

HARMONIC INC  
Form DEF 14A  
April 30, 2015  
Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

---

SCHEDULE 14A  
Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934

---

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

HARMONIC INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1 ) Title of each class of securities to which transaction applies:
  - (2 ) Aggregate number of securities to which transaction applies:
  - (3 ) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4 ) Proposed maximum aggregate value of transaction:
  - (5 ) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1 ) Amount Previously Paid:
- (2 ) Form, Schedule or Registration Statement No.:
- (3 ) Filing Party:
- (4 ) Date Filed:



Table of Contents

HARMONIC INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MONDAY, JUNE 29, 2015

TO THE STOCKHOLDERS OF HARMONIC INC.

NOTICE IS HEREBY GIVEN that the 2015 annual meeting of stockholders (the “Annual Meeting”) of Harmonic Inc., a Delaware corporation (the “Company”), will be held on Monday, June 29, 2015, at 1:00 p.m., Pacific Time, at the Company’s principal offices, located at 4300 North First Street, San Jose, California 95134, for the following purposes:

1. To elect eight directors to serve until the earlier of the 2016 annual meeting of stockholders or until their successors are elected and qualified or until their earlier resignation or removal;
2. To hold an advisory vote on executive compensation;
3. To approve an amendment to the Company’s 2002 Director Stock Plan to increase the number of shares of common stock reserved for issuance thereunder by 350,000 shares;
4. To ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm of the Company for its fiscal year ending December 31, 2015; and
5. To transact such other matters as may properly come before the Annual Meeting or any adjournment, postponement or other delay thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this notice. All stockholders of record at the close of business on Thursday, April 30, 2015, are entitled to notice and to vote at the Annual Meeting and any adjournment or postponement thereof.

We are pleased to continue our practice of furnishing proxy materials over the Internet. We believe doing so allows us to provide our stockholders with the information they need, while lowering the costs of the delivery of the materials and reducing the environmental impact of printing and mailing hard copies. Accordingly, unless you have previously requested to receive our proxy materials in paper form or by email, you will receive a Notice of Internet Availability of Proxy Materials. Stockholders who continue to receive paper copies of proxy materials may elect to receive future proxy materials via electronic delivery by enrolling at [www.proxyvote.com](http://www.proxyvote.com).

All eligible stockholders are cordially invited to attend the Annual Meeting in person. However, to ensure your representation at the meeting, you are urged to vote as promptly as possible to ensure that your vote is recorded. Please review the instructions on each of your voting options described in the proxy materials, as well as the Notice of Internet Availability of Proxy Materials if you received one.

By Order of the Board of Directors,

Timothy C. Chu  
Vice President, General Counsel and Secretary  
San Jose, California  
April 30, 2015

**YOUR VOTE IS EXTREMELY IMPORTANT**

In order to ensure your representation at the Annual Meeting, you are requested to vote, at your earliest convenience, over the Internet or by telephone, whether or not you plan to attend the meeting. If you received a paper proxy card and voting instructions by mail, you may vote your shares by completing, dating and signing the enclosed proxy and mailing it promptly, whether or not you plan to attend the meeting. You may revoke your proxy at any time before it is voted.

Table of Contents

PROXY STATEMENT TABLE OF CONTENTS

	Page
<u>INFORMATION CONCERNING SOLICITATION AND VOTING</u>	<u>1</u>
<u>PROPOSAL ONE: ELECTION OF DIRECTORS</u>	<u>5</u>
<u>PROPOSAL TWO: ADVISORY VOTE ON EXECUTIVE COMPENSATION</u>	<u>13</u>
<u>PROPOSAL THREE: APPROVAL OF AMENDMENT TO HARMONIC'S 2002 DIRECTOR STOCK PLAN</u>	<u>14</u>
<u>PROPOSAL FOUR: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	<u>17</u>
<u>EXECUTIVE OFFICERS</u>	<u>19</u>
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	<u>20</u>
<u>EXECUTIVE COMPENSATION</u>	<u>26</u>
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	<u>33</u>
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	<u>34</u>
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	<u>34</u>
<u>OTHER MATTERS</u>	<u>34</u>

---

Table of Contents

HARMONIC INC.

PROXY STATEMENT

2015 ANNUAL MEETING OF STOCKHOLDERS

4300 NORTH FIRST STREET

SAN JOSE, CALIFORNIA 95134

INFORMATION CONCERNING SOLICITATION AND VOTING

GENERAL

The enclosed proxy card is solicited on behalf of the Board of Directors (the “Board of Directors” or the “Board”) of Harmonic Inc., a Delaware corporation (“Harmonic,” “we” or the “Company”), for use at the 2015 Annual Meeting of Stockholders and any adjournment(s), postponement(s) or other delays thereof (the “Annual Meeting”) to be held on Monday, June 29, 2015, at 1:00 p.m., Pacific Time, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held at the Company’s principal offices, located at 4300 North First Street, San Jose, California 95134. The telephone number of the Company’s principal offices is 1-408-542-2500.

INTERNET AVAILABILITY OF PROXY MATERIALS

Under rules adopted by the U.S. Securities and Exchange Commission (the “SEC”), we are furnishing proxy materials to our stockholders primarily via the Internet, instead of mailing printed copies of those materials to each stockholder. On or about April 30, 2015, we expect to send to our stockholders (other than those who previously requested electronic or paper delivery) a Notice of Internet Availability of Proxy Materials (the “E-Proxy Notice”) containing instructions on how to access our proxy materials, including our proxy statement (the “Proxy Statement”) and our 2014 Annual Report. The E-Proxy Notice also instructs you on how to access your proxy card to vote through the Internet or by telephone.

This process is designed to expedite stockholders’ receipt of proxy materials, lower the cost of the Annual Meeting, and help conserve natural resources. If you previously elected to receive our proxy materials electronically, you will continue to receive these materials via e-mail unless you elect otherwise. However, if you would prefer to receive printed proxy materials, please follow the instructions included in the E-Proxy Notice.

WHO CAN VOTE AT THE ANNUAL MEETING

Stockholders as of the close of business on April 30, 2015 (the “Record Date”) are entitled to notice of and to vote at the Annual Meeting. On the Record Date, 88,532,963 shares of the Company’s common stock, \$0.001 par value per share (the “Common Stock”), were issued and outstanding.

Stockholder of Record: Shares Registered in Your Name

If on April 30, 2015, your shares were registered directly in your name with our transfer agent, Computershare Investor Services, then you are considered the stockholder of record with respect to those shares. As a stockholder of record, you may vote at the Annual Meeting or vote by proxy. Whether or not you plan to attend the Annual Meeting, we urge you to vote over the Internet or by telephone, or if you received paper proxy materials by mail, by filling out and returning the proxy card in the enclosed postage-paid envelope.

Beneficial Owner: Shares Registered in the Name of a Broker or Nominee

If on April 30, 2015, your shares were held in an account with a brokerage firm, bank or other nominee, then you are the beneficial owner of the shares held in street name. As a beneficial owner, you have the right to direct your nominee on how to vote the shares held in your account, and it has enclosed or provided voting instructions for you to use in directing it on how to vote your shares. However, the organization that holds your shares is considered the stockholder of record for purposes of voting at the Annual Meeting. Because you are not the stockholder of record,

you may not vote your shares at the Annual Meeting unless you request and obtain a valid proxy from the organization that holds your shares giving you the right to vote the shares at the Annual Meeting.

**HOW TO VOTE**

If you are a stockholder of record you may vote by proxy or in person by ballot at the Annual Meeting. To vote by proxy, you may vote via the Internet or by telephone by following the instructions provided on the E-Proxy Notice or proxy card, or if

## Table of Contents

you received a paper proxy card and voting instructions by mail, you should sign, date and return the enclosed proxy card in the enclosed postage-paid envelope before the Annual Meeting.

If you are a beneficial owner and not the stockholder of record, please refer to the voting instructions provided by your nominee to direct it on how to vote your shares.

### REVOCABILITY OF PROXIES

Any proxy may be revoked by the person giving it at any time before its use at the Annual Meeting by delivering to the Secretary of the Company, at the Company's principal offices, a written notice of revocation or a signed proxy bearing a later date, or by voting on a later date by telephone or via the Internet. If you attend the Annual Meeting in person and vote by ballot, any previously submitted proxy will be revoked.

Please note, however, that if you are a beneficial owner and you wish to change or revoke your proxy, you may change your vote by submitting new voting instructions to your broker, bank or other nominee or, if you have obtained a legal proxy from your broker, bank or other nominee giving you the right to vote your shares at the Annual Meeting, by attending the Annual Meeting and voting in person.

### QUORUM; VOTING REQUIREMENTS

Each stockholder is entitled to one vote for each share of Common Stock held as of the Record Date on all matters presented at the Annual Meeting. Stockholders do not have the right to cumulate their votes in the election of directors.

The holders of a majority in voting power of the Common Stock issued and outstanding and entitled to vote at the Annual Meeting, present in person or represented by proxy, constitutes a quorum for action at the Annual Meeting. Shares that reflect abstentions and broker non-votes count as present at the Annual Meeting for the purposes of determining a quorum.

Directors are elected by a plurality of the votes cast. The advisory vote on executive compensation (Proposal Two in this Proxy Statement), the amendment to the Company's 2002 Director Stock Plan (Proposal Three in this Proxy Statement) and the ratification of the appointment of the Company's independent registered public accounting firm (Proposal Four in this Proxy Statement) each requires the favorable vote of the holders of a majority of the Common Stock having voting power present in person or represented by proxy and entitled to vote on the proposal.

In the election of directors (Proposal One in this Proxy Statement), abstentions and broker non-votes will be disregarded and have no effect on the outcome of the vote. With respect to the advisory vote on executive compensation (Proposal Two in this Proxy Statement), the amendment to the Company's 2002 Director Stock Plan (Proposal Three in this Proxy Statement) and the ratification of the appointment of the Company's independent registered public accounting firm (Proposal Four in this Proxy Statement), abstentions will have the same effect as voting against the proposal and broker non-votes, if any, will be disregarded and have no effect on the outcome of the vote.

If you hold shares beneficially in street name (that is, in an account at a bank or broker) and do not provide your bank or broker with voting instructions, your shares may constitute "broker non-votes." Broker non-votes occur on a matter when a bank or broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. These matters are referred to as "non-routine" matters. All of the matters scheduled to be voted on at the Annual Meeting are "non-routine," except for the ratification of the appointment of the Company's independent registered public accounting firm (Proposal Three in this Proxy Statement).

### SOLICITATION

The Company will bear the cost of soliciting proxies, including the preparation, assembly, Internet hosting, printing and mailing of the E-Proxy Notice, this Proxy Statement, the proxy card and any other proxy materials furnished to stockholders by the Company in connection with the Annual Meeting. In addition, the Company may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding the proxy materials to such beneficial owners. Solicitation of proxies by mail may be supplemented by telephone, facsimile, email, Internet or personal solicitation by directors, officers, employees or independent contractors of the Company.

Other than for any such independent contractors, no additional compensation will be paid to such persons for such services.

**BOARD OF DIRECTORS' VOTING RECOMMENDATION**

The Board of Directors recommends that you vote your shares "FOR" each of the Board's nominees that are standing for election to the Board of Directors (Proposal One in this Proxy Statement), "FOR" the approval of the advisory vote on executive compensation (Proposal Two in this Proxy Statement), "FOR" the amendment to the Company's 2002 Director Stock



Table of Contents

Plan (Proposal Three in this Proxy Statement) and “FOR” the ratification of the appointment of the Company’s independent registered public accounting firm (Proposal Four in this Proxy Statement).

**IF YOU RECEIVE MORE THAN ONE PROXY CARD OR E-PROXY NOTICE**

If you receive more than one proxy card or E-Proxy Notice, your shares are registered in more than one name or are registered in different accounts. To make certain all of your shares are voted, please follow the instructions included on the E-Proxy Notice on how to access each proxy card and vote each proxy card over the Internet or by telephone. If you received paper proxy materials by mail, please complete, sign and return each proxy card to ensure that all of your shares are voted.

**STOCKHOLDER PROPOSAL PROCEDURES AND DEADLINES**

Proposals of stockholders of the Company that are intended to be presented by such stockholders at the Company’s 2016 annual meeting of stockholders and that stockholders desire to have included in the Company’s proxy materials relating to such meeting pursuant to Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), must be received by Harmonic at its principal offices at 4300 North First Street, San Jose, California 95134, Attention: Corporate Secretary, no later than January 1, 2016 . Any such proposals of stockholders must be in compliance with applicable laws and regulations in order to be considered for possible inclusion in the Company’s proxy materials for that meeting.

Proposals of stockholders of the Company that are intended to be presented by such stockholders at the Company’s 2016 annual meeting of stockholders and that such stockholders do not desire to have included in the Company’s proxy materials for that meeting must be received by Harmonic at its principal offices at 4300 North First Street, San Jose, California 95134, Attention: Corporate Secretary, no earlier than March 31, 2016 and no later than April 30, 2016. However, if the date of our 2016 annual meeting occurs more than 30 days before or after June 29, 2016, then notice of a stockholder proposal that is not intended for inclusion in our proxy statement under Rule 14a-8 must be received by the Company no later than the close of business on the later of (i) 90 days prior to next year’s annual meeting and (ii) 10 days after public announcement of the annual meeting date.

If a stockholder gives notice of such a proposal after the deadlines described above, the Company’s designated proxy holders will be allowed to use their discretionary voting authority to vote against the stockholder proposal when and if the proposal is raised at the Company’s 2016 annual meeting of stockholders.

Furthermore, under the Company’s bylaws, a stockholder’s notice of business to be brought before an annual meeting must set forth, as to each proposed matter: (a) a brief description of the business and reason for conducting such business at the meeting; (b) the name and address, as they appear on the Company’s books, of the stockholder proposing such business and any associated person of such stockholder; (c) the class and number of shares of the Company owned by the stockholder proposing such business and any associated person of such stockholder; (d) whether, and the extent to which, any hedging or other transaction or series of transactions has been entered into by or on behalf of such stockholder or any associated person of such stockholder with respect to any securities of the Company, and a description of any other agreement, arrangement or understanding, the effect of which is to mitigate loss to, or manage the risk or benefit from share price changes for, or increase or decrease the voting power of, such stockholder or any associated person of such stockholder with respect to the securities of the Company; (e) any material interest of the stockholder or any associated person of such stockholder in such business; and (f) a statement whether either of such stockholder or any associated person of such stockholder will deliver a proxy statement and form of proxy to holders of at least the percentage of the Company’s voting shares required under applicable law to carry the proposal. In addition, to be in proper written form, a stockholder’s notice to the Secretary of the Company must be supplemented not later than 10 calendar days following the record date to disclose the information contained in clauses (c) and (d) above as of the record date.

**MULTIPLE STOCKHOLDERS SHARING ONE ADDRESS**

In some instances, we may deliver to multiple stockholders of record sharing a common address only one copy of the E-Proxy Notice or, if you received paper proxy materials by mail, only one copy of this Proxy Statement and our 2014

Annual Report. If requested orally or in writing, we will promptly provide a separate copy of the E-Proxy Notice or paper proxy materials to a stockholder sharing an address with another stockholder. Requests should be directed to: Harmonic Inc., 4300 North First Street, San Jose, California 95134, Attention: Corporate Secretary, or to 1-408-542-2500. Beneficial holders sharing a common address and who desire separate copies should contact their brokerage firm or bank.

Stockholders of record sharing an address who currently receive multiple copies of proxy materials or the E-Proxy Notice, and wish to receive only a single copy, should send a signed, written request to the Company at the address noted above. Beneficial holders should contact their brokerage firm or bank.

Table of Contents

**IF YOU PLAN TO ATTEND THE ANNUAL MEETING**

Attendance at the Annual Meeting will be limited to stockholders and the Company's invited guests. Each stockholder may be asked to present valid picture identification, such as a driver's license or passport. Beneficial owners holding shares of Common Stock in brokerage accounts or through a bank or other nominee may be required to show a brokerage statement or account statement reflecting stock ownership. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting. You may contact the Company at 1-408-542-2500 for directions to the Annual Meeting.

If you are a stockholder of record as of the Record Date, you may vote your shares of Common Stock in person by ballot at the Annual Meeting. If you are a beneficial owner and hold your shares of Common Stock through a bank, broker or other nominee, you will not be able to vote in person by ballot at the Annual Meeting unless you have previously requested and obtained a "legal proxy" from your bank, broker or nominee and present it at the Annual Meeting.

Table of Contents

PROPOSAL ONE  
 ELECTION OF DIRECTORS  
 NOMINEES

Eight directors are to be elected at the Annual Meeting. Each of the directors elected at the Annual Meeting will hold office until the earlier of the 2016 annual meeting of stockholders or until such director's successor has been elected and qualified or until such director's earlier resignation or removal.

Unless otherwise instructed, the designated proxy holders will vote the proxies received by them "FOR" the Company's eight nominees named below, all of whom are currently directors of the Company. Each of the nominees was recommended for election by the Company's Corporate Governance and Nominating Committee and the Board of Directors. In the event that any nominee of the Company becomes unable or declines to serve as a director at the time of the Annual Meeting, the designated proxy holders will vote the proxies for any substitute nominee who is designated by the Company's Corporate Governance and Nominating Committee to fill the vacancy. It is not expected that any nominee listed below will be unable or will decline to serve as a director.

DIRECTOR QUALIFICATIONS

The Board of Directors believes that it is necessary for each of the Company's directors to possess a broad array of qualities and skills. When searching for new director candidates, the Corporate Governance and Nominating Committee considers the evolving requirements of serving on the Board of Directors and searches for candidates that fill any current or anticipated future requirements. The Board of Directors also believes that all directors must possess a considerable amount of business and management experience and education.

The Corporate Governance and Nominating Committee first considers a candidate's business and management experience and education and then considers issues of judgment, personal character, integrity, conflicts of interest, diversity and commitment to the goal of maximizing long-term stockholder value. With respect to the nomination of continuing directors for re-election, the individual's historical and ongoing contributions to the Board of Directors are also considered. The process undertaken by the Corporate Governance and Nominating Committee in recommending qualified director candidates is described below under "Identification and Evaluation of, and Criteria for, Candidates for Board Membership" (see page 9 of this Proxy Statement).

DIRECTOR NOMINEES

The names of the nominees for director and certain information about each of them are set forth below. The information presented includes age as of April 1, 2015, positions held, principal occupation and business experience for at least the past five years, and the names of other publicly-held companies of which the nominee currently serves as a director or has served as a director during the past five years. In addition to the information presented below regarding the nominee's specific experience, qualifications, attributes and skills that led our Board to the conclusion that each nominee is qualified to serve as a director, we also believe that all of our director nominees have a reputation for integrity, honesty and adherence to high ethical standards. They each have demonstrated knowledge of our industry, an ability to exercise sound judgment, and a commitment to Harmonic and the Board of Directors. Finally, with respect to our directors who have not been officers of the Company, we value their experience on other public company boards of directors and board committees and as senior officers of other companies. Each of the nominees has consented to being named in this Proxy Statement and to serve as a director if elected.

Name	Age	Principal Occupation
Patrick Gallagher	60	Chairman of Intercloud SAS
Patrick J. Harshman	50	President and Chief Executive Officer, Harmonic Inc.
Harold Covert	68	Independent Business Consultant
E. Floyd Kvamme	77	Partner Emeritus, Kleiner Perkins Caufield & Byers
Mitzi Reaugh	37	Chief Executive Officer and Founder, Percolating Media LLC
William F. Reddersen	67	Retired Telecommunications Executive
Susan G. Swenson	66	Board Director, Wells Fargo Bank, Spirent, FirstNet and Novatel Wireless

Nikos Theodosopoulos      52      Founder, NT Advisors LLC

Except as indicated below, each nominee has been engaged in the principal occupation set forth above during the past five years. There are no family relationships between any directors or executive officers of the Company.

5

---

Table of Contents

Patrick Gallagher has been a director since October 2007 and was elected Chairman of the Board on April 18, 2013. From March 2008 to March 2012, Mr. Gallagher was Chairman of Ubiquisys Ltd., a UK company which develops and supplies femtocells and small cells for the 3G/4G/LTE mobile wireless market. From January 2008 until February 2009, Mr. Gallagher was Chairman of Macro 4 plc, a FTSE-listed global software solutions company. From May 2006 until March 2008, he was Vice Chairman of Golden Telecom Inc., a NASDAQ-listed facilities-based provider of integrated communications. From 2003 until 2006, Mr. Gallagher was Executive Vice Chairman and served as Chief Executive Officer of FLAG Telecom Group, a NASDAQ-listed global telecommunications company which owns and manages a subsea optical fiber network. From 1985 to 2002, Mr. Gallagher held senior management positions at BT Group, including Group Director of Strategy & Development, President of BT Europe and as a member of the BT Executive Committee. Mr. Gallagher is Chairman of the Board of Intercloud SAS and is a director of Ciena Corporation. He is also a director of Sollers JSC but will not stand for reelection at the company's annual shareholder meeting later this year. Mr. Gallagher holds a B.A. in Economics with honors from Warwick University. We believe that Mr. Gallagher's qualifications to serve on our Board include his more than 25 years of experience in the global telecom, Internet and media industries, with a strong track record in building international businesses. He brings particular strategic and operational insight to Harmonic's international business and has significant experience in chairing both public and private companies.

Patrick J. Harshman joined the Company in 1993 and was appointed President and Chief Executive Officer in May 2006. Prior to 2006, he held several executive leadership positions for Harmonic including management of marketing, international sales, product management, and research and development functions. Mr. Harshman earned a Ph.D. in Electrical Engineering from the University of California, Berkeley, and completed an Executive Management Program at Stanford University. We believe that Mr. Harshman's qualifications to serve on our Board include his many years of industry experience and extensive customer relationships, his management and operational experience, and his strong background in driving Harmonic's market-leading broadband and video technologies.

Harold Covert has been a director since 2007. Mr. Covert is an independent business consultant. From April 2014 through September 2014, he served as an advisor to Lumos Networks Corporation, a fiber-based service provider. From September 2011 through March 2014, Mr. Covert served as Executive Vice President and Chief Financial Officer of Lumos Networks . From September 2010 to September 2011, he was an independent business consultant. From October 2007 until September 2010, Mr. Covert was an executive of Silicon Image, Inc., a semiconductor company, serving as Chief Financial Officer from October 2007 until January 2010 and also as its President from September 2009 through September 2010. From 2005 to 2007, Mr. Covert was Executive Vice President and Chief Financial Officer of Openwave Systems Inc., a software applications and infrastructure company. Prior to Openwave, Mr. Covert was Chief Financial Officer at Fortinet Inc. from 2003 to 2005, and Chief Financial Officer of Extreme Networks, Inc. from 2001 to 2003. Mr. Covert has been a Director and Chairman of the Audit Committee at JDS Uniphase Corporation since January 2006. Mr. Covert was a director at Solta Medical, Inc. from June 2007 until January 2014 and was a director of Silicon Image from January 2010 until September 2010. Mr. Covert holds a B.S. in Business Administration from Lake Erie College and an M.B.A. from Cleveland State University and is also a Certified Public Accountant. We believe that Mr. Covert's qualifications to serve on our Board include his having served as the Chief Financial Officer of several publicly traded technology companies. He is currently chair of two public company audit committees, including Harmonic. As Harmonic's audit committee financial expert, he brings extensive financial experience and insight to the Board.

E. Floyd Kvamme has been a director since 1990. From 1984 to 2008, Mr. Kvamme was a General Partner, and since 2008 has been a Partner Emeritus, of Kleiner Perkins Caufield & Byers, a venture capital firm. Mr. Kvamme is also a director of Power Integrations, Inc., as well as one private company. Mr. Kvamme holds a B.S.E.E. from the University of California, Berkeley and an M.S.E. from Syracuse University. We believe that Mr. Kvamme's qualifications to serve on our Board include his years of management experience with major technology companies, as well as his experience with financing and growth planning for technology companies as a partner of a major venture capital firm.

Mitzi Reaugh has been a director since July 2012. Ms. Reaugh is the founder and CEO of Percolating Media, LLC, a digital media company. From October 2013 to January 2015, Ms. Reaugh served as an Executive-in-Residence at The

Chernin Group, a media and production company that manages, operates and invests in businesses in the media, entertainment and technology sectors. From March 2011 to October 2013, she was the Senior Vice President, Strategy and Business Development at Miramax, a film and television studio. Prior to joining Miramax, Ms. Reaugh served as Senior Vice President, Client Solutions at The Nielsen Company, from February 2010 to March 2011. Before Nielsen, she was at NBC Universal, most recently as General Manager, Digital Health Network and initially as Vice President, Strategy & Business Development, Digital Media, from 2006 to October 2009. Ms. Reaugh was a Senior Associate at McKinsey & Company from 2004 to 2006. She holds an M.B.A, from the University of Pennsylvania Wharton School of Business and a B.A. in Economics from Claremont McKenna College. We believe that Ms. Reaugh's qualifications to serve on our Board include being a senior digital media executive and having been at the leading edge of the growth of the digital media industry for over ten years. She also brings extensive strategic experience and insight to the Board.

Table of Contents

William F. Reddersen has been a director since 2002. Since his retirement from BellSouth in 2000, Mr. Reddersen has served as an advisor to multiple venture capital funds active in the technology services market. Previously, until 2000, he spent 31 years at BellSouth Corp. and AT&T Inc., most recently as Executive Vice President of Corporate Strategy at BellSouth. Earlier, as President of its Business Market Operations, he directed BellSouth's entry into new businesses, including the Internet market and its cable television business. Mr. Reddersen joined BellSouth as its Vice President of Marketing for new unregulated businesses and subsequently served as Vice President of Marketing for its regulated services business. Prior to joining BellSouth, he served in multiple management positions at AT&T. Mr. Reddersen served on the board of Otelco, Inc., an independent telephone company, from 2005 through May 2013. Mr. Reddersen holds a B.S. in Mathematics from the University of Maryland and an M.S. in Management from the Massachusetts Institute of Technology, where he was a Sloan Fellow. We believe that Mr. Reddersen's qualifications to serve on our Board include his wide range of telecommunications experience, from running large corporate operations to starting up businesses in directly related industries. His combination of operating experience, corporate strategy experience and financial capital markets experience brings valuable insights to the Board.

Susan G. Swenson has been a director since February 2012. From March 2008 to April 2011, Ms. Swenson served as President and Chief Executive Officer of Sage Software-North America, the North American division of The Sage Group PLC, a global supplier of business management software and services. From August 2007 to March 2008, she was Chief Operating Officer at Atrinsic, Inc. a digital content company. Prior to joining Atrinsic, Inc., she served as Chief Operating Officer of Amp'd Mobile, Inc, a mobile virtual network start-up, from 2006 to 2007. Ms. Swenson was the President and Chief Operating Officer of T-Mobile USA from 2004 to 2005 and of Leap Wireless International, Inc. from 1999 to 2004. She served as the President and Chief Executive Officer of Cellular One from 1994 to 1999. From 1979 to 1994 she served in various management capacities at Pacific Bell, ultimately serving as President and Chief Operating Officer of PacTel Cellular and Vice President, Pacific Bell – Northern California Business Unit. She currently serves as a director of Wells Fargo & Company, Spirent PLC, and Novatel Wireless, Inc., as well as FirstNet, an independent authority within the NTIA/Department of Commerce responsible for establishing a single nationwide, interoperable public safety broadband network. Ms. Swenson holds a B.A. in French from San Diego State University. We believe that Ms. Swenson's qualifications to serve on our Board include her over 30 years of US senior executive experience in the communications industry and her strong technology operations expertise. She brings to the Board two decades of board and committee service, as well as extensive executive experience, from building and growing technology start-up businesses to transforming enterprise businesses to meet market and competitive challenges.

Nikos Theodosopoulos has been a director since March 2015. Mr. Theodosopoulos is the founder of NT Advisors LLC, an advisory and consulting company. From August 1995 through July 2012, Mr. Theodosopoulos served in various capacities with UBS, a global provider of financial services, most recently as Managing Director of technology equity research. From April 1994 to August 1995, he was a Senior Equity Research Analyst for Bear, Stearns & Co., an investment banking firm that was acquired by JPMorgan Chase in 2008, and from January 1990 to April 1994, he worked as an Account Executive for AT&T Network Systems. Mr. Theodosopoulos serves on the board of Arista Networks, Inc., where he also serves on the Audit Committee and the Nominating and Corporate Governance Committee, and as Chairman of the Supervisory Board of ADVA Optical Networking SE, where he also chairs the Audit Committee and the Compensation and Nomination Committee. Mr. Theodosopoulos holds a B.S. in Electrical Engineering from Columbia University, a M.S. in Electrical Engineering from Stanford University and an M.B.A. from New York University's Stern School of Business. We believe that Mr. Theodosopoulos' qualifications to serve on our Board include his significant experience in banking and finance focused on technology companies, and his experience on the boards of directors of major technology companies.

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS VOTING "FOR" EACH OF THE DIRECTOR NOMINEES SET FORTH ABOVE.**



**BOARD MEETINGS AND COMMITTEES**

The Board of Directors held a total of eight (8) meetings during the fiscal year ended December 31, 2014. No director attended fewer than 100% of the meetings of the Board, or the committees upon which such director served, in 2014. The Board has determined that Messrs. Covert, Gallagher, Kvamme, Reddersen and Theodosopoulos and Mmes. Reaugh and Swenson are independent under applicable NASDAQ listing standards and have no material relationships with the Company.

The Board has an Audit Committee, a Compensation Committee and a Corporate Governance and Nominating Committee. The charters for each of these committees are posted on our website at [www.harmonicinc.com](http://www.harmonicinc.com).

## Table of Contents

The Audit Committee currently consists of Messrs. Covert Reddersen and Theodosopoulos, each of whom is independent under Rule 10A-3 of the Exchange Act and under applicable NASDAQ Stock Market listing standards. Mr. Covert serves as the Chairperson of the committee. The Audit Committee serves as the representative of the Board for general oversight of the quality and integrity of Harmonic's financial accounting and reporting process, system of internal control over financial reporting, management of financial risks, audit process, and process for monitoring the compliance with related laws and regulations. The Audit Committee engages the Company's independent registered public accounting firm and approves the scope of both audit and non-audit services. Matters within the scope of the Audit Committee were also discussed in executive sessions at regularly scheduled meetings of the Board in 2014. The Audit Committee held nine (9) meetings during 2014.

The Board has determined that Mr. Covert is an "audit committee financial expert," as defined by the current rules of the SEC. The Board believes that Mr. Covert's experience as the chief financial officer of several companies publicly traded on U.S. stock exchanges qualifies him as an "audit committee financial expert" because he has acquired relevant expertise and experience from performing his duties as a chief financial officer.

The Compensation Committee currently consists of Messrs. Kvamme, Gallagher and Reddersen and Ms. Reaugh, none of whom is an employee of the Company and each of whom is independent under applicable NASDAQ Stock Market listing standards. Mr. Kvamme serves as the Chairperson of the committee. The Compensation Committee is responsible for approving the Company's compensation policies, compensation paid to executive officers, and administration of the Company's equity compensation plans. The Compensation Committee held three (3) meetings during 2014. Matters within the scope of the Compensation Committee were also discussed in executive sessions at regularly scheduled meetings of the Board in 2014.

The Corporate Governance and Nominating Committee serves as the representative of the Board for establishment and oversight of governance policy and the operation, composition and compensation of the Board. The Corporate Governance and Nominating Committee is currently composed of Ms. Swenson and Messrs. Gallagher and Kvamme, each of whom are independent under applicable NASDAQ Stock Market listing standards. Ms. Swenson serves as the Chairperson of the committee. The Corporate Governance and Nominating Committee held four (4) meetings in 2014. Matters within the scope of the Corporate Governance and Nominating Committee were discussed in executive sessions at regularly scheduled meetings of the Board in 2014.

The Corporate Governance and Nominating Committee has proposed, and the Board has approved, the nomination of the eight (8) current board members for re-election by stockholders at this Annual Meeting.

## BOARD LEADERSHIP

We separate the roles of Chief Executive Officer ("CEO") and Chairman of the Board in recognition of the differences between the two roles. The CEO is responsible for setting the strategic direction of the Company and for its operational management, leadership and performance, while the Chairman of the Board provides guidance to the CEO and sets the agenda for, and presides over, meetings of the full Board.

## MEETINGS OF NON-EMPLOYEE DIRECTORS

At each regularly scheduled Board meeting, the non-employee directors meet in an executive session without any management directors or employees present. The Chairman of the Board has the responsibility of presiding over such periodic executive sessions of the Board. Last year, the non-employee directors discussed, in executive sessions, corporate strategy, risk oversight, management performance, Board performance, succession planning for management and the directors, and Board policies, processes and practices.

## CORPORATE GOVERNANCE GUIDELINES

The Board has adopted Corporate Governance Guidelines that set forth the key functions of the Board, as well as principles regarding board structure and composition, board operations and meetings, board interaction with management and third parties, board committees and director compensation. The Corporate Governance Guidelines, in conjunction with our certificate of incorporation, bylaws and Board committee charters, form the framework for the governance of the Company.

The Corporate Governance Guidelines are available on the Company's website at [www.harmonicinc.com](http://www.harmonicinc.com) in the Corporate Governance section of the Investor Relations page. The Corporate Governance Guidelines are reviewed at least annually by our Corporate Governance and Nominating Committee, and changes are recommended to our Board for approval as appropriate.

CODE OF BUSINESS CONDUCT AND ETHICS

8

---

## Table of Contents

We have adopted a Code of Business Conduct and Ethics that applies to all of our Board members, officers and employees. We have also adopted a Code of Business Conduct and Ethics for Senior Operational and Financial Leadership, applicable to our Chief Executive Officer and senior financial officers. Both Codes are available on the Company's website at [www.harmonicinc.com](http://www.harmonicinc.com) in the Corporate Governance section of the Investor Relations page. Any amendments or waivers of either Code pertaining to a member of our Board or one of our executive officers will be disclosed on our website at the above-referenced address.

### ROLE OF THE BOARD IN RISK OVERSIGHT

Management of the Company is responsible for the day-to-day management of risks the Company faces, while the Board has responsibility, as a whole and also at the committee level, for the oversight of the Company's risk management. The Board regularly reviews the Company's long-term business strategy, including industry trends and their potential impact on the Company, our competitive positioning, potential acquisitions and divestitures, as well as the Company's technology and market direction. The Board also reviews information regarding the Company's actual and planned financial position and operational performance, as well as the risks associated with each. The Company's Compensation Committee is responsible for overseeing the management of risks relating to the Company's executive compensation and the Company's incentive, equity award and other benefit plans. The Audit Committee oversees management of financial risks, including, but not limited to, accounting matters, tax positions, insurance coverage and security of the Company's cash reserves. The Corporate Governance and Nominating Committee manages risks associated with the independence and remuneration of the Board and potential conflicts of interest.

At periodic meetings of the Board and its committees, management reports to, and seeks the guidance of, the Board and its committees with respect to the most significant risks that could affect our business. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is periodically informed about such risks by committee reports and receives advice and counsel with respect to risk issues from the Company's outside counsel.

### IDENTIFICATION AND EVALUATION OF, AND CRITERIA FOR, CANDIDATES FOR BOARD MEMBERSHIP

Pursuant to the charter of the Corporate Governance and Nominating Committee, the Committee may utilize a variety of methods to identify and evaluate candidates for service on the Company's Board of Directors. Candidates may come to the attention of the Corporate Governance and Nominating Committee through current directors, management, professional search firms, stockholders, outside professionals or other persons. Any candidate presented would be evaluated at a meeting of the Corporate Governance and Nominating Committee or at a regular Board meeting and may be considered at any point during the year. The Corporate Governance and Nominating Committee may take such measures as it considers appropriate in connection with its evaluation of a candidate, including candidate interviews, inquiry of the person recommending the candidate or reliance on the knowledge of the members of the Corporate Governance and Nominating Committee, members of the Board or management. The Corporate Governance and Nominating Committee has hired, from time to time, a consulting firm to assist it in identifying and screening potential candidates for election to the Board. In evaluating a candidate, the Corporate Governance and Nominating Committee may consider a variety of criteria. These criteria include demonstrated relevant business and industry experience, particular expertise to act as a committee chair or member, the ability to devote the necessary time to the Board and committee service, personal character and integrity, potential conflicts of interest and sound business judgment. The Corporate Governance and Nominating Committee seeks nominees with a broad diversity of experiences, professions, skills, geographic representation and backgrounds.

The Corporate Governance and Nominating Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. Some of the qualifications that the Corporate Governance and Nominating Committee considers include, without limitation, character, integrity, ethics, judgment, diversity of experience, independence, relevant areas of expertise, corporate and technology experience, proven achievement, operating executive experience, understanding of our industry, length of service, potential conflicts of

interest and other commitments. The Corporate Governance and Nominating Committee evaluates these factors, among others, and does not assign any particular weighting or priority to any of these factors. The Corporate Governance and Nominating Committee requires the following minimum qualifications to be satisfied by any nominee for a position on the Board of Directors: the highest personal and professional ethics and integrity; proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, as well as skills that are complementary to those of the existing Board; the ability to assist and support management and make significant contributions to our success; and an understanding of the fiduciary responsibilities that are required of a member of the Board and the commitment of time and energy necessary to diligently carry out those responsibilities. The Corporate Governance and Nominating Committee may also consider such other factors as it may deem, from time to time, are in our and our stockholders' best interests. The Board believes that the backgrounds and qualifications of the directors, considered as a group, should provide a significant composite mix of experience, knowledge and abilities that will

## Table of Contents

allow the Board to best fulfill its responsibilities. Nominees are not discriminated against on the basis of race, religion, national origin, gender, age, sexual orientation, disability or any other basis proscribed by law. The Corporate Governance and Nominating Committee has not set either term limits or age limits for members of the Board, believing that the Company's interests are best served by members of the Board with substantial experience and knowledge of the Company's business and that age is generally not a barrier to effective performance as a member of the Board.

### DIRECTOR RECOMMENDATIONS AND NOMINATIONS FROM STOCKHOLDERS

The Corporate Governance and Nominating Committee will consider recommendations from stockholders of individuals for service on the Board of Directors at the 2016 annual meeting of stockholders, provided that such recommendations are submitted in a timely manner in writing to the Corporate Secretary of the Company at Harmonic Inc., 4300 North First Street, San Jose, California 95134. If a stockholder desires to recommend an individual for consideration by the Corporate Governance and Nominating Committee for nomination by the Board, such recommendation must be received no later than January 1, 2016, which is 120 calendar days prior to the first anniversary of the date of this Proxy Statement first became available to stockholders. In evaluating director candidates recommended by stockholders, the Corporate Governance and Nominating Committee will use the same criteria as it uses to evaluate all prospective members of the Board.

For a stockholder nomination of a person for election to the Board at the 2016 Annual Meeting of Stockholders that such stockholder does not desire to have considered by the Corporate Governance and Nominating Committee for nomination by the Board, timely written notice of such nomination must be delivered to the Corporate Secretary of the Company no earlier than March 31, 2016 and no later than April 30, 2016.

To be in proper written form, a stockholder's notice must contain: (i) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (a) the name, age, business address and residence address of the nominee, (b) the principal occupation or employment of the nominee, (c) the class and number of shares of the Company which are beneficially owned by the nominee and any derivative positions held or beneficially held by the nominee, (d) whether, and the extent to which, any hedging or other transaction or series of transactions has been entered into by or on behalf of the nominee with respect to any securities of the Company, and a description of any other agreement, arrangement or understanding, the effect or intent of which is to mitigate loss, manage the risk or benefit from share price changes, or increase or decrease the voting power of the nominee with respect to any securities of the Company, (e) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nominations are to be made by the stockholder, (f) a written statement executed by the nominee acknowledging that, as a director of the Company, the nominee will owe fiduciary duties under Delaware law with respect to the Company and its stockholders, and (g) any other information relating to the nominee that is required to be disclosed in solicitations of proxies for election of directors or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including, without limitation, the nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); and (ii) as to such stockholder proposing a nominee for election to the Board, (a) the information set forth in "Stockholder Proposal Procedures and Deadlines" on page 3 of this Proxy Statement for a stockholder notice of business to be brought before an annual meeting, and (b) a statement whether either such stockholder or any associated person of such stockholder will deliver a proxy statement and form of proxy to holders of a number of the Company's voting shares reasonably believed by such stockholder or associated person of such stockholder to be necessary to elect such nominee. A copy of the full text of the bylaw provisions discussed herein may be obtained by writing to the Company's Secretary at our principal offices, or can be accessed from the Company's filings with the SEC at [www.sec.gov](http://www.sec.gov).

### COMPENSATION OF DIRECTORS

As compensation for its non-employee directors, Harmonic uses a combination of cash and equity-based incentive compensation. Directors who are employees of the Company do not receive additional compensation for their service as directors.

Cash Compensation. Each non-employee director is paid an annual retainer of \$35,000. In addition, the Chair of the Audit Committee is paid an annual retainer of \$32,000, the Chair of the Compensation Committee is paid an annual retainer of \$18,000, and the Chair of the Corporate Governance and Nominating Committee is paid an annual retainer of \$11,000. Other members of the Board committees receive an annual retainer as follows: Audit Committee — \$16,000; Compensation Committee — \$9,000; and Corporate Governance and Nominating Committee — \$5,500. The non-executive Chairman of the Board receives an additional annual retainer of \$40,000. No additional fees are paid for attending in-person or telephonic meetings of the Board or its committees.

Equity Compensation. The 2002 Director Stock Plan, as amended, currently provides for grants of stock options or restricted stock units to be made in three ways:

Table of Contents

**Initial Grants.** Each new non-employee director who joins the Board (excluding a former employee director who ceases to be an employee director, but who remains a director) is entitled to receive stock options or restricted stock units, or a mix thereof, on the date that the individual is first appointed or elected to the Board, as determined by the Board in its sole discretion.

**Ongoing Grants.** Each non-employee director who has served on the Board for at least six months, as of the date of grant, will receive an annual grant of stock options or restricted stock units, or a mix thereof, as determined by the Board in its sole discretion.

**Discretionary Grants.** The Board may make discretionary grants of stock options or restricted stock units, or a mix thereof, to any non-employee director.

## 2014 COMPENSATION OF DIRECTORS

Name	Fees Paid in Cash(\$)	Stock Awards (\$)(2)(3)	Total (\$)(4)
Patrick Gallagher	89,500	109,999	199,499
Patrick J. Harshman (1)	—	—	—
Harold Covert	67,000	109,999	176,999
E. Floyd Kvamme	58,500	109,999	168,499
Mitzi Reaugh	44,000	109,999	153,999
William F. Reddersen	60,000	109,999	169,999
Susan G. Swenson	62,000	109,999	171,999

- (1) Compensation earned in 2014 by Mr. Harshman for his service as CEO is shown in the Summary Compensation Table on page 26 of this Proxy Statement. Mr. Harshman receives no compensation for his service as a director. The amounts in this column represent the aggregate grant date fair value of awards for grants of restricted stock units to each listed director in 2014, computed in accordance with applicable accounting guidance. These amounts (2) do not represent the actual amounts paid to or realized by the directors during 2014 or thereafter. The grant date fair market value of the restricted stock units is based on the closing market price of the common stock on the date of grant. Grants of restricted stock units under our 2002 Director Stock Plan were made on March 14, 2014 to each of the (3) Company's non-employee directors. Each restricted stock unit grant was for 16,949 shares, with full vesting on February 15, 2015. (4) Neither the non-employee directors nor Mr. Harshman received any other compensation for their services as a director.

## OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2014

The following table provides the number of shares of common stock subject to outstanding options and restricted stock units held by the directors of the Company at December 31, 2014.

Name	Unvested Restricted Stock Units Outstanding	Stock Options Outstanding
Patrick Gallagher	16,949	—
Patrick J. Harshman(1)	117,500	1,673,674
Harold Covert	16,949	—
E. Floyd Kvamme	16,949	10,000
Mitzi Reaugh	16,949	30,000
William F. Reddersen	16,949	10,000
Susan G. Swenson	16,949	30,000



(1) All restricted stock units and options awarded to Mr. Harshman were for services as an employee. Mr. Harshman did not receive equity grants for service as a director.

NON-EMPLOYEE DIRECTOR STOCK OWNERSHIP POLICY

11

---

Table of Contents

Under the Board's non-employee director stock ownership policy, each non-employee director is required to beneficially own shares of Common Stock with a market value equal to at least \$175,000 (excluding, for the purposes of this calculation, the value of stock options exercisable within 60 days) by the later of the Company's 2018 Annual Meeting of Stockholders or the fifth anniversary of the director's election to the Board.

**COMMUNICATION WITH THE BOARD OF DIRECTORS**

The Board believes that management should be the primary means of communication between the Company and all of its constituencies, including stockholders, customers, suppliers and employees. However, stockholders may communicate with individual members of the Board, committees of the Board, or the full Board by addressing correspondence to Harmonic Inc., 4300 North First Street, San Jose, California 95134. Attention: Corporate Secretary.

**ATTENDANCE OF THE BOARD OF DIRECTORS AT ANNUAL MEETINGS**

Seven (7) members of the Board attended the Company's 2014 Annual Meeting of Stockholders. The Board has a policy encouraging directors to attend annual stockholder meetings.

**OTHER MATTERS RELATING TO DIRECTORS**

Susan G. Swenson, one of our directors, served as chief operating officer of Amp'd Mobile, Inc., a mobile technology provider, from October 2006 until July 2007. In June 2007, Amp'd Mobile filed a voluntary petition for relief under Chapter 11 in the U.S. Bankruptcy Court for the District of Delaware, and in July 2007 Amp'd Mobile ceased operations and thereafter sold its assets.

Table of Contents

PROPOSAL TWO

ADVISORY VOTE ON EXECUTIVE COMPENSATION

Pursuant to Section 14A of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) as promulgated by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”), we are asking stockholders to vote on the compensation of our named executive officers, as named in accordance with applicable SEC rules, on page 26 of this Proxy Statement. This Proposal Two, commonly known as a “say-on-pay” proposal, gives our stockholders the opportunity to express their views on our named executive officers’ compensation as a whole. This vote is not intended to address any specific item of compensation or any specific named executive officer, but rather the overall compensation of all of our named executive officers and the executive compensation philosophy, policies and practices described in this Proxy Statement.

The say-on-pay vote is advisory, and therefore not binding on the Company, the Compensation Committee or the Board. The say-on-pay vote will, however, provide information to us regarding investor sentiment about our executive compensation philosophy, policies and practices, which the Compensation Committee will be able to consider when determining executive compensation for the remainder of the current fiscal year and for future fiscal years. Our Board and Compensation Committee value the opinions of our stockholders, and, to the extent there is any significant vote against the named executive officer compensation as disclosed in this Proxy Statement, we will consider our stockholders’ concerns and the Compensation Committee will evaluate whether any action is necessary to address those concerns. At our 2014 annual meeting, our stockholders approved the compensation of our named executive officers (“NEOs”), with approximately 96% of the shares present and entitled to vote voting in favor of the say-on-pay proposal. As we evaluated our compensation practices and talent needs throughout 2014, we were mindful of the support our stockholders expressed for our philosophy of linking compensation to our financial goals and in support of enhancing stockholder value. As a result, the Compensation Committee decided to retain our general approach with respect to our executive compensation programs, with an emphasis on delivering long-term and short-term incentive compensation that reward our executives commensurate with the value they deliver to our stockholders. Unless the Board modifies its policy on the frequency of holding advisory votes to approve the compensation of our named executive officers, the next such advisory vote will occur at our 2016 annual meeting.

The Company’s goal for its executive compensation program is to attract, motivate and retain a talented and creative team of executives who will contribute significantly to the long-term success of the Company and the enhancement of stockholder value. As described in the “Compensation Discussion and Analysis” and “Executive Compensation” sections beginning on pages 20 and 26 respectively, of this Proxy Statement, we believe that our executive compensation program was designed appropriately and is working to ensure management’s interests are aligned with our stockholders’ interests to support long-term value creation. We would like to highlight the following items that support these beliefs:

- Our Compensation Committee retains an independent compensation consultant to assist it in the evaluation of appropriate cash and equity compensation for executive management.
  - The compensation philosophy of our Compensation Committee includes relating each of the individual components of executive management compensation to overall Company performance.
  - The compensation philosophy of our Compensation Committee includes tying annual cash bonus payments to the achievement of objective performance parameters.
- The compensation philosophy of our Compensation Committee includes putting at risk a significant portion of each executive’s total target compensation and rewarding our executive management for superior performance by the Company.
- The compensation philosophy of our Compensation Committee includes reflecting competitive market requirements and strategic business needs in determining the appropriate mix of cash and non-cash, and short-term and long-term, compensation.

Accordingly, we ask our stockholders to vote “FOR” the following resolution at the Annual Meeting:

“RESOLVED, that the Company’s stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company’s Proxy Statement for the Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation

Discussion and Analysis, the compensation tables and the other related disclosure.”

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR” THE ADVISORY VOTE APPROVING EXECUTIVE COMPENSATION.

13

---

Table of Contents

PROPOSAL THREE

APPROVAL OF AMENDMENT TO HARMONIC'S 2002 DIRECTOR STOCK PLAN

The Company's stockholders are being asked to approve a 350,000 share increase in the number of shares of Common Stock reserved for issuance under the 2002 Director Stock Plan (the "2002 Plan").

Proposed Amendment

We are seeking stockholder approval to increase the number of shares of Common Stock issuable under the 2002 Plan by 350,000 shares. Approval of this proposal requires the affirmative vote of the holders of a majority of the shares of Common Stock that are present in person or by proxy and entitled to vote at our 2015 Annual Meeting.

Our Company's non-employee directors have an interest in this proposal as they may receive stock options or restricted stock units under the terms of the 2002 Plan.

SUMMARY OF THE 2002 PLAN

The following is a summary of the principal features of the 2002 Plan, and its operation. This summary is qualified in its entirety by reference to the 2002 Plan.

Purposes

The purposes of the 2002 Plan are to attract the best available persons for service as non-employee directors of our Company and to encourage their continued service on our Board of Directors.

Term of Plan

The 2002 Plan will expire on May 14, 2018.

Eligibility

Only non-employee directors are eligible to receive awards under the 2002 Plan. Currently, our Board of Directors consists of eight directors, of whom seven are non-employee directors. Mr. Harshman, our current President and Chief Executive Officer, is not eligible to receive awards under the 2002 Plan.

Shares Subject to the Plan

Currently, the maximum aggregate number of shares which may be granted, either as stock options or restricted stock units, and sold under the 2002 Plan is 2,000,000 shares. As of April 1, 2015, 167,882 shares of Common Stock remain available for grant under the 2002 Plan. If this proposal is approved by our stockholders, an additional 350,000 shares will become available to be awarded under the 2002 Plan. The shares may be authorized, but unissued, or reacquired shares of Common Stock.

Share Counting Provisions

Each award of restricted stock units will count against the 2002 Plan share reserve as 1.5 shares for every unit granted. Conversely, each forfeiture of unvested restricted stock units will result in a credit to the 2002 Plan reserve of 1.5 shares for every unit forfeited. Each award of an option will count against the 2002 Plan reserve 1.0 share for every share subject to the option, and each forfeiture of unvested shares subject to an option will result in a credit to the 2002 Plan reserve of 1.0 share for every share forfeited.

No Repricing

No option granted under the 2002 Plan may be repriced without stockholder approval, including by means of an exchange for another award.

Administration

The 2002 Plan provides for grants of awards to be made in three ways:

1. Initial Grants. Each new non-employee director who joins the Board (excluding a former employee director who ceases to be an employee, but who remains a director) is entitled to receive stock options or restricted stock units, or a mix

## Table of Contents

thereof, on the date that the individual is first appointed or elected to the Board, as determined by the Board in its sole discretion. An employee director who ceases to be an employee director, but who remains a director, will not receive this initial award.

2. Ongoing Grants. Each non-employee director who has served on the Board for at least six months, as of the date of grant, will receive an annual grant of stock options or restricted stock units, or a mix thereof, as determined by the Board in its sole discretion.

3. Discretionary Grants. The Board may make discretionary grants of stock options or restricted stock units (or a combination of options and restricted stock units) to any non-employee director.

### Terms of Awards

Each award of restricted stock units or stock options is evidenced by a written agreement between us and the applicable non-employee director in such form, and subject to such terms and conditions, including vesting provisions, as the Board shall approve. Options are subject to the following terms and conditions:

1. Option Term. The term of options may not exceed seven years.

2. Exercise Price. The exercise price per share may not be less than 100% of the fair market value per share of the Common Stock on the grant date.

3. Termination of Continuous Status as Director. If a non-employee director's status as a director terminates, all of their vested options expire upon the earlier of the options' original maximum term or three years following such termination of employment.

4. Nontransferability of Options. Options granted under the 2002 Plan are not transferable other than by will or the laws of descent and distribution, and may be exercised, during the non-employee director's lifetime, only by the non-employee director.

### Terms of 2016 Awards

If this Proposal Three is approved by our stockholders, the Board expects to make equity awards with a value of approximately \$120,000 to each incumbent non-employee director in 2016. The precise timing of these awards has not yet been determined.

### Adjustments upon Changes in Capitalization, Dissolution, Merger or Change-in-Control

In the event of a stock split, reverse stock split, stock dividend, or any combination or reclassification of the Common Stock, or other similar change in our capital structure effected without receipt of consideration by us, proportionate adjustments will be made to the number of shares covered by each outstanding award, the number of shares authorized for issuance that remain available to be granted under the 2002 Plan, and the exercise price of each outstanding stock option. For this purpose, any conversion of convertible securities is not considered effected without our receiving consideration.

In the event of a proposed dissolution or liquidation of the Company, any unexercised options and unvested restricted stock units will terminate prior to the consummation of such proposed action.

If a successor corporation assumes or substitutes the options under the 2002 Plan as a result of a merger of the Company with or into another corporation or a change-in-control of the Company, as defined in the 2002 Plan (a "Change-in-Control"), such options will remain exercisable in accordance with the 2002 Plan. In the event of a Change-in-Control, all options and restricted stock units held by non-employee directors immediately become fully vested.

### Amendment and Termination of the 2002 Plan

The Board may at any time amend, alter, suspend, or discontinue the 2002 Plan to the extent such actions do not impair the rights of any recipient of awards under the 2002 Plan, unless he or she consents. To the extent necessary and desirable to comply with any applicable law, regulation or stock exchange rule, the Company must obtain stockholder approval of any 2002 Plan amendment in the manner or to the degree required.

### Certain Federal Income Tax Information

Stock Options. Options granted under the 2002 Plan are nonstatutory options and do not qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). An optionee will not recognize any taxable



Table of Contents

income at the time of grant of a nonstatutory option. However, upon its exercise, the optionee will recognize ordinary income for tax purposes measured by the excess of the fair market value of the shares on the date of exercise over the exercise price. Because the optionee is a director and therefore subject to Section 16 of the Exchange Act, the date of taxation (and the date of measurement of taxable ordinary income) may be deferred unless the optionee files an election under Section 83(b) of the Code. Upon resale of such shares by the optionee, any difference between the sales price and the exercise price, to the extent not recognized as ordinary income as provided above, will be treated as capital gain or loss. The Company will be entitled to a tax deduction in the amount and at the time that the optionee recognizes ordinary income with respect to shares acquired upon exercise of an option.

**Restricted Stock Units.** A participant will not have taxable income upon grant of a restricted stock unit. Instead, he or she will recognize ordinary income at the time of settlement equal to the fair market value of the delivered shares. The Company will be entitled to a tax deduction in the amount and at the time that the non-employee director recognizes ordinary income with respect to shares acquired upon settlement of a restricted stock unit.

The foregoing summary of the federal income tax consequences of the 2002 Plan transactions is based on federal income tax laws in effect on the date of this Proxy Statement. This summary is not intended to be complete and does not describe foreign, state, or local tax consequences.

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS VOTING “FOR” THE APPROVAL OF THE PROPOSED AMENDMENT TO THE 2002 DIRECTOR STOCK PLAN.**



Table of Contents

**PROPOSAL FOUR  
RATIFICATION OF APPOINTMENT OF  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board has appointed PricewaterhouseCoopers LLP (“PwC”), an independent registered public accounting firm, to audit the financial statements of the Company for the year ending December 31, 2015. PwC has served as the Company’s independent registered public accounting firm since 1989, and has provided certain tax and other audit-related services to the Company. PwC has rotated Harmonic’s audit partners in compliance with current SEC regulations.

Stockholder approval is not required for the appointment of PwC, as the Audit Committee has the responsibility for selecting an independent registered public accounting firm. However, the Board is submitting the selection of PwC to the stockholders for ratification as a matter of good corporate practice. In the event of a negative vote on the ratification of PwC, the Audit Committee may reconsider its selection. Representatives of PwC are expected to be present at the Annual Meeting and will have the opportunity to make a statement if they so desire. The representatives also are expected to be available to respond to appropriate questions from stockholders.

**THE BOARD UNANIMOUSLY RECOMMENDS VOTING “FOR” THE RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY’S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2015.**

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES**

Aggregate fees for professional services rendered for the Company by PwC for the years ended December 31, 2014 and 2013 were as follows:

	2014	2013
	(In thousands)	
Audit Fees	\$ 1,595	\$ 1,814
Audit-Related Fees	—	—
Tax Fees	41	187
All Other Fees	9	11
Total	\$ 1,645	\$ 2,012

**Audit Fees**

These amounts represent fees billed for professional services rendered for the audit of our consolidated financial statements and review of interim statements included in quarterly reports and services that are normally provided by PwC in connection with statutory and regulatory filings or engagements.

**Tax Fees**

These amounts represent fees billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and international tax compliance, customs and duties and international tax planning.

**All Other Fees**

These amounts represent services rendered for preparation of foreign employee tax returns and for a subscription to a software research tool developed by PwC.

Consistent with its charter, the Audit Committee pre-approves all audit and non-audit services from our independent registered public accounting firm and did so in 2014. Pre-approval authority may be delegated by the Audit Committee to the Chairman of the Audit Committee.

The Audit Committee has considered whether the services provided by PwC are compatible with maintaining the independence of PwC and has concluded that the independence of PwC is maintained and is not compromised by the non-audit services provided.



Table of Contents

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

In accordance with a written charter adopted by Harmonic's Board of Directors and posted on the Company's website at [www.harmonicinc.com](http://www.harmonicinc.com), the Audit Committee of the Board of Directors serves as the representative of the Board of Directors for general oversight of the quality and integrity of the Company's financial accounting and reporting process, system of internal control over financial reporting, audit process, and process for monitoring compliance with related laws and regulations. The Audit Committee engages the Company's independent registered public accounting firm and approves the scope of both audit and non-audit services. Harmonic's management has primary responsibility for preparing financial statements and the financial reporting process.

PricewaterhouseCoopers LLP, Harmonic's independent registered public accounting firm, is responsible for performing an independent audit of the Company's consolidated financial statements and internal control over financial reporting in accordance with the standards set by the Public Company Accounting Oversight Board ("PCAOB") and to issue reports thereon.

The Audit Committee has:

1. Reviewed and discussed the audited consolidated financial statements and certifications thereof with Company management and PricewaterhouseCoopers LLP and management has represented to the Audit Committee that Harmonic's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States;
2. Discussed with PricewaterhouseCoopers LLP the matters required to be discussed by the statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1 AU section 380), as adopted by the PCAOB in Rule 3200T, including discussion of the quality and acceptability of Harmonic's financial reporting process and controls; and
3. Received the written disclosures and letter from PricewaterhouseCoopers LLP required by applicable requirements of the PCAOB regarding PricewaterhouseCoopers LLP's communications with the Audit Committee concerning independence, discussed with PricewaterhouseCoopers LLP its independence, and considered whether the provision of the non-audit services described above was compatible with maintaining their independence.

The Audit Committee meets regularly with the Company's independent registered public accounting firm, with and without management present, to discuss the results of their examinations, the evaluations of the Company's internal control over financial reporting, and the overall quality of the Company's adherence to applicable accounting principles and practices.

In performing all of these functions, the Audit Committee acts only in an oversight capacity and necessarily relies on the work and assurances of Harmonic's management, which has primary responsibility for preparing financial statements and the financial reporting process, and the independent registered public accounting firm, which, in their report, expresses an opinion on the conformity of Harmonic's annual consolidated financial statements to accounting principles generally accepted in the United States and of the Company's internal control over financial reporting in accordance with the standards set by the PCAOB. In reliance on the reviews and discussions referred to in this report, and in light of its role and responsibilities, the Audit Committee recommended to the Board of Directors, and the Board of Directors has approved, that the audited financial statements of Harmonic for the three years ended December 31, 2014 be included for filing with the Securities and Exchange Commission in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

The Audit Committee

Harold Covert

William F. Reddersen

Nikos Theodosopoulos

Table of Contents

## EXECUTIVE OFFICERS

The following sets forth certain information regarding the executive officers of Harmonic as of April 1, 2015.

Name	Age	Position
Patrick J. Harshman	50	President & Chief Executive Officer
Carolyn V. Aver	55	Chief Financial Officer
Nimrod Ben-Natan	47	Senior Vice President and General Manager, Cable Products
Bart Spriester	46	Senior Vice President, Video Products
George Stromeyer	56	Senior Vice President, Worldwide Sales

Patrick J. Harshman joined Harmonic in 1993 and was appointed President and Chief Executive Officer in May 2006. Prior to 2006, he held several executive leadership positions for Harmonic, including management of marketing, international sales, product management, and research and development functions. Mr. Harshman earned a Ph.D. in Electrical Engineering from the University of California, Berkeley, and completed an Executive Management Program at Stanford University. We believe that Mr. Harshman's qualifications to serve on our Board include his many years of industry experience and extensive customer relationships, his management and operational experience, and his strong background in driving Harmonic's market-leading broadband and video technologies.

Carolyn V. Aver joined Harmonic in June 2010 as Chief Financial Officer. From 2007 to May 2010, she provided financial consulting services to a number of companies, including as the interim Chief Financial Officer of Axiom Legal, a global legal staffing firm. From 2002 to October 2007, when it was acquired by Oracle Corporation, she served as the Executive Vice President and Chief Financial Officer of Agile Software Corporation. From 1998 to 2000, Ms. Aver was the Chief Financial Officer of USWeb/CKS, until its merger with Whitman-Hart. She was the Chief Financial Officer of BackWeb from 1997 to 1998 and the Chief Financial Officer of ParcPlace-Digitalk from 1993 to 1997. From 1984 to 1993, Ms. Aver held various financial management roles, including the Vice President of Finance and Chief Financial Officer at Autodesk. Ms. Aver began her career with Arthur Young & Company (now Ernst & Young), and earned her CPA in 1986. She obtained a B.S. in Accounting from California State University East Bay.

Nimrod Ben-Natan joined Harmonic in 1997, was named Vice President of Product Marketing, Solutions and Strategy in 2007, and was appointed Senior Vice President and General Manager, Cable Products in June 2012. From 1993 to 1997, Mr. Ben-Natan served as an Embedded Software Engineer at Orckit Communications Ltd., a digital subscriber line developer. Previously, he worked on wireless communications systems while he was with the Israeli Defense Signal Corps from 1988 to 1993. Mr. Ben-Natan holds a B.A. in Computer Science from Tel Aviv University.

Bart Spriester joined Harmonic in September 2014 as Senior Vice President, Video Products. From April 2012 to September 2014, Mr. Spriester served as Executive Vice President and General Manager, North America, and Chief Technology Officer for Encompass Digital Media Inc., a leading provider of digital media services to global media companies. From June 1992 to April 2012, he held several executive positions at Cisco Systems, Inc., most recently as Vice President and General Manager for Digital Media Networks. Mr. Spriester has a B.S. in Electrical Engineering from the University of Illinois and earned his M.S. in Management from the Georgia Institute of Technology.

George Stromeyer joined Harmonic in June 2013 as Senior Vice President, Worldwide Sales. From January 2008 to May 2013, he was an executive with Cisco Systems, Inc., initially as Vice President, Cable, Digital Media and IPTV, SP Europe, and most recently as Vice President, Worldwide Security Sales. Prior to joining Cisco, Mr. Stromeyer was with Scientific-Atlanta, which was acquired by Cisco in 2006, from 1996 to 2008, initially as Vice President, Managing Director Latin America, and most recently as Vice President and Managing Director, EMEA. Before his time at Scientific-Atlanta, he had several management positions with Raychem Corporation from 1986 to 1996, culminating in his serving as European General Manager, PolySwitch Division. Mr. Stromeyer has a BS in Mechanical Engineering from Cornell University and an M.B.A. from Dartmouth's Amos Tuck School of Business.

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

Role of the Compensation Committee

The Compensation Committee of Harmonic's Board of Directors is responsible for approval of the Company's executive compensation policies, compensation paid to executive officers, and administration of the Company's equity ownership plans. The Compensation Committee currently consists of Messrs. Kvamme, Gallagher and Reddersen and Ms. Reaugh, none of whom is an employee of the Company, and each of whom is independent under applicable NASDAQ listing standards and for the purposes of Section 162(m) of the Code and Section 16 of the Exchange Act of 1934. The charter of the Compensation Committee was adopted by the Board of Directors, and is posted on Harmonic's website at [www.harmonicinc.com](http://www.harmonicinc.com).

The Compensation Committee has retained the services of Meyercord Associates ("Meyercord"), an independent compensation consulting firm, to assist the Compensation Committee in the evaluation of appropriate cash and equity compensation for executive management. Meyercord provides no other services to the Company, other than essentially the same services with respect to Board compensation. Meyercord makes recommendations to the Compensation Committee on the design and implementation of compensation plans, assists in determining the appropriate number of shares to be used for equity awards granted under the Company's equity plans, reviews data and recommendations provided by management, and also reviews specific compensation proposals for each of the Company's NEOs listed in the Summary Compensation Table in the Company's Proxy Statement for the applicable year. Meyercord attends all or part of certain Compensation Committee meetings, as requested by the Compensation Committee.

Role of Management

Harmonic's CEO, assisted by our Senior Vice President of Human Resources, works with the Compensation Committee to establish meeting agendas. The CEO makes recommendations to the Compensation Committee with respect to the compensation of other members of executive management and the design and implementation of incentive compensation programs for NEOs. For 2013 executive compensation, these recommendations were developed with the assistance of Meyercord. The Compensation Committee considers the recommendations of management, but is not bound by such recommendations. The CEO does not make recommendations to the Compensation Committee with respect to his own compensation and is not present at any portion of Compensation Committee meetings when his compensation is discussed or when the Compensation Committee elects to meet in executive session. In 2014, the Compensation Committee considered and assessed all relevant factors, including those set forth in Rule 10C-1(b)(4)(i) through (vi) under the Exchange Act, that could give rise to a potential conflict of interest with respect to Meyercord's work. Based on this review, we are not aware of any conflict of interest that has been raised by work performed by Meyercord.

Compensation Philosophy and Programs

The Company's executive compensation programs are designed to attract, motivate and retain executives who will contribute significantly to the long-term success of the Company and the enhancement of stockholder value. Consistent with this philosophy, the following goals provide a framework for our executive compensation program:

- provide a competitive total compensation package to attract, retain and motivate executives who must operate in a demanding and rapidly changing business environment;
- relate total compensation for each executive, consisting of base salary, annual cash bonus and equity awards, to overall company performance and, in the case of base salary and equity awards, to individual performance;
- tie annual cash bonus compensation to the Company's achievement of objective performance parameters;
- reflect competitive market requirements and strategic business needs in determining the appropriate mix of cash and non-cash compensation and short-term (base salary and annual cash bonus) and long-term compensation (equity awards);
- put at risk a significant portion of each executive's total target compensation, with the intent to reward superior performance by the Company; and

align the interests of our executives with those of our stockholders.

At our 2013 Annual Meeting of Stockholders, we held a stockholder advisory vote on the compensation of our NEOs, commonly referred to as a “say-on-pay vote.” Our stockholders approved the compensation of our NEOs, with over 94% of stockholder votes cast voting in favor of the say-on-pay proposal. As we evaluated our compensation practices and talent needs throughout 2013, we were mindful of the support our stockholders expressed for our philosophy of linking compensation to our financial goals and in support of enhancing stockholder value. As a result, the Compensation Committee decided to retain our general approach with respect to our executive compensation programs, with an emphasis on delivering long-term and short-term incentive compensation that rewards our executives commensurate with the value they deliver to our stockholders.

Table of Contents

Management of Risk Arising from Incentive Compensation Policies

The Compensation Committee has considered whether the Company’s overall compensation program for employees creates incentives for employees to take excessive or unreasonable risks that could materially harm the Company. The Committee believes that our incentive plans are typical for our industry and market competitive, and that risks arising from our compensation policies and practices for our employees are not reasonably likely to have a material adverse effect on the Company. Several features of our compensation policies for management employees appropriately mitigate such risks, including a mix of long-term and short-term compensation incentives that we believe are properly weighted, the uniformity of compensation policies across the Company, caps on payments from the plans and the use of our business plan, which the Compensation Committee regards as setting an appropriate level of risk for the Company, as a baseline for our incentive bonus plan targets. We also believe the Company’s internal legal and financial controls appropriately mitigate the probability and potential impact of an individual employee committing the Company to inappropriate transactions in exchange for short-term compensation benefits.

Elements of Compensation

In order to achieve the above goals, our total compensation packages include base salary and annual bonus paid in cash, as well as long-term equity compensation in the form of stock options or restricted stock units, or a combination of each. We also make available benefit plans to our executive officers which are generally provided to all regular full-time employees of Harmonic. We believe that appropriately balancing the total compensation package and ensuring the incentive effect of a significant portion of the package is necessary in order to provide market-competitive compensation. We focus on ensuring that the balance of the various components of our compensation program is optimized to motivate executives to improve our results on a cost-effective basis. The factors which are used to determine individual compensation packages are generally similar for each NEO, including our CEO.

In order to assess our compensation competitiveness against peer companies in 2014, management recommended a compensation peer group, which included approximately 15 companies. These peer companies were selected from the telecommunications and video services technology industries based principally on revenue and market capitalization data that placed Harmonic approximately in the middle of the range, as well as on such companies' proximity to Silicon Valley, which is the location of the Company’s headquarters.

The Compensation Committee then asked Meyercord to review management’s recommendations as to an appropriate compensation peer group for Harmonic. Meyercord selected the final peer group companies based principally on revenue and market capitalization data, and the compensation peer group included many technology companies in the Company’s immediate geographic area with whom the Company competes for executive talent. These peer group recommendations from management and Meyercord were reviewed and discussed by the Compensation Committee, and a final list, as shown below, was approved by the Compensation Committee. Data prepared by Meyercord for the compensation peer group was used by management in formulating recommendations to the Compensation Committee for 2014 cash and equity compensation. Information from Meyercord was also used in formulating the CEO’s recommendations to the Compensation Committee with respect to the design and implementation of compensation packages and for specific proposals related to the individual elements and total compensation packages for other NEOs, as well as for other employees.

The approved peer group for 2014 consisted of the following companies:

- |                         |                         |
|-------------------------|-------------------------|
| Arris Group             | Infinera                |
| Aruba Networks          | Netgear                 |
| Cadence Design Systems  | Plantronics             |
| Coherent                | Quantum                 |
| Electronics for Imaging | SeaChange International |
| Extreme Networks        | Sonus Networks          |
| Finisar                 | Synaptics               |
|                         | TIVO                    |
| Base Salary             |                         |

Base salaries for NEOs, including that of the CEO, are set according to the responsibilities of the position, the specific skills and experience of the individual and the competitive market for executive talent. The Compensation Committee reviews salaries annually and adjusts them as appropriate to reflect changes in market conditions, individual performance and



Table of Contents

responsibilities, and the Company's financial position. The aggregate value of our total cash compensation (base salary and targeted bonus) for NEOs is generally set at approximately the 50<sup>th</sup> percentile of executive compensation of the compensation peer group, with the intent that superior performance under incentive bonus plans would enable the executive to elevate total cash compensation to levels that are above the average of comparable companies.

Following a review with Meyercord of the above factors and the data regarding the compensation peer group in early 2014, the Compensation Committee deferred any adjustments to base salaries until July 2014. At that time, the Compensation Committee determined that a five percent increase to base salaries for certain NEOs was appropriate, primarily because the Compensation Committee determined that the base salaries for such NEOs were not competitive. Effective July 1, 2014: (1) the base salary for George Stromeyer, Senior Vice President, Worldwide Sales, increased from \$275,000 to \$288,750; (2) the base salary for Charles Bonasera, Senior Vice President, Operations, increased from \$275,000 to \$288,750; and (3) the base salary for Neven Haltmayer, Senior Vice President, Research and Development, increased from \$300,000 to \$315,000.

Market adjustments to base salaries for certain NEOs were made for 2015, effective January 1, 2015. The base salary increase for each of the affected NEOs was as follows: (1) the base salary for Carolyn A. Aver, Chief Financial Officer, increased from \$365,000 to \$389,090; (2) Mr. Stromeyer's base salary increased from \$288,750 to \$293,370; (3) Mr. Bonasera's base salary increased from \$288,750 to \$293,370; and (4) Mr. Haltmayer's base salary increased from \$315,000 to \$320,040. The percentage increase in Ms. Aver's base salary was greater than the increases for the other NEOs because Ms. Aver had not received a salary adjustment since 2013.

Base salaries for all of the NEOs, are disclosed in the Summary Compensation Table on page 26 of this Proxy Statement.

**Incentive Bonus Plan**

The Company's annual incentive bonus plan in which NEOs participate reflects the Compensation Committee's belief that a meaningful component of executive compensation should be contingent on the Company achieving performance targets, thereby introducing a significant element of "pay for performance" and appropriate incentives to produce superior results.

For 2014, the Compensation Committee approved an incentive bonus plan in which 50% of the target bonus for a plan participant (including each NEO) was tied to a revenue target, 35% was tied to a non-GAAP operating margin target, and 15% of the plan participant's target bonus was tied to the achievement of certain strategic objectives. The strategic objectives included bookings objectives for new products and objectives tied to new customer acquisitions. The Compensation Committee approved these bonus plan components to focus the NEOs and other incentive plan participants on revenue growth, improved profitability and product and go-to-market initiatives.

In addition, the 2014 incentive bonus plan had minimum thresholds that had to be met in order for any payout to be made (other than with respect to the strategic objectives component), and a cap of 200% of target bonus for any participant, including NEOs.

For 2014, the Compensation Committee approved the following targets for the incentive plan:

	Revenue (millions)	Non-GAAP Operating Margin (%)	Strategic Objectives
Threshold	\$450	6.0	N/A
Target	\$500	10.0	N/A
Maximum	\$530	12.5	N/A

For performance between these levels, bonus payouts would be determined by straight line interpolation. No payments would be made under any of the revenue or operating margin components of the 2014 incentive plan if the threshold target for any such component was not achieved, and in any case, no payments would be made under any such component if the threshold non-GAAP operating margin was not achieved.

The Compensation Committee believed that the 2014 bonus targets were challenging, but achievable, based on their review of the Company's operating plan for 2014, their experience with respect to the Company's historical performance and

22

---

## Table of Contents

the business and industry outlook. In 2014, the Company did not meet the minimum threshold for the revenue and operating margin components of the incentive bonus plan, but did achieve a portion of some of the strategic objectives set forth in the plan. As a result, the incentive pool was funded at 8.3% of the aggregate targeted amount. Bonus payments from the 2014 incentive plan were approved by the Compensation Committee in February 2015, and made to executive officer participants in February 2015, as disclosed in the Summary Compensation Table on page 26 of this Proxy Statement. All bonus amounts paid to NEOs with respect to 2014 were paid pursuant to the 2014 incentive bonus plan

### Equity Compensation Plans

The Compensation Committee believes that equity compensation plans are an essential tool to link the long-term interests of stockholders and employees, especially the Chief Executive Officer and executive management, and serve to motivate employees, and particularly executive management, to make decisions that will, in the long run, deliver the best returns to stockholders, thus rewarding excellent long-term performance. Since 2009, stock options and restricted stock units (“RSUs”) have been granted to executive management, including NEOs, when they join the Company, and on an annual basis thereafter.

Initial and annual stock option and RSU awards to executives have generally vested over four years. Beginning in 2012, the Company introduced three year vesting for initial RSU awards to new executive hires, while annual equity awards to existing executives continued to have four year vesting periods. Beginning in 2013, the Compensation Committee significantly reduced the size of annual RSU awards to executives in order to weight executive equity compensation more towards stock option grants, and to reduce equity dilution from RSU awards. The Company also introduced two year vesting for annual executive RSU grants in 2013, and annual stock option awards continued to have four year vesting.

Stock options are granted at an exercise price equal to the fair market value of the Company’s common stock on the date of grant. The size of an initial equity award grant is based upon the position, responsibilities and expected contribution of the individual, with subsequent grants also taking into account the individual’s performance, potential contributions, and, to a lesser extent, the vesting status of previous awards. This approach is designed to align optionees’, including NEOs’, interests with stockholders’ interests over the long term, as no benefit is realized from the grant unless the price of the Company’s common stock has increased over the number of years that the award vests. The Compensation Committee considers any such price increase to be tied to positive performance of the Company. The Compensation Committee therefore considers stock options to be the appropriate form of “performance-based” equity awards for the Company’s executives and NEOs, and has weighted executive and NEO equity compensation significantly more towards stock option grants.

Consistent with past practice, the total equity pool for annual grants to be made to all employees in 2014, including NEOs, was determined principally by reference to industry-specific guidelines published by shareholder advisory firms and, in part, by historic practice. The guidelines generally refer to metrics such as total annual awards as a percentage of shares outstanding and total outstanding awards as a percentage of fully diluted shares. Consistent with past practice, the Compensation Committee set the total pool of equity awards for the Company’s use in 2014 substantially lower than shareholder advisory firm guideline amounts.

Executive officers are also eligible to participate in the Company’s 2002 Employee Stock Purchase Plan (the “ESPP”). The ESPP is available on a broad basis to the Company’s employees. The ESPP allows eligible employees to purchase the Company’s common stock at a price equal to 85% of the lower of the fair market value at the beginning of a six month offering period or the fair market value at the end of the offering period, with the purchase amount limited to the lesser of 10% of eligible compensation or 1,500 shares per offering period, or as otherwise limited by applicable IRS regulations.

Financial Accounting Standards Codification Topic 718 of the Financial Accounting Standards Board (“FASC Topic 718”) requires the Company to record a charge to earnings for equity compensation. However, the Compensation Committee believes that the Company should continue to operate its equity compensation plans in spite of the significant non-cash charges incurred by the Company as a result of the application of FASC Topic 718. The Compensation Committee continues to monitor the impact of the accounting standard on Harmonic’s earnings, changes in the design and operation of equity compensation plans by other companies, particularly those with whom the

Company competes locally for employees, and the attitude of financial analysts and investors towards these significant and potentially volatile non-cash charges. In 2012, 2013 and 2014, most employees who received equity awards, other than NEOs, received them in the form of RSUs. Beginning in 2012, new hire equity awards vested over three, rather than four years, and the amount of the awards were proportionally decreased from the amount that would have been granted with four year vesting. In 2013, the Company introduced two year vesting for annual executive and employee RSU awards, and the amount of the awards were also decreased. These practices generally result in lower and more predictable accounting charges.

The Compensation Committee continues to believe that broad-based equity plans reward long-term performance and remain an essential element of a competitive compensation package, as such plans are offered currently by most public and

Table of Contents

private technology companies in Silicon Valley with whom the Company competes for both executive and non-executive employees. Approximately 95% of eligible employees currently hold stock options and/or restricted stock units, and approximately 59% of eligible employees are currently participating in the ESPP.

Equity Compensation Grant Practice

The Compensation Committee approves all stock option and RSU grants, except for certain grants made to non-executive employees in the ordinary course of business, for which it has delegated authority to the CEO, within parameters approved in advance by the Compensation Committee, pursuant to an Employee Equity Issuance Policy. The Compensation Committee reviews all grants made pursuant to the Employee Equity Issuance Policy. Initial hire grants of stock options that are within the CEO's approved range are made on the first Friday following the employee's start date, initial hire grants of RSUs are made on the second Friday of each month, and any other grants made by the CEO pursuant to authority granted by the Compensation Committee are made on the Friday of the week of such grant. Stock options are granted at 100% of the closing price of our stock on the NASDAQ Global Select Market on the date of grant.

Initial hire grants that are for executives reporting to the CEO or grants which are above the CEO's approved range are approved by the Compensation Committee, with the grant date being the day of approval by the Compensation Committee and, if in the form of a stock option, the exercise price being the closing price of the stock on the NASDAQ Global Select Market on that date. The initial grants are effective as of the date of grant, with vesting generally beginning on the date of commencement of employment. Annual grants are usually made in the first half of the year, and, in 2014, these grants were made in March. This timing enables management and the Compensation Committee to consider performance by both the Company and the individual and balance it against our expectations for the current year.

We do not time the granting of stock options or RSUs with any favorable or unfavorable news released by the Company. The timing of initial grants is driven by the date of hire of our new employees. The Board of Directors and Compensation Committee meeting schedules, for review and approval of annual grants, are usually established several months in advance for the calendar year. Proximity of any awards to an earnings announcement or other market events is coincidental.

Retirement Benefits

The Company does not provide pension benefits or deferred compensation plans to any of its employees, including NEOs, other than a 401(k) deferred compensation plan which is open to all regular, full-time U.S. employees. The Company has a matching contribution policy for the 401(k) plan, of up to \$1000 a year for each participant, for 2014. The Compensation Committee reviews regularly the performance of, and changes to, the 401(k) plan.

Change-of-Control Agreements

The Company does not have employment agreements with any of its present NEOs. However, as a historical practice, it has generally provided change of control severance agreements to its NEOs. These agreements are designed to incentivize continuing service to the Company by NEOs in the event that the Company may be in discussions regarding strategic transactions and to provide short-term benefits in the event that a NEO's position is eliminated or responsibilities or compensation are reduced following a change of control.

Under the terms of the respective NEO's change of control severance agreement, in the event of termination of the NEO other than for cause (as defined in the relevant change of control severance agreement) within 18 months following a change in control of the Company, the NEO will be entitled to certain payments. Mr. Harshman, the Company's President and Chief Executive Officer, will receive a lump-sum payment of twice his annual salary, an amount equal to twice the greater of 50% of his then annual target bonus or the average of the actual bonus paid to him in each of the two prior years, and a continuation of his health, dental, and life insurance benefits for up to one year after the change of control. The other NEOs will receive a lump-sum payment of one year's salary, an amount equal to the greater of 50% of the NEO's then annual target bonus or the average of the actual bonus paid to the NEO in each of the two prior years, and a continuation of the NEO's health, dental and life insurance benefits for up to one year after the change of control. These agreements also provide for out-placement assistance and the full acceleration of unvested stock options and any restricted stock awards held by the respective NEO in the event of such termination, subject to certain limitations.

Other Compensation

Other elements of executive compensation include life and long-term disability insurance and health benefits. These benefits are available to all regular, full-time U.S. employees of the Company on the same basis, and similar benefits are provided to most employees in other countries. Management periodically reviews the level of benefits provided to all employees and adjusts those levels as appropriate. Company payments for NEOs pursuant to these other elements of

24

---

Table of Contents

compensation in 2012, 2013 and 2014 are included in the “All Other Compensation” column in the Summary Compensation Table on page 26 of this Proxy Statement.

Approvals

In March 2014, the Compensation Committee approved the 2014 cash incentive compensation for all NEOs. Equity compensation awards for NEOs were also approved by the Compensation Committee in March 2014. Salary increases for NEOs were approved in July 2014. The Company’s CEO was not present during the portion of the meetings during which his compensation was discussed and approved.

Stock Ownership Guidelines

The Company currently has no stock ownership guidelines for its NEOs.

Financial Restatements

The Company has never restated its financial statements and does not have an established practice regarding the adjustment or clawback of bonus payments if the performance measures on which they were based are restated in a manner that would change the amount of an award.

Section 162(m)

We have considered the potential future effects of Section 162(m) of the Code on the compensation paid to our NEOs. Section 162(m) disallows a tax deduction for any publicly held corporation for individual compensation exceeding \$1.0 million in any taxable year for each of the Chief Executive Officer and the three other most highly compensated executive officers other than our Chief Financial Officer, unless such compensation is “performance-based” under Section 162(m). We have adopted a policy that, where reasonably practicable, we will seek to qualify the variable compensation paid to our executive officers for an exemption from the deductibility limitations of Section 162(m) but we may make awards of compensation that are not exempt from the deductibility limits.

Report of the Compensation Committee of the Board of Directors on Executive Compensation

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis contained in this Proxy Statement. Based on the Compensation Committee’s review of, and the discussions with management with respect to, the Compensation Discussion and Analysis, our Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

The Compensation Committee

E. Floyd Kvamme  
Patrick Gallagher  
Mitzi Reaugh  
William Reddersen

The information contained above under the captions “Report of the Audit Committee of the Board of Directors” and “Report of the Compensation Committee of the Board of Directors on Executive Compensation” shall not be deemed to be “soliciting material” or to be “filed” with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference to such filing.

Table of Contents

## EXECUTIVE COMPENSATION

## SUMMARY COMPENSATION TABLE

The following Summary Compensation Table sets forth summary information concerning the compensation earned by our NEOs, including Patrick J. Harshman, our President and CEO, Carolyn V. Aver, our Chief Financial Officer, and the three other most highly compensated executive officers of the Company in 2014, in each case for services to our Company, in all capacities, during the fiscal years ended December 31, 2014, 2013 and 2012.

Name & Principal Position	Year	Salary	Stock Awards(1)	Option Awards(1)	Non-Equity		Total
					Incentive Plan	All Other(3)	
Patrick J. Harshman, President & CEO	2014	\$500,000	\$340,725	\$762,320	\$52,031	\$23,782	\$1,678,858
	2013	494,231	317,900	826,782	403,180	53,982	2,096,075
	2012	450,000	675,400	647,196	56,970	23,441	1,853,007
Carolyn V. Aver, Chief Financial Officer	2014	365,000	181,720	274,435	18,697	17,152	857,004
	2013	361,885	158,950	338,229	147,425	25,535	1,032,024
	2012	335,700	337,700	264,762	26,164	16,830	981,156
Charles Bonasera, Senior Vice President, Operations	2014	281,558	146,025	187,648	14,080	17,147	646,458
	2013	273,269	115,600	244,277	108,487	43,513	785,146
	2012	258,231	245,600	191,217	19,623	20,213	734,884
Neven Haltmayer, Senior Vice President, Research & Development	2014	307,153	162,250	234,560	14,507	23,782	742,252
	2013	297,115	130,050	300,648	112,010	23,682	863,505
George Stromeyer Senior Vice President, Worldwide Sales	2012	270,577	276,300	235,344	20,573	30,048	832,842
	2014	281,558	146,025	187,648	255,138	18,447	888,816
	2013	153,365	367,800	257,840	128,467	86,202(4)	993,674

(1) The amounts in this column represent the fair value of the restricted stock unit award or option award, as applicable, on the grant date, computed in accordance with applicable accounting standards, and do not reflect actual amounts paid to or received by any officer. The grant date fair market value of the restricted stock units is based on the closing market price of the common stock on the date of grant. The grant date fair market value of the option awards is calculated using the Black-Scholes valuation model and the assumptions described in footnote (5) on page 27 of this Proxy Statement.

(2) The amounts in this column represent payments made in February 2015, 2014 and 2013 under our 2014, 2013, and 2012 incentive bonus plans, respectively. For Mr. Stromeyer, the amounts also include payments made under our 2013 and 2014 sales incentive plans.

(3) The amounts in this column represent group life insurance premiums, and employer paid medical and dental plan premiums. For 2013, other than for Mr. Stromeyer, the amounts also include a one-time payout of accrued paid time off in April 2013 in connection with the Company eliminating its paid time off policy for exempt U.S. employees.

(4) The amount includes a sign-on bonus of \$75,000 paid upon the commencement of Mr. Stromeyer's employment with the Company in June 2013.

## GRANT OF PLAN-BASED AWARDS

The following table summarizes certain information regarding non-equity and equity plan-based awards granted by Harmonic to the NEOs in 2014:



Table of Contents

Name	Grant Date for Equity Based Awards	Estimated Future Payouts Under Non-Equity Incentive Plan Awards	Threshold	Target	Maximum	All Other Stock Awards: Number of Shares of Underlying Stock(2)	All Other Option Awards: Number of Securities Underlying Options(3)	Exercise Price of Option Awards(4)	Closing Price on Grant Date	Grant Date Fair Value of Option Awards(5)
Patrick J. Harshman	3/14/2014	\$—	\$ 625,000	\$ 1,156,250	52,500	325,000	\$ 6.49	\$ 6.49	\$ 762,320	
Carolyn V. Aver	3/14/2014	—	226,300	418,655	28,000	117,000	6.49	6.49	274,435	
Charles Bonasera	3/14/2014	—	168,935	312,529	22,500	80,000	6.49	6.49	187,648	
Neven Haltmayer	3/14/2014	—	175,077	323,893	25,000	100,000	6.88	6.88	234,560	
George Stromeyer	3/14/2014	—	281,558	(6)	22,500	80,000	6.49	6.49	187,648	

The estimated future payouts under non-equity incentive plans refers to potential payouts under our 2014 incentive bonus plan. With respect to Mr. Stromeyer, his non-equity incentives were subject to performance goals under both the 2014 incentive bonus plan and the Company's 2014 sales incentive plan. The goals for the 2014 incentive bonus (1) plan and for Mr. Stromeyer were approved by the Compensation Committee in March 2014. The actual payout amounts for each executive officer occurred in 2015 and were reviewed and approved by the Compensation Committee and the Board of Directors in February 2015 once the financial results for 2014 were available, and are included in the Summary Compensation Table on page 26 of this Proxy Statement.

(2) Restricted stock units granted to NEOs during 2014 vest 50% upon completion of 12 months of service and 25% per six month period thereafter.

(3) Options granted to NEOs during 2014 expire seven years from the date of grant and vest 25% upon completion of 12 months of service and 1/48 per month thereafter.

(4) The exercise price for option grants is the fair market value of the Company's common stock on the date of grant.

This amount represents the fair value of the award on the grant date, and is determined according to applicable accounting standards. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. The option exercise price has not been deducted from these amounts.

(5) The actual value of the option will depend upon the market value of Harmonic's common stock at the time the option is exercised. The grant date fair market value of the option awards is calculated using the Black-Scholes valuation model and is based on the following assumptions:

Assumptions	2014 Rate	2013 Rate	
Average risk free interest rate	1.7	% 0.8	%
Average expected term (year)	4.70	4.70	
Average expected volatility	40	% 51	%

The performance components of Mr. Stromeyer's non-equity incentives that were under the Company's 2014 (6) incentive bonus plan had a maximum potential aggregate payout of \$95,730. The performance component under the Company's 2014 sales incentive plan did not have a cap for the potential payout.

Table of Contents

## OUTSTANDING EQUITY AWARDS AS OF DECEMBER 31, 2014

The following table summarizes equity awards outstanding as of December 31, 2014 for each of the NEOs. As the Company has not made any performance grants of option or stock awards, there are no columns in the table addressing equity incentive plan awards of performance grants.

Name	Vesting Commencement Date(1)	Number of Shares Not Vested	Value of Shares Vested(2)	Stock Not Outstanding	Number of Securities Underlying Unexercised Options (# Exercisable)(3)	Number of Securities Underlying Unexercised Options (# Unexercisable)	Option Exercise Price	Option Expiration Date	
Patrick J. Harshman	5/3/2005			48,674	48,674	—	\$5.86	5/3/2015	
	4/1/2008			200,000	200,000	—	8.17	5/15/2015	
	2/15/2009			195,000	195,000	—	5.63	2/24/2016	
	2/15/2010			195,000	195,000	—	6.41	2/19/2017	
	2/15/2011			160,000	153,333	(22 ) 6,667	9.69	3/4/2018	
	2/15/2012			220,000	155,833	(23 ) 64,167	6.14	2/28/2019	
	2/15/2013			330,000	151,250	(24 ) 178,750	5.78	3/15/2020	
	2/15/2014			325,000	—	(25 ) 325,000	6.49	3/14/2021	
	2/15/2011	10,000	(4 )	70,100					
	2/15/2012	41,250	(5 )	289,163					
	2/15/2013	13,750	(6 )	96,388					
	2/15/2014	52,500	(7 )	368,025					
	Carolyn V. Aver	5/15/2010			220,000	220,000	—	\$5.73	6/1/2017
2/15/2011				80,000	76,666	(26 ) 3,334	9.69	3/4/2018	
2/15/2012				90,000	63,750	(27 ) 26,250	6.14	2/28/2019	
2/15/2013				135,000	61,875	(28 ) 73,125	5.78	3/15/2020	
2/15/2014				117,000	—	(29 ) 117,000	6.49	3/14/2021	
2/15/2011		5,000	(8 )	35,050					
2/15/2012		20,625	(9 )	144,581					
2/15/2013		6,875	(10 )	48,194					
2/15/2014		28,000	(11 )	196,280					
Charles Bonasera		4/1/2008			100,000	100,000	—	\$8.17	5/15/2015
	2/15/2009			65,000	65,000	—	5.63	2/24/2016	
	2/15/2010			78,000	78,000	—	6.41	2/19/2017	
	2/15/2011			60,000	57,500	(30 ) 2,500	9.69	3/4/2018	
	2/15/2012			65,000	46,041	(31 ) 18,959	6.14	2/28/2019	
	2/15/2013			97,500	44,687	(32 ) 52,813	5.78	3/15/2020	
	2/15/2014			80,000	—	(33 ) 80,000	6.49	3/14/2021	
	2/15/2011	3,750	(12 )	26,288					
	2/15/2012	15,000	(13 )	105,150					
	2/15/2013	5,000	(14 )	35,050					
	2/15/2014	22,500	(15 )	157,725					
	Neven Haltmayer	4/1/2008			100,000	100,000	—	\$8.17	5/15/2015
		2/15/2009			78,000	78,000	—	5.63	2/24/2016
2/15/2010				78,000	78,000	—	6.41	2/19/2017	

Edgar Filing: HARMONIC INC - Form DEF 14A

2/15/2011	65,000	62,291	(34 )	2,709	9.69	3/4/2018
2/15/2012	80,000	56,666	(35 )	23,334	6.14	2/28/2019
2/15/2013	120,000	55,000	(36 )	65,000	5.78	3/15/2020

Table of Contents

	2/15/2014			100,000	—	(37 )	100,000	6.49	3/14/2021
	2/15/2011	4,062	(16 )	28,475					
	2/15/2012	16,875	(17 )	118,294					
	2/15/2013	5,625	(18 )	39,421					
	2/15/2014	25,000	(19 )	175,250					
George Stromeyer	6/3/2013			100,000	49,997	(38 )	50,003	\$6.13	6/14/2020
	2/15/2014			80,000	—	(39 )	80,000	6.49	3/14/2021
	6/3/2013	30,000	(20 )	210,300					
	3/14/2014	22,500	(21 )	157,725					

Under our Stock Plan, our restricted stock unit awards have generally vested 25% upon completion of 12 months service and 1/8 per six month period thereafter, contingent upon continued employment. In 2013, a two-year (1) vesting schedule was introduced, with 50% vesting upon completion of 12 months of service and 1/4 vesting per six month period thereafter, contingent upon continued employment. Exceptions to this vesting are identified in footnote (20) below.

(2) The value of the shares not vested is the number of shares multiplied by \$7.01, the closing price of the Company's common stock on December 31, 2014.

Under our Stock Plan, these options vest 25% upon completion of 12 months service and 1/48 per month thereafter and expire after seven years or ten years from date of grant, contingent upon continued employment. Exceptions to (3) this vesting are identified in footnote (38), which has 33.33% vesting upon completion of 12 months service and 1/36 per month thereafter.

(4) As of December 31, 2014, 70,000 shares subject to this restricted stock unit award were vested, and 10,000 shares will vest on February 15, 2015.

(5) As of December 31, 2014, 68,750 shares subject to this restricted stock unit award were vested, 13,750 shares will vest on February 15, 2015, and an additional 13,750 shares will vest at six month intervals thereafter until all shares are vested.

(6) As of December 31, 2014, 41,250 shares subject to this restricted stock unit award were vested, 13,750 shares will vest on February 15, 2015.

(7) As of December 31, 2014, no shares subject to this restricted stock unit award were vested, 26,250 shares will vest on February 15, 2015, and 13,125 shares will vest at six-month intervals thereafter until all shares are vested.

(8) As of December 31, 2014, 35,000 shares subject to this restricted stock unit award were vested and 5,000 shares will vest on February 15, 2015.

(9) As of December 31, 2014, 34,375 shares subject to this restricted stock unit award were vested, 6,875 shares will vest on February 15, 2015, and an additional 6,875 shares will vest at six-month intervals thereafter until all shares are vested.

(10) As of December 31, 2014, 20,625 shares subject to this restricted stock unit award were vested, 6,875 shares will vest on February 15, 2015.

(11) As of December 31, 2014, no shares subject to this restricted stock unit award were vested, 14,000 shares will vest on February 15, 2015, and 7,000 shares will vest at six-month intervals thereafter until all shares are vested.

(12) As of December 31, 2014, 26,250 shares subject to this restricted stock unit award were vested and 3,750 shares will vest on February 15, 2015.

(13) As of December 31, 2014, 25,000 shares subject to this restricted stock unit award were vested, 5,000 shares will vest on February 15, 2015, and an additional 5,000 shares will vest at six-month intervals thereafter until all shares are vested.

(14) As of December 31, 2014, 15,000 shares subject to this restricted stock unit award were vested, 5,000 shares will vest on February 15, 2015.

(15) As of December 31, 2014, no shares subject to this restricted stock unit award were vested, 11,250 shares will vest on February 15, 2015, and 5,625 shares will vest at six-month intervals thereafter until all shares are vested.

(16)

As of December 31, 2014, 28,438 shares subject to this restricted stock unit award were vested, 4,062 shares will vest on February 15, 2015.

(17) As of December 31, 2014, 28,125 shares subject to this restricted stock unit award were vested, 5,625 shares will vest on February 15, 2015, and an additional 5,625 shares will vest at six-month intervals thereafter until all shares are vested.

(18) As of December 31, 2014, 16,875 shares subject to this restricted stock unit award were vested, 5,625 shares will vest on February 15, 2015.

(19) As of December 31, 2014, no shares subject to this restricted stock unit award were vested, 12,500 shares will vest on February 15, 2015, and 6,250 shares will vest at six-month intervals thereafter until all shares are vested.

Table of Contents

- (20) As of December 31, 2014, 30,000 shares subject to this restricted stock unit award were vested, and the remaining 30,000 shares will vest on June 3, 2015.
- (21) As of December 31, 2014, no shares subject to this restricted stock unit award were vested, 11,250 shares will vest on February 15, 2015, and 5,625 shares will vest at six-month intervals thereafter until all shares are vested.
- (22) As of December 31, 2014, 153,333 shares subject to this option were vested and an additional 3,333 shares will vest monthly thereafter until all shares are vested.
- (23) As of December 31, 2014, 155,833 shares subject to this option were vested, and an additional 4,583 shares will vest monthly thereafter until all shares are vested.
- (24) As of December 31, 2014, 151,250 shares subject to this option were vested, and an additional 6,875 shares will vest monthly thereafter until all shares are vested.
- (25) As of December 31, 2014, no shares subject to this option were vested, 81,250 shares will vest on February 15, 2015, and an additional 6,671 shares will vest monthly thereafter until all shares are vested.
- (26) As of December 31, 2014, 76,666 shares subject to this option were vested and an additional 1,667 shares will vest monthly thereafter until all shares are vested.
- (27) As of December 31, 2014, 63,750 shares subject to this option were vested and an additional 1,875 shares will vest monthly thereafter until all shares are vested.
- (28) As of December 31, 2014, 61,875 shares subject to this option were vested and an additional 2,813 shares will vest monthly thereafter until all shares are vested.
- (29) As of December 31, 2014, no shares subject to this option were vested, 29,250 shares will vest on February 15, 2015, and an additional 2,438 shares will vest monthly thereafter until all shares are vested.
- (30) As of December 31, 2014, 57,500 shares subject to this option were vested, and an additional 1,250 shares will vest monthly thereafter until all shares are vested.
- (31) As of December 31, 2014, 46,041 shares subject to this option were vested, and an additional 1,354 shares will vest monthly thereafter until all shares are vested.
- (32) As of December 31, 2014, 44,687 shares subject to this option were vested, and an additional 2,031 shares will vest monthly thereafter until all shares are vested.
- (33) As of December 31, 2014, no shares subject to this option were vested, 20,000 shares will vest on February 15, 2015, and an additional 1,667 shares will vest monthly thereafter until all shares are vested.
- (34) As of December 31, 2014, 62,291 shares subject to this option were vested, and an additional 1,354 shares will vest monthly thereafter until all shares are vested.
- (35) As of December 31, 2014, 56,666 shares subject to this option were vested, and an additional 1,667 shares will vest monthly thereafter until all shares are vested.
- (36) As of December 31, 2014, 55,000 shares subject to this option were vested, and an additional 2,500 shares will vest monthly thereafter until all shares are vested.
- (37) As of December 31, 2014, no shares subject to this option were vested, 25,000 shares will vest on February 15, 2015, and an additional 2,083 shares will vest monthly thereafter until all shares are vested.
- (38) As of December 31, 2014, 49,997 shares subject to this option were vested, and an additional 2,778 shares will vest monthly thereafter until all shares are vested.
- (39) As of December 31, 2014, no shares subject to this option were vested, 20,000 shares will vest on February 15, 2015, and an additional 1,667 shares will vest monthly thereafter until all shares are vested.

**OPTIONS EXERCISED AND STOCK VESTED DURING 2014**

The following table summarizes (i) the options exercised during the year ended December 31, 2014 by our NEOs and the value realized upon exercise (which is the number of shares under each option exercised multiplied by (a) the closing price of the Company's common stock on the day of exercise, less (b) the exercise price of the respective option), and (ii) the number of shares of common stock acquired by our NEOs, and the value of such shares, upon the vesting of restricted stock units during the year ended December 31, 2014 (where the value realized on vesting is determined by multiplying the number of vested shares by the closing price of the Company's common stock on the vesting date):



Table of Contents

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
Patrick J. Harshman	—	\$—	101,875	\$647,775
Carolyn V. Aver	—	—	58,125	380,088
Charles Bonasera	—	—	37,750	240,083
Neven Haltmayer	—	—	41,499	263,861
George Stromeyer	—	—	30,000	217,500

**PENSION BENEFITS AND NONQUALIFIED DEFERRED COMPENSATION**

There are no pension or retirement benefit plans for any of the NEOs, other than a 401(k) deferred compensation plan which is available to all regular, full-time U.S. employees of the Company, with matching Company contributions to the 401(k) plan of up to \$1,000 per annum per participant.

**CHANGE-OF-CONTROL AGREEMENTS**

The Company does not have employment agreements with any of its NEOs. The Company has entered into change of control severance agreements with each of the NEO's. Based on a hypothetical termination date of December 31, 2014, the respective amounts paid to the NEOs in the event of termination following a change of control would have been:

Name	Salary (\$)	Bonus (\$)	Value of Unvested Restricted Stock(1)(2)	Value of Unvested Stock Options(1)(2)	Other(3)	Total(4)
Patrick J. Harshman	\$1,000,000	\$625,000	\$823,675	\$426,820	\$35,393	\$2,910,888
Carolyn V. Aver	365,000	113,150	424,105	164,686	26,520	1,093,461
Charles Bonasera	281,558	84,467	324,213	116,354	26,515	833,107
Neven Haltmayer	307,153	87,539	361,450	144,990	35,393	936,525
George Stromeyer	281,558	140,779	368,025	85,603	24,490	900,455

The amounts in this column represent the value which would have been realized by the acceleration of unvested restricted stock units and unvested stock options, calculated by, in the case of options, multiplying the number of (1) shares subject to acceleration by the difference between \$7.01, the closing price of the Company's common stock on December 31, 2014 and the exercise price of the respective option. The value of restricted stock units is the number of shares multiplied by the closing price of the Company's common stock on December 31, 2014.

(2) The Company's change of control severance agreements have a provision that all unvested restricted stock and options will be fully accelerated upon termination of employment within 18 months following a change of control.

(3) The amounts in the column "Other" represent the maximum cost of continuing health, dental and life insurance benefits and outplacement fees.

(4) The Company's change of control severance agreements have a provision that payments will either be made in full, with the executive paying any applicable IRC Section 280G excise taxes, or the payments will be reduced to a level that does not trigger the Section 280G excise tax, whichever results in a greater amount. The amounts shown in the table assume that the executive would elect to receive full payment and pay any applicable excise taxes.

**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

No member of the Compensation Committee or executive officer of the Company has a relationship that would constitute an interlocking relationship with executive officers or directors of another entity.

**EQUITY PLAN INFORMATION AS OF DECEMBER 31, 2014**





Table of Contents

Plan Category	(a) Number of Securities to be Issued upon Outstanding Options, Warrants and Rights(2)	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights(2)(3)	(c) Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column(a))
Equity plans approved by security holders(1)	9,266,987	\$5.15	9,040,482

All of the Company's equity compensation plans, other than its 1999 Non-Qualified Stock Plan, have been (1) approved by stockholders. This information, as of December 31, 2014, is with respect to the 1995 Stock Plan, the 2002 Director Stock Plan and the 2002 Employee Stock Purchase Plan.

This column does not reflect options assumed in acquisitions where the plans governing the options will not be (2) used for future awards. At December 31, 2014, there were 228,519 shares of common stock subject to outstanding awards under such plans, with a weighted average exercise price of \$2.25.

This column does not reflect the price of shares underlying the assumed options referred to in footnote (2) of this (3) table. The weighted average exercise price of outstanding options, warrants and rights, excluding the Company's unvested restricted stock units for which there is no exercise consideration, is \$6.80.

Table of Contents

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information known to the Company with respect to beneficial ownership of the Company's Common Stock as of April 1, 2015, by (i) each beneficial owner of more than 5% of the Common Stock; (ii) each director; (iii) each NEO; and (iv) all of the Company's current directors and executive officers as a group. Except as otherwise indicated, each person has sole voting and investment power with respect to all shares shown as beneficially owned, subject to community property laws where applicable. The addresses for each of the directors and NEOs is c/o Harmonic Inc., 4300 North First Street, San Jose, California 95134.

Name and Address of Beneficial Owner	Number of Shares	Percent of Total(1)	
BlackRock Inc., 55 East 52nd St. New York, NY 10022(2)	7,857,482	8.85	%
Dimensional Fund Advisors LP, Building One, 6300 Bee Cave Road, Austin, TX 78746(3)	6,293,611	7.09	%
The Vanguard Group, 100 Vanguard Blvd., Malvern, PA 19355(4)	6,268,011	7.06	%
Epoch Investment Partners, Inc. 399 Park Avenue, New York, New York 10022(5)	5,085,607	5.73	%
Patrick Gallagher(6)	100,000	*	
Harold Covert(7)	74,717	*	
E. Floyd Kvamme(8)	653,401	*	
Mitzi Reaugh(9)	90,256	*	
William F. Reddersen(10)	132,225	*	
Susan G. Swenson(11)	91,923	*	
Nikos Theodosopoulos (12)	2,500	*	
Patrick J. Harshman(13)	1,625,388	1.83	%
Carolyn V. Aver(14)	531,326	*	
Charles Bonasera(15)	353,938	*	
Neven Haltmayer(16)	355,673	*	
George Stromeyer(17)	127,064	*	
All directors and executive officers as a group (12 persons)(18)	4,138,411	4.66	%

\* Percentage of shares beneficially owned is less than one percent of total.

The number of shares of common stock outstanding used in calculating the percentage for each listed person or entity is based on 88,754,324 shares of Common Stock outstanding on April 1, 2015. Shares of Common Stock (1) subject to stock options which are currently exercisable or will become exercisable, and restricted stock units which are currently vested or will become vested, in each case within 60 days of April 1, 2015, are deemed outstanding for purposes of computing the percentage of the person holding such options or restricted stock units, but are not deemed outstanding for purposes of computing the percentage of any other person.

Based solely on a review of a Schedule 13G/A filed with the SEC on January 22, 2015 by BlackRock Inc., on (2)behalf of itself and its wholly owned subsidiaries. BlackRock Inc. and its wholly owned subsidiaries reported sole voting and dispositive power with respect to all such shares.

Based solely on a review of a Schedule 13G/A filed with the SEC on February 5, 2015 by Dimensional Fund (3)Advisors LP. Dimensional Fund Advisors L.P. reported sole voting and dispositive power with respect to all such shares.

Based solely on a review of a Schedule 13G/A filed with the SEC on February 11, 2015 by The Vanguard Group. (4)The Vanguard Group reported sole voting and dispositive power with respect to all such shares.

Based solely on a review of a Schedule 13G filed with the SEC on February 12, 2015 by Epoch Investment (5)Partners, Inc. Epoch Investment Partners, Inc. reported sole voting and dispositive power with respect to all such shares.

(6)Includes no shares which may be acquired upon exercise of options exercisable or vesting of restricted stock units within 60 days of April 1, 2015.

(7)

Includes no shares which may be acquired upon exercise of options exercisable or vesting of restricted stock units within 60 days of April 1, 2015.

(8) Includes no shares which may be acquired upon exercise of options exercisable or vesting of restricted stock units within 60 days of April 1, 2015.

(9) Includes 28,333 shares which may be acquired upon exercise of options exercisable or vesting of restricted stock units within 60 days of April 1, 2015.

Table of Contents

- (10) Includes no shares which may be acquired upon exercise of options exercisable or vesting of restricted stock units within 60 days of April 1, 2015.
- (11) Includes 30,000 shares which may be acquired upon exercise of options exercisable or vesting of restricted stock units within 60 days of April 1, 2015.
- (12) Includes 2,500 shares which may be acquired upon exercise of options exercisable or vesting of restricted stock units within 60 days of April 1, 2015.
- (13) Includes 1,215,937 shares which may be acquired upon exercise of options exercisable or vesting of restricted stock units within 60 days of April 1, 2015.
- (14) Includes 485,624 shares which may be acquired upon exercise of options exercisable or vesting of restricted stock units within 60 days of April 1, 2015.
- (15) Includes 349,737 shares which may be acquired upon exercise of options exercisable or vesting of restricted stock units within 60 days of April 1, 2015.
- (16) Includes 328,750 shares which may be acquired upon exercise of options exercisable or vesting of restricted stock units within 60 days of April, 2015.
- (17) Includes 88,887 shares which may be acquired upon exercise of options exercisable or vesting of restricted stock units within 60 days of April 1, 2015.
- (18) Includes 2,529,768 shares which may be acquired upon exercise of options exercisable or vesting of restricted stock units within 60 days of April 1, 2015.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires the Company's executive officers and directors and persons who own more than 10% of a registered class of the Company's equity securities to file an initial report of ownership on Form 3 and changes in ownership on Form 4 or Form 5 with the SEC and the NASDAQ Stock Market. Executive officers, directors and greater than 10% stockholders are also required by SEC rules to furnish the Company with copies of all Section 16(a) forms they file. Based solely on its review of the copies of such forms prepared and filed by it or received by it or on written representations from the reporting persons, the Company believes that, with respect to 2014, all filing requirements applicable to its officers, directors and 10% stockholders were complied with.

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

It is Harmonic's policy that all employees, officers and directors must avoid any activity that is or has the appearance of conflicting with the interests of the Company. This policy is included in the Company's Code of Business Conduct and Ethics, which is posted on our website. All related party transactions must be reviewed and approved by the Company's Audit Committee.

Except for the compensation agreements and other arrangements that are described under "Executive Compensation", beginning on page 26 of this Proxy Statement, there was not during 2014, nor is there currently proposed, any transaction or series of similar transactions to which the Company was or is to be a party in which the amount involved exceeds \$120,000 and in which any director, executive officer, 5% stockholder or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest.

The Company's Audit Committee has the responsibility to review proposed related party transactions for potential conflicts of interest and to approve all such transactions in advance.

**OTHER MATTERS**

The Company knows of no other matters to be properly submitted for stockholder action at the 2015 Annual Meeting. If any other matters properly come before the Annual Meeting, your shares of Common Stock will be voted at the discretion of the designated proxy holders.

**IT IS IMPORTANT THAT ALL PROXIES BE RETURNED PROMPTLY . THE BOARD OF DIRECTORS URGES YOU TO VOTE VIA THE INTERNET OR BY TELEPHONE AS INSTRUCTED ON THE E-PROXY NOTICE OR PROXY CARD, OR IF YOU HAVE REQUESTED PROXY MATERIALS IN PAPER FORM, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD IN THE ENCLOSED POSTAGE-PAID ENVELOPE.**



Table of Contents

By Order of the Board of Directors,

Timothy C. Chu  
Vice President, General Counsel and Secretary  
Dated: April 30, 2015

35

---

Table of Contents

36

---



Table of Contents

37