



## **Compensation Committee Charter**

### **I. Membership**

The Compensation Committee of Applied Optoelectronics, Inc. (the "Corporation") shall be comprised of at least three members of the Corporation's Board of Directors (the "Board"). The members of the Compensation Committee shall be appointed by the Board and shall collectively meet the applicable independence and other requirements of The NASDAQ Stock Market ("Nasdaq") and applicable law. Members of the Compensation Committee may be removed at any time, with or without cause, by the Board. A person shall not serve as a member of the Compensation Committee if an executive officer of the Corporation serves as a director of a company that employs such person as an executive officer. Any actions taken by the Committee during any period in which one or more members fail for any reason to meet the membership requirements set forth above shall be nonetheless duly authorized actions of the Committee for all corporate purposes.

### **II. Quorum**

A majority of the members of the Compensation Committee shall constitute a quorum.

### **III. Frequency**

The Compensation Committee shall meet as required either on the dates of regular Board meetings or in special meetings as appropriate.

### **IV. Purpose**

The primary purpose of the Compensation Committee is to discharge the Board's responsibilities relating to compensation and benefits of the Corporation's executive officers. In carrying out these responsibilities, the Compensation Committee shall review all components of executive officer compensation for consistency with the Compensation Committee's compensation philosophy as in effect from time to time.

The Compensation Committee is also responsible for producing an annual report on executive compensation for inclusion in the Corporation's proxy statement, in accordance with applicable rules and regulations.

### **V. Limitations**

The Compensation Committee shall not have authority to: (1) adopt, amend, or repeal the Corporation's Bylaws; (2) fill vacancies on the Compensation Committee or change its membership; (3) amend the Corporation's Certificate of Incorporation; (4) act on matters assigned to other committees of the Board; or (5) take any action prohibited by the Corporation's Certificate of Incorporation, Bylaws or applicable law.

### **VI. Minutes**

Minutes will be kept of each meeting of the Compensation Committee and will be provided to each member of the Board upon request. Unless otherwise restricted by the Corporation's Certificate of Incorporation or Bylaws, any action that may be taken at any meeting of the Compensation Committee, may be taken without a meeting, if all members of the Compensation Committee consent thereto in writing, and the writing is filed with the minutes of proceedings of such committee. Any action of the Compensation Committee shall be subject to revision, modification, rescission, or alteration by the Board, provided that no rights of third parties shall be affected by any such revision, modification, rescission or alteration.

### **VII. Powers, Responsibilities and Duties**

To fulfill its responsibilities and duties, the Compensation Committee shall:

1. Review and approve all compensation for the Chief Executive Officer, including incentive-based and equity-based compensation. The Chief Executive Officer may not be present during such voting or deliberations.

2. Review and approve annual performance objectives and goals relevant to compensation for the Chief Executive Officer and evaluate the performance of the Chief Executive Officer in light of these goals and objectives.
3. Consider, in determining the long-term incentive component of compensation for the Chief Executive Officer, the Corporation's performance and relative stockholder return, the value of similar incentive awards to chief executive officers at comparable companies, and the awards given to the Corporation's Chief Executive Officer in past years.
4. Review and approve incentive-based or equity-based compensation plans in which the Corporation's executive officers participate.
5. Review and approve all compensation for executive officers, including incentive-based and equity-based compensation, and oversee the evaluation of management.
6. Approve all employment, severance, or change-in-control agreements, special or supplemental benefits, or provisions including the same, applicable to executive officers.
7. Periodically review and advise the Board concerning both regional and industry-wide compensation practices and trends in order to assess the adequacy and competitiveness of the Corporation's compensation programs for executive officers relative to comparable companies in the Corporation's industry.
8. Prepare an annual report on executive compensation for inclusion in the Corporation's proxy statement for the annual meeting of stockholders, in accordance with applicable rules and regulations.
9. Perform such other activities consistent with this Charter, the Corporation's Bylaws and governing law, as the Compensation Committee or the Board deems necessary or appropriate.
10. Make regular reports to the Board of Directors regarding the foregoing.
11. Review and reassess the adequacy of this Charter as required by Nasdaq and applicable law and recommend any changes to the Board on an annual basis.
12. Review and evaluate the Compensation Committee's own performance periodically.
13. The Compensation Committee may from time to time delegate duties or responsibilities to subcommittees or to one member of the Committee.
14. As deemed appropriate by the Compensation Committee, retain, or obtain advice or assistance from compensation consultants, legal counsel, or other advisors to perform its duties hereunder and to determine the terms, costs and fees for such engagements. Without limitation, the Compensation Committee shall have the authority to, in its sole discretion, retain, or obtain advice or assistance from, and terminate any compensation consultant, legal counsel or other advisor used to evaluate executive compensation, and to determine and approve the terms of engagement and the fees and costs for such engagements. The Compensation Committee will periodically assess the independence of any such compensation consultant as required by NASDAQ and applicable law. The fees and costs of any compensation consultant, legal counsel or other advisors engaged by the Compensation Committee to assist it in performing any duties hereunder shall be borne by the Corporation.
15. Periodically review the compensation paid to non-employee directors and make recommendations to the Board for any adjustments.
16. Perform any other activities consistent with this Charter, the Corporation's Certificate of Incorporation and Bylaws, Nasdaq rules and governing law, as the Compensation Committee or the Board deems necessary or appropriate, including without limitation, the delegation to one or more members of the Compensation Committee of authority to carry out certain activities set forth hereunder.

To the extent permitted by Nasdaq and applicable law, the Board (in lieu of, or concurrently with, the Compensation Committee) may undertake any action otherwise delegated to the Compensation Committee.

### **VIII. Independence of Compensation Advisors**

The Compensation Committee may select a compensation consultant, legal counsel or other advisor, other than in-house legal counsel, only after taking into consideration the following factors, as well as any other factors required by Nasdaq or applicable law:

- the provision of other services to the Company by the person that employs the compensation consultant, legal counsel or other adviser;
- the amount of fees received from the Company by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;
- the policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;
- any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the Compensation Committee;
- any stock of the Company owned by the compensation consultant, legal counsel or other adviser; and
- any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the Company.