



STOCK OWNERSHIP POLICY Revised and Adopted February 2014

Purpose

The Board of Directors of Nanometrics Incorporated (the “Company”) believes that the Company’s non-executive directors and Executive Officers should have a meaningful ownership stake in the Company to align their financial interests with those of the Company’s stockholders, to foster a long-term management orientation, and promote sound corporate governance. Therefore, the Board of Directors has adopted the following stock ownership guidelines (the “Ownership Guidelines”).

Participation

The Company’s Ownership Guidelines apply to the following individuals (the “Participants”):

- Non-executive members of the Board of Directors (“Directors”); and
- Officers of the Company who are subject to the reporting requirements of Section 16 of Securities Exchange Act of 1934 (“Officers”).

Ownership Guideline Targets

Ownership Guideline targets for each Participant are as follows:

Participant	Ownership Target (Value of Company Shares)
Non-Executive Directors	Three Times Annual Board Retainer
Chief Executive Officer	Three Times Annual Base Salary
Officers	Annual Base Salary

Satisfaction of Guidelines

Participants may satisfy their Ownership Guideline target using the following sources:

- shares owned outright by the Participant (including shares held in brokerage accounts), or jointly with, or separately by, the Participant’s spouse or dependent child;
- shares held in trust or other estate planning vehicles for the benefit of the Participant or the Participant’s spouse or child;
- shares held through the Company’s 401(k) Plan or any other retirement plan maintained by the Company, either currently or in the future;
- shares underlying restricted stock units granted under the Company’s equity incentive plans, to the extent vested; and
- shares underlying stock options, to the extent in-the-money, vested and unexercised (as if converted into shares based on their intrinsic, or in-the-money, value).

Valuation Methodology

A Participant’s Ownership Guideline target is, in the case of Directors, based on his or her annual cash retainer for service on the Company’s Board of Directors (excluding any additional retainers for Committee or Chairperson service), and in the case of the Officers, his or her base salary, in each case as of the end of an applicable fiscal year. The value of a Participant’s stock holdings (including the conversion of outstanding in-the-money, vested and unexercised stock options to share equivalents) will be calculated using the average closing price of a share of the Company’s stock during the 30 consecutive trading days ending on and including the last day of the most recently completed fiscal year.

Compliance

Participants are expected to achieve their Ownership Guideline target within five years of becoming subject to this policy. Existing Participants are subject to this policy as of the date of the policy and any new Participants will be subject to this policy on their hire, promotion, election or appointment date, as applicable. If a Participant's Ownership Guideline target increases because of a change in title, a new five-year period to achieve the incremental guideline will begin at the start of the fiscal year following the year of the title change. Once a Participant has achieved his or her Ownership Guideline target, he or she is expected to maintain the target level of ownership for as long as the individual is subject to this policy. Once a Participant has achieved his or her Ownership Guideline target, he or she cannot fall out of compliance due solely to a fall in the Company's stock price from one fiscal year end to the next.

Compliance with this policy shall be monitored by the Compensation Committee of the Board of Directors and measured at the end of each fiscal year. The Committee will make an annual report regarding compliance to the full Board following the end of each fiscal year. The Committee also will notify each Participant of his or her current holdings, current Ownership Guidelines target and whether they must hold additional shares to comply with the Ownership Guidelines. There are no specific penalties for failure to achieve the Ownership Guideline target. However, the Compensation Committee retains the discretion to impose such other conditions, restrictions or limitations on any Participant as such Committee determines to be necessary or appropriate in order to achieve the purposes of these Ownership Guidelines.

There may be instances in which the Ownership Guidelines would place a severe hardship on the Participant or prevent the Participant from complying with a court order, such as a divorce settlement. In these instances, the Participant must submit a request in writing to the General Counsel and the Chairman of the Compensation Committee that summarizes the circumstances and describes the extent to which an exemption is being requested. After reviewing the request, the Compensation Committee will issue a final decision as to whether an exemption will be granted. If such a request is granted in whole or part, the Compensation Committee will work with the Participant to develop an alternative stock ownership plan that reflects both the intention of this policy and the Participant's individual circumstances.

Administration

The Ownership Guidelines are administered and interpreted by the Compensation Committee. This policy supersedes any previous policy of the Company concerning stock ownership guidelines. In the event of any conflict or inconsistency between this policy and any other materials previously distributed by the Company, this policy shall govern.