

BLUE COAT SYSTEMS, INC.

**COMPENSATION COMMITTEE CHARTER
(Amended and Restated as of July 26, 2005)**

I. ORGANIZATION

The Compensation Committee will consist of at least two non-employee directors elected by the Board. A chairman may be designated by the Board.

Whenever possible, the members of the Committee shall be Board members who satisfy the non-employee director requirement of Rule 16b-3 under the Securities Exchange Act of 1934, which generally requires that the director not be currently an officer of the issuer and not receive compensation directly or indirectly from the issuer in an amount that would require disclosure under Item 404(a) of Regulation S-K, and who satisfy the outside director requirement of Section 162(m) of the Internal Revenue Code, which generally requires that the director not be an employee, never have been an officer of the issuer, not be a former employee of the issuer receiving compensation for prior services, and not receive compensation directly or indirectly from the issuer in any capacity other than as a director, subject to certain de minimis exceptions.

II. RESPONSIBILITIES

The Committee's responsibilities shall be as follows:

A. Shall have the authority to administer the Company's Employee Stock Purchase Plan ("Purchase Plan") and to grant stock options and stock appreciation rights under and administer the Company's 1999 Stock Incentive Plan (the "Stock Plan"). The Compensation Committee shall have authority to grant options under the Stock Plan to any service provider, notwithstanding that the Board has delegated authority to a separate committee or the Board has retained for itself authority to grant options, unless the Board action creating such committee or retaining such authority shall state that the Compensation Committee shall not have that authority.

B. Shall make any administrative determinations under the Company's 1999 Director Option Plan (the "Director Plan"). However, the terms of the Director Plan shall govern all options granted under such plan, and no discretionary decisions shall be made by the Committee under the Director Plan.

C. Shall make periodic recommendations to the Board concerning the establishment of cash compensation levels, the adoption of bonus programs and the grant of equity incentives to maintain competitiveness and further corporate-wide performance objectives.

D. Shall have full authority to commission periodic studies and surveys concerning the levels of executive compensation payable in the industry in which the Company is engaged and in other related industries and obtain recommendations from outside consultants concerning competitive pay programs.

E. Shall have concurrent authority with the Board to approve amendments to the Purchase Plan and Stock Plan.

F. Shall have responsibility for preparing the report on executive compensation and the report on option repricings required by Item 402 of Regulation S-K.

G. Shall approve the compensation payable to the Company's executive officers, including the adjustment of base salary each year, and shall approve all bonus and other incentive compensation programs for such executive officers and key employees and the authorization of all awards to such individuals under those programs.

H. Shall have overall responsibility, through oversight, for the review of all of the Company's employee benefit plans, including any Internal Revenue Code Section 401(k) savings plan, any Internal Revenue Code Section 125 cafeteria benefit plan, any profit-sharing program, whether payable on a current or deferred basis, and all pension and other deferred compensation plans. Regular administration shall be performed by Company management.

I. Shall approve all perquisites, equity incentive awards, special cash payments (including relocation expenses) or loans made or paid to the Company's executive officers and other key employees.

J. Shall make recommendations and assist the Board in succession planning for executive officers.

III. MEETINGS:

The Compensation Committee shall meet with the Chief Executive Officer prior to the start of each fiscal year to discuss the incentive compensation programs to be in effect for such fiscal year and the performance targets triggering payout under those programs. At the end of each fiscal year, the Committee shall meet to review performance under those programs and award bonuses thereunder. At that time, the Committee shall also review base salary levels and approve increases. The overall performance of the Company's employee benefit plans will be reviewed at least annually. The Committee shall also meet as and when necessary to effect option grants under the Stock Plan to service providers. The Committee shall convene periodically as necessary to act upon any other matters within its jurisdiction under this charter, and may take action by unanimous written consent.

IV. MINUTES:

Minutes shall be kept of each meeting of the Committee and will be provided to each member of the Board. Any action of the Committee, other than option grants, shall be subject to revision, modification or rescission by the Board.

V. INVESTIGATIONS, STUDIES AND OUTSIDE ADVISORS:

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibility with full access to all books, records, facilities and personnel of the company. As appropriate, the Committee will obtain advice and assistance from outside legal, accounting or other advisors at the Company's expense.