

July 17, 2007

STRASBAUGH

POLICY ON INSIDER TRADING

In order to take an active role in the prevention of insider trading violations by its officers, directors, employees and other related individuals, Strasbaugh has adopted the policies, procedures, and guidelines described in this Memorandum.

Adoption of Guidelines

Strasbaugh has adopted Guidelines Against Trading on the basis of Inside Information attached as *Exhibit A* (the “*Guidelines*”), which prohibit trading based on material, non-public information regarding Strasbaugh (“*Inside Information*”). The Guidelines cover officers, directors and all other employees of Strasbaugh, as well as family members of such persons, and others, in each case where such persons have or may have access to Inside Information. The Guidelines (and/or a summary thereof) is to be delivered to all new employees at the time of hire and all employees on a periodic basis.

Designation of Certain Persons

We have determined that those persons listed on *Exhibit B* are the directors and officers who are subject to the reporting and penalty provisions of Section 16 of the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”), and the rules and regulations promulgated thereunder (“*Section 16 Individuals*”). *Exhibit B* will be amended from time to time as appropriate to reflect the election of new officers or directors, any change in function of current officers and the resignation or departure of current officers or directors.

We may determine that other persons have, or are likely to have, access to Inside Information on a more frequent basis than other employees. During such periods, such persons are advised to refrain from trading and are strongly urged to follow the preclearance procedure described below. We will endeavor to notify such other persons accordingly, but under no circumstances shall we be required to do so. Each person subject to this Policy is responsible for assessing whether he/she is in possession of Inside Information. Individuals who generally have access to Inside Information and are therefore cautioned to exercise additional discretion when trading shares in Strasbaugh include the Controller, Director of Financial Reporting and the Director of Business Development.

Appointment of Compliance Monitors

We have appointed our Chief Financial Officer (or his successor in office) and our outside securities counsel or such other person reporting to the Chief Financial Officer as the Chief Financial Officer shall designate and oversee, as our Insider Trading Compliance Monitors (each, a “*Compliance Monitor*”).

Duties of Compliance Monitor

The duties of the Compliance Monitor shall include, but not be limited to, the following:

- Processing requested preclearance of transactions involving our securities by those individuals listed on *Exhibit B* in order to determine compliance with the Guidelines and providing advice concerning insider trading laws, Section 16 of the Exchange Act and Rule 144 promulgated under the Securities Act of 1933, as amended. To assist with the orderly administration of a desired trade, a request for pre-clearance should be conveyed to the Compliance Monitor at least two full days in advance of the proposed transaction. The Compliance Monitor will then assist in the determination of whether, to the extent of applicable law, the transaction may proceed and, if so, assist in complying with the reporting requirements.
- Assistance in the preparation of Section 16 reports (Forms 3, 4 and 5) for all Section 16 Individuals.
- Performance of cross-checks of available materials, which may include Forms 3, 4 and 5, Form 144, officers and directors questionnaires, and reports received from our stock administrator and transfer agent, to determine trading activity by officers, directors and others who have, or may have, access to Inside Information.
- Circulation of the Guidelines (and/or a summary thereof), periodically, to all employees, including Section 16 Individuals, and provision of the Guidelines and other appropriate materials to new officers, directors and others who have, or may have, access to Inside Information.
- Assisting our Board of Directors in implementation of this Policy.

EXHIBIT A
STRASBAUGH
GUIDELINES WITH RESPECT TO
CERTAIN TRANSACTIONS IN STRASBAUGH SECURITIES

These Guidelines apply to employees, officers, directors of, and consultants or contractors to, Strasbaugh and the members of the immediate family or household of any of the foregoing.

Applicability of Guidelines

These Guidelines apply to all transactions in our securities, including common stock, options for common stock and any other securities we may issue from time to time, such as preferred stock, warrants and convertible debentures, as well as to derivative securities relating to our stock, whether or not issued by Strasbaugh, such as exchange-traded options. They apply, to the extent of applicable law, to all officers of Strasbaugh, all members of our Board of Directors, and all employees of, Strasbaugh and its subsidiaries who receive or have access to Material Nonpublic Information (as defined below) regarding Strasbaugh. This group of people, members of their immediate families, and members of their households are sometimes referred to in these Guidelines as “*Insiders*.”

Any person who possesses Material Nonpublic Information regarding Strasbaugh is an Insider for so long as the information is not publicly known. Any employee can be an Insider from time to time, and would at those times be subject to these Guidelines.

Statement of Policy and Guidelines

Trading on Material Nonpublic Information

It is the policy of Strasbaugh to prohibit the use of Material Nonpublic Information in securities trading.

Reference is made to the discussion concerning the definition of Material Nonpublic Information on page 7, which you are urged to review. No director, officer or employee of, or consultant or contractor to, Strasbaugh, and no member of the immediate family or household of any such person, shall engage in any transaction involving a purchase or sale of our securities, including any offer to purchase or offer to sell, during any period commencing with the date that he or she possesses Material Nonpublic Information concerning Strasbaugh, and ending at such time as the information has been disclosed, disseminated, and in the public domain for a reasonable time to allow the investing public to become aware of the information. We strongly advise Insiders to use the close of trading on the trading market on which our securities are listed or quoted for trading (the “*Principal Trading Market*”) on the second full Trading Day following the date of public disclosure of that information as a convention for assuming that the investing public has had the opportunity to be informed of the disclosed information. As used in these Guidelines, the term “*Trading Day*” shall mean a day on which national stock exchanges

are open for trading. For example, if public disclosure occurs on Monday, January 1st, trading would not be advisable until Thursday, January 4th. Similarly, if disclosure occurs on Friday, January 5th, trading would not be advisable until Wednesday, January 10th. These trading parameters do not apply to transactions made under a trading plan adopted pursuant to Securities and Exchange Commission (“**SEC**”) Rule 10b5-1(c) (17 C.F.R. § 240.10b5-1(c)) and approved in writing by our counsel with respect to Strasbaugh concerns (an “**approved Rule 10b5-1 trading plan**”). Generally, Rule 10b5-1(c) trading plans are developed in consultation with individual counsel and not the responsibility of the Compliance Monitors or our counsel.

Tipping

No Insider shall disclose (“**tip**”) Material Nonpublic Information to any other person (including family members), nor shall such Insider or related person make recommendations or express opinions on the basis of Material Nonpublic Information as to trading in our securities.

Confidentiality of Nonpublic Information

Nonpublic information relating to Strasbaugh is the property of Strasbaugh, and the unauthorized disclosure of such information is forbidden and is further subject to our policies concerning its confidential information.

Prohibition Against Short Sales

No director, officer or other employee of Strasbaugh shall, directly or indirectly, sell any equity security of Strasbaugh if the person selling the security or his principal (i) does not own the security sold, or (ii) if owning the security, does not deliver it against such sale (a “**short sale against the box**”) within twenty days thereafter, or does not within five days after such sale deposit it in the mails or other usual channels of transportation. Generally, a short sale, as defined in these Guidelines, means any transaction whereby one may benefit from a decline in our stock price. While employees who are not executive officers or directors are not prohibited by law from engaging in short sales of our securities, we believe it is inappropriate for employees to engage in such transactions.

Other Policies

Prohibition Against Margining of Strasbaugh Securities

No director or officer of Strasbaugh shall margin, or make any offer to margin, any of our securities as collateral to purchase our securities or the securities of any other issuer. Notwithstanding the previous sentence, this paragraph is not meant to, and shall not be construed as to, affect the ability of any director or officer of Strasbaugh, from using his or her Strasbaugh securities as collateral to securitize a bona fide loan so long as such loan is compliant with applicable sections of the Sarbanes-Oxley Act of 2002 and all other applicable laws.

Potential Criminal and Civil Liability and/or Disciplinary Action

Liability for Insider Trading

Insiders may be subject to civil and criminal penalties for engaging in transactions in our securities at a time when they have knowledge of material nonpublic information regarding Strasbaugh. Under the Insider Trading and Securities Fraud Enforcement Act of 1988 (“**Insider Trading Act**”), the SEC may recover up to treble damages to be used as a fund to compensate injured parties. Additionally, the Insider Trading Act provided for stiff criminal penalties, which were substantially increased by the Sarbanes-Oxley Act of 2002 to a maximum criminal prison term of twenty years and a criminal fine of \$5,000,000 for individuals and \$25 million for non-natural persons. The Insider Trading Act also introduced a new concept to insider trading enforcement by imposing a civil penalty of the greater of \$1,000,000 or three times the profit on any employer or “**controlling person**” which knows or recklessly disregards an employee’s participation in insider trading and fails to institute procedures to prevent such violations. Finally, the Insider Trading Act also includes a “**bounty provision**” which will pay informants up to 10% of any penalty imposed under the Act. (See Section 21A(e) of the Exchange Act.)

Liability for Tipping

Insiders may also be liable for improper transactions by any person (commonly referred to as a “**tippee**”) to whom they have disclosed nonpublic information regarding Strasbaugh or to whom they have made recommendations or expressed opinions on the basis of such information as to trading in our securities. The SEC has imposed large penalties even when the disclosing person did not profit from the trading. The SEC, the stock exchanges and the National Association of Securities Dealers, Inc. use sophisticated electronic surveillance techniques to uncover insider trading.

Possible Disciplinary Actions

Employees of Strasbaugh who knowingly violate these Guidelines shall also be subject to possible disciplinary action by us, which may include measures up to termination of employment or ineligibility for future participation in our equity incentive plans.

Trading Guidelines

Black-Out Period and Trading Window

Black-Out Period. The period beginning on the eleventh business day of the third month of each fiscal quarter and ending at the close of trading on the Principal Trading Market on the second full Trading Day following the date of public disclosure of the financial results for that quarter is a particularly sensitive period of time for transactions in Strasbaugh’s stock from the perspective of compliance with applicable securities laws. This sensitivity is due to the fact that certain officers, directors, employees and consultants may, during that period, often possess Material Nonpublic Information about the expected financial results for the quarter during that period. Accordingly, this period of time is referred to as a “**Black-Out**” period. All directors and officers and certain designated employees are strongly advised to refrain from trading during the

Black-Out period (not applicable to transactions made in accordance with an approved Rule 10b5-1 trading plan).

Trading Window. We strongly advise that all directors and officers and certain employees and consultants having access to Material Nonpublic Information refrain from conducting transactions involving the purchase or sale of our securities other than during the period (the “*Trading Window*”) commencing at the close of trading on the Principal Trading Market on the second full Trading Day following the date of public disclosure of the financial results for a particular fiscal quarter or year and continuing until five days before the end of that fiscal quarter. For example, if public disclosure occurs on Monday, April 1st, trading would not be advisable until Thursday, April 4th. Similarly, if disclosure occurs on Friday, April 5th, trading would not be advisable until Wednesday, April 10th. There shall be no trading window in the first quarter. This restriction on trading does not apply to transactions made in accordance with an approved Rule 10b5-1 trading plan.

From time to time, we may conclude that our directors, officers, and selected employees should not engage in trading securities of Strasbaugh because of material developments known to us and not yet disclosed to the public. In such event, directors, officers and such employees and consultants should not engage in any transaction involving the purchase or sale of our securities and should not disclose to others the fact of such suspension of trading. This restriction on trading does not apply to transactions made in accordance with an approved Rule 10b5-1 trading plan. If otherwise appropriate, we will re-open the Trading Window at the close of business on the second full Trading Day following the date of public disclosure of the information, or at such time as the information is no longer material.

Note that at any time, even during the Trading Window, any person possessing Material Nonpublic Information concerning Strasbaugh, whether or not subject to the Black-Out period and Trading Window, should not engage in any transactions in our securities until such information has been disclosed, disseminated, and in the public domain for a reasonable time to allow the investing public to become aware of the information. We strongly advise Insiders to use the close of trading on the Principal Trading Market on the second full Trading Day following the date of public disclosure of that information as a convention for assuming adequate dissemination and that the investing public has had the opportunity to be informed of the disclosed information. This restriction on trading does not apply to transactions made in accordance with an approved Rule 10b5-1 trading plan. **Trading in our securities during the Trading Window should not be considered a “safe harbor,” and all directors, officers, employees, consultants and other persons should use good judgment at all times and, where appropriate, obtain advice of their individual counsel.**

Preclearance of Trades

To assist with the orderly administration of a desired trade in compliance with applicable law, each officer and director is strongly advised to contact our Compliance Monitor at least two full days prior to commencing any trade in our securities. We may find it necessary, from time to time, to advise compliance with the preclearance process by certain employees, consultants and contractors other than and in addition to those listed above. An Insider wishing to trade pursuant

to an approved Rule 10b5-1 trading plan need not seek preclearance from our Compliance Monitor before each trade.

Individual Responsibility

Every officer, director and employee has the individual responsibility to comply with these Guidelines against insider trading, regardless of whether we have recommended a Trading Window to that Insider or any other Insiders of Strasbaugh. An Insider may, from time to time, have to forego a proposed transaction in our securities even if he or she planned to make the transaction before learning of the Material Nonpublic Information and even though the Insider believes he or she may suffer an economic loss or forego anticipated profit by waiting.

Applicability of Guidelines to Inside Information Regarding Other Companies

These Guidelines also apply to Material Nonpublic Information relating to other companies, including Strasbaugh's customers, vendors or suppliers ("***business partners***"), when that information is obtained in the course of employment with, or other services performed on behalf of, Strasbaugh and used in connection with the purchase or sale of securities of such other entities or Strasbaugh. Civil and criminal penalties, and termination of employment, may result from trading on inside information regarding our business partners. All employees should treat Material Nonpublic Information about our business partners with the same care required with respect to information related directly to Strasbaugh.

Definition of Material Nonpublic Information

It is not possible to define all categories of material information. However, information should be regarded as material if there is a reasonable likelihood that it would be considered important to an investor in making an investment decision regarding the purchase or sale of our securities. The determination of whether information is "***material***" should be made in consultation with each person's individual counsel. Our Compliance Monitors and counsel undertake no further responsibility than to provide the advisory services outlined herein. Ultimately, each potential trade is governed by the requirements of applicable law.

While it may be difficult under this standard to determine whether particular information is material, there are various categories of information that are particularly sensitive and, as a general rule, should always be considered material. Examples of such information may include:

- Financial results
- News of a pending or proposed merger
- News of the acquisition or disposition of a subsidiary or other assets
- Impending bankruptcy or financial liquidity problems
- Gain or loss of a significant customer or supplier
- Changes in dividend policy
- New product announcements of a significant nature
- Significant product defects or modifications
- Significant pricing changes
- Stock splits, dividends or recapitalizations

- New equity or debt offerings
- A materially significant joint venture or other materially significant business partnership
- Material litigation exposure due to actual or threatened litigation
- Tender offer
- Major changes in senior management.

Either positive or negative information may be material.

Nonpublic information is information that has not been previously disclosed to the general public and is otherwise not available to the general public.

Certain Exceptions

For purposes of these Guidelines, we consider that the exercise of stock options for cash under our stock plans (but not the sale of any such shares) is exempt from these Guidelines, since the other party to the transaction is Strasbaugh itself and the price does not vary with the market but is fixed by the terms of the option agreement or the plan.

Short-Swing Transactions by Directors and Officers

Directors and officers of Strasbaugh must also comply with the reporting obligations and limitations on short-swing transactions set forth in Section 16 of the Exchange Act. The practical effect of these provisions is that officers and directors who purchase and sell (or sell and purchase) our securities within a six-month period must disgorge all profits to Strasbaugh whether or not they had knowledge of any Material Nonpublic Information. Under these provisions, and so long as certain other criteria are met, neither the receipt of an option under our option plans, nor the exercise of that option, is deemed a purchase under Section 16 of the Exchange Act; however, the sale of any such shares is a sale under Section 16 of the Exchange Act.

Inquiries

Please direct your questions as to any of the matters discussed in these Guidelines to Strasbaugh's Compliance Monitor.

EXHIBIT B

EXECUTIVE OFFICERS AND DIRECTORS SUBJECT TO SECTION 16

Alan Strasbaugh
Chuck Schillings
Richard Nance
Wes Cummins
Dave Porter