

BLUE COAT SYSTEMS, INC.

AUDIT COMMITTEE CHARTER

PURPOSE:

The purpose of the Audit Committee is to assist the Board of Directors (the “Board”) of Blue Coat Systems, Inc. (the “Company”) in fulfilling its responsibilities to oversee the Company’s financial reporting process, including monitoring the integrity of the Company’s financial statements and the independence and performance of the Company’s internal and external auditors.

MEMBERSHIP:

The Audit Committee shall be comprised of at least three (3) outside members of the Board of the Company elected by the Board to serve until their successors are duly elected. Each member of the Audit Committee must be:

- an “independent director” (as defined below);
- able to read and understand fundamental financial statements, including a company’s balance sheet, income statement, and cash flow statement, or become able to read and understand such financial statements within a reasonable period of time after his or her appointment to the Audit Committee: and
- at least one member shall be a “financial expert,” as defined by SEC regulations.

An “independent director” means a person other than an officer or employee of the Company or its subsidiaries or any other individual having a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The following persons shall not be considered independent:

- a director who is employed by the Company or any of its affiliates for the current year or any of the past three years;
- a director who accepts compensation from the Company or any of its affiliates in excess of \$60,000 during the previous fiscal year, other than compensation for service on the Board, benefits under a tax-qualified retirement plan, or non-discretionary compensation;
- a director who is a member of the immediate family of an individual who is, or has been in any of the past three years, employed by the Company or any of its affiliates as an executive officer. “Immediate family” includes a person’s spouse, parents, children, siblings, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, and anyone who resides in such person’s home;
- a director who is a partner in, or a controlling stockholder or an executive officer of, any for-profit business organization to which the Company made, or from which the Company received, payments (other than those arising solely from investments in the Company’s

securities) that exceed 5% of the Company's or business organization's consolidated gross revenues for that year, or \$200,000, whichever is more, in any of the past three years; or

- a director who is employed as an executive officer of another entity where any of the Company's executives serve on that entity's Compensation Committee.

In addition to the requirements above, at least one member of the Audit Committee must have either (i) past employment experience in finance or accounting; (ii) requisite professional certificate in accounting; or (iii) a background which results in the individual's financial sophistication, including experience as a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

Notwithstanding the requirement that each member be an "independent director," the Board, under exceptional and limited circumstances, may appoint one director who is not an "independent director" to the Audit Committee if:

- such director is not a current employee or immediate family member of a current employee of the Company;
- such non-independent director's appointment to the Audit Committee is required by the best interests of the Company and its stockholders; and
- the Board discloses in the next annual proxy statement after such appointment (i) the nature of the relationship between the non-independent director and the Company; and (ii) the reasons for the Board's determination that such appointment is in the best interests of the Company and its stockholders.

AUTHORITY:

In discharging its oversight responsibilities, the Audit Committee shall have unrestricted access to the Company's management, books and records and the authority to retain outside counsel, accountants or other consultants at the Audit Committee's sole discretion.

FUNCTIONS:

The Audit Committee shall:

- Select and engage, subject to stockholder approval, the independent auditor;
- Evaluate, and when appropriate, replace the independent auditor;
- Review the intended scope of the annual audit and the audit methods and principles being applied by the independent auditor, pre-approve the fees to be charged by the independent auditor and only engage the independent auditor to perform the specific non-audit services allowed by law or regulation;

- Review the quarterly reporting process and ensure that the independent auditor performs timely reviews and that the review and the financial results are discussed with at least the Audit Committee chairperson before the Form 10Q is filed;
- Review and discuss the results of the audit with both the independent auditor and management;
- Discuss the quality of accounting and disclosure and the degree of conservatism in the estimates and principles applied;
- Discuss with the independent auditor what steps are planned for a review of the Company's Information Technology procedures and controls, and inquire as to the specific security programs to protect against computer fraud or misuse from both within and outside the company;
- Maintain a calendar of agenda items that reflect the Audit Committee responsibilities and processes specified in this Audit Committee Charter;
- Instruct the independent auditor to advise the Committee if there are any areas known to them that require special attention of the Audit Committee;
- Require management to advise the Audit Committee when it seeks a second opinion on a significant accounting issue;
- Review as appropriate the Company's significant accounting and reporting principles, policies and practices;
- Meet privately with the independent auditor at regular meetings and on an as needed basis;
- Review the Company's process of assessing the risk of fraudulent financial reporting for both the quarterly and annual financial statements;
- Review as appropriate the adequacy of management information systems, internal accounting and financial controls;
- Review the annual financial statements before their submission to the Board for approval;
- Provide an open avenue of communication between the independent auditor and the Board;
- Inquire of management and the independent auditor, about significant risks or exposures and assess the steps management has taken to minimize such risk to the Company and related entities;
- Report periodically to the Board on significant results of the foregoing activities;

- Review the performance of professional services provided by the independent auditor, including audit, tax and other services, and consider the possible effect of the performance of such services on the independence of the auditor;
- Review the formal written statement from the Company's independent auditor delineating all relationships between the independent auditor and the Company, consistent with Independence Standards Board Standard No. 1;
- Actively engage in a dialogue with the independent auditor with respect to any disclosed relationships that may impact the objectivity and independence of the independent auditor;
- Recommend to the Board actions to oversee the independence of the Company's independent auditor;
- Perform such duties required to be performed by independent directors of the Company pursuant to law or the bylaws or regulations of the Nasdaq Stock Market;
- Perform such other duties as the Board may from time to time assign to it;
- Disclose in the Company's proxy statement whether the Audit Committee has adopted an Audit Committee Charter and whether the Audit Committee satisfied its Audit Committee Charter responsibilities and has complied with its membership requirements;
- Disclose in an annual report to stockholders confirmation that the independent auditor has discussed judgments used in developing financial reports and that the Audit Committee has discussed the judgments in private sessions and that the Audit Committee, relying on the independent auditor, recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10K for filing with the SEC; and
- Review and update this Charter periodically, as conditions dictate.

MINUTES:

Minutes will be kept of each meeting of the Audit Committee and will be provided to each member of the Board. Any action of the Audit Committee shall be subject to revision, modification, rescission or alteration by the Board, provided that no rights of third parties shall be affected by any such revision, modification, rescission or alteration.

MEETINGS:

Subject to the Company's bylaws and resolutions of the Board, the Audit Committee shall meet at least once per quarter, prior to the Company's public release of its quarterly financial statements.

QUALIFICATIONS:

While the Audit Committee has the responsibilities and powers set forth in this charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the Company's independent auditor. In exercising its business judgment, the Audit Committee shall rely on the information and advice provided by the Company's management and/or its outside auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the Company's independent auditor or to assure compliance with laws and regulations and the Company's Code of Conduct.

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