

**Charter of the Audit Committee
of the Board of Directors of
Credence Systems Corporation**

Purpose.

The purpose of the committee is to oversee on behalf of the company's board of directors: (1) the integrity of the company's financial statements, (2) the appointment, compensation, qualifications, independence and work of the company's independent auditors, (3) the company's compliance with legal and regulatory requirements, and (4) the performance of the company's internal controls function.

The committee's function is one of oversight only and shall not relieve the responsibilities of the company's management for preparing financial statements which accurately and fairly present the company's financial results and condition, or the responsibilities of the independent auditors relating to the audit or review of financial statements.

Composition of the Committee.

At Least Three Qualified Members. There shall be at least three members serving on the committee, all of whom shall be members of the company's board of directors and shall be independent as defined in Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended ("1934 Act") and applicable rules of the SEC. Each member of the committee shall meet the additional independence, financial literacy and related audit committee membership requirements set forth in the Nasdaq National Market listing standards in effect from time to time (the "listing standards").

Limitation on Relationships. No member of the audit committee may be an affiliated person as defined pursuant to Section 10A(m)(3) of the 1934 Act. As more fully set forth in the listing standards, independent directors must not have any current or past relationships with the company which would interfere with their exercise of independent judgment or otherwise fail to meet the independence standard set forth in the listing standards.

Compensation. In compliance with Section 10A(m)(3) of the 1934 Act and except as may otherwise be permitted by applicable SEC rules, no member of the audit committee shall, other than in his or her capacity as a member of the audit committee, the board of directors or other board committee, (a) accept any consulting, advisory, or other compensatory fee from the company, or (b) be an affiliated person of the company or any subsidiary.

Affirmative Determination of Independence. The board shall affirmatively determine, at all times required by law and the listing standards, that the members of the committee are independent.

Financial Literacy. Each member of the audit committee shall be financially literate upon appointment to the committee, as such qualification is interpreted by the company's board of directors in its business judgment pursuant to the listing standards. At least one member of the committee shall be a "financial expert" as defined in applicable SEC rules.

The company does not limit the number of public company audit committees on which an audit committee member serves, provided that if a member does serve on more than 3 public company audit committees (including the company's audit committee), the board shall determine that this simultaneous service would not impair the ability of the member to serve on the company's audit committee, and the company shall disclose this determination in its proxy statement for its annual meeting.

Appointment of Audit Committee Members. Subject to the other requirements of this charter, the board may appoint and remove committee members and the chair of the committee in accordance with the company's bylaws. Upon expiration of any term or to fill any vacancy on the committee, the members of the committee shall be appointed by the board upon the recommendation of the nominating and corporate governance committee.

Selection and Review of Independent Auditors and Their Services.

Overall Authority of Audit Committee to Select and Oversee Auditors. Pursuant to Section 10A(m)(2) of the 1934 Act, applicable SEC rules and the listing standards, the audit committee in its capacity as a committee of the board of directors of the company shall be directly responsible for the appointment, compensation and oversight of the work of the independent auditors engaged by the company for purpose of preparing or issuing an audit report or related work. The independent auditors shall report directly to the audit committee. The audit committee's authority includes, without limitation, resolution of disagreements between management and the auditors regarding financial reporting.

Terms of Audit and Non-Audit Engagements. The committee shall have sole authority to, and must, preapprove all audit and permitted non-audit services from the independent auditors. The committee shall have sole authority to preapprove all audit fees and other terms of engagement of the independent auditors. The committee may confer with company management on these matters but may not delegate this responsibility to management. Inasmuch as the approval of non-audit services must be timely disclosed in the periodic reports of the company filed with the SEC, all approvals of non-audit services on behalf of the audit committee shall be promptly reported to the officer of the company having primary responsibility for the SEC reports filed by the company.

Delegated Preapproval Authority. The committee is authorized from time to time to delegate to one of its members the authority to grant preapproval of audit and permitted non-audit services, provided that all decisions by that member to preapprove any service shall be reported to the full committee at its next scheduled meeting.

Prohibited Non-Audit Services: The audit committee and the company shall not engage the independent auditors for the following services, except as may be exempted pursuant to federal law: bookkeeping or other services related to the accounting records or financial statements of the audit client; financial information systems design and implementation; appraisal or valuation services, fairness opinions, or contribution-in-kind reports; actuarial services; internal audit outsourcing services; management functions or human resources; broker or dealer, investment adviser or investment banking services; legal services and expert services unrelated to the audit; and any other service that the Public Company Accounting Oversight Board determines (by issuing regulations) is impermissible.

Independent Auditors' Partner Rotation and Conflicts. As required by Sections 10A(j) and (l) of the 1934 Act, (a) the audit partner and review partner of the independent auditors must be rotated by the independent auditors at least every 5 years, and (b) an accounting firm shall not be engaged to audit the company's financial statements if a chief executive officer, controller, chief financial officer, chief accounting officer, or any person serving in an equivalent position for the company was employed by that accounting firm and participated in any capacity in the audit of the company during the 1-year period preceding the date of the initiation of the audit.

Policy on Hiring Employees of the Auditor. The committee shall from time to time establish hiring policies that will govern the company's hiring of employees or former employees of the independent auditors, and report these policies to the board.

Annual Financial Reporting.

In connection with the audit of each fiscal year's financial statements, the committee will:

- Discuss Financial Statements with Management: review and discuss the audited financial statements, related accounting and auditing principles and practices, and internal controls assessment with appropriate members of the company's management.
- Section 10A Report: timely request and receive from the independent auditors the report required in connection with the annual audit pursuant to Section 10A(k) of the 1934 Act and related SEC rules concerning (a) all critical accounting policies and practices used, (b) all alternative treatments of financial information discussed with company management, ramifications of the use of alternative disclosures and treatments, and the treatment preferred by the independent auditors, and (c) other material written communications between the independent auditors and company management, such as any management letter or schedule of unadjusted differences.
- SAS 61 Review: discuss with the independent auditors the audited financial statements and the matters required to be discussed by Statement on Auditing Standards No. 61, including such matters as (1) the quality as well as acceptability of the accounting principles applied in the financial statements, (2) new or changed accounting policies, and significant estimates, judgments, uncertainties or unusual transactions, (3) the selection, application and effects of critical accounting policies and estimates applied by the company, (4) issues raised by any "management" or "internal control" letter from the auditors, difficulties encountered in the audit, disagreements with management, or other significant aspects of the audit, and (5) all material arrangements, contingent and other obligations, off-balance sheet transactions, and relationships with any unconsolidated entities or any other persons which may have a material current or future effect on the financial condition or results of the company and are required to be reported under SEC rules.
- Review of MD&A: review with appropriate management and auditor representatives the company's intended disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the company's annual report on Form 10-K.
- Obtain ISB No. 1 Disclosure: receive from the independent auditors a written disclosure and statement of all relationships between the auditors and the company consistent with Independence Standards Board Standard No. 1.
- Dialogue with Auditors on Independence: actively discuss with the auditors any disclosed relationships or services that may impact the objectivity or independence of the auditors.
- Review of Audit and Non-Audit Fees: obtain from the independent auditors a statement of the audit fees and other categories of fees billed for the last fiscal year which are required to be disclosed in the company's proxy statement for its annual meeting under the SEC's proxy

rules, and consider whether the provision of any non-audit services is compatible with maintaining the auditors' independence.

- Recommend Filing of Audited Financial Statements: recommend whether or not the audited financial statements should be included in the company's Annual Report on Form 10-K for filing with the SEC.

Quarterly Financial Reporting.

In addition to a review of the quarterly financial statements, the committee's quarterly review will normally include:

- Auditors' Review: the results of the independent auditors' review of the quarterly financial statements.
- Discussion of Significant Matters with Management: management's analysis of significant matters which relate to (1) the selection, application and effects of critical accounting policies and estimates applied by the company, (2) accounting changes, judgments or extraordinary items relating to the financial statements, (3) the status of any new, proposed or alternative accounting or financial reporting requirements or methods, and (4) all material arrangements, contingent and other obligations, off-balance sheet transactions, and relationships with any unconsolidated entities or any other persons which may have a material current or future effect on the financial condition or results of the company and are required to be reported under SEC rules.
- MD&A: the company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the company's quarterly report on Form 10-Q.

Other Committee Review Functions.

Annual Review of this Charter: The committee will review and reassess the adequacy of this charter annually, and recommend any proposed changes to the board.

Annual Review of Performance: The committee will evaluate its performance as the audit committee on an annual basis.

Disclosure Controls and Procedures: The committee will evaluate periodically the company's disclosure controls and procedures as defined in applicable SEC rules, including but not limited to the internal controls for financial reporting purposes.

Other Reviews. The committee, as the committee may consider appropriate, may discuss and review with the full board of directors, company management, internal or outside legal counsel, or the independent auditors any other topics relating to the purpose of the committee which may come to the committee's attention, including:

- Earnings Press Releases: press releases announcing earnings, which may be undertaken on a general basis and need not include advance review of each release of financial information or guidance.
- Officer Certification. certifications from the company's chief executive officer and chief financial officer which must accompany or be filed with the company's periodic reports, including any report concerning internal controls required to be made by the signing officers and any significant internal control deficiencies or other matters which are required to be reported to the committee in connection with the certifications.

- Reports of Financial Issues: published reports, regulatory or accounting initiatives, or communications from employees, government agencies or others, which raise significant issues concerning company financial statements or accounting policies.
- Other Financial Guidance: financial information and earnings guidance provided to the analysts and the public, and to rating agencies.
- Risk Assessment: management's assessment of the company's exposure to risk and steps management has taken to monitor and control this exposure.
- Compliance Generally: the status and implementation of a code of ethics as defined in applicable SEC rules for the company's executive officers, and a business conduct and ethics code applicable to all company employees concerning related party transactions, conflicts of interest, ethical conduct, legal and regulatory compliance and other matters appropriate for the code.
- Compliance Issues: pending or threatened litigation that has the potential to have a material adverse effect on the company; reports concerning significant subsidiary or foreign operations; or alleged violations of law or corporate conduct codes, including without limitation any reports to the committee from legal counsel engaged by the company concerning any material violation of securities law or breach of fiduciary duty or similar violation by the company or its agents.

Complaints and Anonymous Submissions: the committee shall establish and maintain procedures for (A) the receipt, retention, and treatment of complaints received by the company regarding accounting, internal accounting controls, and auditing matters, and (B) the confidential, anonymous submission by employees of the company of concerns regarding questionable accounting or auditing matters.

Related Party Approvals. As required by the listing standards, the Audit Committee shall establish and communicate to the board of directors and the company's management policies to the effect that the company shall not enter into related party transactions unless the transactions are first reviewed and approved by the audit committee.

Meetings, Reports and Resources of the Committee.

Quarterly and Other Meetings. The committee will meet at least quarterly. The committee may also hold special meetings or act by unanimous written consent as the committee may decide. Committee meetings will be governed by the quorum and other procedures generally applicable to meetings of the board of directors under the company's bylaws, unless otherwise stated in the bylaws or by resolution of the board or the committee.

The committee, to the extent required by the listing standards and as it may otherwise determine to be appropriate, will meet in separate executive sessions with the chief financial officer, controller or principal accounting officer, and representatives of the independent auditors, and may meet with other company employees, agents or representatives invited by the committee.

Reports. The committee will prepare the audit committee report required to be included in the company's annual meeting proxy statement, and report to the board on the other matters relating to the committee or its purposes, as required by the listing standards, applicable federal law or SEC rules.

The committee will also report to the board annually the overall results of (1) the annual review of the independent auditors and their independence and (2) the annual review by the committee of its own performance.

Committee Access and Resources. The committee is at all times authorized to have direct, independent access to the independent auditors and to the company's management and internal audit and finance personnel. The committee is authorized to communicate in confidence with any of these individuals.

The committee is authorized to conduct investigations, and to retain, at the expense of the company, independent legal, accounting, or other professional consultants selected by the committee, for any matters relating to the purpose of the committee, without a requirement to seek prior board approval. The company shall provide for adequate funding, as determined by the audit committee, for payment of compensation to the independent auditors for their audit and review reports, and to advisers engaged by the audit committee.

Nothing in this charter is intended to preclude or impair the protection provided in Section 141(e) of the Delaware General Corporation Law for good faith reliance by members of the committee on reports or other information provided by others.