

**CRAY INC.
COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS**

CHARTER

(as amended and restated on May 12, 2010)

I. PURPOSE

The Compensation Committee assists the Board of Directors in fulfilling its responsibility for oversight of:

- the Company’s compensation policies, plans and benefit programs,
- the compensation of the chief executive officer and other executive officers, and
- the administration of the Company’s cash- and equity-based compensation plans.

The Company’s compensation philosophy is to provide and effectively implement policies, plans and programs designed to attract, retain and motivate the workforce required for the Company to achieve its strategic as well as tactical goals and create long-term value for our shareholders.

II. COMPOSITION

The Committee shall consist of at least three directors, each of whom shall be an independent director under applicable laws, rules and regulations, including the listing standards of the Nasdaq National Market System. Each member also shall be a “non-employee director” as defined by Rule 16b-3 under the Securities Exchange Act of 1934, as amended, an “outside director” as defined by Section 162(m) of the Internal Revenue Code of 1986, as amended, and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

The members of the Committee shall be appointed by the Board at the annual meeting of the Board. Unless a Chair is designated by the Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership. Members may be removed by the Board at any time.

III. RESPONSIBILITIES

1. The Committee shall review and approve the compensation philosophy of the Company and review on a periodic basis the Company’s compensation plans and benefits programs to ensure that the Company provides plans and benefits that (a) are competitive both within its industry and with other relevant organizations with which it competes for employees,

(b) encourages and rewards behaviors that ultimately contribute to the achievement of organizational goals and that increase long-term shareholder value without encouraging unbalanced short-term focus or inappropriate risk taking, thus fostering an innovative, high-performance culture, (c) aligns the interests of employees with the long-term interests of its shareholders, and (d) provides a work environment that promotes integrity, innovation and excellence in execution, teamwork and respect for the individual. The Committee shall make recommendations to the Board with respect to improvements or changes to such plans and the adoption of new plans when appropriate.

2. Subject to any approval by the Board which the Committee or legal counsel determines to be desirable or that is required by applicable law or the listing standards of the Nasdaq National Market System, the Committee shall have the sole authority to determine and approve the annual compensation of the chief executive officer and other executive officers of the Company. In making its determinations, the Committee shall review and discuss the chief executive officer's and other executive officers' (a) annual base salary, (b) annual cash-based incentive compensation, (c) equity-based compensation, (d) any employment agreement, severance arrangement or policy and any change-in-control agreement or provision, (e) any signing bonus and payment of relocation costs and (f) any other benefits, compensation, perquisites and arrangements; provided that the Committee may take account of the recommendations of the Board (or other members of the Board) with respect to chief executive officer or other executive officer compensation. In connection with such determinations, the Committee will consider such multiple factors as it deems appropriate, including the Company's performance and relative shareholder return, the value of similar incentive awards to executive officers at comparable companies, other market data deemed relevant by the Committee and the awards given in prior years. The Committee also may take account of the recommendations of the chief executive officer with respect to other executive officers for each of the foregoing items. The chief executive officer may not be present during voting or deliberations regarding the chief executive officer's compensation.

3. The Committee shall conduct and review with the Board of Directors an annual evaluation of the performance of the chief executive officer and shall review the chief executive officer's assessment of the Company's other executive officers.

4. As appropriate, the Committee shall review and approve or make recommendations to the Board with respect to adoption and approval of, or amendments to, all cash-based and equity-based incentive compensation plans and arrangements, and the cash amounts and aggregate numbers of shares reserved for issuance thereunder after taking into consideration the Company's strategies with respect to cash-based and equity-based compensation.

5. The Committee shall administer and interpret the cash-based and equity-based compensation plans and agreements thereunder, including in that capacity: (a) advising on the establishment of equity award guidelines and the general type and size of overall equity awards; (b) having the authority to approve any equity awards not expressly delegated; (c) establishing parameters for delegated authority to issue equity awards in connection with new hires, spot awards and promotions, specifying limits on the number of shares and the price and type of awards to be granted; (d) recommending to the Board amendments to equity plans (subject to

shareholder approval when required) as may be necessary or appropriate to carry out the Company's compensation strategy; (e) taking any action with respect to the Company's 401(k) savings plan and trust that may or must be taken by the Board, except termination or discontinuance of the 401(k) savings plan, or termination, suspension, or change in or setting of the amount of any Company contribution to the 401(k) savings plan; (f) determining whether awards that have performance-related criteria have been earned; (g) correcting any defect, supplying any omission, or reconciling any inconsistency in any equity compensation plan, award, exercise agreement or other arrangement; (h) re-pricing awards granted under equity-based compensation plans; (i) when appropriate, otherwise modifying existing equity awards (with the consent of the grantees) and approving authorized exceptions to provisions of the equity plans; and (j) adopting any required or appropriate option or equity award timing policy.

6. The Committee shall oversee the administration of and, if deemed necessary, amend any deferred compensation plans, and, if desired, delegate the routine administration of such plans to an administrative committee consisting of employees of the Company named by the Committee.

7. The Committee, in connection with the preparation of the Company's annual proxy statement, shall review and discuss the Compensation Discussion and Analysis disclosure and any narrative disclosure regarding the Company's compensation policies and practices as they relate to its risk management, taking into account whether any rewards and incentives encourage undue or inappropriate risk taking by any personnel.

8. The Committee shall review annually management's assessment of the effectiveness of the Company's human resources policies and programs.

9. The Committee shall prepare a report on executive compensation required to be included in the Company's annual proxy statement.

10. The Committee shall review and make recommendations with respect to shareholder proposals related to compensation matters.

11. The Committee shall periodically review the Company's procedures with respect to employee loans. The Committee will not approve any arrangement in which the Company, directly or indirectly, extends or maintains credit, arranges for the extension of credit or renews an extension of credit, in the form of a personal loan to or for any director or executive officer (or equivalent thereof) of the Company. The Committee will assist the Board and management of the Company in complying with this prohibition.

12. The Committee shall periodically review with the chief executive officer and the chairman of the Board (or lead independent director of the Board if applicable) the succession plan for senior management, including all executive officer positions, reporting its findings and recommendations to the Board. If requested by the Board, the Committee will evaluate potential successors to executive officer positions, and review strategies to accelerate the readiness of candidates identified for these positions, including an overall assessment of executive talent. The Committee will also review other leadership and management processes upon request of the Board.

13. The Committee shall review annually its own performance and this Charter and recommend to the Board any proposed changes to this Charter or to the Committee.

14. The Committee is authorized to form and delegate authority to subcommittees as appropriate. The Committee may delegate authority to one or more of its members or to executive officers of the Company with respect to compensation determinations, including stock option grants, for persons who are not executive officers of the Company.

The Committee shall perform such other functions and activities as required by law or the Company's bylaws or assigned to it by the Board.

IV. RESOURCES AND AUTHORITY

The Committee shall have the resources and authority necessary to discharge its duties and responsibilities, including the authority to obtain advice and assistance from internal or outside compensation consultants, legal counsel, accountants and other advisors. The Committee shall have the sole authority to engage, at the expense of the Company, any such advisors and shall have sole authority to approve the fees and terms of engagement or such advisors.

V. MEETINGS AND MINUTES

The Committee shall meet at least once each year and more often as necessary to enable it to fulfill its responsibilities and duties. The Committee Chair (or his or her designee) shall prepare and/or approve an agenda in advance of each meeting. A quorum of the Committee for the transaction of business will be a majority of its members. Meetings may be held via tele- or video-conference. The Committee may also act by unanimous written consent in lieu of a meeting in accordance with the Company's bylaws. The Committee shall meet privately in executive session as it deems appropriate. The Committee shall report its actions to the Board and keep written minutes of its meetings which shall be maintained with the books and records of the Company.

VI. MANAGEMENT'S RESPONSIBILITIES

The management of the Company shall provide the Committee with the necessary resources and support to enable it to discharge the Committee's duties and responsibilities, as reflected in this Charter and as the Board of Directors assigns to the Committee.

VII. PUBLICATION

The Company shall make this Charter freely available to shareholders on request and, provided that the Company is subject to the periodic reporting requirements of the Securities Exchange Act of 1934, as amended, shall publish it on the Company's website.