

**CHARTER OF THE COMPENSATION COMMITTEE  
OF THE BOARD OF DIRECTORS  
OF KLA-TENCOR CORPORATION**

**PURPOSE:**

The purpose of the Compensation Committee is to review and make recommendations to the Board of Directors regarding all forms of compensation to be provided to the executive officers of and directors of KLA-Tencor Corporation (the “Company”), including salaries, retainers, stock compensation and loans, and all salary, bonus and stock compensation to all employees.

The Compensation Committee has the authority to undertake the specific duties and responsibilities listed below and will have the authority to undertake such other specific duties as the Board of Directors from time to time prescribes.

**STATEMENT OF PHILOSOPHY:**

The goals of the Company’s compensation policy are to attract, retain and reward executive officers who contribute to the overall success of the Company by offering compensation that is competitive in the industry, to motivate executives to achieve the Company’s business objectives and to align the interests of officers with the long term interests of the stockholders. The Company currently uses salary, a management incentive plan and stock options to meet these goals.

**MEMBERSHIP:**

The Compensation Committee shall consist of a minimum of three non-employee directors of the Company as determined by the Board of Directors. The members of the Compensation Committee shall meet (i) the independence requirements of the Nasdaq Stock Market, (ii) the non-employee director definition of Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, and (iii) at least two members shall meet the outside director definition of Section 162(m) of the Internal Revenue Code of 1986. The members of the Compensation Committee are appointed by and serve at the discretion of the Board of Directors.

**RESPONSIBILITIES:**

The responsibilities of the Compensation Committee include:

1. As soon as practicable prior to the Compensation Committee meeting, each member of the committee will receive information regarding compensation, option grants, bonuses, bonus objectives and bonus scoring for the Company;
2. The Compensation Committee will make a recommendation to the Board on the range of option grants for each level of employee; the compensation,

option grants and bonus goals for each officer of at least Vice President level; the decision of bonus amounts for the prior fiscal year given to management, based on the scoring criteria provided to the Committee. For compensation of the Chief Executive Officer, the Compensation Committee will make a recommendation to the independent members of the Board who will discuss and determine the compensation for the Chief Executive Officer, with the Chief Executive Officer not present or participating in such discussion;

3. Reviewing and making recommendations to the Board of Directors regarding the compensation policy for executive officers of and directors of the Company, and such other officers of the Company as directed by the Board;
4. Reviewing and making recommendations to the Board of Directors regarding all forms of compensation (including all “plan” compensation, as such term is defined in Item 402(a)(7) of Regulation S-K promulgated by the Securities and Exchange Commission, and all non-plan compensation) to be provided to the executive officers of the Company;
5. Reviewing and making recommendations to the Board of Directors regarding general compensation goals and guidelines for the Company’s executive officers and the criteria by which bonuses to the Company’s employees are determined;
6. Acting as Administrator (as defined therein) of the Company’s 1982 Stock Option Plan and administering, within the authority delegated by the Board of Directors, the 1981 Employee Stock Purchase Plan. In its administration of the plans, the Compensation Committee may, pursuant to authority delegated by the Board of Directors (i) grant stock options or stock purchase rights to individuals eligible for such grants (including grants to individuals subject to Section 16 of the Securities Exchange Act of 1934 (the “Exchange Act”) in compliance with Rule 16b-3 promulgated thereunder, so long as the Compensation Committee is comprised entirely of two or more “non-employee directors,” as such term is defined in Rule 16b-3(b)(3)(i) promulgated under the Exchange Act), and (ii) amend such stock options or stock purchase rights. The Compensation Committee shall also make recommendations to the Board of Directors with respect to amendments to the plans and changes in the number of shares reserved for issuance thereunder;
7. Reviewing and making recommendations to the Board of Directors regarding other plans that are proposed for adoption or adopted by the Company for the provision of compensation to employees of, directors of and consultants to the Company;
8. Preparing a report (to be included in the Company’s proxy statement) which describes: (a) the criteria on which compensation paid to the Chief Executive Officer for the last completed fiscal year is based; (b) the relationship of such

compensation to the Company's performance; and (c) the Compensation Committee's executive compensation policies applicable to executive officers; and

9. Reviewing and making recommendations to the Board of Directors regarding the compensation of the independent members of the Board, including annual retainer, attendance fees, reimbursement expenses and option grants.
10. Providing the members of the Board of Directors with objective criteria by which to rate the performance of the Chief Executive Officer and leading them in a discussion, evaluation, and review of his performance.

#### MEETINGS:

It is anticipated that the Compensation Committee will meet at least once each year. However, the Compensation Committee may establish its own schedule, which it will provide to the Board of Directors in advance.

At a minimum of one such meeting annually, the Compensation Committee will consider stock plans, performance goals and incentive awards, and the overall coverage and composition of the compensation package.

The Compensation Committee shall identify consultants and advisors to the Committee and the Committee Chair will report at future board meetings on the adequacy, availability and need for independent advice. The Compensation Committee has the authority to retain and terminate such consultants and advisors and to approve such fees and other retention terms.

#### MINUTES:

The Compensation Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board of Directors.

#### REPORTS:

The Compensation Committee will provide written reports to the Board of Directors of the Company regarding recommendations of the Compensation Committee submitted to the Board of Directors for action, and copies of the written minutes of its meetings.