (a) base salary paid for the performance period (Base) by (b) target percentage (Target) by (c) ((corporate achievement factor × individual achievement factor × 80%) [Corporate Factor] + (individual achievement factor × 20%) [Individual Factor]) or

$$\text{BASE} \times \text{TARGET} \times (\text{CORPORATE FACTOR} + \text{INDIVIDUAL FACTOR}) = \text{BONUS}.$$

Table of Contents

For the second half of fiscal year 2008, the Compensation Committee determined that our company achieved 36.3% of its corporate performance objectives. Our non-GAAP free cash flow from operations was \$(25.6) million, which fell below our internal target of \$(6) million, and our revenue of \$92.5 million was below our internal target of \$125 million. However, we did achieve 86% of our corporate operational objectives. Specifically, we qualified certain dual temperature Harmony architecture products with our customers as planned, qualified TRE test technology and RapidSoak thermal compensation technology with certain of our planned customers, progressed in our next generation technology development with one customer early adopter engagement delayed, obtained certification for certain assembly and test operations at our Korea facility as planned, and achieved 75% of our planned reduction in product lead times. Individual performance factors for our executive officers ranged from 85% to 100%.

The Compensation Committee approved the following bonus payments for our executive officers for the second half of fiscal year 2008 based on the performance results discussed above:

<b>Executive Officer</b>	<b>2008 Annual Target (% of Base Salary)</b>	<b>2<sup>nd</sup> Half 2008 Target (% of Base Salary)</b>	<b>2<sup>nd</sup> Half 2008 Actual Bonus (% of Target)</b>	<b>Bonus Paid for 2<sup>nd</sup> Half 2008</b>
Dr. Igor Y. Khandros	135%	67.5%	36.6%	\$ 98,952
Dr. Mario Ruscev (1)	100	50	100	250,000
Jean B. Vernet	90	45	49	71,721
Richard M. Freeman	90	45	41.7	61,901
Stuart L. Merkadeau	90	45	44	55,458
Ronald C. Foster (2)	90	45		
Jorge L. Titing (3)	90	45		

- (1) Dr. Ruscev's guaranteed bonus payment was made pursuant to the terms of his employment letter agreement.
- (2) Mr. Foster resigned from our company effective as of March 21, 2008.
- (3) Mr. Titing's last day of employment with our company was June 7, 2008.

Bonuses paid to our 2008 executive officers for the second half of fiscal year 2008 were between 42% - 49% of the second half targets, and bonuses paid for the full year were between 21% - 25% of the full year targets, which for both periods was less than the 50<sup>th</sup> percentile of our peer group.

*Equity*

Our 2002 Equity Incentive Plan authorizes the award of stock options, restricted stock and restricted stock units to our executive officers. Equity awards to our officers are made at the discretion of the Compensation Committee in accordance with the 2002 Equity Incentive Plan and our company's equity grant guidelines. Compensation tied to the performance of our company's common stock is used to reward performance and contributions to our company, as well as for retention purposes.

The Compensation Committee believes that equity compensation is a very important component of our pay-for-performance compensation philosophy, and is an effective way to align compensation for executive officers over a multi-year period directly with the interests of our company's stockholders by motivating and rewarding creation and preservation of stockholder value. Our stockholders approved a proposal at our 2008 annual meeting intended to preserve full deductibility of equity compensation to our executive officers under the 2002 Equity Incentive Plan.

Because of the "underwater value" of previously granted stock options and for retention purposes, in February 2008, the Compensation Committee for the first time made annual grants of restricted stock units to employees below the vice president level and granted a mix of stock options and restricted stock units to vice presidents and above, except for Dr. Khandros who received only stock



Table of Contents

options. At this time, the Compensation Committee is of the view that the preponderance of our Chief Executive Officer's equity compensation should only result in value to him if stockholder value increases through increases in our share price. Based on a review of his performance in 2008, Dr. Khandros was granted the same number of options in 2008 as he received in 2007.

The 2008 equity grants to our executive officers were made between the median and 75<sup>th</sup> percentile of our 2007 peer group. Subject to the officer's continued service with our company, the stock options will vest 25% after one year and monthly thereafter over the next three years and the restricted stock units will vest 25% each year over four years. Our executive officers and other employees receive value from stock options only to the extent that our company's stock price, and therefore, stockholder value, increases from the stock price on the grant date. Restricted stock units are impacted by all stock price changes, so the value to executive officers and other employees is affected by both increases and decreases in stock price. In February 2008, the Compensation Committee made the following equity awards to our executive officers, except for the new hire/promotion equity awards to Dr. Ruscev and Mr. Vernet that are set forth in the table below:

<b>Executive Officer</b>	<b>2008 Stock Option Awards (#)</b>	<b>2008 Restricted Stock Unit Awards (#)</b>
Dr. Igor Y. Khandros	100,000	
Dr. Mario Ruscev (1)	300,000	40,000
Jean B. Vernet (2)	50,000	20,000
Richard M. Freeman	25,000	10,000
Stuart L. Merkadeau	25,000	10,000
Ronald C. Foster (3)		
Jorge L. Titinger (4)	35,000	14,000

- (1) Represents a new hire grant of 100,000 options and an award of 40,000 restricted stock units to Dr. Ruscev in connection with his appointment as President in January 2008 and a grant of 200,000 options in connection with his promotion to Chief Executive Officer in June 2008.
- (2) Represents new hire awards to Mr. Vernet when he joined our company.
- (3) Mr. Foster resigned from our company effective as of March 21, 2008.
- (4) Mr. Titinger's last day of employment with our company was June 7, 2008.

See the table entitled "Grants of Plan-Based Awards Fiscal Year 2008" under "Executive Compensation and Related Information" in this Proxy Statement for additional information regarding equity awards to our executive officers in fiscal year 2008.

The Compensation Committee also desires to create the appropriate balance between equity-based executive pay and stockholder concerns about stock usage and dilution. Accordingly, the Compensation Committee has taken the following steps to manage our company's equity compensation plan:

our net issuance of stock-based awards was 1.6% of outstanding common stock in fiscal year 2008, which is within the average for companies that operate within our 2008 peer group; and

we have determined under our guidelines for equity awards that one restricted stock unit equals an option to purchase 2.5 shares of our common stock when we conduct competitive market analyses and evaluate potential employee equity awards.

Equity awards to our executive officers are generally made on an annual basis, along with the annual equity awards made to all other employees of our company. For 2008, the Compensation Committee changed its annual grant date from May to February to assist with our company's employee retention program. For 2009, the Compensation Committee plans to return the grant date for its annual equity award

program to May. All annual grants are made at a regularly scheduled meeting of

Table of Contents

the Compensation Committee under our guidelines for equity awards and during an open trading window under our company's insider trading policy.

To enhance our employee retention and recruiting efforts in the face of significant business challenges and the decline in our stock price, in September 2008, we submitted to our stockholders a proposal to grant an opportunity for our employees, other than our executive officers and members of our Board of Directors, to exchange certain out-of-the-money options for a smaller number of new equity awards. In October 2008, we withdrew the stock option exchange offer proposal that was scheduled to be considered at a special meeting of our stockholders. We may consider an exchange offer as part of our long-term equity incentive retention policy, and depending on market conditions and our retention needs, we may resubmit this proposal in the future to our stockholders.

Our executive officers are also eligible to participate in our 2002 Employee Stock Purchase Plan on the same terms as all other employees of our company. The 2002 Employee Stock Purchase Plan permits our eligible employees (including officers) to purchase shares of our common stock at a discount on a periodic basis through payroll deductions of between 1% and 15% of their cash compensation. The offering periods under the Employee Stock Purchase Plan are a 12 month fixed offering period commencing on February 1 of each calendar year and ending on January 31 of the subsequent calendar year, and a six month fixed offering period commencing on August 1 of each calendar year and ending on January 31 of the subsequent calendar year. The 12 month offering period consists of two six month purchase periods and the six month offering period consists of one six month purchase period. The purchase price for shares of our common stock purchased under this plan is 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. No participant may purchase shares under this plan having a fair market value of more than \$25,000, which is determined as of the first day of the applicable offering period, for each calendar year.

**Stock Ownership Guidelines**

We have stock ownership guidelines for our executive officers and members of our Board of Directors, which are set forth in our company's Governance Guidelines. Our Governance Guidelines state that each independent director should hold at least the lesser of 5,000 shares or shares equal in value to three times the annual cash retainer for service as a director, and that each executive officer should hold at least the lesser of 10,000 shares or shares equal in value to twice the executive officer's annual base salary. Beginning January 2009, members of our Board and executive officers will have three years to meet these ownership guidelines. Going forward, new members of our Board will have three years and new executive officers will have three years from the time they become executive officers to meet the ownership guidelines. In the event the requisite number of shares is increased by our Board, our Board members and executive officers, as applicable, will have two years from the time of the increase to acquire any additional shares needed to meet the revised guidelines.

**Change of Control Benefits**

In February 2008, we revised and renewed our change of control severance agreements with our executive officers based on a competitive review by FWC of similar agreements in the 2008 peer group, which agreements are described in this Proxy Statement under "Executive Compensation and Related Information Change of Control, Severance, Separation and Indemnification Agreements." The Compensation Committee believes that these agreements protect the interests of our stockholders by providing a framework for avoiding the distraction and loss of key management personnel that may occur in connection with rumored or actual fundamental corporate changes. The uncertainty about future status of employment among management that can arise in the face of a potential change of control could result in the untimely departure or distraction of key officers. Change of control agreements provide support to officers to remain with our company despite uncertainties while a

Table of Contents

change of control is under consideration or pending and the Compensation Committee believes that the potential benefits under these agreements are reasonable when compared to competitive agreements offered by our peer companies to their senior executives.

Under our Employee Incentive Plan, which provides for performance bonuses to our executive officers, if a change in control of our company occurs, all bonus awards will be deemed to have been earned at 100% of the bonus target percentage for the current plan measurement period (and for the subsequent consecutive measurement periods if they fall within the same fiscal year) and will be paid to the participants at that time.

**Other Benefits and Perquisites**

Our executive officers participate in various employee benefit plans, including health, dental and vision care plans, life insurance and our company's 401(k) plan as our other employees. Our company's 401(k) is a defined contribution plan and provides for a company match of 50% for the first 3% of an employee's contributions to the plan. Based on our company's profitability, we match up to 7.5% of an employee's pay. Our company's contributions vest over four years from the employee's hire date for both the company match and profit-sharing portions.

**Tax Considerations**

Section 162(m) of the Internal Revenue Code of 1986, as amended, establishes a limitation on the deductibility of compensation payable in any particular tax year to our Chief Executive Officer and the three other most highly compensated officers of our company excluding our Chief Financial Officer. Section 162(m) of the Code generally provides that publicly-held companies cannot deduct compensation paid to its top officers to the extent that such compensation exceeds \$1 million per officer. Compensation that is "performance-based" compensation within the meaning of the Code is exempted from the \$1 million deduction limit.

While the Compensation Committee attempts to maximize the deductibility of compensation paid to our Chief Executive Officer and the three other most highly compensated officers, the Committee retains the discretion and flexibility necessary to provide total compensation in line with competitive practice, our compensation philosophy and the interests of our stockholders. Accordingly, from time to time, the Compensation Committee may approve, and our company may pay, compensation to our officers that are not fully deductible under Section 162(m). For example, our Employee Incentive Plan does not meet the requirements for a "performance-based plan" under Section 162(m), and so if cash compensation for a covered executive officer exceeds \$1 million, the excess would not be deductible. However, our stockholders approved certain material terms of our company's 2002 Equity Incentive Plan at our 2008 Annual Meeting of Stockholders so that the taxation of option awards under the plan to covered executive officers can be exempt from Section 162(m).

Our change of control severance agreements discussed below in the "Executive Compensation and Related Information Change of Control, Severance, Separation and Indemnification Agreements" section of this Proxy Statement are designed to comply with the requirements of Section 409A of the Internal Revenue Code.

Table of Contents

**REPORT OF THE COMPENSATION COMMITTEE**

The Compensation Committee reviewed and discussed the "Compensation Discussion and Analysis" contained in this Proxy Statement with our company's management. Based on this review and discussions, the Compensation Committee has recommended to FormFactor's Board of Directors that the "Compensation Discussion and Analysis" be included in this Proxy Statement.

Submitted by the Compensation  
Committee

James A. Prestridge, Chairperson  
Dr. Homa Bahrami  
G. Carl Everett, Jr.  
Lothar Maier

Table of Contents**EXECUTIVE COMPENSATION AND RELATED INFORMATION****Summary Compensation**

The following table presents information regarding the compensation paid during fiscal year 2008, 2007 and 2006 to our current Executive Chairman of the Board of Directors and former Chief Executive Officer, our current Chief Executive Officer, our current Chief Financial Officer, our former Chief Financial Officer and the three other most highly compensated executive officers who served during fiscal year 2008.

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Bonus (\$)</b>	<b>Stock Awards (\$)(10)</b>	<b>Option Awards (\$)(10)</b>	<b>Non-Equity Incentive Plan Compensation (\$)(13)</b>	<b>All Other Compensation (\$)(14)</b>	<b>Total (\$)</b>
Dr. Igor Y. Khandros(1)	2008	\$ 451,923		\$ 33,639	\$ 1,640,592	\$ 98,952	\$ 3,450	\$ 2,228,556
Executive Chairman of the Board of Directors and former Chief Executive Officer	2007	487,394		127,548	1,517,448	530,234	20,250	2,682,874
	2006	436,835		127,548	1,324,428	571,981	23,022	2,483,814
Dr. Mario Ruscev(2)	2008	480,769	100,000(7)	291,384	518,539	490,385	56,113	1,937,190
Chief Executive Officer and former President	2007							
	2006							
Jean B. Vernet(3)	2008	237,500	100,000(8)	70,857	83,654	144,846	48,439	685,296
Senior Vice President, Chief Financial Officer	2007							
	2006							
Richard M. Freeman(4)	2008	330,000		41,211	936,169	61,901	3,450	1,372,731
Senior Vice President, Operations	2007	319,577			858,850	231,244	20,250	1,456,998
	2006	285,962			624,875	285,811	15,797	1,212,445
Stuart L. Merkadeau	2008	269,561		41,211	680,526	55,458	3,450	1,050,206
Senior Vice President, General Counsel and Secretary	2007	259,896			751,093	193,487	20,250	1,390,325
	2006	259,896			727,434	216,416	15,371	1,219,117
<b>Former Officers:</b>								
Ronald C. Foster(5)	2008	97,815			1,180,206(11)		235,390	1,513,411
Former Senior Vice President, Chief Financial Officer	2007	304,231			712,639	209,231	20,250	1,271,912
	2006	285,962			484,310	261,993	18,606	1,050,871
Jorge L. Titing(6)	2008	165,123		287,233	29,709(12)		207,233	689,287
Former Senior Vice President, Product Business Group	2007	40,385	200,000(9)	22,741	57,601			320,727
	2006							

- (1) Dr. Khandros served as Chief Executive Officer of our company until he was appointed Executive Chairman of the Board of Directors effective June 28, 2008, at which point he reduced his hours to four days per week, with a proportionate reduction in base salary.
- (2) Dr. Ruscev joined our company on January 7, 2008 as President. Effective June 28, 2008, we promoted him to Chief Executive Officer.
- (3) Mr. Vernet joined our company on March 31, 2008 as Senior Vice President, Chief Financial Officer.
- (4) Mr. Freeman has served as our company's Senior Vice President, Manufacturing since January 2009. Mr. Freeman was our Senior Vice President, Operations from September 2004 to December 2008.
- (5) Mr. Foster resigned from our company effective as of March 21, 2008.

## Edgar Filing: FORMFACTOR INC - Form DEF 14A

- (6) We mutually agreed with Mr. Titingier to eliminate his position as part of our company's restructuring that we announced in our first fiscal quarter of 2008. Mr. Titingier's last day of employment was June 7, 2008.
- (7) Represents Dr. Ruscev's sign-on bonus, which we provided when he joined our company.
- (8) Represents Mr. Vernet's sign-on bonus, which we provided when he joined our company.
- (9) Represents Mr. Titingier's sign-on bonus, which we provided when he joined our company.
- (10) The amounts reflect the dollar amount recognized for the applicable fiscal year for financial statement reporting purposes in accordance with FAS123(R), excluding the impact of estimated forfeitures. Assumptions used in the calculation of these

## Edgar Filing: FORMFACTOR INC - Form DEF 14A

### Table of Contents

amounts are described in Note 9 Stock-Based Compensation to our company's consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 27, 2008.

- (11) The amount represents FAS123(R) option expense of \$985,631 plus adjustments of \$194,575.
- (12) The amount represents FAS123(R) expense of \$515,030 less forfeitures of \$485,321.
- (13) Represents amounts earned for performance in the applicable year under our company's Employee Incentive Plan (known as the Key Employee Bonus Plan prior to August 2008), which is described under "Compensation Discussion and Analysis" in this Proxy Statement.
- (14) The following table provides detail regarding "All Other Compensation."

### All Other Compensation

Name	Year	Severance Benefits	401(k) Profit Sharing Contributions(c)	401(k) Matching Contributions(d)	Relocation Allowance	Vehicle Allowance
Dr. Igor Y. Khandros	2008	\$	\$	\$ 3,450	\$	\$
	2007		16,875	3,375		
	2006		14,550	1,272		7,200
Dr. Mario Ruscev	2008				56,113(e)	
	2007					
	2006					
Jean B. Vernet	2008			3,450	44,989(f)	
	2007		16,875	3,375		
	2006		14,550	4,056		
Richard M. Freeman	2008			3,450		
	2007		16,875	3,375		
	2006		14,550	1,247		
Stuart L. Merkadeau	2008			3,450		
	2007		16,875	3,375		
	2006		14,550	821		
Ronald C. Foster	2008	232,500(a)		2,890		
	2007		16,875	3,375		
	2006		14,550	4,056		
Jorge L. Titingier	2008	204,167(b)		3,056		
	2007					
	2006					

- (a) Represents cash severance payment to Mr. Foster under his Separation Agreement and General Release.
- (b) Represents cash severance payment to Mr. Titingier under his Separation Agreement and General Release.
- (c) 401(k) profit sharing contributions by our company. We did not make any contributions in fiscal year 2008. These contributions are subject to vesting.



- (d) 401(k) matching contributions by our company, which contributions are subject to vesting.
- (e) Represents the relocation allowance paid to Dr. Ruscev.
- (f) Represents the relocation allowance paid to Mr. Vernet.

Table of Contents**Grants of Plan-Based Awards in Fiscal Year 2008**

The following table presents information regarding stock options and restricted stock units granted during fiscal year 2008 to our executive officers named in the summary compensation table above. We granted these equity awards to these officers under our 2002 Equity Incentive Plan. The options have an exercise price equal to the closing price of our company's common stock on the Nasdaq Global Market on the grant date and have a seven-year term. The vesting schedules for the stock options and restricted stock units are set forth below in the "Outstanding Equity Awards at Fiscal Year Ended December 27, 2008" table. There can be no assurance that the Grant Date Fair Value of Stock and Option Awards will ever be realized. The following table also presents information regarding potential awards under our Employee Incentive Plan (known as the Key Employee Bonus Plan prior to August 2008) for fiscal year 2008 under the "Non-Equity Incentive Plan Awards" columns. All awards presented in the table below are further described under "Compensation Discussion and Analysis Compensation Decisions Equity" in this Proxy Statement.

Name	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Grant Date for Stock and Option Awards	All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards (\$/sh)	Grant Date Fair Value of Stock and Option Awards \$(2)
	Threshold (\$)	Target (\$)	Maximum (\$)					
Dr. Igor Y. Khandros		540,000	1,080,000	2/20/08		100,000	19.36	925,140
Dr. Mario Ruscev		500,000	1,000,000	1/7/08 1/7/08 8/6/08	40,000	100,000 200,000	29.98 18.09	1,438,050 1,199,200 1,727,820
Jean B. Vernet		292,500	541,125	3/31/08 3/31/08	20,000	50,000	19.10	450,990 382,000
Richard M. Freeman		297,000	549,450	2/20/08 2/20/08	10,000	25,000	19.36	231,285 193,600
Stuart L. Merkadeau		252,000	466,200	2/20/08 2/20/08	10,000	25,000	19.36	231,285 193,600
Ronald C. Foster								
Jorge L. Titinger				2/20/08 2/20/08	14,000	35,000	19.36	323,799 271,040

- (1) The threshold calculations for the first half of fiscal year 2008 assume that our company has not met the minimum corporate performance under our Employee Incentive Plan (known as the Key Employee Bonus Plan prior to August 2008). There were no minimum corporate performance thresholds for the second half of fiscal year 2008 under the Employee Incentive Plan. Additional information regarding the corporate performance objectives for the semi-annual measurement periods in fiscal year 2008 and the actual awards paid to our executive officers in fiscal year 2008 under our Employee Incentive Plan is provided under "Compensation Discussion and Analysis Compensation Decisions Bonus" in this Proxy Statement.
- (2) The amounts shown reflect the fair value of the equity award on the award date used to determine the compensation expense under FAS 123(R), excluding the impact of estimated forfeitures, associated with the award in our company's consolidated financial statements. The grant date fair value of option awards has been calculated using the Black-Scholes valuation model and the grant date fair value of stock awards has been calculated using the closing price on the grant date. The valuations are based on the assumptions discussed in Note 9 Stock-Based Compensation to our company's consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 27, 2008. Our company's use of these valuation models should not be interpreted as a prediction as to the actual value that may be realized on the award. The actual value of the award may be significantly different.

Table of Contents**Outstanding Equity Awards at Fiscal Year Ended December 27, 2008**

The following table presents information regarding outstanding equity awards held by our executive officers named in the summary compensation table above at December 27, 2008.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options(#) Exercisable	Number of Securities Underlying Unexercised Options(#)	Option Exercise Price (\$)	Option Expiration Date(1)	Number of Shares or Units of Stock That Have Not Vested(#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(19)
Dr. Igor Y. Khandros	104,228		14.00	6/11/2013		
	100,000		19.50	8/14/2013		
	30,000		19.50	8/14/2013(2)		
	58,000		23.56	2/15/2015(3)		
	75,000	25,000	25.39	11/4/2015(4)		
	65,770	65,770	39.84	5/11/2013(5)		
	25,000	75,000	41.39	5/16/2014(6)		
		100,000	19.36	2/20/2015(7)		
Dr. Mario Ruscev		100,000	29.98	1/7/2015(8)	40,000(16)	538,800
		200,000	18.09	8/6/2015(9)		
Jean B. Vernet		50,000	19.10	3/31/2015(10)	20,000(17)	269,400
Richard M. Freeman	160,000		17.51	9/17/2014(11)		
	30,000	10,000	25.39	11/4/2015(12)		
	18,510	18,510	39.84	5/11/2013(5)		
	10,320	10,320	39.84	5/21/2013(5)		
	15,000	45,000	41.39	5/16/2014(6)		
		25,000	19.36	2/20/2015(13)	10,000(18)	134,700
Stuart L. Merkadeau	2,077		6.50	9/6/2011		
	13,307		6.50	10/30/2011		
	52,500		6.50	4/17/2012		
	12,558		14.00	6/11/2013		
	63,000		19.50	8/14/2013		
	13,800		19.50	8/14/2013(14)		
	28,000		23.56	2/15/2015(14)		
	37,500	12,500	25.39	11/4/2015(15)		
	21,155	21,155	39.84	5/11/2013(5)		
	6,136	6,134	39.84	5/21/2013(5)		
8,750	26,250	41.39	5/16/2014(6)			
	25,000	19.36	2/20/2015(13)	10,000(18)	134,700	
Ronald C. Foster	90,200		22.83	3/2/2015		
	38,255		39.84	5/11/2013		
	16,667		41.39	5/16/2014		
Jorge L. Titinger						

(1)

Edgar Filing: FORMFACTOR INC - Form DEF 14A

Unless otherwise indicated, option is fully vested. Vesting information is based on the original grant.

(2)

Commenced vesting on April 15, 2007 in equal monthly installments over 12 months.

Table of Contents

- (3) 50% vested on April 3, 2006 and the remaining 50% vested on April 3, 2008.
- (4) 25% vests on each April 3 commencing on April 3, 2006.
- (5) 25% vests on each May 11 commencing on May 11, 2007.
- (6) 25% vests on each May 16 commencing on May 16, 2008.
- (7) 25% vests on each February 20 commencing on February 20, 2009.
- (8) 25% vests on January 7, 2009 and the remaining vests ratably each month to January 7, 2012.
- (9) 25% vests on each August 6 commencing on August 6, 2009.
- (10) 25% vests on March 31, 2009 and the remaining vests ratably each month to March 31, 2012.
- (11) 25% vested on September 7, 2005 and the remaining vests ratably each month to September 7, 2008.
- (12) 25% vests on each September 7 commencing on September 7, 2005.
- (13) 25% vests on each February 20 commencing on February 20, 2009.
- (14) Commenced vesting on July 5, 2007 in equal monthly installments over 12 months.
- (15) 25% vests on each July 5 commencing on July 5, 2006.
- (16) 25% vests on each January 7 commencing on January 7, 2009.
- (17) 25% vests on each March 31 commencing on March 31, 2009.
- (18) 25% vests on each February 20 commencing on February 20, 2009.
- (19) Market value was determined by multiplying the price for a share of our company's common stock as of December 26, 2008 by the number of restricted stock units outstanding.

Table of Contents**Option Exercises and Stock Vested at Fiscal Year Ended December 27, 2008**

The following table presents information concerning the exercise of options during fiscal year 2008 held by our executive officers named in the summary compensation table above, and the vested stock held by them at December 27, 2008.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Dr. Igor Y. Khandros			8,500(1)	184,875
Dr. Mario Ruscev				
Jean B. Vernet				
Richard M. Freeman				
Stuart L. Merkadeau				
Ronald C. Foster				
Jorge L. Titinger			18,680(2)	400,312

- (1) On April 3, 2008, Dr. Khandros acquired 8,500 shares from the second and final settlement of one-half of the restricted stock units awarded to him on February 15, 2005. The closing price of our company's common stock on the Nasdaq Global Market on the settlement date was \$21.75.
- (2) On June 7, 2008, Mr. Titinger acquired 18,680 shares through the accelerated vesting and settlement of his restricted stock units pursuant to the Separation Agreement and General Release entered into by our company with Mr. Titinger. Of the 18,680 shares, we withheld 6,679 shares to satisfy Mr. Titinger's estimated tax withholding liability associated with the settlement of the restricted stock units. The closing price of our company's common stock on the Nasdaq Global Market on the settlement date was \$21.43.

**Change of Control, Severance, Separation and Indemnification Agreements**

*Change of Control, Severance Agreements.* We have entered into change of control severance agreements with each of our executive officers and certain other officers. Each change of control severance agreement provides for the officer to receive the following severance benefits upon a qualifying termination of employment within one year following a change of control of our company, subject to the officer signing a release of claims in favor of our company:

lump sum cash severance payment equal to one year's annual base salary and the greater of (a) the annual target bonus or (b) the annual target bonus multiplied by the average rate of annual bonus relative to target paid to officers covered by similar change of control severance agreements for the two most recently completed fiscal years (subject to the participating officer's compliance with a confidentiality agreement and an agreement not to solicit employees of our company for one year after termination),

health benefits continuation for one year (subject to the participating officer's compliance with a confidentiality agreement and an agreement not to solicit employees of our company for one year after termination), and

fully accelerated vesting of all equity awards, and unexercised stock options may be exercised for up to 18 months following a qualifying termination of employment but not to exceed the expiration date of such options.

Edgar Filing: FORMFACTOR INC - Form DEF 14A

Terminations of employment that entitle the officer to receive severance benefits under the change of control severance agreement consist of either termination by our company without "cause" or by

Table of Contents

resignation of the officer for "good reason" within 90 days of an event constituting "good reason" if in each case within one year following a "change of control". The change of control severance agreements provide the following definitions:

"*change of control*" means the first to occur of any of the following events:

- (i) the consummation of a merger or consolidation of our company with any other corporation, other than a merger or consolidation which would result in the voting securities of our company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into or exchanged for voting securities of the surviving entity) more than 60% of the total voting power represented by the voting securities of our company or such surviving entity outstanding immediately after such merger or consolidation; or
- (ii) (A) any approval by our stockholders of a plan of complete liquidation of our company, other than as a result of insolvency or (B) the consummation of the sale or disposition (or the last in a series of sales or dispositions) by our company of all or substantially all of our company's assets, other than a sale or disposition to a wholly-owned direct or indirect subsidiary of our company and other than a sale or disposition which would result in the voting securities of our company outstanding immediately prior thereto continuing to represent (by being converted into or exchanged for voting securities of the entity to which such sale or disposition was made) more than 60% of the total voting power represented by the voting securities of the entity to which such sale or disposition was made after such sale or disposition; or
- (iii) any "*person*" (as defined in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934) becoming the "*beneficial owner*" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of securities of our company representing 40% or more of the total voting power represented by our company's then outstanding voting securities; or
- (iv) during any period of two consecutive years after the effective date of the change of control severance agreement, the incumbent directors cease for any reason to constitute a majority of our Board of Directors.

"*cause*" means:

- (i) any act of personal dishonesty taken by the employee in connection with his or her responsibilities as an employee which is intended to result in substantial personal enrichment of the employee and is reasonably likely to result in material harm to our company,
- (ii) the employee's conviction of a felony,
- (iii) a willful act by the employee which constitutes misconduct and is materially injurious to our company, or
- (iv) continued willful violations by the employee of the employee's obligations to our company after the employee has received a written demand for performance from our company which describes the basis for our company's belief that the employee has not substantially performed his or her duties.

"*good reason*" means the occurrence of any of the following:

- (i) without the employee's express written consent, a material reduction of the employee's duties, position or responsibilities relative to the employee's duties, position or responsibilities in effect immediately prior to the change of control;





Table of Contents

- (ii) a reduction by our company of the employee's base salary or bonus opportunity as in effect immediately prior to such reduction;
- (iii) a material reduction by our company in the kind or level of employee benefits to which the employee is entitled immediately prior to such reduction with the result that the employee's overall benefits package is materially reduced;
- (iv) without the employee's express written consent, the relocation of the employee to a facility or a location more than five miles from his or her current facility and the new location is more than 50 miles from the employee's current residence; or
- (v) the failure of our company to obtain the assumption of the change of control severance agreement by a successor.

The change of control severance agreements provide that if payments to an officer are subject to the excise tax imposed by Section 280G of the Internal Revenue Code, the severance benefits will be reduced to the extent that such reduction would increase the benefits received by the officer on an after-tax basis. The change of control severance agreements do not alter the at-will employment of the officers who have entered into them.

In addition to the benefits under the change of control severance agreements, our current stock option agreements under our stock option plans for our officers, including our 2002 Equity Incentive Plan, provide that in the event the officer's employment is terminated without cause within 12 months following a change in control, the officer will receive credit for an additional 12 months of service for purposes of calculating the number of shares of our common stock that are vested under such option.

Under our Employee Incentive Plan (known as the Key Employee Bonus Plan prior to August 2008), which provides for performance bonuses to our officers, if a change in control of our company occurs, all bonus awards will be deemed to have been earned at 100% of the bonus target percentage for the current plan measurement period (and for the subsequent consecutive measurement periods if they fall within the same fiscal year) and will be paid to the officer participants at that time.

The following table presents information regarding change of control payment and benefits estimates for our executive officers named in the summary compensation table above, other than Messrs. Foster and Titingner who terminated their employment with our company in fiscal year 2008 and received the separation benefits described below. We prepared the table assuming that both a change of control occurred and the employment of our current executive officers was terminated without cause or by resignation of the officer for good reason on December 27, 2008, which is our company's last business day of fiscal year 2008. For purposes of valuing the accelerated vesting of unvested equity awards, we have used the safe harbor valuation method based on the Black-Scholes valuation model permitted under Section 280G of the Internal Revenue Code and based on the closing share price of FormFactor common stock as of December 26, 2008, the last trading day of fiscal year 2008. The

Table of Contents

various amounts listed are estimates only. The actual amounts to be paid can only be determined at the time of such change of control and such officer's separation from our company.

	<b>Dr. Igor Y. Khandros</b>	<b>Dr. Mario Ruscev</b>	<b>Jean B. Vernet</b>	<b>Richard M. Freeman</b>	<b>Stuart L. Merkadeau</b>
Base salary(\$)	\$ 400,000	\$ 500,000	\$ 325,000	\$ 330,000	\$ 280,000
Short-term incentive compensation(\$)	540,000	500,000	292,500	297,000	252,000
Stock options(\$)					
Stock awards(\$)		584,000	292,000	146,000	146,000
Health benefits(\$)	15,000	15,000	15,000	15,000	15,000
Sub-Total:	955,000	1,599,000	924,500	788,000	693,000
280G Reduction in Severance Benefits(\$)					
Total:	\$ 955,000	\$ 1,599,000	\$ 924,500	\$ 788,000	\$ 693,000

*Separation Agreements.*

*Current Executive Officer.* Dr. Ruscev's employment letter agreement provides that if his employment is terminated by our company before a change of control without cause or by him for good reason (as these terms are defined in his employment letter agreement), Dr. Ruscev will receive a lump sum severance payment equal to one year of his then annual base salary, a pro-rata portion of his annual bonus based upon the calendar days of his employment in the year of his termination, accelerated vesting and extended exercisability of his granted equity awards for an additional 12 month period, and health benefits coverage for up to twelve months. These separation benefits are subject to Dr. Ruscev executing a release and waiver of claims in favor of our company. The following table presents information regarding payment and benefits estimates for Dr. Ruscev assuming that his employment with our company was terminated without cause by us or by his resignation for good reason on December 27, 2008, which is our company's last business day of fiscal year 2008. For purposes of valuing the accelerated vesting of unvested equity awards, we have used the safe harbor valuation method based on the Black-Scholes valuation model permitted under Section 280G of the Internal Revenue Code and based on the closing share price of FormFactor common stock as of December 26, 2008, the last trading day of fiscal year 2008. The various amounts listed are estimates only. The actual amounts to be paid can only be determined at the time of Dr. Ruscev's separation from our company.

	<b>Dr. Mario Ruscev</b>
Base salary (\$)	\$ 500,000
Short-term incentive compensation(\$)	
Stock options(\$)	
Stock awards(\$)	146,000
Health benefits(\$)	15,000
Sub-Total:	661,000
280G Reduction in Severance Benefits(\$)	
Total:	\$ 661,000

*Former Executive Officers.* We entered into separation agreements with Ronald C. Foster, our company's former Senior Vice President, Chief Financial Officer, and Jorge L. Titingier, our company's former Senior Vice President, Product Business Group. Summaries of the separation agreements entered into with our former executive officers are presented below. In the summaries, the value of stock options presented reflects the fair value of the award as of the date of the separation agreement,

Table of Contents

which was used to determine the compensation expense under FAS 123(R) and was calculated using the Black-Scholes valuation model. The Black-Scholes valuation model is only one of the methods available for valuing options, and our company's use of this model should not be interpreted as a prediction as to the actual value that may be realized on the award. The actual value of the award may be significantly different, and the value actually realized, if any, will depend upon the excess of the market value of the common stock over the exercise price at the time of exercise. In the summaries, the value of restricted stock units presented reflects the fair value of the award as of the date of the separation agreement.

*Ronald C. Foster.* Mr. Foster resigned from our company effective as of March 21, 2008. In connection with his departure, FormFactor and Mr. Foster entered into a Separation Agreement and General Release under which our company agreed to provide Mr. Foster a severance payment of \$232,500, reimbursement of health benefits continuation coverage under COBRA through December 2008, and accelerated vesting of a portion of his stock options, representing options for an aggregate of 66,027 shares valued at \$118,468, with all vested shares exercisable until September 21, 2009. The total amount of severance to Mr. Foster is valued at \$350,968. Mr. Foster signed a general release and waiver of claims in favor of our company, and continues to be bound by the company's Employment, Confidential Information and Invention Assignment Agreement.

*Jorge L. Titinger.* FormFactor and Mr. Titinger mutually agreed to eliminate Mr. Titinger's position as part of our company's restructuring activities in light of market and business conditions. Mr. Titinger's last day of employment with our company was June 7, 2008. In connection with his departure, FormFactor and Mr. Titinger entered into a Separation Agreement and General Release under which our company agreed to provide Mr. Titinger a severance payment of \$204,167, reimbursement of health benefits continuation coverage under COBRA through December 2008, executive outplacement services through a provider selected by our company and accelerated vesting of a portion of his restricted stock units representing an aggregate of 18,680 shares valued at \$287,233. The total amount of severance to Mr. Titinger is valued at \$613,000. Mr. Titinger signed a general release and waiver of claims in favor of our company, and continues to be bound by our company's Employment, Confidential Information and Invention Assignment Agreement.

*Indemnification Agreements.* We have entered into indemnification agreements with each of our current directors, executive officers and certain other officers. These agreements 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 our company, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. These indemnification agreements are in addition to the indemnity provisions in our company's certificate of incorporation and bylaws. We also intend to enter into indemnification agreements with our future directors and executive officers.

Table of Contents

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Our Board of Directors recognizes that transactions between our company and persons or entities that may be deemed related persons can present potential or actual conflicts of interest and create the appearance of impropriety. Accordingly, our Board has delegated authority for the review and approval of all related person transactions to the Governance Committee. Pursuant to that authority, the Governance Committee has adopted the Statement of Policy Regarding Related Person Transactions to provide procedures for reviewing, approving and ratifying any transaction involving our company or any of its subsidiaries in which a 5% or greater stockholder, director, executive officer or members of their immediate family have or will have a material interest as determined by our Governance Committee. This policy is intended to supplement, and not to supersede, our company's other policies that may be applicable to or involve transactions with related persons, such as the Company's Statement of Corporate Code of Business Conduct. This policy is posted on our company's website at [www.formfactor.com](http://www.formfactor.com).

Other than the compensation arrangements that are described above in "Director Compensation," the option grants and exercises, restricted stock unit grants and exercises, stock purchases and other arrangements that are described in "Compensation Discussion and Analysis" and "Executive Compensation and Related Information," the engagement of the law firm Orrick, Herrington & Sutcliff LLP described below and the registration rights agreements described below, since December 29, 2007, we have not been a party to any transaction or series of similar transactions in which the amount involved exceeded or will exceed \$120,000 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 a material interest.

We engaged the law firm of Orrick, Herrington & Sutcliffe LLP in September 2007 to provide compensation and benefits legal services. We also engaged Orrick in December 2007, to represent our company, certain of our directors and officers and certain individuals who were our officers during the asserted lawsuit period in the securities class action litigation and the stockholder derivative litigation, both of which were filed following our company's restatement of our financial statements in fiscal year 2007. A partner at Orrick, who is not involved in the above matters, is the brother-in-law of Stuart L. Merkadeau, the Senior Vice President, General Counsel and Secretary of our company. Mr. Merkadeau does not have a financial or other interest in Orrick's engagement. Prior to hiring Orrick for each matter, our company's management discussed the potential engagement with our Governance Committee of the Board of Directors under the Statement of Policy regarding Related Person Transactions. Our Governance Committee reviewed and approved the Orrick engagement, and will continue to monitor the engagement as needed. We paid Orrick \$1,596,613 and \$72,371 in fiscal year 2008 and 2007, respectively, for legal services rendered. As of the date of this Proxy Statement, Orrick continues to provide legal services in the above matters.

Certain of our common stockholders, who own shares of our common stock that were issued upon the automatic conversion of their preferred stock upon the closing of our initial public offering, have registration rights under various agreements to which we are a party. These stockholders include Dr. Igor Y. Khandros, who is our Executive Chairman of the Board of Directors, Dr. Khandros' spouse, and Benjamin N. Eldridge, who is our Senior Vice President, Chief Technology Officer.

**PROPOSALS FOR THE 2010 ANNUAL MEETING OF STOCKHOLDERS**

*Requirements for Stockholder Proposals to be Considered for Inclusion in Our Proxy Materials.* Our stockholders may submit proposals on matters appropriate for stockholder action at our annual meetings of stockholders, including director nominations, in accordance with Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended. For such proposals to be included in our proxy materials relating to our 2010 Annual Meeting of Stockholders, all applicable requirements of

Table of Contents

Rule 14a-8 must be satisfied, the information required by Rule 14a-8 and our bylaws must be timely submitted to us and such proposals must be received by us no later than December 9, 2009. Such proposals should be delivered or mailed to the attention of our Corporate Secretary at our principal executive offices at FormFactor, Inc., 7005 Southfront Road, Livermore, California 94551, and we also encourage you to send a copy via e-mail to corporatesecretary@formfactor.com.

*Requirements for Stockholder Proposals to be Brought Before Our Annual Meeting.* Our bylaws provide that, except in the case of proposals made in accordance with Rule 14a-8, the stockholder must have given timely notice thereof in writing to the Corporate Secretary not less than 75 nor more than 105 days prior to the anniversary of the date of the immediately preceding annual meeting of stockholders. To be timely for the 2010 Annual Meeting of Stockholders, a stockholder's notice must be received by us between February 4, 2010 and March 6, 2010. Such proposals should be delivered or mailed to the attention of our Corporate Secretary at our principal executive offices at FormFactor, Inc., 7005 Southfront Road, Livermore, California 94551, and we also encourage you to send a copy via e-mail to corporatesecretary@formfactor.com. In no event will the public announcement of an adjournment or a postponement of our annual meeting of stockholders commence a new time period for the giving of a stockholder's notice as provided above. A stockholder's notice to the Corporate Secretary must set forth as to each matter the stockholder proposes to bring before the annual meeting the information required by our bylaws and applicable law.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who own more than 10% of our common stock to file reports of ownership and reports of changes in ownership with the Securities and Exchange Commission. These persons are required by the rules and regulations of the Securities and Exchange Commission to furnish us with copies of all Section 16(a) forms that they file.

Based solely on our review of the filed forms and written representations from our directors and executive officers, we believe that all of their Section 16(a) filing requirements for fiscal year 2008 were met.

**OTHER BUSINESS**

Our Board of Directors does not presently intend to bring any other business before the Annual Meeting, and, so far as is known to the Board, no matters are to be brought before the Annual Meeting except as specified in the accompanying Notice of Annual Meeting of Stockholders. As to any business that may properly come before the Annual Meeting, however, it is intended that the proxies will be voted in respect thereof in accordance with the judgment of the designated proxy holder.

Whether or not you are able to attend the Annual Meeting in person, we urge you to vote your shares through the Internet in accordance with the instructions in the Notice of Internet Availability of Proxy Materials that you received in the mail, or by signing, dating, and returning a proxy card at your earliest convenience.

BY ORDER OF THE BOARD OF DIRECTORS

Stuart L. Merkadeau  
*Secretary*

Livermore, California  
April 8, 2009

C123456789

MR A SAMPLE	000004	00000000.000000 ext	00000000.000000 ext
DESIGNATION (IF ANY)		00000000.000000 ext	00000000.000000 ext

ADD 1  
 ADD 2  
 ADD 3  
 ADD 4  
 ADD 5  
 ADD 6

### Electronic Voting Instructions

**You can vote by Internet!**  
**Available 24 hours a day, 7 days a week!**

Instead of mailing your proxy, you may vote your proxy through the Internet.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

**Proxies submitted by the Internet must be received by 1:00 a.m., Central Time, on May 20, 2009.**

#### Vote by Internet

- Log on to the Internet and go to [www.envisionreports.com/FORM](http://www.envisionreports.com/FORM)
- Follow the steps outlined on the secured website.

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas.

**X**

**IF YOU HAVE NOT VOTED VIA THE INTERNET, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

**Proposals** The FormFactor Board of Directors recommends a vote **FOR** the election of the Class III director nominees listed below and **FOR** Proposal No. 2.

Edgar Filing: FORMFACTOR INC - Form DEF 14A

1. Election of the following nominees as Class III directors:

	<b>For</b>	<b>Withhold</b>		<b>For</b>	<b>Withhold</b>
01 - James A. Prestridge	o	o	02 - Harvey A. Wagner	o	o

2. Ratification of the selection of PricewaterhouseCoopers LLP as FormFactor's independent registered public accounting firm for fiscal year 2009.

<b>For</b>	<b>Against</b>	<b>Abstain</b>
o	o	o

**Non-Voting Items**

**Change of Address** Please print your new address below.

**Comments** Please print your comments below.

**Meeting Attendance**

Please mark the box to the right if you plan to attend the Annual Meeting.

**Authorized Signatures** This section must be completed for your vote to be counted. **Date and Sign Below**

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date (mm/dd/yyyy) Please print date below.

Signature 1 Please keep signature within the box.

Signature 2 Please keep signature within the box.

/ /

C 1234567890

J N T

MR A SAMPLE (THIS AREA IS SET UP TO ACCOMMODATE 140 CHARACTERS) MR A SAMPLE AND MR A SAMPLE AND MR A SAMPLE AND MR A SAMPLE AND MR A SAMPLE AND MR A SAMPLE AND MR A SAMPLE AND MR A SAMPLE AND

1 U P X

0 2 1 5 0 3 1

<STOCK#>

0114WA



IF YOU HAVE NOT VOTED VIA THE INTERNET, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION  
IN THE ENCLOSED ENVELOPE.

**Proxy FormFactor, Inc.**

## **PROXY FOR 2009 ANNUAL MEETING OF STOCKHOLDERS**

(This proxy is solicited on behalf of the Board of Directors of FormFactor, Inc.)

**Your vote is important. Whether or not you plan to attend the 2009 Annual Meeting of Stockholders of FormFactor, Inc. in person, we urge you to complete, date, sign and promptly mail this proxy in the enclosed postage-paid envelope (to which no postage need be affixed if mailed in the United States) so that your shares of our common stock may be represented at the Annual Meeting.**

The undersigned stockholder of FormFactor, Inc. hereby revokes all prior proxies, acknowledges receipt of the Notice of Annual Meeting of Stockholders to be held May 20, 2009, appoints Stuart L. Merkadeau and Jean B. Vernet, or either of them as proxies, with full power of substitution, and authorizes them to represent and to vote, as designated on the reverse side, all shares of common stock, par value \$0.001 per share, of FormFactor, Inc. held of record by the undersigned stockholder at the close of business on March 31, 2009, at the 2009 Annual Meeting of Stockholders to be held at our corporate headquarters, located at 7005 Southfront Road in Livermore, California, on Wednesday, May 20, 2009 at 3:00 p.m., Pacific Daylight Time, and at any adjournment or postponement thereof, with the same force and effect as the undersigned stockholder might or could do if personally present thereat. In the event that sufficient votes in favor of Proposals No. 1 and 2 are not received by the date of the Annual Meeting, the proxy holders are authorized to propose one or more adjournments of the Annual Meeting to permit further solicitations of proxies.

**THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS SPECIFIED. IF NO VOTING CHOICE IS SPECIFIED ON THE REVERSE SIDE OF THIS PROXY, THEN THIS PROXY WILL BE VOTED FOR THE ELECTION OF THE CLASS III NOMINEES TO THE BOARD OF DIRECTORS LISTED ON THE REVERSE SIDE AND FOR PROPOSAL NO. 2.**

**IN THEIR DISCRETION, THE PROXIES ARE AUTHORIZED TO VOTE UPON SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE ANNUAL MEETING OR ANY ADJOURNMENT OR POSTPONEMENT THEREOF.**

