

MERCURY INTERACTIVE CORPORATION

A Delaware corporation
(the “**Company**”)

Audit Committee and Qualified Legal Compliance Committee Charter

Adopted July 30, 2003, Amended and Restated on February 1, 2005

The Audit Committee is created by the Board of Directors of the Company to oversee the accounting and financial reporting processes of the Company and the auditing of the financial statements of the Company. The members of the Audit Committee shall also act as the Qualified Legal Compliance Committee (“QLCC”) which is created by the Board of Directors of the Company to review any report made directly, or otherwise made known, to the QLCC by attorneys employed or retained by the Company or its subsidiaries of a material violation of U.S. federal or state securities law, a material breach of fiduciary duty arising under U.S. federal or state law or a similar material violation of any U.S. federal or state law, all in accordance with the provisions of 17 CFR Part 205, as amended from time to time.

I. Audit Committee Functions

Purpose

The Audit Committee is created by the Board of Directors of the Company to:

- assist the Board in its oversight of
 - the integrity of the financial statements of the Company;
 - the qualifications, independence and performance of the Company’s independent auditors;
 - the performance of the Company’s internal audit function; and
 - compliance by the Company with legal and regulatory requirements;
- prepare the audit committee report that Securities and Exchange Commission rules require to be included in the Company’s annual proxy statement.

Membership

The Audit Committee shall consist of at least three members, comprised solely of independent directors meeting the independence and experience requirements of Nasdaq. At least one member of the Audit Committee shall be an “audit committee financial expert” within the meaning of Securities and Exchange

Commission rules. The Nominating and Corporate Governance Committee shall recommend nominees for appointment to the Audit Committee annually and as vacancies or newly created positions occur. Audit Committee members shall be appointed by the Board and may be removed by the Board at any time. The Nominating and Corporate Governance Committee shall recommend to the Board, and the Board shall designate, the Chairman of the Audit Committee.

Authority and Responsibilities

In addition to any other responsibilities which may be assigned from time to time by the Board, the Audit Committee is responsible for the following matters.

Independent Auditors

- The Audit Committee has the sole authority to appoint, compensate, retain, oversee and terminate the work of any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company (subject, if applicable, to shareholder ratification), including sole authority to approve all audit engagement fees and terms and permissible non-audit services to be provided by the accountants. Each such accounting firm must report directly to the Audit Committee.
- The Audit Committee shall pre-approve the audit services and non-audit service pursuant to pre-approval policies and procedures established by the Audit Committee to be provided by the Company's independent auditors. The Audit Committee may consult with management in the decision making process, but may not delegate this authority to management. The Audit Committee may delegate its authority to pre-approve services to one or more Audit Committee members, provided that such designees present any such approvals to the full Audit Committee at the next Audit Committee meeting.
- The Audit Committee shall review and approve the scope and staffing of the independent auditors' annual audit plan(s).
- The Audit Committee shall evaluate the independent auditors' qualifications, performance and independence, and shall present its conclusions with respect to the independent auditors to the full Board on at least an annual basis. As part of such evaluation, at least annually, the Audit Committee shall:
 - obtain and review a report or reports from the Company's independent auditors:
 - describing the independent auditors' internal quality-control procedures;

- describing any material issues raised by (i) the most recent internal quality-control review or peer review of the auditing firm, or (ii) any inquiry or investigation by governmental or professional authorities, within the preceding five years, regarding one or more independent audits carried out by the auditing firm; and any steps taken to deal with any such issues;
- describing all relationships between the independent auditors and the Company consistent with Independence Standards Board Standard No. 1 and
- assuring that Section 10A of the Securities Exchange Act of 1934 has not been implicated;
- review and evaluate the senior members of the independent auditor team(s), particularly the partners on the audit engagement teams;
- consider whether the audit engagement team partners should be rotated more frequently than is required by law, so as to assure continuing auditor independence;
- consider whether the independent auditors should be rotated, so as to assure continuing auditor independence; and
- obtain the opinion of management and the internal auditors of the independent auditors' performance.
- The Audit Committee shall establish policies for the Company's hiring of current or former employees of the independent auditors.

Internal Auditors

- At least annually, the Audit Committee shall evaluate the performance, responsibilities, budget and staffing of the Company's internal audit function (which may be outsourced) and review the internal audit plan. Such evaluation shall include a review of the responsibilities, budget and staffing of the Company's internal audit function with the independent auditors.
- At least annually, the Audit Committee shall evaluate the performance of the senior officer or officers responsible for the internal audit function of the Company, and make recommendations to the Board and management regarding the responsibilities, retention or termination of such officer or officers.

Financial Statements; Disclosure and Other Risk Management and Compliance Matters

- The Audit Committee shall review with management, the internal auditors and the independent auditors, in separate meetings if the Audit Committee deems it appropriate:
 - the annual audited financial statements, including the Company’s disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, prior to the filing of the Company’s Form 10-K;
 - the quarterly financial statements, including the Company’s disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, prior to the filing of the Company’s Form 10-Q;
 - any analyses or other written communications prepared by management, the internal auditors and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;
 - the critical accounting policies and practices of the Company;
 - related-party transactions and off-balance sheet transactions and structures;
 - any major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company’s selection or application of accounting principles;
 - the Company’s practices with respect to the use of non-GAAP financial information in its public disclosures; and
 - regulatory and accounting initiatives or actions applicable to the Company (including any SEC investigations or proceedings).
- The Audit Committee shall review, in conjunction with management, the Company’s policies generally with respect to the Company’s earnings press releases and with respect to financial information and earnings guidance, provided to analysts and rating agencies, including in each case the type and presentation of information to be disclosed and paying particular attention to the use of non-GAAP financial information.
- The Chairman of the Audit Committee may review any of the Company’s financial information and earnings guidance provided to analysts and ratings

agencies and any of the Company's other financial disclosure, such as earnings press releases, as the Chairman deems appropriate.

- The Audit Committee shall, in conjunction with the CEO and CFO of the Company, review the Company's internal controls over financial reporting and disclosure controls and procedures. The review of internal control over financial reporting shall include whether there are any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to affect the Company's ability to record, process, summarize and report financial information and any fraud involving management or other employees with a significant role in internal control over financial reporting.
- The Audit Committee shall review and discuss with the independent auditors any audit problems or difficulties and management's response thereto, including those matters required to be discussed with the Audit Committee by the auditors pursuant to Statement on Auditing Standards No. 61, as amended, such as:
 - any restrictions on the scope of the independent auditors' activities or access to requested information;
 - any accounting adjustments that were noted or proposed by the auditors but were "passed" (as immaterial or otherwise);
 - any communications between the audit team and the audit firm's national office regarding auditing or accounting issues presented by the engagement;
 - any management or internal control letter issued, or proposed to be issued, by the auditors; and
 - any significant disagreements between the Company's management and the independent auditors.
- The Audit Committee shall have sole authority over the resolution of any disagreements between management and the independent auditor regarding the Company's financial reporting.
- The Audit Committee shall review the Company's policies and practices with respect to risk assessment and risk management, including discussing with management the Company's major financial risk exposures and the steps that have been taken to monitor and control such exposures.
- The Audit Committee shall establish procedures for:

- the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and
- the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- The Audit Committee shall review any significant complaints regarding accounting, internal accounting controls or auditing matters received pursuant to such procedures.
- The Audit Committee shall prepare the Audit Committee report that Securities and Exchange Commission rules require to be included in the Company's annual proxy statement.

Reporting to the Board

- The Audit Committee shall report to the Board periodically. This report shall include a review of any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the qualifications, independence and performance of the Company's independent auditors, the performance of the internal audit function, any funding requirements for the outside auditors, Audit Committee and any advisors retained by the Audit Committee to assist it in its responsibilities and any other matters that the Audit Committee deems appropriate or is requested to be included by the Board.
- At least annually, the Audit Committee shall evaluate its own performance and report to the Board on such evaluation.
- The Audit Committee shall periodically review and assess the adequacy of this charter and recommend any proposed changes to the Nominating and Corporate Governance Committee.

The Audit Committee is authorized (without seeking Board approval) to retain special legal, accounting or other advisors and may request any officer or employee of the Company or the Company's outside counsel or independent auditor to meet with any members of, or advisors to, the Audit Committee.

Authority

The Audit Committee shall have available appropriate funding from the Company as determined by the Audit Committee for payment of:

- Compensation to any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company;
- Compensation to any advisers employed by the Audit Committee; and
- Ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

The Audit Committee may delegate its authority to subcommittees or the Chairman of the Audit Committee when it deems appropriate and in the best interests of the Company.

Procedures

The Audit Committee shall meet as often as it determines is appropriate to carry out its responsibilities under this charter, but not less frequently than quarterly. The Chairman of the Audit Committee, in consultation with the other committee members, shall determine the frequency and length of the committee meetings and shall set meeting agendas consistent with this charter.

The Audit Committee shall meet separately, periodically, with management, with internal auditors or other personnel responsible for the internal audit function and with the independent auditors.

The Audit Committee may delegate its authority to subcommittees or the Chairman of the Audit Committee when it deems appropriate and in the best interests of the Company.

Limitations Inherent in the Audit Committee's Role

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 GAAP and applicable rules and regulations. This is the responsibility of management and the independent auditors. Furthermore, while the Audit Committee is responsible for reviewing the Company's policies and practices with respect to risk assessment and management, it is the responsibility of the CEO and senior management to determine the appropriate level of the Company's exposure to risk.

II. Qualified Legal Compliance Committee Functions

Purpose

The Qualified Legal Compliance Committee (“QLCC”) is created by the Board of Directors of the Company to review any report made directly, or otherwise made known, to the QLCC by an attorney representing the Company or its subsidiaries of a material violation of U.S. federal or state securities law, a material breach of fiduciary duty arising under U.S. federal or state law or a similar material violation of any U.S. federal or state law (a “material violation”), all in accordance with the provisions of 17 CFR Part 205, as amended from time to time (“Part 205”). Any terms not defined herein shall have the definitions given them, if any, in Part 205.

Membership

The QLCC shall consist of all of the members of the Audit Committee of the Company. The members of the QLCC shall be appointed and removed as described under “Membership” with respect to the Audit Committee. The Chairman of the Audit Committee shall be the Chairman of the QLCC.

Authority and Responsibilities

In addition to any other responsibilities which may be assigned from time to time by the Board, the QLCC has the authority and responsibility for the following matters.

Receipt, Retention and Consideration of Reports

- The QLCC shall adopt written procedures for the confidential receipt, retention and consideration of any report of evidence of a material violation under Part 205 (a “report”).

Investigation of Report

- Upon receipt of a report, the QLCC shall:
 - inform the Company’s general counsel (“CLO”) and chief executive officer (“CEO”) of such report unless such notification would be futile; and
 - determine whether an investigation is necessary regarding any report of evidence of a material violation by the Company, its officers, directors, employees or agents.
- If the QLCC determines an investigation is necessary or appropriate, the QLCC shall:

- notify the audit committee or the full board of directors;
- initiate an investigation, which may be conducted either by the CLO or by outside attorneys; and
- retain such expert personnel as the QLCC deems necessary.

Making Recommendations for Adoption of Appropriate Response

- At the conclusion of any such investigation, the QLCC shall:
 - recommend that the Company implement an appropriate response to the evidence of a material violation, which appropriate response may include:
 - a finding that no material violation has occurred, is ongoing or is about to occur;
 - the adoption of appropriate remedial measures, including appropriate steps or sanctions to stop any material violations that are ongoing, to prevent any material violation that has yet to occur, and to remedy or otherwise appropriately address any material violation that has already occurred and to minimize the likelihood of its recurrence; or
 - the retention or direction of an attorney to review the reported evidence of a material violation and either (i) the Company has substantially implemented any remedial recommendations made by such attorney after a reasonable investigation and evaluation of the reported evidence or (ii) the attorney advises the Company that such attorney may, consistent with his or her professional obligations, assert a colorable defense on behalf of the Company or its officers, directors, employees or agents, in any investigation or judicial or administrative proceeding relating to the reported evidence of a material violation; and
 - inform the CLO, the CEO and the Board of the results of any such investigation initiated by the QLCC and the appropriate remedial measures to be adopted.

Authority to Notify the SEC

- The QLCC may take all other appropriate action, including the authority to notify the Securities and Exchange Commission, if the Company fails in any material respect to implement an appropriate response that the QLCC has recommended the Company to take.

Reporting to the Board

- The QLCC shall report to the Board periodically, but no less frequently than once a year. This report will include a review of the report(s) received, the investigations conducted, conclusions reached and responses recommended by the QLCC and any other matters that the QLCC deems appropriate or is requested to be included by the Board.
- At least annually, the QLCC shall evaluate its own performance and report to the Board on such evaluation.
- At least annually, the QLCC shall review and assess the adequacy of this charter and recommend any proposed changes to the Nominating and Corporate Governance Committee.

Procedures

The QLCC may act only by majority vote.

The QLCC shall meet at least annually and as often as it determines is appropriate to carry out its responsibilities under this charter. The Chairman of the QLCC, in consultation with the other committee members, shall determine the frequency and length of the committee meetings and shall set meeting agendas consistent with this charter.

The QLCC is authorized (without seeking Board approval) to retain outside attorneys and other expert personnel to assist the QLCC as it deems necessary. The QLCC is authorized to obtain appropriate funding, as determined by the QLCC, for payment of compensation to such attorneys and other expert personnel and for ordinary administrative expenses of the QLCC that are necessary or appropriate for carrying out its duties.

The QLCC is authorized (without seeking Board approval) to access all books, records, facilities, personnel, agents and advisors of the Company as it deems necessary or appropriate to discharge its responsibilities under this charter.