

NOVELLUS SYSTEMS, INC.

**CHARTER OF THE STOCK OPTION AND
COMPENSATION COMMITTEE**

February 14, 2006

AUTHORITY AND PURPOSE:

The purpose of the Stock Option and Compensation Committee (the “Committee”) is to review, make recommendations to the Company’s Board of Directors (the “Board”) where appropriate and approve all forms of compensation to be provided to the executive officers and directors of Novellus Systems, Inc. and its subsidiaries (collectively, the “Company”), including stock compensation and loans, all bonus and stock compensation to employees, and all stock compensation to consultants of the Company.

The 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 from time to time prescribes. All powers of the Committee are subject to the restrictions designated in the Company’s Bylaws and by applicable law.

MEMBERSHIP:

The Committee shall consist of a minimum of three (3) non-employee directors of the Company, as is determined by the Board. Each of the members of the Committee (the “Members”) shall be “independent” as defined in NASD Marketplace Rule 4200(a)(15), shall meet the definition of a “non-employee director” under Rule 16b-3 under the Securities Exchange Act of 1934, as amended, the requirements of Section 162(m) of the Internal Revenue Code for “outside directors,” and any other regulatory requirements. The Members of the Committee are appointed by the Board, based on the recommendation of the Governance and Nominating Committee, and serve at the discretion of the Board.

RESPONSIBILITIES:

The responsibilities of the Committee include:

1. Developing and establishing a process for the periodic evaluation of the performance of the CEO to be performed by the non-employee members of the Board (the “CEO Evaluation”);
2. Annually reviewing and approving the Company’s corporate goals and objectives (including non financial goals) relevant to CEO compensation, evaluating the CEO’s performance in light of such goals and objectives (including consideration of the CEO Evaluation), and recommending to the Board the CEO’s compensation level based on this evaluation.

3. Annually reviewing non-CEO executive officer compensation and incentive compensation plans and equity based plans;
4. Annually reviewing and approving for the Company's officers: (i) annual base salary levels; (ii) annual incentive compensation levels; (iii) long-term incentive compensation levels; (iv) employment agreements, severance agreements and change of control agreements/provisions, in each case as, when and if appropriate; and (v) any supplemental or special benefits;
5. Administering, within the authority delegated by the Board, the Company's incentive compensation plans and equity based plans as in effect and as adopted from time to time by the Board. In its administration of the plans, the Committee may, pursuant to authority delegated by the Board (i) grant stock options or stock purchase rights to individuals eligible for such grants and (ii) amend such stock options or stock purchase rights. The Committee shall also make recommendations to the Board with respect to amendments to the plans and changes in the number of shares reserved for issuance thereunder;
6. Reviewing and making recommendations to the Board regarding other equity compensation plans that are proposed for adoption or adopted by the Company for the provision of compensation to employees of, and consultants to the Company;
7. Approving any new equity compensation plan or any material change to an existing plan;
8. Preparing a report on executive officer compensation as required to be included in the Company's proxy statement;
9. Authorizing the repurchase of shares from terminated employees pursuant to applicable law;
10. Reviewing and assessing the adequacy of this Charter periodically and recommending any proposed changes to the Board for approval; and
11. Performing such other functions and having such other powers as are consistent with this charter (the "Charter"), the Company's Bylaws and governing law as the Committee or the Board may deem appropriate.

MEETINGS:

It is anticipated that the Committee will meet at least two times each year. However, the Committee may establish its own schedule, which it will provide to the Board. A majority of the Members of the Committee shall constitute a quorum for the transaction of business. The Committee shall conduct its business in accordance with this Charter, the Company's Bylaws and any direction by the Board. At a minimum of one Committee meeting annually, the Committee will consider stock plans, performance goals and incentive awards, and the overall coverage and composition of the compensation package for executive officers and directors.

The Committee chairperson shall be designated by the Board, or, if it does not do so, the Committee Members shall elect a chairperson by a vote of the majority of the full Committee. As necessary or desirable, the chairperson of the Committee may invite any director, officer or employee of the Company, or other persons whose advice and counsel are sought by the Committee, to be present at meetings of the Committee, consistent with the maintenance of confidentiality of compensation discussions. The CEO should not attend any meeting where the CEO's performance or compensation is voted on or deliberated.

MINUTES:

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

REPORTS:

The Committee will provide reports to the Board regarding recommendations of the Committee submitted to the Board for action, and copies of the written minutes of its meetings. The chairperson of the Committee (or other member designated by the chairperson or the Committee in the chairperson's absence) shall regularly report to the Board on its proceedings and any actions that the Committee takes.