



**HARMONIC INC.**

(the "Corporation")

**COMPENSATION AND EMPLOYEE OWNERSHIP  
COMMITTEE CHARTER**  
(adopted January 2004)

**I. PURPOSES**

- A. The purpose of the Compensation and Employee Ownership Committee (the "Committee") of the board of directors of the Corporation (the "Board") is to ensure a broad plan of compensation and equity ownership is established that is competitive and motivating in order to attract, hold and inspire the Executive Management and other key employees, to administer the Corporation's long term incentive and equity award plans and to grant awards thereunder. The Committee is also responsible for producing an annual report on executive compensation and executive ownership for inclusion in the Corporation's proxy statement.
- B. For the purposes hereof, "Executive Management" means all members of the executive management of the Corporation and such other officers of subsidiaries of the Corporation as may be designated by the Board.

**II. COMPOSITION AND TERMS OF OFFICE**

- A. Following each annual meeting of stockholders of the Corporation, the Board may appoint not less than two members of the Board to the Committee. In the absence of any such appointment, each of the continuing members of the Committee shall continue to serve as a member of the Committee until (i) his or her successor is duly elected and qualified, (ii) such member dies or resigns from the Committee or (iii) such member is no longer a member of the Board. The Committee shall consist of directors of the Corporation who:
  - (i) Meet the independence requirements of Rule 4200 of the Marketplace Rules of the Nasdaq Stock Market, as promulgated in the Manual of the National Association of Securities Dealers, Inc., as amended;
  - (ii) Are "non-employee directors," as such term is defined in Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended; and
  - (iii) Are "outside directors," as such term is defined in Section 162(m) of the Internal Revenue Code of 1986, as amended.
- B. The chair of the Committee shall be appointed by the Board.
- C. Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member upon ceasing to be a director of the Corporation. Each member of the Committee shall hold office until the earlier of the date: (i) his or her successor is duly elected and qualified, (ii) such member dies or resigns from the Committee or (iii) such member is no longer a member of the Board.
- D. It is anticipated that the Committee will meet at least twice per year. Additional meetings may be held as deemed necessary by the chair of the Committee or as requested by any member of the Committee.

- E. Subject to applicable law, one or more members of the Committee may participate in a meeting of the Committee by means of such telephonic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other, and a member participating in such a meeting by any such means is deemed to be present at that meeting.
- F. A quorum for the transaction of business at all meetings of the Committee shall be a majority of the members of the Committee. Questions arising at any meeting shall be determined by a majority of votes of the members of the Committee present.
- G. The Committee shall keep regular minutes of proceedings and shall cause them to be recorded in books kept for that purpose, and shall report the same to the Board at such times as the Board may, from time to time, require.
- H. The Committee shall choose as its secretary such person as it deems appropriate.

### **III. DUTIES AND RESPONSIBILITIES**

Subject to the powers and duties of the Board, the Board hereby delegates to the Committee the following powers and duties to be performed by the Committee on behalf of and for the Board:

- A. Review management's succession plans for Executive Management, including specific development plans and career planning for potential successors prior to their presentation to the Board by the chief executive officer of the Corporation (the "CEO").
- B. The Committee shall annually review and, to the extent revision is appropriate, approve for the CEO and the other members of Executive Management (a) the annual base salary, (b) the annual incentive bonus, including the specific goals and amount, (c) equity compensation, (d) employment agreements, severance arrangements, and change in control agreements/provisions, and (e) any other benefits, compensation, compensation policies or arrangements. In reviewing and approving such matters, the Committee shall consider such matters as it deems appropriate, including the Corporation's financial and operating performance, the alignment of the interests of the executive officers and the Corporation's stockholders, the performance of the Corporation's common stock and the Corporation's ability to attract and retain qualified individuals.
- C. Review and approve the compensation and equity ownership of the CEO, at a meeting at which the CEO is not present, and, at a meeting at which the CEO is present, the compensation and equity ownership of each of the other members of Executive Management. The CEO will not be present during voting or deliberations regarding his or her compensation and equity ownership.
- D. Recommend to the Board for consideration and approval any long term incentive and equity award plan, pension plan or employee benefit plan and guidelines with respect thereto.
- E. With respect to the granting of awards pursuant to any long term incentive and equity award plans:
  - (i) in conjunction with management, administer the Corporation's long term incentive and equity award plans as determined and established by the Board;
  - (ii) review management's recommendations for and approve the granting of awards by the Corporation; and
  - (iii) suggest and review any amendments which the Committee considers necessary to the Corporation's long term incentive and equity award plans (or any awards granted thereunder) and make recommendations to the Board with respect to those amendments;

provided however, that all amendments to such plans shall be subject to the consideration and approval of the Board.

- F. Review and approve benefits other than those applicable to employees generally to be granted to Executive Management including levels and types of benefits.
- G. Consider and approve all matters concerning incentive awards, perquisites and other remuneration matters with respect to Executive Management.
- H. Determine whether to retain outside consultants to review the Executive Management compensation and equity ownership program and, if such consultants are retained, determine the scope and other terms of such engagement.
- I. Review the CEO's annual objectives, lead and implement the CEO's review process and, in conjunction with the CEO, the senior officer review process, and report the results of these processes to the full Board.
- J. Review and approve the report of the Committee for publication in the Corporation's annual proxy statement.
- K. The Committee shall review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.
- L. The Committee shall review its own performance.
- M. In performing its responsibilities, the Committee shall have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.
- N. Have such other powers and duties as delegated to it by the Board.

#### **IV. ACCOUNTABILITY**

- A. The Committee shall report to the Board at its next regular meeting all such action it has taken since the previous report.
- B. The Committee is authorized to request the presence at any meeting, but without voting rights, of a representative from the external advisors, senior management, legal counsel or anyone else who could contribute substantively to the subject of the meeting and assist in the discussion and consideration of the business of the Committee, including directors, officers and employees of the Corporation.