



## CHARTER OF THE COMPENSATION COMMITTEE

### PURPOSE

The purpose of the Compensation Committee (the “*Committee*”) of the Board of Directors (the “*Board*”) of Applied Micro Circuits Corporation (the “*Company*”) shall be to act on behalf of the Board in fulfilling the Board’s responsibilities to oversee the Company’s compensation policies, plans and programs, and to review and determine the compensation to be paid to the Company’s executive officers, as well as to prepare and review the Committee report included in the Company’s annual proxy statement in accordance with applicable rules and regulations of the Securities and Exchange Commission (the “*SEC*”) in effect from time to time. The term “compensation” shall include salary, long-term incentives, bonuses, perquisites, equity incentives, severance arrangements, retirement benefits and other related benefits and benefit plans.

### COMPOSITION

The Committee shall consist of at least three members of the Board of Directors. All members of the Committee shall satisfy the independence requirements of The Nasdaq Stock Market (“*Nasdaq*”), as in effect from time to time, when and as required by Nasdaq, including any exceptions permitted by these requirements, as well as the independence requirements set forth in Exhibit “A” to this Charter. All members of the Committee shall satisfy the “non-employee director” standard within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934, as amended from time to time (the “*Exchange Act*”) and the “outside director” standard within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended from time to time (the “*Code*”). The members of the Committee shall be appointed by and serve at the discretion of the Board. Vacancies occurring on the Committee shall be filled by the Board. The Chairman of the Committee shall be designated by the Board.

### MEETINGS AND MINUTES

The Committee shall hold such regular or special meetings as its members shall deem necessary or appropriate. The Committee shall meet at least once each calendar year without the Chief Executive Officer in attendance.

Minutes of each meeting of the Committee shall be prepared and distributed to each director of the Company and the Secretary of the Company promptly after each meeting. The Chairman of the Committee shall report to the Board from time to time, or whenever so requested by the Board.

### AUTHORITY

The Committee shall have full access to all books, records, facilities and personnel of the Company as deemed necessary or appropriate by any member of the Committee to discharge his or her responsibilities hereunder. The Committee shall have the authority to obtain, at the expense of the Company, advice and assistance from internal or external legal, accounting or



other advisors and consultants who shall report directly to the Committee. In addition, the Committee shall have sole authority to retain and terminate any compensation consultant to assist in the evaluation of chief executive officer or senior executive compensation, including sole authority to approve such consultant's reasonable fees and other retention terms, all at the Company's expense. Other reasonable expenditures for external resources that the Committee deems necessary or appropriate in the performance of its duties are permitted. The Committee shall have authority to require that any of the Company's personnel, counsel, accountants or investment bankers, or any other consultant or advisor to the Company attend any meeting of the Committee or meet with any member of the Committee or any of its special legal, accounting or other advisors and consultants. The Committee may form and delegate authority to subcommittees as appropriate, including, but not limited to, a subcommittee composed of one or more members of the Board to grant stock awards under the Company's equity incentive plans to persons who are not (a) "Covered Employees" under Section 162(m) of the Code; (b) individuals with respect to whom the Company wishes to comply with Section 162(m) of the Code or (c) then subject to Section 16 of the Exchange Act. The operation of the Committee shall be subject to the Bylaws of the Company as in effect from time to time and Section 141 of the Delaware General Corporation Law. The approval of this Charter by the Board shall be construed as a delegation of authority to the Committee with respect to the responsibilities set forth herein.

## **RESPONSIBILITIES**

To implement the Committee's purpose and policies, the Committee shall be charged with the following duties and responsibilities. The Committee may supplement and, except as otherwise required by applicable law or the requirements of Nasdaq, deviate from these activities as appropriate under the circumstances:

1. *Overall Compensation Strategy.* The Committee shall review, modify (as needed) and approve the overall compensation strategy and policies for the Company, including:

- establishing annual and long-term individual and corporate performance goals and objectives for the Chief Executive Officer;
- reviewing individual and corporate performance goals and objectives relevant to the compensation of the Company's other executive officers;
- evaluating and recommending to the Board the compensation plans and programs advisable for the Company, as well as modification or termination of existing plans and programs;
- establishing policies with respect to equity compensation arrangements; and
- reviewing and approving the terms of any employment agreements, severance arrangements, change-of-control protections and any other compensatory arrangements for the Company's executive officers.

2. *Compensation of Chief Executive Officer.* The Committee shall determine and approve the compensation and other terms of employment of the Company's Chief Executive



Officer and shall evaluate the Chief Executive Officer's performance in light of relevant individual and corporate performance goals and objectives. In determining the incentive components of the Chief Executive Officer's compensation, the Committee should consider the Company's performance and relative stockholder return, the value of similar incentive awards given to chief executive officers of comparable companies, the awards given to the Chief Executive Officer in past years, and such other criteria as the Committee deems advisable. The Chief Executive Officer may not be present during the voting or deliberations regarding his or her compensation.

**3.** *Compensation of Other Executive Officers.* The Committee shall review the individual and corporate performance goals and objectives of the Company's other executive officers. The Committee shall determine and approve the compensation and other terms of employment of these executive officers, taking into consideration their success in achieving individual performance goals and objectives and the corporate performance goals and objectives deemed relevant as established by the Committee.

**4.** *Administration of Benefit Plans.* The Committee shall recommend to the Board the adoption, amendment and termination of the Company's stock option plans, stock appreciation rights plans, pension and profit sharing plans, incentive plans, stock bonus plans, stock purchase plans, bonus plans, deferred compensation plans and similar programs. The Committee shall have full power and authority to administer these plans, establish guidelines, interpret plan documents, select participants, approve grants and awards, and exercise such other power and authority as may be permitted or required under such plans.

**5.** *Insurance Coverage.* The Committee shall review and establish appropriate insurance coverage for the Company's directors and officers.

**6.** *Committee Self-Assessment.* The Committee shall review, discuss and assess its own performance at least annually. The Committee shall also periodically review and assess the adequacy of this Charter and shall recommend any proposed changes to the Board for approval.



## EXHIBIT “A”

### INDEPENDENCE REQUIREMENTS

To meet the independence standards of this Exhibit A, the Board must determine that a director satisfies all of the following criteria:

1. The director has not been employed by the Company or its subsidiaries as an Executive Officer at any time during the preceding five years. “Executive Officer” means the Chief Executive Officer and the “named executive officers”, as defined in Item 402(a)(3) of Regulation S-K of the SEC;

2. The director or an entity affiliated with the director has not received, during the current fiscal year or any of the three immediately preceding fiscal years, remuneration of more than \$50,000 in any such fiscal year for service as an advisor, consultant, or legal counsel to the Company or to an Executive Officer of the Company; *provided, however*, that compensation for service as a director of the Company shall not be included for purposes of this paragraph (2);

3. The director has no personal services contract(s) with the Company or any Executive Officer of the Company, which result in payments of more than \$50,000 in any such fiscal year; *provided, however*, that service as a director of the Company shall not be deemed to constitute a personal services contract for purposes of this paragraph (3);

4. The director is not an officer, director or trustee of a not-for-profit entity that receives cash contributions from the Company or an Executive Officer of the Company in an amount greater than the greater of \$250,000 or 1% of that not-for-profit entity’s total annual receipts;

5. During the current fiscal year or any of the three immediately preceding fiscal years, the director has not had any business relationship with the Company for which the Company has been required to make disclosure under Item 404 of Regulation S-K of the SEC, other than for service as a director or for which relationship no more than de minimis remuneration was received in any one such year;

6. The director is not employed by a public company at which an Executive Officer of the Company serves as a director;

7. The director is not a member of the immediate family of any person described in paragraphs (1), (2), (3) or (4) above;

8. The director does not have beneficial ownership interest greater than 5% of the total equity interest in an entity that has received remuneration, other than de minimis remuneration, from the Company or its subsidiaries. Remuneration is deemed de minimis for this paragraph only if it does not exceed the greater of \$2,000,000 or 1% of the entity’s consolidated annual gross revenues and does not directly result in an increase in the compensation received by the director from that entity; and



9. The director is not a current Executive Officer of a significant customer or supplier of the Company. A customer is significant if, during the fiscal year, it made payments of more than the greater of \$1,000,000 or 2% of the consolidated annual gross revenues of the Company and a supplier is significant if, during the fiscal year, it received more than the greater of \$1,000,000 or 2% of the consolidated annual gross revenues of the Company.

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