

KEYNOTE SYSTEMS, INC.

CHARTER OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

I. Purpose

The Compensation Committee (the “*Committee*”) of the Board of Directors (the “*Board*”) of Keynote Systems, Inc. (the “*Company*”), is appointed by the Board to effect the Board’s responsibilities with respect to all forms of compensation of the Company’s executive officers, to oversee the Company’s equity-based compensation plans, and to produce an annual report on executive compensation for use in the Company’s proxy statement. This Charter sets forth the authority and responsibility of the Committee for approving and evaluating the Company’s executive officer compensation arrangements, plans, policies, and programs, and for overseeing the Company’s equity-based compensation plans for employees.

II. Membership

The Committee will consist of at least two members of the Board, with the exact number being determined by the Board. Each member of the Committee will be (i) an “independent director” as defined under the rules and regulations of The Nasdaq Stock Market, as they may be amended from time to time (the “*Rules*”), except as may otherwise be permitted by such Rules, (ii) a “Non-Employee Director,” as defined in Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, (the “*Exchange Act*”), and (iii) an “outside director” under Regulation Section 1.162-27 promulgated under Section 162(m) of the Internal Revenue Code of 1986. All members of the Committee shall be selected by, and serve at the discretion of, the Board. Committee members will serve during their respective terms as a director, subject to earlier resignation or removal by vote of the Board. Unless a chair is elected by the full Board, the members of the Committee may designate a chair by majority vote of the Committee membership.

III. Authority And Responsibilities

1. The Compensation Committee shall establish and review, at least annually, the Company’s goals and objectives relevant to the compensation of the Company’s Chief Executive Officer and other Company “officers” as defined under Section 16 of the Exchange Act and the rules promulgated thereunder (the “*Executive Officers*”). The Committee’s power to establish and review annually the Company’s compensation policies applicable to the Company’s Chief Executive Officer and other Executive Officers shall be subject to any modification or veto made by the full Board in its discretion.

2. The Committee will annually review and approve the corporate goals and objectives relevant to the compensation of the Chief Executive Officer (the “*CEO*”) and evaluate the CEO’s performance in light of these goals and objectives. Based on this evaluation, and the Company’s performance and relative shareholder returns, the Committee will make and annually review decisions respecting (i) the level of compensation, including salaries, bonuses, and benefits, of the CEO, (ii) the entering into or amendment or extension of any employment contract or similar arrangement with the CEO, (iii) any CEO severance or change in control arrangement, and (iv) any other CEO compensation matter as from time to time directed by the

Board. The CEO shall not be present during any voting or deliberations concerning his or her compensation. In determining the long-term incentive component of the CEO's compensation, the Committee will consider the Company's performance and relative shareholder return, the value of similar incentive awards to chief executive officers at companies that the Committee determines comparable based on factors it selects, and the incentive awards given to the CEO in prior years.

3. The Committee will annually review and approve the corporate goals and objectives relevant to compensation of the Executive Officers other than the CEO. The Committee shall meet with the CEO within 90 days after the commencement of each fiscal year to discuss the compensation programs to be in effect for these Executive Officers for the year and the Company's goals and objectives relevant to those programs. In light of these goals and objectives, the Committee will make and annually review decisions respecting (i) salary paid to the Executive Officers, (ii) the grant of cash-based bonuses and equity compensation provided to the Executive Officers, (iii) performance targets for Executive Officers, (iv) the entering into or amendment or extension of any employment contract or similar arrangement with the Executive Officers, (v) Executive Officers' severance or change in control arrangements, and (vi) any other executive officer compensation matters as from time to time directed by the Board. In determining the long-term incentive component(s) of the Executive Officers' compensation, the Committee will consider the Company's performance and relative stockholder return, the value of similar incentive awards to Executive Officers at companies that the Committee determines comparable based on factors it selects, and the incentive awards given to the Company's Executive Officers in prior years.

4. The Committee shall interpret and administer the stock compensation plans that may be adopted by the Company from time to time, including the authority to grant stock, stock options or stock purchase rights to individuals eligible for such grants (including grants to Executive Officers in compliance with Rule 16b-3 promulgated under the Exchange Act) and the terms of such grants. The Committee may delegate to the Company's Chief Executive Officer and the Chief Financial Officer, the authority to grant options to employees of the Company or of any subsidiary of the Company who are not Executive Officers or directors of the Company, provided that no option grant exceeds any limit established by resolution of the Board or the Committee and, provided further, that the price per share associated with any grant is no less than the fair market value of the Company's common stock on the date of grant.

5. The Committee will annually review and approve any bonus, profit sharing, stock option grant program or similar program adopted by the Company or any change to the Company's 401(k) program providing for matching by employer contributions.

6. The Committee shall annually review and 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 amounts and shares reserved thereunder after taking into consideration the Company's strategies with respect to short and long-term cash and equity-based compensation.

7. The Committee will periodically review the Company's procedures with respect to employee loans, and 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 of

the Company. The Committee will assist the Board and management of the Company in complying with this prohibition.

8. The Committee will prepare an annual report on executive compensation to the Company's stockholders for inclusion in the proxy statement for the Company's annual meeting in accordance with the rules and regulations of the Securities and Exchange Commission.

9. The Committee will have the authority and right, as it determines necessary or appropriate, to retain and terminate compensation consultants, legal counsel, and other advisors of its choosing to assist the Committee in carrying out its responsibilities. The Committee shall have the authority to approve the fees and other retention terms of such advisors. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to any such advisors retained by the Committee pursuant to this Charter.

10. The Committee will report its actions and any recommendations to the Board after each Committee meeting or consent action.

III. Meetings

Meetings of the Committee will be held from time to time, but no less often than twice per year, in response to the needs of the Board or as otherwise determined by the chairman of such Committee and shall provide written reports to the Board. In lieu of a meeting, the Committee may also act by unanimous consent as provided in the Company's Bylaws.

IV. Minutes

The Committee will maintain written minutes of its meetings and copies of its actions by unanimous consent, and will file such minutes and consent actions with the minutes of the meetings of the Board.