

CYBEROPTICS CORPORATION

CHARTER OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

February 16, 2004

I. Compensation Committee Purpose

The Compensation Committee (the “Committee”) of CyberOptics Corporation (the “Company”) shall assist the Board of Directors (the “Board”) in the discharge of its oversight responsibilities relating to compensation of the Company’s executive officers and administration of the Company’s stock-based benefit plans. The Committee’s primary duties and responsibilities are to:

- Review and approve the Company’s executive officer compensation philosophy.
- Review and approve the Company’s executive officer compensation programs, plans and awards.
- Administer the Company’s stock-based benefit plans.
- Recommend levels of director compensation to the Board.

II. Authority

The Committee will have the resources and authority necessary to discharge its duties and responsibilities, including the authority to retain outside counsel or other experts or consultants, as it deems appropriate. Any communications between the Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Company and the Committee will take all necessary steps to preserve the privileged nature of those communications.

III. Compensation Committee Composition and Meetings

Committee members shall be appointed by the Board. The Board shall appoint a Committee Chair. The Committee shall be comprised of three directors, each of whom shall be an independent, non-executive director, free from any relationship that would interfere with the exercise of his or her independent judgment. Committee members shall meet the independence requirements under all applicable laws and regulations, including Rule 16b-3 of the Securities Exchange Act of 1934, as amended, Section 162(m) of the Internal Revenue Code, as amended and Rule 4350(c)(3)(B) of the Nasdaq Stock Market Inc. Marketplace Rules, as amended.

The Committee shall meet at least twice annually, or more frequently as circumstances dictate.

The Committee will cause to be kept adequate minutes of proceedings, and will report its actions to the next meeting of the Board. Committee members will be furnished with copies of the minutes of each meeting and any action taken by unanimous consent. The Committee is governed by the same rules regarding meetings, action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board.

IV. Compensation Committee Responsibilities and Duties

Executive Officer Compensation. The Committee shall:

1. Annually review the Company's philosophy regarding executive officer compensation with the Chief Executive Officer, including to the extent it believes advisable:
 - Establish the relationship between executive compensation and corporate performance and returns to shareholders.
 - Determine the qualitative or quantitative measures of corporate performance to be used in the determination of executive compensation.
 - Review market data of appropriate peer group companies to assess the Company's competitive position for three principal components of executive compensation -- base salary, annual incentives and long-term incentives.
2. Administer and make recommendations to the Board regarding the adoption, amendment or termination of the Company's incentive compensation plans and stock-based plans (including specific provisions) in which the Chief Executive Officer and the Company's other principal executives may participate, including:
 - Approve option guidelines and general size of overall grants.
 - Make grants.
 - Interpret the plans.
 - Modify or cancel existing grants.
 - Designate employees eligible to participate in the plans.
 - Impose limitations, restrictions and conditions upon any award as the Committee deems appropriate.

Notwithstanding the foregoing, the Committee may delegate to the Chief Executive Officer, subject to such guidelines as the Committee may establish, authority to make determinations as to the grant of stock options to employees of the Company who are not executive officers.

3. Review and approve the perquisites and supplemental benefits granted to the Company's principal executives.
4. Review and approve recommendations made by the Chief Executive Officer for the compensation of the Company's principal executives.
5. Review and approve employment agreements, severance arrangements, change in control agreements and other similar arrangements for the Chief Executive Officer and the Company's principal executives.
6. Annually issue a report on executive compensation in accordance with applicable rules and regulations of the Securities and Exchange Commission for inclusion in the Company's annual proxy statement.

Chief Executive Officer Compensation. The Committee shall review and approve the Chief Executive Officer's short-term and long-term compensation in light of the performance of the Chief Executive Officer and the objectives and performance of the Company, including, to the extent it determines advisable:

- Annually, review and approve appropriate goals and objectives for the next year, evaluate the performance of the Chief Executive Officer in meeting those goals and objectives and review and approve the compensation level, including salary, bonus, perquisites and supplemental benefits, of the Chief Executive Officer based upon this evaluation.
- Review and approve long-term incentive and stock-based awards for the Chief Executive Officer in the context of the Company's performance and relative total shareholder return and awards granted to other chief executive officers in an appropriate peer group.

Directors. The Committee shall recommend to the full board levels of director compensation, including retainers, meeting fees, stock-based compensation and other similar components of director compensation, based, to the extent the Committee believes advisable, on reviews of director compensation of appropriate peer group companies.