



Key Technology, Inc.

COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE CHARTER

Pursuant to its inherent authority under the provisions of the Bylaws of Key Technology, Inc. specifically authorizing this Compensation Committee, the Committee hereby adopts the following charter.

Purpose

The Compensation Committee, in order to assist the Board in the discharge of its fiduciary responsibilities relating to the fair and competitive compensation of the Directors, the Chief Executive Officer and other officers and senior management employees of the Company, will:

- Establish and recommend for the Board's review and approval the Company's compensation philosophy;
- Review and approve the executive compensation program, plans and awards;
- Administer the Company's short and long-term incentive plans for management and other stock or stock-based plans; and
- Review and approve reports on Board and executive compensation for inclusion in the Company's proxy statement when and as appropriate in accordance with applicable rules and regulations of the Securities and Exchange Commission.

The Committee will also periodically review and assess the Company's internal plans for management development and senior management succession planning.

Duties and Responsibilities

Executive Compensation

In the area of executive compensation, the Committee will:

- Periodically review the Company's philosophy regarding executive compensation and counsel with the CEO relative to different compensation approaches;
- Periodically review relevant information to assess the Company's competitive position for executive compensation;
- Recommend for adoption by the Board incentive compensation plans and stock-related plans in which senior executives and key employees may be participants and when adopted administer such plans by:
 - approving option grant guidelines;

- authorizing grants;
 - interpreting the plans;
 - determining rules and regulations relating to the plans;
 - modifying or canceling existing grants pursuant to Board-approved programs;
 - designating employees eligible to participate in the long-term incentive plans; and
 - imposing limitations, restrictions and conditions upon any award as the Committee deems appropriate.
- Periodically assess whether total compensation paid to the Company's principal officers and other key employees is reasonable;
 - Monitor payments under long-term incentive plans for compliance with any restrictions placed thereon by the Board;
 - Review recommendations made by the CEO and ultimately determine and recommend to the Board for approval the total annual and long-term compensation of the Company's officers and senior management employees; and
 - Review and approve reports on executive compensation for inclusion in the Company's proxy statement when and as appropriate in accordance with applicable rules and regulations of the Securities and Exchange Commission.

CEO Compensation

With respect to compensation of the Chief Executive Officer of the Company, the Committee will:

- Review appropriate sources of information and other data it deems relevant and credible to assess the appropriate level of the CEO's total compensation;
- Determine and recommend to the Board for approval the total annual and long-term compensation for the CEO and any adjustments thereto;
- Periodically review and approve specific goals and objectives in compensation plans with respect to incentives, which are subsequently discussed with and approved by the entire Board;
- Evaluate the performance of the CEO in meeting goals and objectives with input from the full Board;
- Review and approve the performance criteria under any long-term incentive plans and awards made under the plans. In approving any awards, the Committee will consider the performance of the Company and relative total shareholder return and other data it deems relevant, and the appropriate level of any such award in the context of overall CEO compensation.

General Employee Profit Sharing, 401(k) and Other Tax Qualified Deferred Compensation Plans
Until specifically directed otherwise by the Board, review and assessment of these plans will be the general responsibility of the entire Board of Directors.

Management Development and Succession Planning

Management development and progression in leadership skills and succession planning are considered by the Committee to be essential elements of effective and sustainable management. The Committee will periodically review and assess the Company's internal plans for continuing development of existing and new management personnel and senior management succession plans.

Membership

All Committee members shall meet the definitions of (i) a "non-employee director" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, and (ii) an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended.

Consultants

The Committee has authority to retain consultants, including counsel, of its choice to advise it with respect to the Company's compensation and benefits programs for directors and executive officers.

Adopted by the Board of Directors
February 3, 2010

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