

Bitstream Inc.

COMPENSATION COMMITTEE CHARTER

The Compensation Committee (the "Committee") of Bitstream Inc. (the "Company") is appointed by the Board of Directors to assist the Board in making decisions concerning compensation. The Committee members must be independent directors within the meaning of applicable Nasdaq listing standards and must comply with applicable regulations of the State of Delaware and the Securities and Exchange Commission ("SEC").

The Committee shall consist of at least two members of the Board of Directors. Unless the Board of Directors elects a Chair of the Compensation Committee, the Committee shall elect a Chair by majority vote. The compensation of Committee members shall be determined by the Board of Directors. Members of the Committee shall be appointed by the Board of Directors, upon the recommendation of the Nominating and Corporate Governance Committee. The Board of Directors may remove members of the Compensation Committee from such committee, with or without cause.

GENERAL

The Compensation Committee shall provide guidance and direction for all executive compensation (salaries, incentives, and other forms of compensation) and benefit programs affecting officers and other key employees of the corporation, taking into consideration both the Company's financial results and individual performance, as well as any other factors that may, in the Committee's judgment, be appropriate. The Committee shall make recommendations to the full Board of Directors concerning compensation and benefit programs for directors, officers and other employees of the Company and individual compensation actions thereunder

The Committee shall review and recommend to the full Board, the compensation and benefits for non-employee Directors and shall review all Board fee arrangements and other compensation and benefit programs for directors.

The Committee shall assure an internally consistent and externally competitive executive compensation program in order to attract and retain qualified executives and Board members, and to provide incentives for the attainment of corporate business objectives.

The Committee administers the Company's benefit plans and administers the issuance of stock options and other awards under all of the Company's Stock Plans to all employees and directors of the Company, including the members of such committee. The Committee may delegate to one or more executive officers of the Company the power to administer Company-wide benefit plans for the employees of the Company or any subsidiary of the Company who are not directors or officers of the Company.

AUTHORITY AND RESPONSIBILITIES

The Committee shall discharge its responsibilities, and shall assess the information provided by the Company's management, in accordance with its business judgment.

The Committee shall annually review and approve corporate goals and objectives relevant to the compensation of the CEO, evaluate the CEO's performance in light of those goals and objectives, and determine and approve the CEO's compensation level based on this evaluation.

The Committee shall periodically review (relative to comparable companies) and approve officer compensation, including salary, bonus and incentive compensation levels; deferred compensation; officer equity compensation, including awards to induce employment; officer severance arrangements; and other forms of officer compensation.

The Committee shall approve all incentive-compensation and deferred compensation plans for the Company's officers. In addition, the Compensation Committee shall approve all equity-based plans for the benefit of the Company's officers, directors, employees and/or consultants and may approve such other incentive, deferred and other compensation plans, retirement plans or other benefit plans that the Committee reasonably believes to be in the best interests of the Company and its stockholders.

The Committee shall exercise all rights, authority and functions of the Board of Directors under the Company's stock option, and other equity-based plans, including without limitation, the authority to interpret the terms thereof, to grant options thereunder, to make stock awards thereunder; and to amend any such plan. In addition, Compensation Committee shall exercise all rights, authority and functions of the Board of Directors under the Company's incentive, deferred and other compensation plans, retirement plans and other benefit plans. To the extent permitted by applicable law and the provisions of a given equity-based plan, and consistent with the requirements of applicable law and such equity-based plan, the Compensation Committee may delegate to one or more executive officers of the Company the power to grant options or other stock awards pursuant to such equity-based plan to employees of the Company or any subsidiary of the Company who are not directors or officers of the Company.

The Committee shall periodically review and make recommendations to the Board of Directors with respect to director compensation, including director compensation guidelines.

The Committee shall periodically review and make recommendations to the Board of Directors relating to management succession planning, including policies and principles for CEO selection and succession in the event of an emergency or the retirement of the CEO.

The Committee shall annually prepare for inclusion in the appropriate filing with the Securities and Exchange Commission the report described in Item 402(k) of Regulation S-K.

If during the last fiscal year of the Company (while the Company was a reporting company pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (the "Exchange Act")), any adjustment or amendment was made to the exercise price of any stock option previously awarded to a "named executive officer" (as

such term is defined from time to time in Item 402(a)(3) of Regulation S-K), the Compensation Committee shall furnish the report required by Item 402(i) of Regulation S-K.

The Committee shall have such other duties as may be delegated from time to time by the Board of Directors.

PROCEDURES AND ADMINISTRATION

The Committee shall meet as often as it deems necessary in order to perform its responsibilities. The Compensation Committee may also act by unanimous written consent in lieu of a meeting. The Compensation Committee shall keep such records of its meetings as it shall deem appropriate.

The Committee may form and delegate authority to one or more subcommittees as it deems appropriate from time to time under the circumstances (including (a) a subcommittee consisting of a single member and (b) a subcommittee consisting of at least two members, each of whom must be non-employee independent directors within the meaning of applicable Nasdaq listing standards and must comply with applicable regulations of the State of Delaware and the Securities and Exchange Commission ("SEC"))

The Committee shall report regularly to the Board of Directors.

The Committee shall periodically review and reassess the adequacy of this Charter and recommend any proposed changes to the Board of Directors for approval.

The Committee shall have the sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of officer compensation and shall have sole authority to approve the consultant's fees and other retention terms. The Committee shall also have authority to commission compensation surveys or studies as the need arises. The Compensation Committee is empowered, without further action by the Board of Directors, to cause the Company to pay the compensation of such consultants as established by the Compensation Committee.

The Committee shall have the authority, without further action by the Board of Directors, to engage such independent legal, accounting and other advisors as it deems necessary or appropriate to carry out its responsibilities. Such independent advisors may be the regular advisors to the Company. The Compensation Committee is empowered, without further action by the Board of Directors, to cause the Company to pay the compensation of such advisors as established by the Compensation Committee.

The Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it shall deem appropriate, including the authority to request any officer, employee or advisor of the Company to meet with the Compensation Committee or any advisors engaged by the Compensation Committee.

At least annually, the Committee shall evaluate its own performance. The Committee conducts an annual assessment to determine whether it has sufficient information, resources and time to fulfill its obligations and whether it is performing its obligations. Under the Board's Corporate Governance Guidelines, the Committee may also retain experts to assist it in carrying out its responsibilities.