

HARMAN INTERNATIONAL INDUSTRIES INC /DE/
Form PRE 14A
October 18, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

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

Harman International Industries, Incorporated

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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- No fee required.
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(2) Form, Schedule or Registration Statement No.:

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(4) Date Filed:

Harman International Industries, Incorporated

400 Atlantic Street

Stamford, CT 06901

October [], 2011

Dear Stockholder:

You are cordially invited to attend the 2011 Annual Meeting of Stockholders of Harman International Industries, Incorporated, a Delaware corporation. The meeting will be held on Wednesday, December 7, 2011, beginning at 11:00 a.m. Eastern Time at our corporate headquarters located at 400 Atlantic Street, Suite 1500, Stamford, Connecticut 06901. Information about the meeting is presented in the following Notice of Annual Meeting of Stockholders and Proxy Statement.

At the meeting, management will report on our company's operations during fiscal 2011 and comment on our outlook for the current fiscal year. The report will be followed by a question and answer period.

It is important that your shares be represented at the meeting. To ensure representation of your shares, please sign, date and promptly return the enclosed proxy card or use the telephone or Internet voting procedures described on the proxy card.

We look forward to seeing you on December 7th.

Sincerely,

Dinesh C. Paliwal
Chairman, Chief Executive Officer and President

Harman International Industries, Incorporated

400 Atlantic Street

Stamford, CT 06901

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be held on December 7, 2011

Important Notice regarding the Availability of Proxy Materials for the

Stockholder Meeting to be Held on December 7, 2011

The Proxy Statement and Annual Report to Stockholders

are available at: <https://materials.proxyvote.com/413086>

To Our Stockholders:

The 2011 Annual Meeting of Stockholders of Harman International Industries, Incorporated (the Annual Meeting) will be held at our corporate headquarters located at 400 Atlantic Street, Suite 1500, Stamford, Connecticut 06901, on December 7, 2011, beginning at 11:00 a.m. Eastern Time. The Annual Meeting will be held for the following purposes:

- (1) To elect the two directors named in the accompanying Proxy Statement to serve until the 2012 Annual Meeting of Stockholders;
- (2) To approve our 2012 Stock Option and Incentive Plan;
- (3) To approve an amendment to our Restated Certificate of Incorporation, as amended, and Bylaws to provide for the annual election of directors;
- (4) To ratify the appointment of KPMG LLP as our independent registered public accounting firm for our 2012 fiscal year;
- (5) To hold an advisory vote on executive compensation;
- (6) To hold an advisory vote on the frequency of future advisory votes on executive compensation; and

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- (7) To conduct any other business that may be properly brought before the Annual Meeting or any adjournments or postponements of the Annual Meeting.

Information concerning the matters to be acted upon at the Annual Meeting is set forth in the accompanying Proxy Statement. Stockholders of record as of the close of business on October 10, 2011 are entitled to notice of, and to vote at, the Annual Meeting or any adjournment thereof.

If you plan to attend the Annual Meeting and will need special assistance or accommodation due to a disability, please describe your needs on the enclosed proxy card. Also enclosed is our Annual Report for fiscal 2011.

By Order of the Board of Directors,

Todd A. Suko
Executive Vice President and General Counsel

Stamford, CT

October [], 2011

IMPORTANT

Whether or not you plan to attend the Annual Meeting in person, please vote by signing, dating and promptly returning the proxy card in the enclosed postage prepaid envelope or by using the telephone or Internet voting procedures described on the proxy card. Even if you have voted by proxy, you may still vote in person if you attend the Annual Meeting.

Attendance at the Annual Meeting will be limited to stockholders of record, beneficial owners of shares entitled to vote at the Annual Meeting who have evidence of such ownership, a duly appointed proxy holder of an absent stockholder and our invited guests. Any person claiming to be the proxy holder of an absent stockholder must, upon request, produce written evidence of such authorization. If you wish to attend the Annual Meeting but your shares are held in the name of a broker, bank or other nominee, you should bring with you a proxy or letter from the broker, bank or nominee as evidence of your beneficial ownership of the shares.

2011 Proxy Summary

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting.

Annual Meeting of Stockholders

Time and Date	11:00 a.m., December 7, 2011
Place	400 Atlantic Street, Suite 1500 Stamford, Connecticut 06901
Record date	October 10, 2011
Voting	Stockholders as of the record date are entitled to vote. Each share of Common Stock is entitled to one vote for each director nominee and one vote for each of the proposals to be voted on.

Meeting Agenda

Election of 2 directors

Approve the 2012 Stock Option and Incentive Plan

Approve amendments to the Restated Certificate of Incorporation and Bylaws to provide for the annual election of directors

Ratification of KPMG as auditors for fiscal 2012

Advisory vote on executive compensation

Advisory vote on the frequency of future advisory votes on executive compensation

Transact other business that may properly come before the Meeting

Voting Matters

Proposal No.	Matter	Board Vote Recommendation	Page Reference (for more detail)
1	Election of Directors	FOR EACH DIRECTOR NOMINEE	4
2	Approve 2012 Stock Option and Incentive Plan	FOR	53
3	Approve Amendments to Restated Certificate of Incorporation and Bylaws	FOR	61
4	Ratification of KPMG as Auditor for Fiscal 2012	FOR	63
5	Advisory Vote on Executive Compensation	FOR	64
6	Advisory Vote on the Frequency of Future Advisory Votes on Executive Compensation	FOR EVERY YEAR	65

Board Nominees

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The following table provides summary information about each director nominee. Each director nominee will be elected for a one year term if the proposal to amend our Restated Certificate of Incorporation and Bylaws is approved by our stockholders. Each director is elected by a majority of the votes cast.

Name	Age	Director Since	Occupation	Experience/Qualification	Independent
Brian F. Carroll(1)	40	2007	Member, Kohlberg Kravis Roberts & Co.	Leadership Finance	X
Hellene S. Runtagh(1)(2)	63	2008	Former President & CEO, Berwind Group	Strategy Leadership Operations Marketing	X

(1) Member of Compensation and Option Committee

(2) Member of Audit Committee

No director nominee, all of which are current directors, attended fewer than 75% of the board meetings and committee meetings on which he or she sits.

2012 Stock Option and Incentive Plan

In order to provide an incentive to our key employees who contribute materially to the success of our company, as well as retain and attract executives of the caliber necessary to be competitive with other industry leaders, we are seeking stockholder approval of the 2012 Stock Option and Incentive Plan. The Plan will replace the 2002 Amended and Restated Stock Option and Incentive Plan, as amended, and no further awards will be made under the old plan.

Declassification of the Board

The Board is submitting to our stockholders a proposal to amend our company's certificate of incorporation and bylaws to provide for the annual election of directors. Currently, the certificate of incorporation and bylaws provide for the division of the Board into three classes, with each class elected triennially. The Board believes it to be in the best interests of our company in demonstrating it is accountable and responsive to stockholders by providing for annual election of all directors upon the expiration of a director's current term.

Auditors

As a matter of good corporate governance, we are asking our stockholders to ratify the selection of KPMG as our independent auditor for fiscal 2012. Set forth below is summary information with respect to KPMG's fees for services provided in fiscal 2011 and 2010.

Type of Fees	Fiscal 2011	Fiscal 2010
Audit fees(1)	\$ 3,949,765	\$ 3,825,000
Audit-related fees(2)	63,000	60,000
Tax fees(3)	624,211	399,000
All other fees(4)		21,000
Total	\$ 4,636,976	\$ 4,305,000

Executive Compensation Advisory Vote and Its Frequency

We are asking our stockholders to approve on an advisory basis our named executive officer compensation. The Board recommends a FOR vote because it believes that our compensation policies and practices are effective in achieving our company's goals of recognizing financial and operating performance and leadership excellence, and aligning our executives' long-term interests with those of our stockholders. Named executive officer compensation over the past three years reflects amounts of cash and long-term performance awards consistent with periods of economic stress and lower earnings, and equity incentives that align with our actions to stabilize our company and to position us for a continued recovery.

The Board recommends that stockholders vote in favor of holding the advisory vote on executive compensation EVERY YEAR.

Executive Compensation Elements

Type	Form	Terms
Equity	2/3 Performance-vested restricted stock units (Performance RSUs) at maximum achievement	Performance RSUs have a three-year performance period with two objective performance measures
	1/3 Time-vested restricted stock units (RSUs)	RSUs generally vest on the third anniversary of the date of grant
Cash	Salary Annual incentive compensation	Increases must be approved by the Compensation and Option Committee and/or the Board Based on quantitative and qualitative performance goals
Retirement	Supplementary pension (CEO and Mr. Augsburger only)	Ten year vesting, payable at or after age 55. As of September 2008, our company no longer offers this benefit to newly hired or newly appointed executive officers.
Severance	Severance payable upon termination of employment in certain specified circumstances or upon a change in control	Severance benefit ranges from a multiple of one time base salary plus pro rata bonus to three times base salary plus full bonus.
Other	Perquisites	Supplemental life insurance, transportation, Harman products, legal services

Other Key Compensation Features

Only CEO and CFO entitled to tax gross-ups for excise taxes in the event of a change in control (our company has discontinued this practice)

Significant executive share ownership requirements (5 times base salary for CEO and 3 times base salary for all other executive committee members)

Double trigger event required for severance benefits upon a change in control

Fiscal 2011 Compensation Decisions

In fiscal 2011, our company had a very strong year. Our revenue increased by 12%, compared to 2010, and we had an operating profit of \$190 million in fiscal 2011, compared to an operating profit of \$86 million in fiscal 2010. Our management team continued to implement a number of strategic measures to create sustainable stockholder value, including expansion of our global footprint into the emerging markets and best cost countries such as Hungary, Brazil, Mexico, China and India. This investment in the emerging markets has resulted in revenue growth of 68% in Brazil, China and India during fiscal 2011, which delivered higher profit margins than those of our company as a whole. We successfully completed our STEP Change permanent cost reduction program, achieving more than \$434 million in permanent cost savings. Our total liquidity increased to \$1.5 billion, providing significant flexibility for our company's future strategic initiatives.

Our executive compensation philosophy continues to focus on pay-for-performance. As a result, compensation increases for our executive officers are generally tied to our company's performance and each executive's contributions to that performance through their respective functions. At the same time, we balance our annual guaranteed pay with the at-risk pay so as to mitigate excessive risk taking to our company.

2012 Annual Meeting

Deadline for stockholder proposals September 10, 2012

HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED

400 Atlantic Street

Stamford, CT 06901

PROXY STATEMENT

FOR THE 2011 ANNUAL MEETING OF STOCKHOLDERS

This Proxy Statement provides information in connection with the solicitation of proxies by the Board of Directors (the **Board**) of Harman International Industries, Incorporated (sometimes referred to as **we**, **us**, **our**, or **our company**) for use at our 2011 Annual Meeting of Stockholders or any postponement or adjournment thereof (the **Meeting**). This Proxy Statement also provides information you will need in order to consider and to act upon the matters specified in the accompanying Notice of Annual Meeting of Stockholders. This Proxy Statement and the enclosed proxy card are being mailed to stockholders on or about October 31, 2011.

Holders of record of our common stock, \$0.01 par value per share (**Common Stock**), as of the close of business on October 10, 2011 (the **Record Date**) are entitled to vote at the Meeting. Each stockholder of record as of the Record Date is entitled to one vote for each share of Common Stock held by such stockholder. On October 10, 2011, there were 70,091,444 shares of Common Stock outstanding and entitled to vote.

You cannot vote your shares of Common Stock unless you are present at the Meeting or you have previously given your proxy. You can vote by proxy in one of three convenient ways:

in writing: sign, date and return the proxy card in the enclosed envelope;

by telephone: within the U.S. or Canada, call the toll-free telephone number shown on your proxy card and follow the instructions; or

by Internet: visit the website shown on your proxy card and follow the instructions.

You may revoke your proxy at any time prior to the vote at the Meeting by:

delivering a written notice revoking your proxy to our company's Corporate Secretary at the address above;

delivering a new proxy bearing a date after the date of the proxy being revoked; or

voting in person at the Meeting.

All properly executed proxies, unless revoked as described above, will be voted at the Meeting in accordance with your directions on the proxy. With respect to the election of directors, you may vote for all nominees, withhold your vote for all nominees, or withhold your vote as to a specific nominee. If a properly executed proxy does not provide instructions, the shares of Common Stock represented by your proxy will be

voted as follows:

FOR the election of each of the two director nominees to serve until our company's 2012 Annual Meeting of Stockholders;

FOR the approval of the 2012 Stock Option and Incentive Plan;

FOR the approval of the amendment to our Restated Certificate of Incorporation, as amended, and our Bylaws to provide for the annual election of directors;

FOR the ratification of our selection of KPMG LLP as our independent registered public accounting firm for the 2012 fiscal year;

FOR the approval of the compensation paid to our company's named executive officers;

FOR future stockholder advisory votes on Executive Compensation to be held every year; and

at the discretion of the proxy holders with regard to any other matter that is properly presented at the Meeting.

A majority of the outstanding shares of Common Stock must be present, in person or by proxy, to constitute a quorum at the Meeting.

Our company's majority voting policy requires any director nominee in an uncontested election who receives a greater number of votes withheld than votes for his or her election to tender his or her resignation promptly following the certification of the election results. The Nominating and Governance Committee of the Board will consider all of the relevant facts and circumstances and make a recommendation to the Board with respect to accepting or rejecting the resignation. Within 90 days, the Board is required to take action with respect to the recommendation and to publicly disclose its decision by issuing a press release. The majority voting policy is more fully described below in *The Board, Its Committees and Its Compensation*, *Corporate Governance*, *Majority Voting Policy*.

Those stockholders who fail to return a proxy or attend the Meeting will not have their shares of Common Stock count towards determining any required vote or quorum. Stockholders and brokers returning proxies or attending the Meeting who abstain from voting on the election of our directors will count towards determining a quorum. Brokers holding shares of record for customers generally are not entitled to vote on certain matters unless they receive voting instructions from their customers. In the event that a broker does not receive voting instructions for these matters from its customers, a broker may notify us that it lacks voting authority to vote those shares. These broker non-votes refer to votes that could have been cast on the matter in question by brokers with respect to uninstructed shares if the brokers had received their customers' instructions. These broker non-votes will be included in determining whether a quorum exists. Your broker is not permitted to vote on your behalf on the election of directors, the adoption of the 2012 Stock Option and Incentive Plan or the amendment to our Amended and Restated Certificate of Incorporation unless you provide specific instructions by completing and returning the proxy card or following the instructions provided to you to vote your shares via telephone or the Internet. To ensure your shares are voted in the manner you desire, you should instruct your broker, bank or other financial institution before the date of the Meeting on how to vote your shares.

If you own shares through our retirement or employee savings and investment plan, and you do not direct the trustee of the 401(k) plan to vote your shares, then the trustee will vote the shares credited to your account in the same proportion as the voting of shares for which the trustee receives direction from other participants.

We are soliciting your proxy and will pay the cost of preparing and mailing this Proxy Statement and the enclosed proxy card. We have retained BNY Mellon Shareowner Services LLC (Mellon) to assist in the solicitation of proxies for the Meeting. For these services, we will pay Mellon a base fee of \$5,500 and will reimburse Mellon for out-of-pocket expenses. Additionally, our employees may solicit proxies personally and by telephone. Our employees will receive no compensation for soliciting proxies other than their regular salaries. We may request banks, brokers and other custodians, nominees and fiduciaries to forward copies of these proxy materials to their principals and to request authority for the execution of proxies. We may reimburse such persons for their expenses in so doing.

QUESTIONS AND ANSWERS

Q: Who can attend the Meeting?

A: All stockholders of record as of the close of business on October 10, 2011 can attend the Meeting.

Q: What do I need to do to attend the Meeting?

A: To attend the Meeting, please follow these instructions:

If shares you own are registered in your name or if you own shares through our company's retirement or employee savings and investment plan, bring your proof of ownership of Common Stock and a form of identification; or

If a broker or other nominee holds your shares, bring proof of your ownership of Common Stock through such broker or nominee and a form of identification.

Q: Will there be a management presentation at the Meeting?

A: Management will give a brief presentation at the Meeting.

Q: If more than one stockholder lives in my household, how can I obtain an extra copy of this Proxy Statement and the Annual Report?

A: Pursuant to the rules of the Securities and Exchange Commission (SEC), services that deliver our communications to stockholders who hold their shares through a broker or other nominee may deliver to multiple stockholders sharing the same address a single copy of this Proxy Statement and our Annual Report. Upon written or oral request, we will mail a separate copy of this Proxy Statement and our Annual Report to any stockholder at a shared address to which a single copy of each document was delivered. You may contact us with your request by writing to our company's Corporate Secretary at the following address: 400 Atlantic Street, Suite 1500, Stamford, CT 06901, or by calling (203) 328-3500. We will mail materials you request at no cost to you. You can also access this Proxy Statement and our Annual Report online at <https://materials.proxyvote.com/413086>.

Q: How many votes are needed to approve each proposal?

A: For Proposal No. 1, the election of directors to hold office until the 2012 Annual Meeting of Stockholders, a nominee will be elected if the number of votes cast For that nominee exceeds the number of Withheld votes cast for that nominee. Abstentions and broker non-votes will have no effect. To be approved, Proposal No. 2, the approval of our 2012 Stock Option and Incentive Plan, must receive a For vote from the majority of shares present in person or represented by proxy and entitled to vote on the matter. To be approved, Proposal No. 3, the approval of the amendment to our Amended and Restated Certificate of Incorporation to provide for the annual election of directors, must receive a For vote from the majority of shares present in person or represented by proxy and entitled to vote on the matter. To be approved, Proposal No. 4, the ratification of the selection of KPMG LLP as our independent registered public accounting firm for the 2012 fiscal year, must receive a For vote from the majority of shares present in person or represented by proxy and entitled to vote on the matter. If you Abstain from voting, it will have the same effect as an Against vote. Broker non-votes will have the same effect as an Against vote.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

The Board presently consists of nine directors, divided into three classes. Currently, each class consists, as nearly as possible, of one-third of the total number of directors, and each class has a three-year term. On September 8, 2011, the Board approved a resolution to declassify the Board commencing with the Meeting. If our stockholders approve at the Meeting the amendment to our Restated Certificate of Incorporation, as amended, pursuant to which the Board will be declassified (the Amendment), the two directors whose terms expire as of the Meeting will each be nominated for election for a one year term. In each of the 2012 and 2013 Annual Meetings of Stockholders, all director nominees would be elected to one year terms. As of the 2013 Annual Meeting of Stockholders the Board will be declassified. If our stockholders do not approve the Amendment at the Meeting, the two directors whose terms expire as of the Meeting will each be nominated for election for a three year term. This section contains information relating to the two director nominees and all our other the directors.

The nominees for election are Brian F. Carroll and Hellene S. Runtagh. Each of the nominees for election at the Meeting is currently a director of our company and was selected by the Board as a nominee in accordance with the recommendation of the Nominating and Governance Committee of the Board (Nominating Committee). If elected at the Meeting, and the Amendment is approved by our stockholders, each of the nominees would serve until the 2012 Annual Meeting of Stockholders and until his or her successor is elected and has been duly qualified, or until such director s death, resignation or removal.

The Board expects that the nominees will be available for election at the time of the Meeting. If for any reason a nominee should become unavailable for election, the shares of Common Stock voted For that nominee by proxy will be voted for a substitute nominee designated by the Board, unless the Board reduces the number of directors or allows that nominee s director position to remain vacant until a qualified nominee is identified.

In an uncontested election, directors shall be elected by the vote of a majority of the votes cast by shares present in person or represented by proxy and entitled to vote at the Meeting. In a contested election, a plurality of the votes cast is required for the election of directors. This means that the director nominee with the most votes for a particular Board position is elected for that position. The election of directors at the Meeting is an uncontested election. Therefore, for Proposal No. 1, the election of Brian F. Carroll and Hellene S. Runtagh as directors, a nominee will be elected if the number of votes cast For that nominee exceeds the number of Withheld votes cast for that nominee. Abstentions and broker non-votes will have no effect.

Nominees to be Elected at the Meeting

Brian F. Carroll

Director since October 2007

Mr. Carroll, age 40, has been a Member of Kohlberg Kravis Roberts & Co., a leading global alternative asset manager, since January 2006. Prior thereto, he served as an executive of KKR from 1995 until 1997 and from July 1999 until December 2005. From 1997 to 1999, he attended business school at Stanford University. Mr. Carroll is also a member of the board of directors of Rockwood Holdings, Inc., a specialty chemicals and advanced materials company. Mr. Carroll also served as a director of Sealy Corporation during the last five years.

Mr. Carroll's qualifications to serve on the Board include his extensive expertise and experience gained through his significant role in KKR's private equity investments. Mr. Carroll also is actively involved in public companies affiliated with KKR and has substantial experience in merger and acquisition transactions.

Hellene S. Runtagh

Director since December 2008

Ms. Runtagh, age 63, formerly served as President and Chief Executive Officer of the Berwind Group from 2001 to 2002, a diversified pharmaceutical services, industrial manufacturing and real estate company. From 1998 through 2000, she served as Executive Vice President of Universal Studios. Prior to joining Universal, Ms. Runtagh spent 25 years at General Electric Company in a variety of leadership positions. Ms. Runtagh also serves on the board of directors of Lincoln Electric Holdings, Inc., a full-line manufacturer and reseller of welding and cutting products; and NeuStar Inc., a provider of clearinghouse services to the communications industry. Ms. Runtagh served as a director of Avaya Inc. and IKON Office Solutions, Inc. during the last five years.

Ms. Runtagh's qualifications to serve on the Board include her extensive expertise and experience in the areas of operations, marketing and sales, as well as comprehensive management and leadership experience she gained as a former senior executive for a diverse global business. She also has significant public company board experience (including specific experience serving on audit and compensation committees).

The Board recommends a vote FOR election of each of the nominees.

Directors Whose Terms Extend Beyond the Meeting

Dr. Harald Einsmann

Director since October 2007

Dr. Einsmann, age 77, served as an Operating Partner of EQT Partners AB, a European private equity group, from 2000 until his retirement in 2006. Prior to joining EQT, Dr. Einsmann was an Executive Vice President of The Procter & Gamble Company worldwide, and their President of Europe, Middle East and Africa. He serves as a director of Checkpoint Systems, Inc., a provider of integrated system solutions for retail security, labeling and merchandising. Dr. Einsmann also served as a director of Tesco Plc, the Carlson Group and Rezidor Hotel Group in Scandinavia during the last five years. His current term expires at the 2013 Annual Meeting of Stockholders.

Dr. Einsmann's qualifications to serve on the Board include his extensive expertise and experience in the areas of retail, consumer goods, manufacturing and international markets, as well as comprehensive management and leadership experience he gained as the former head of a global business unit. He also has significant public company board experience.

Ann McLaughlin Korologos

Director since November 1995

Ms. Korologos, age 69, has served as our Lead Director since May 2008. From April 2004 to April 2009, she served as Chairman of the RAND Corporation Board of Trustees. She is Chairman Emeritus of The Aspen Institute, where she served as Chairman from 1996 to 2000. Ms. Korologos was a Senior Advisor to Benedetto, Gartland & Company, Inc., an investment banking firm, from 1996 to 2005. From 1987 until 1989 she served as the United States Secretary of Labor. Ms. Korologos is a director of AMR Corporation and its subsidiary, American Airlines, Inc.; Host Hotels & Resorts, Inc.; Kellogg Company; and Vulcan Materials Company, a provider of construction aggregates. Ms. Korologos also served as a director of Microsoft Corporation during the last five years. Her current term expires at the 2013 Annual Meeting of Stockholders.

Ms. Korologos' qualifications to serve on the Board include her expertise and experience in the areas of international markets, marketing, regulatory and government affairs, policy making, and social responsibility and reputational issues. She also has significant public company board experience (including specific experience in compensation, diversity, corporate governance and social responsibility).

Dr. Jiren Liu

Director since December 2009

Dr. Liu, age 56, is the founder, Chairman and CEO of Neusoft Corporation, a leading IT solutions and services provider in China founded in 2001. Dr. Liu is also a professor and vice president at the Northeastern University China, serves as vice chairman of the China Software Industry Association, and is a standing member of the Chinese Association of Automation. He does not currently serve, and has not served in the last five years, on any other public company boards. His current term as a director expires at the 2012 Annual Meeting of Stockholders.

Dr. Liu's qualifications to serve on the Board include his extensive expertise and experience in the areas of technology, emerging markets and innovation, as well as the comprehensive management and leadership experience he gained as the founder and leader of a global technology business.

Edward H. Meyer

Director since July 1990

Mr. Meyer, age 84, has served as Chairman, Chief Executive Officer and Chief Investment Officer of Ocean Road Advisors, Inc., an investment management company, since January 2007. From 1972 to 2006, Mr. Meyer served as Chairman, Chief Executive Officer and President of Grey Global Group, Inc., a global advertising and marketing services company. Mr. Meyer also serves as a director of Retail Opportunity Investments Corp., a REIT that invests in a diverse portfolio of necessity-based retail properties, and National CineMedia, Inc., an in-theater advertising company. Mr. Meyer also served as a director of Ethan Allen Interiors Inc. during the last five years. His current term as a director expires at the 2012 Annual Meeting of Stockholders.

Mr. Meyer's qualifications to serve on the Board include his extensive expertise and experience in the areas of sales, advertising, marketing and investment management. He also has significant public company board experience.

Dinesh C. Paliwal

Director since August 2007

Mr. Paliwal, age 53, has served as our Chairman, Chief Executive Officer and President since July 1, 2008. He joined our company in July 2007 as Vice Chairman, CEO and President. Prior to joining our company, Mr. Paliwal served as President of Global Markets and Technology of ABB Ltd., a provider of industrial automation, power transmission systems and services, from January 2006 until June 2007. From January 2004 until June 2007, Mr. Paliwal served as President and CEO of ABB North America, and from October 2002 to December 2005 he served as President and Chief Executive Officer of ABB Automation. Mr. Paliwal also serves as a director of Tyco International Ltd. Mr. Paliwal served as a director of Embarq Corporation during the last five years. His current term as a director expires at the 2012 Annual Meeting of Stockholders.

Mr. Paliwal's qualifications to serve on the Board include his extensive expertise and experience in the areas of crisis management, international markets, strategy and strategic planning, as well as the comprehensive management and leadership experience he has gained as the head of a global business. He also has significant public company board experience.

Kenneth M. Reiss

Director since February 2008

Mr. Reiss, age 68, served as a partner with Ernst & Young LLP, an accounting firm he joined in 1965, from 1977 until his retirement in June 2003. While at Ernst & Young, he also served as Managing Partner for the Assurance and Advisory Practice in the firm's New York office and served as the lead auditor for several publicly traded companies, including Toys 'R Us, Inc., Staples, Inc., Phillips-Van Heusen, Inc. and Columbia Pictures. Mr. Reiss serves on the board of directors of The Wet Seal, Inc., a national specialty retailer. Mr. Reiss also served as a director of Eddie Bauer Holdings, Inc. and Guitar Center, Inc. during the last five years. His current term expires at the 2013 Annual Meeting of Stockholders.

Mr. Reiss' qualifications to serve on the Board include his extensive expertise and experience in the areas of auditing, accounting, finance and risk management. He also has significant public company board experience (including specific experience serving on audit committees).

Gary G. Steel

Director since December 2007

Mr. Steel, age 58, has served as the Head of Group HR and Sustainability and a member of the Group Executive Committee of ABB Ltd. since January 2003. He is also Chairman of ABB subsidiaries in India and Sweden. Prior to joining ABB Ltd., Mr. Steel served in various executive positions with Royal Dutch Shell plc, including Human Resources Director for Global Finance for Shell International B.V., a wholly owned subsidiary of Royal Dutch Shell plc. Mr. Steel does not currently serve, and has not served in the last five years, on any other public company boards. His current term as a director expires at the 2012 Annual Meeting of Stockholders.

Mr. Steel's qualifications to serve on the Board include his extensive expertise and experience in human resources, executive compensation matters, talent development, succession planning, and benefits administration, as well as the comprehensive management and leadership experience he has gained as a senior executive for a global organization.

THE BOARD, ITS COMMITTEES AND ITS COMPENSATION

The Board of Directors

The Board currently consists of nine directors. The Board has determined that eight of the directors are independent directors and one director is a current member of our senior management. Each of our non-management directors meets the qualifications for independence under the listing standards of the New York Stock Exchange. Following the Meeting, the Board will consist of nine members, eight of whom are independent. There are no family relationships among any directors or executive officers of our company.

Director Compensation

Process

The Compensation and Option Committee is responsible for annually reviewing and making recommendations to the Board regarding the compensation of our non-management directors.

Fiscal 2011 Compensation

For services rendered during fiscal 2011, non-management directors received an annual retainer fee of \$70,000, plus \$1,500 for each Board or committee meeting attended. The chairperson of each of the Board's standing committees received an additional annual retainer fee as follows: Audit Committee (\$25,000), Compensation and Option Committee (\$10,000) and Nominating Committee (\$10,000). The Lead Director received an additional annual retainer fee of \$20,000. We do not pay fees to directors who are officers of our company or our subsidiaries. We reimburse all directors for expenses incurred in attending Board and committee meetings. Starting in fiscal 2012, the annual retainer fee payable to the Compensation and Option Committee chairman and the Lead Director will be increased by \$5,000.

On the date of our 2010 Annual Meeting of Stockholders, each then-current non-management director received a restricted share unit (RSU) grant equal to \$125,000 divided by the closing price of our Common Stock on December 8, 2010. All of these RSUs were granted under the Harman International Industries, Incorporated Amended and Restated 2002 Stock Option and Incentive Plan (the 2002 Incentive Plan). Each RSU vests at a rate of one-third per year commencing on the first anniversary of the grant date.

The following table sets forth compensation earned by each of our non-management directors for his or her service as a director during fiscal 2011.

Name	Fees Earned		Total
	Paid in Cash(1)	Stock Awards(2)(3)	
Brian F. Carroll	\$ 83,500	\$ 124,973	\$ 208,473
Dr. Harald Einsmann	89,500	124,973	214,473
Rajat K. Gupta(4)	55,135	124,973	180,108
Ann McLaughlin Korologos	116,500	124,973	241,473
Dr. Jiren Liu	83,500	124,973	208,473
Edward H. Meyer	99,500	124,973	224,473
Kenneth M. Reiss	123,500	124,973	248,473
Hellene S. Runtagh	97,000	124,973	221,973
Gary G. Steel	92,500	124,973	217,473

- (1) Includes annual retainer and meeting attendance fees paid to each non-management director for his or her service as a director during fiscal 2011, and additional annual retainer fees paid to the Lead Director and the chairperson of each committee of the Board. For Mr. Gupta, the annual cash retainer was prorated based on his term of service.

- (2) On December 8, 2010, each non-management director received an RSU grant of 2,659 shares of our Common Stock. The grant date fair value of each award, calculated in accordance with Financial Accounting Standards Board (FASB) ASC Topic 718, was \$124,973. As of June 30, 2011, the number of outstanding RSUs held by each of our non-management directors was as follows: Mr. Carroll (7,923 shares), Dr. Einsmann (7,923 shares), Ms. Korologos (7,923 shares), Dr. Liu (6,375 shares), Mr. Meyer (7,923 shares), Mr. Reiss (7,923 shares), Ms. Runtagh (9,689 shares), and Mr. Steel (7,923 shares). Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based conditions. See Note 14, *Shareholders' Equity and Share-Based Compensation*, to our consolidated financial statements in our Form 10-K for the fiscal year ended June 30, 2011, for information regarding the assumptions made in determining these values.
- (3) As of June 30, 2011, the number of outstanding stock options held by each of our non-management directors was as follows: Mr. Carroll (13,000 shares), Dr. Einsmann (13,000 shares), Ms. Korologos (52,000 shares), Mr. Meyer (52,000 shares), Mr. Reiss (8,000 shares), and Mr. Steel (8,000 shares). Our company ceased granting stock options to non-management directors after December 2007.
- (4) Mr. Gupta voluntarily resigned from the Board on March 7, 2011. Prior to his resignation Mr. Gupta also served on the Board's Nominating Committee.

Corporate Governance

The Board and senior management believe that one of their primary responsibilities is to promote a culture of ethical behavior throughout our company by setting examples and by displaying a sustained commitment to instilling and maintaining deeply ingrained principles of honesty and decency. Consistent with these principles we have, among other things, adopted:

written charters for our Audit Committee, Compensation and Option Committee and Nominating Committee;

Corporate Governance Guidelines that describe the principles under which the Board operates;

a Code of Ethics for Senior Management and the Board, a Code of Ethics and Conflicts of Interest Policy for Members of the Board, and a Code of Business Conduct applicable to all our employees; and

a Majority Voting Policy that requires our directors to submit their resignation if they do not receive a majority of votes For their election.

The committee charters, corporate governance guidelines, ethics codes and majority voting policy are available on our website (www.harman.com) in the Corporate Governance section of the Investors page. Copies of these documents are also available upon written or oral request to our Corporate Secretary. We will post information regarding any amendment to, or waiver from, our Code of Ethics for Senior Management and the Board on our website under the Corporate Governance section of the Investors page.

The Board periodically reviews its corporate governance policies and practices. Based on these reviews, the Board expects to adopt changes to policies and practices that are in the best interests of our company and as appropriate to comply with any new requirements of the SEC or the New York Stock Exchange.

Director Independence

As part of our Corporate Governance Guidelines, we have established a policy requiring a majority of the members of the Board to be independent. The Board has also adopted a policy establishing independence standards to assist the Board in determining the independence of the non-management directors. Those standards reflect, among other things, the requirements under the listing standards of the New York Stock Exchange. The independence standards for non-management directors are available on our website under the Corporate Governance section of the Investors page.

In making its independence determinations, the Board considered transactions that occurred in fiscal 2011 between our company and entities associated with the non-management directors or members of their respective immediate families. All identified transactions that appeared to relate to our company and a family member of, or entity with a known connection to, a non-management director were presented to the Board for consideration. The Board considered the transactions in the context of the New York Stock Exchange objective standards, the special standards established by the SEC for members of audit committees, and the SEC and U.S. Internal Revenue Service standards for compensation committee members. Based on all of the foregoing, as required by the New York Stock Exchange rules, the Board made a determination that, because of the nature of each non-management director's relationship with the entity and/or the amount involved, no relationships exist that, in the opinion of the Board, would impair the director's independence. The Board's independence determinations included the following transactions:

Mr. Carroll is a member of KKR. In October 2007, our company issued \$400 million of 1.25% senior convertible notes (the Notes), of which \$342.8 million was either purchased by an affiliate of KKR or for which KKR has substantial economic benefit and risk. Our company paid KKR less than 1% of its revenue in fiscal 2011 for interest on the Notes.

Dr. Liu is the Chairman and CEO of Neusoft Corporation. Our company paid Neusoft less than 1% of its revenue in fiscal 2011 for engineering and software development services rendered to our company.

The Board has determined that each of Mr. Carroll, Dr. Einsmann, Ms. Korologos, Dr. Liu, Mr. Meyer, Mr. Reiss, Ms. Runtagh and Mr. Steel, is independent of our company and our management within the meaning of the New York Stock Exchange listing standards and satisfies our independence standards.

Majority Voting Policy

Under our majority voting policy, in an uncontested election of directors, any nominee who receives a greater number of votes Withheld than votes For his or her election will, promptly following the certification of the stockholder vote, tender his or her written resignation to the Board for consideration by the Nominating Committee. The Nominating Committee will consider the resignation and will make a recommendation to the Board concerning whether to accept or reject it.

In determining its recommendation to the Board, the Nominating Committee will consider all factors it deems relevant, which may include:

the stated reason or reasons why stockholders who cast Withheld votes for the director did so;

the qualifications of the director (including, for example, whether the director serves on the Audit Committee of the Board as an audit committee financial expert and whether there are one or more other directors qualified, eligible and available to serve on the Audit Committee in such capacity); and

whether the director's resignation from the Board would be in our best interests and the best interests of our stockholders.

The Nominating Committee also will consider a range of possible alternatives concerning the director's tendered resignation as it deems appropriate, which may include:

acceptance of the resignation;

rejection of the resignation; or

rejection of the resignation coupled with a commitment to seek to address and cure the underlying reasons reasonably believed by the Nominating Committee to have substantially resulted in the Withheld votes.

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Under our majority voting policy, the Board will take formal action on the recommendation no later than 90 days following the certification of the results of the stockholders meeting. In considering the recommendation,

the Board will consider the information, factors and alternatives considered by the Nominating Committee and any additional information that the Board deems relevant. We will publicly disclose the Board's decision promptly after the decision is made in a press release. If applicable, the Board will also disclose the reason or reasons for rejecting the tendered resignation.

Non-Employee Director Stock Ownership

In fiscal 2009, we adopted Stock Ownership Guidelines for Non-Employee Directors. The guidelines recommend that non-management directors retain all shares of Common Stock received (including stock options and RSUs) as compensation after December 2, 2008 for as long as they serve as members of the Board. Directors will be permitted to sell shares of Common Stock to cover the exercise price of options and any taxes payable as a result of such exercise, or that may be payable upon the vesting of any RSUs or shares of restricted stock.

Communications with the Board

Stockholders and other interested parties may communicate with the Board, the non-management directors or specific directors by mail addressed to: Board of Directors, c/o Harman International Industries, Incorporated, 400 Atlantic Street, Suite 1500, Stamford, Connecticut 06901, Attn: General Counsel. The mailing envelope should also clearly indicate whether the communication is intended for the Board, the non-management directors or a specific director. The General Counsel or the Head of Internal Audit will review all these communications and will, within a reasonable period of time after receiving the communications, forward all communications to the appropriate director or directors, other than those communications that are merely solicitations for products or services or relate to matters that are of a type that are clearly improper or irrelevant to the functioning of the Board or the business and affairs of our company.

Board Meetings

The Board held six meetings during fiscal 2011. Each director attended at least 75% of the total number of meetings of the Board and committees on which he or she served during the period he or she was a director in fiscal 2011. The Board has established a policy that the non-management directors meet in executive session, without members of our management present, at each regularly scheduled meeting of the full Board.

The following table provides a summary of the membership of each of the standing committees of the Board as of June 30, 2011.

Name	Audit	Compensation and Option	Nominating and Governance
Brian F. Carroll		Member	
Dr. Harald Einsmann	Member		
Ann McLaughlin Korologos			Chair
Dr. Jiren Liu		Member	
Edward H. Meyer		Chair	Member
Dinesh C. Paliwal			
Kenneth M. Reiss	Chair		Member
Hellene S. Runtagh	Member	Member	
Gary G. Steel		Member	Member

Annual Meetings of Stockholders

As part of our Corporate Governance Guidelines, the Board has adopted a policy that each director is expected to make reasonable efforts to attend our stockholders' meetings. All Board members who were directors at the time of the meeting attended our 2010 Annual Meeting of Stockholders.

Audit Committee

During fiscal 2011, the Audit Committee held eight meetings. The Board has determined that each member of the Audit Committee is independent under the New York Stock Exchange listing standards and each is financially literate and experienced in financial matters. The Board has also determined that Mr. Reiss is an audit committee financial expert within the meaning of applicable SEC regulations.

The Audit Committee assists the Board in its oversight of our financial reporting, focusing on the integrity of our company's financial statements, our compliance with legal and regulatory requirements, and the qualifications and independence of our independent auditor. The Audit Committee's primary responsibilities include:

acting as the direct contact with our independent auditor, who is ultimately accountable to the Audit Committee and the Board;

appointing the independent auditor, setting the terms of compensation and retention for the independent auditor, and evaluating and overseeing the work of the independent auditor;

pre-approving all audit and non-audit services provided to our company by the independent auditor;

oversight over the audit scope and performance of the internal audit function;

oversight over our company's ethics and compliance programs;

evaluating and discussing with management and the Board our company's risk assessment and risk management processes; and

acting in respect of all other matters as to which Audit Committee action is required by law or New York Stock Exchange listing standards.

The Audit Committee's responsibilities and key practices are more fully described in its written charter. A report of the Audit Committee appears on page 68 of this Proxy Statement.

Compensation and Option Committee

During fiscal 2011, the Compensation and Option Committee held four meetings. Each member of the Compensation and Option Committee is independent under the New York Stock Exchange listing standards.

The Compensation and Option Committee assists the Board in overseeing executive compensation and administers our executive bonus, option and incentive, deferred compensation and retirement plans. The Compensation and Option Committee's primary responsibilities include:

establishing our company's executive compensation philosophy;

annually reviewing and benchmarking CEO compensation, and recommending to the Board the compensation level for the CEO;

establishing compensation levels for our executive officers and reviewing executive compensation matters generally;

reviewing and making recommendations to the Board with respect to director compensation;

making recommendations to the Board with respect to approval and adoption of all cash and equity-based incentive plans;

reviewing and approving the Compensation Discussion and Analysis to be included in the annual proxy statement; and

approving awards of options, restricted shares, RSUs and other equity rights to executive officers.

The Compensation and Option Committee's responsibilities and key practices are discussed more fully in its written charter. A report of the Compensation and Option Committee appears on page 39 of this Proxy Statement.

Compensation Committee Interlocks and Insider Participation

Edward H. Meyer, Brian F. Carroll, Dr. Jiren Liu, Hellene S. Runtagh and Gary G. Steel served as members of the Compensation and Option Committee in fiscal 2011. During fiscal 2011, no member of the Compensation and Option Committee was an employee, officer or former officer of our company. None of our executive officers served in fiscal 2011 on the board of directors or compensation committee (or other committee serving an equivalent function) of any entity that had an executive officer serving as a member of the Board or the Compensation and Option Committee. As described below under Certain Relationships and Related Person Transactions, Dr. Jiren Liu is Chairman and CEO of Neusoft Corporation, a company to which we made more than \$120,000 in payments during fiscal 2011 for services rendered pursuant to an engineering and software development services agreement, and Brian F. Carroll is a member of KKR, a company to which we made more than \$120,000 in interest payments on the Notes during fiscal 2011.

Nominating and Governance Committee

During fiscal 2011, the Nominating Committee held five meetings. Each member of the Nominating Committee is independent under the New York Stock Exchange listing standards.

The Nominating Committee assists the Board in carrying out its oversight responsibilities relating to the composition of the Board and certain corporate governance matters. The Nominating Committee's primary responsibilities include:

considering and making recommendations to the Board with respect to nominees for election to the Board consistent with criteria approved by the Board or the Nominating Committee, including director candidates submitted by our stockholders;

periodically reviewing and assessing our policies and practices with regard to corporate responsibility, human health and safety, sustainability and the environment;

annually reviewing and reassessing the adequacy of our codes of conduct, corporate governance guidelines and committee charters;

overseeing the process for the annual performance evaluation of the Board, Board committees and CEO; and

reviewing the independence of each of the directors annually.

The Nominating Committee's responsibilities and key practices are more fully described in its written charter.

Board Leadership Structure

The current Board Chairman is also the current CEO of our company. In addition, in May 2008 the non-management directors designated Ann McLaughlin Korologos as Lead Director. In this role, Ms. Korologos is responsible for chairing executive sessions and other meetings of the Board, with and without the participation of the Chairman. Our Lead Director sets the agenda for Board meetings and ensures that all topics proposed by the other directors are considered for debate and discussion. Our Lead Director also conducts the CEO's performance appraisal at the end of each fiscal year and reviews the CEO's performance goals and objectives for the new fiscal year. In preparation for these reviews with the CEO, all non-management directors provide their input to the Lead Director. Following the review sessions with the Lead Director, our CEO holds an in-person presentation and discussion with the Board. The Board designates the Lead Director on an annual basis.

The non-management directors believe that our company's current model of the combined Chairman/CEO role in conjunction with the Lead Director position is the appropriate leadership structure for our company at this time. The non-management directors believe that each of the possible leadership structures for a board has its particular advantages and disadvantages, which must be considered in the context of the specific circumstances,

culture and challenges facing a company, and that such consideration is the responsibility of a company's board and requires a diversity of views and experiences. The combined Chairman/CEO model is a leadership model that has served our stockholders well for many years and through a succession of effective leaders.

The non-management directors of the Board believe that the combined Chairman/CEO position, together with the Lead Director, has certain advantages over other board leadership structures and continues to best meet our company's current needs, including:

efficient communication between management and the Board;

clear delineation of the Lead Director's and other non-management directors' oversight role from the Chairman/CEO's and other management's day-to-day operations role;

clarity for our company's key stakeholders on corporate leadership and accountability; and

the Board Chairman possessing the best knowledge of our company's strategy, operations and financial condition and, in turn, the ability to communicate that to external stakeholders.

The Nominating Committee and the other non-management directors periodically review this structure to ensure it is still appropriate for our company, especially in the context of future succession plans.

Board Oversight of Risk Management

Management is responsible for day-to-day enterprise risk management. In its oversight role regarding enterprise risk management, the Board reviews and approves our company's long-term strategic plan and annual operating plan. We face risk in many different areas, including business strategy; government regulation; financial condition; credit and liquidity; product innovation; competition for talent; executive development; operational efficiency; quality assurance; environmental, health and safety; supply chain management; information technology and security; intellectual property; and legal compliance, among many others. The Board believes that oversight of risk management is ultimately the responsibility of the full Board.

In carrying out this critical responsibility, the Board meets with key members of management with primary responsibility for management of risk in their respective areas of responsibility, including our CEO, Chief Financial Officer, Chief Human Resources Officer, General Counsel, Head of Internal Audit, and the presidents of each of our three divisions. Each year, management compiles a comprehensive risk assessment report and reviews that report with the Board during regular Board meetings. The report identifies the material business risks for our company, indicates the senior management owners of such risks, and identifies factors that respond to and mitigate those risks. Throughout the year, the Board dedicates a portion of each meeting to review and discuss specific risk topics in greater detail.

Executive Succession Planning

The Board and our CEO have developed a comprehensive program for emergency and long-term executive succession, which the Board reviews with our CEO annually. Consistent with our culture, our goal is to always be in a position to appoint our most senior executives from within our company. Individuals who are identified as having potential for senior executive positions are evaluated by the Board. The careers of such persons are monitored to ensure that over time they have appropriate exposure both to the Board and to our diverse global business. These individuals interact with the Board in various ways, including through participation in certain Board meetings and other Board-related activities and meetings with individual directors, both in connection with director visits to our business units around the world and otherwise.

We believe that the Board fully understands our culture and strategic needs and that our succession program should ensure a smooth transition with respect to senior executive appointments.

Director Nominees

The Nominating Committee utilizes a variety of methods for identifying and evaluating director nominees. The committee may consider candidates recommended by our directors, members of management, professional search firms or stockholders. These candidates may be considered at any point during the year.

Qualifications

The Board has charged the Nominating Committee to make recommendations regarding an appropriate board composition to support and adjust to our company's strategy and operations over time. The Nominating Committee reviews annually with the Board the size, function and needs of the Board and our company. In evaluating nominees for election as a director, the Nominating Committee considers a number of factors, including the following:

personal and professional qualities, characteristics, attributes, accomplishments and reputation in the business community and otherwise;

reputation in a particular field or area of expertise;

current knowledge and contacts in the markets in which we do business and in our industry and other industries relevant to our business;

the ability and willingness to participate fully in Board activities, including attendance at, and active participation in, Board and committee meetings;

the skills and personality of the nominee and how the Nominating Committee perceives the nominee will fit with the existing directors and other nominees in maintaining a board that is collegial and responsive to the needs of our company and our stockholders;

the willingness to represent the best interests of all of our stockholders and not just one particular constituency; and

diversity of viewpoints, culture, background and experience, compared to those of existing directors and other nominees.

The Board also seeks men and women that have a wide range of experiences at policy-making levels in business, government, education and technology and in areas that are relevant to our company's global activities. The Nominating Committee also endeavors to ensure that the Board includes a number of financially literate directors and at least one director who qualifies as a financial expert.

The Nominating Committee will also consider other criteria for director candidates included in our Corporate Governance Guidelines or as may be established from time to time by the Board.

We believe that our current Board is well-qualified to lead our company's efforts to achieve our long-term strategy. The combined experience of our directors covers all areas of expertise and competency identified by the Nominating Committee.

Stockholder Recommendations

The Nominating Committee will evaluate director candidates recommended by a stockholder in the same manner as candidates otherwise identified by the Nominating Committee. We have never received any recommendations for director candidates from stockholders. In considering director candidates recommended by our stockholders, the Nominating Committee will also take into account such factors as it considers relevant, including the length of time that the submitting stockholder has been a stockholder of our company and the aggregate amount of the submitting stockholder's investment in our company.

Stockholders may recommend candidates at any time, but to be considered by the Nominating Committee for inclusion in our proxy statement for the next annual meeting of stockholders, recommendations must be submitted in writing no later than 120 days before the first anniversary of the date the proxy statement was mailed to stockholders in connection with the previous year's annual meeting. A stockholder's notice must contain the following:

the name of the director candidate, the name of the stockholder recommending the director candidate for consideration, and the written consent of the director candidate and stockholder to be publicly identified;

a written statement by the director candidate agreeing to be named in our proxy materials and to serve as a member of the Board if nominated and elected;

a written statement by the director candidate and the recommending stockholder agreeing to make available to the Nominating Committee all information reasonably requested in connection with the Nominating Committee's consideration of the director candidate; and

the director candidate's name, age, business and residential addresses, principal occupation or employment, number of shares of Common Stock and other securities of our company beneficially owned, a curriculum vitae or similar document detailing personal and professional experiences and accomplishments, and all other information relating to the director candidate that would be required to be disclosed in a proxy statement or other filing made in connection with the solicitation of proxies for the election of directors by SEC regulations and the New York Stock Exchange listing standards.

The stockholder's notice must be signed by the stockholder recommending the director candidate for consideration and sent to the following address: Harman International Industries, Incorporated, 400 Atlantic Street, Suite 1500, Stamford, Connecticut 06901, Attn: Corporate Secretary (Nominating and Governance Committee Communication/Director Candidate Recommendation).

COMPENSATION DISCUSSION AND ANALYSIS

Overview

This compensation discussion and analysis discusses the role of our Compensation and Option Committee (the Compensation Committee) in setting the objectives of our executive compensation plans; the philosophy behind these plans; and also describes our company's executive compensation program for fiscal 2011 and major elements of our fiscal 2012 program. This section of the Proxy Statement explains how the Compensation Committee made its compensation decisions for our executives, including our named executive officers, for fiscal 2011. Our named executive officers are:

our Chairman, Chief Executive Officer and President, Mr. Dinesh C. Paliwal, who is referred to in this section as our Chief Executive Officer or CEO who is a named executive officer by reason of his position with us;

our Executive Vice President and Chief Financial Officer, Mr. Herbert Parker who is a named executive officer by reason of his position with us; and

our next three most highly compensated executive officers who are named executive officers by reason of their level of compensation:

Mr. Blake Augsburger, our Executive Vice President and President of our Professional Division;

Mr. Sachin Lawande, our Executive Vice President, Chief Technology Officer and Co-President of our Lifestyle and Infotainment Divisions; and

Mr. Michael Mauser, our Executive Vice President and Co-President of our Infotainment and Lifestyle Divisions.

Compensation Objectives, Design and Process

Objectives

In designing our company's executive compensation programs, the Compensation Committee is guided by its philosophy that our programs must achieve the following objectives:

Pay for performance: We seek alignment between performance and pay. Pay for performance alignment serves two purposes: to motivate and align executives to measures strategically beneficial to our company and to ensure payout levels correspond with performance.

Attract, retain, and motivate top talent: To accomplish this objective the Compensation Committee ensures that our executive compensation opportunity and structure is competitive with the external market for senior executive talent, and pays out over time, as opposed to immediately, to reinforce our retention objectives.

Achieve alignment with stockholders and sustainable long-term stockholder value creation: To accomplish this strategic objective, executive performance goals are tied to measures considered instrumental in generating sustainable long-term stockholder value, and equity-based compensation is a substantial portion of total compensation.

Drive achievement of strategic plan: Tying certain aspects of compensation, such as annual incentive bonus and long-term incentives, to company-specific goals focuses executives on key strategic objectives to drive our long-term success.

Overview of Compensation Design

The components of our executive compensation program provide for a combination of fixed and variable compensation and are designed to incorporate our principles and objectives. Our compensation program is

designed to attract and retain executives and to create a pay-for-performance culture. A significant portion of each named executive officer's targeted total direct compensation is in the form of performance-based compensation and, therefore, is at risk. Total direct compensation is defined as base salary, annual cash incentives and target long-term equity incentives. At risk means that the executive will not realize full economic benefit unless the applicable objectives, most of which are tied to our company's financial performance, are met or exceeded. The specific components of our compensation program are:

Base salary;

Annual performance incentive compensation (cash);

Long-term incentive compensation (equity);

Severance and change-in-control arrangements; and

Employee benefits and other perquisites.

A more detailed description of each of these components is set forth below in Compensation Discussion and Analysis Key Components of Executive Compensation for Fiscal 2011.

When making compensation-related decisions, we believe it is important to be informed about current practices of similarly situated public companies. Accordingly, the Compensation Committee considers market data from third party surveys, as discussed below under Compensation Discussion and Analysis Description of Compensation Decision Making Process Role of Surveys and Benchmarking.

The Compensation Committee does not apply specific allocations between cash and equity-based compensation or between short-term and long-term compensation when setting each year's total direct compensation package. We continue to evolve our pay for performance culture by increasing the percentage of at risk compensation tied to meeting company objectives. The Compensation Committee believes that the percentage allocation that is at risk should increase based on an executive's compensation and grade level. To this end, the Compensation Committee has increased the portion of equity-based compensation tied to performance objectives over time as follows:

	September 2008 Grants	September 2009-2011 Grants
CEO	75% time-vested RSUs	33% time-vested RSUs
	25% time-vested stock options	67% performance-vested RSUs at maximum performance level
Executive Committee	50% time-vested stock options	33% time-vested RSUs
(excluding CEO)	25% time-vested RSUs	67% performance-vested RSUs at maximum performance level
	25% performance-vested RSUs at maximum performance level	

Fiscal 2011 Summary

Fiscal 2011 was a strong performance year for our company, building off the foundation we established in fiscal 2010. Our revenue increased by 12%, compared to 2010, and we had an operating profit of \$190 million in fiscal 2011, compared to an operating profit of \$86 million in fiscal 2010. Along with strong improvement in financial performance, management continued to implement a number of strategic measures to create sustainable stockholder value. These measures included expansion of our global footprint into the emerging markets and best cost countries such as Hungary, Brazil, Mexico, China and India; strengthening of our market position in the emerging markets; and achievement of best in class cost structure across all key business metrics. We completed our STEP Change permanent cost reduction program, achieving more than \$434

million in permanent cost savings. We also increased our investment in our brands and established a viable business in the emerging markets. Our investment in the emerging markets has resulted in revenue growth of 68% in Brazil, China and

India during fiscal 2011. The revenue generated in these markets delivered higher profit margins than those of our company as a whole. Our cash and short-term investments balance increased to \$921 million during the fiscal year, driven primarily by positive cash from operations. Total liquidity increased to \$1.5 billion, providing significant flexibility for our company's strategic initiatives.

Below are tables that reflect (a) our key business performance metrics in fiscal 2011 versus fiscal 2010 and (b) our company's total stockholder return (TSR) for fiscal 2011 relative to the Dow Jones Industrial Average and a specified performance peer group:

Performance Metric(1)	FY2010	FY2011	% Improvement
Net Sales	\$ 3,364	\$ 3,772	12%
EPS (from continuing operations)	\$ 0.50	\$ 1.90	280%
Free Cash Flow (excl. certain items)(2)	\$ 152	\$ 240	58%
Free Cash Flow/Share Outstanding (excl. certain items)	\$ 2.16	\$ 3.35	55%
STEP Change Permanent Cost Savings, cumulative	\$ 350	\$ 434	24%
Total Liquidity(3)	\$ 870.6	\$ 1,463.9	68.1%

- (1) All dollar figures in millions, except per share amounts.
- (2) Free Cash Flow is defined as: operating income plus depreciation and amortization plus change in working capital. Change in working capital includes net accounts receivable from third parties plus net inventories less trade accounts payable to third parties.
- (3) Total Liquidity is defined as: the sum of cash, short-term investments and available borrowing capacity under our revolving credit facility.

Harman TSR FY11 Versus Market and Peer Group

Versus Market

*Versus Peer Group**

* Aisin, Alpine, AU Optronics, Audi, Bang & Olufsen, Best Buy , BMW, Continental, Daimler, Denso, FIAT, Flextronics, Fujikon, Garmin, Honda Motors, Jabil Circuit, Johnson Controls, Live Nation Entertainment, Metro AG, Motorola, Nokia, Onkyo, Panasonic, Pioneer, Renesas, Texas Instruments, TomTom, Toshiba, Toyota and Yamaha

To drive the behavior which reinforced profitable growth, the Compensation Committee approved our management incentive program to reward the attainment of performance metrics related to improving free cash flow, operating profit and sales revenue.

The below charts reflect our seven consecutive quarters of both revenue and EBITDA growth (on a last-twelve-month basis).

Revenue

EBITDA

Compensation Committee Actions in Fiscal 2011

The Compensation Committee continued to fine tune elements of our executive compensation plans to further drive our pay for performance philosophy. Following their review of our programs in early fiscal 2011, the Compensation Committee decided that it would be necessary to restructure certain elements of our compensation program for our Chief Executive Officer and our executive committee members, including our named executive officers, to further increase our pay for performance orientation. The Compensation Committee took the following actions:

Long-Term Equity Incentive Mix: The Compensation Committee maintained the long-term equity incentive mix for executive officers, including our named executive officers, of 33% time-vested RSUs and 67% performance-vested RSUs (at maximum achievement level), which was adopted by our company in fiscal 2010. This change from our more heavily weighted time-vested approach reinforces the Compensation Committee's objectives of pay for performance, alignment with our stockholders, and focus on driving achievement of our strategic plan.

Long-Term Incentive Performance Metrics. The Compensation Committee adopted new metrics for the performance-vested RSUs (Performance RSUs) granted to our executive officers in fiscal 2011 (the 2011 Performance RSUs). In order to focus on long-term growth and to align management performance with stockholder return, the 2011 Performance RSUs metrics are a combination of earnings growth and stockholder return. Half of the 2011 Performance RSUs are earned based on fiscal 2013 earnings per share (EPS), and the other half are earned based on total stockholder return (TSR) at the end of fiscal 2013 relative to a basket of peer group companies. The Compensation Committee believes that this combination of metrics provides a balanced approach, capturing stockholder oriented earnings-based performance and external share-based performance. This change reinforces the Compensation Committee's objectives of pay-for-performance, alignment with stockholders, and focus on driving achievement of our company's long-range strategic plan.

In September 2010, the Compensation Committee also considered changes to the base salaries for our named executive officers for fiscal 2011. Following a review of benchmark and peer group data, the Compensation Committee determined that all of our executive committee members, including our named executive officers, be given a 3% merit increase in base salary for fiscal 2011. These increases became effective as of September 1, 2010.

Description of Compensation Decision Making Process

Role of Compensation Committee

Our executive compensation program is designed and implemented under the direction of the Compensation Committee, which is comprised solely of independent directors. The Compensation Committee reviews salaries and other compensation arrangements for our Chief Executive Officer and members of our executive committee, which is comprised of our most senior executives (including our named executive officers), and approves such compensation for all executive committee members (except our CEO). The Compensation Committee makes recommendations to the Board regarding the CEO's compensation level, and the Board makes all final decisions regarding CEO compensation.

The Compensation Committee meets as often as necessary to discharge its responsibilities, and is authorized to retain an independent compensation consultant to advise them. The Compensation Committee periodically consults with outside advisors, and uses survey and peer group data provided by such consultants, as discussed below under Compensation Discussion and Analysis Description of Compensation Decision Making Process Role of Surveys and Benchmarking, in connection with its decisions with respect to executive compensation matters. Specifically, with regard to our annual incentive program, each year the Compensation Committee approves the business financial targets for each executive committee member, including our named executive officers. Achievement against these target objectives impacts the amount of the executive's annual incentive compensation.

Role of Chief Executive Officer and Management

Our Chief Executive Officer is included in discussions and makes recommendations to the Compensation Committee on compensation program structure for our executive committee members, including our named executive officers. The Compensation Committee reviews the recommendations from the CEO and makes all final compensation decisions (except with respect to the CEO's compensation which is ultimately decided by the Board). Our CEO also provides his evaluation of each executive officer's performance, including our named executive officers, against their individual objectives for the Compensation Committee's consideration and approval as part of his recommendation for appropriate compensation awards under the annual incentive program. Our CEO does not participate in discussions regarding his own compensation.

Role of Consultant

In fiscal 2011, the Compensation Committee retained an independent compensation consultant, ClearBridge Compensation Group (ClearBridge), to advise on compensation matters of our Chief Executive Officer and executive committee members, including our named executive officers. ClearBridge reports directly to the chairman of the Compensation Committee. ClearBridge reviewed competitive data based on published surveys, as discussed below under Compensation Discussion and Analysis Description of Compensation Decision Making Process Role of Surveys and Benchmarking, and provided recommendations on the design of the long-term incentive program to the Compensation Committee. Services provided by ClearBridge included advice regarding executive compensation best practices and assistance in benchmarking executive compensation levels.

Role of Surveys and Benchmarking

ClearBridge reviewed the competitiveness of compensation for all executives based on market data for companies with revenue from \$3 billion to \$6 billion from the following two sources:

Towers Perrin Compensation Data Bank® Executive Compensation Survey (the Towers Perrin Survey), a nationally-published survey of companies across multiple industries; and

A peer group of selected companies in related industries to our company's.

These two reference groups consist of the following companies:

Companies in Towers Perrin Survey (n=103)

Advanced Micro Devices	Agilent Technologies	Agrium U.S.	Allergan	Alliant Techsystems
Armstrong World Industries	Avis Budget Group	Barrick Gold of North America	Beckman Coulter	Big Lots
Biogen Idec	Blockbuster	Booz, Allen & Hamilton	Cameron International	Carlson Companies
CB Richard Ellis Group	CH2M Hill	Chiquita Brands	COACH	Convergys
Corning	Daiichi Sankyo	Discovery Communications	Eastman Chemical	Ecolab
Eisai	Embarq	EMCOR Group	Essilor of America	FANUC Robotics America
Fiserv	Forest Laboratories	Genzyme	Goodrich	Gorton s
Greif	Hanesbrands	Harley-Davidson	Harman International Industries	Harris
Henry Schein	Hershey	HNI	Hormel Foods	Hospira
IAC/Interactive	IKON Office Solutions	International Game Technology	Invensys Controls	Iron Mountain
J.R. Simplot	Jack in the Box	KLA-Tencor	Kohler	Leggett & Platt
Level 3 Communications	Longs Drug Stores	Mattel	McDermott	McGraw Hill
Micron Technology	Molson Coors Brewing	Nalco	Nash-Finch	New York Times
Nycomed US	Oshkosh Truck	Owens Corning	Parsons	PepsiAmericas
Pitney Bowes	PolyOne	Potash	Quebecor World US	Rich Products
Rockwell Automation	Rockwell Collins	Ryder Systems	Schreiber Foods	Schwan s
Scotts Miracle Gro	Sealed Air	Smith & Nephew	Smiths Detection	Sonoco Products
Spirit AeroSystems	Starwood Hotels & Resorts	Steelcase	SunGard Data Systems	Thomson Reuters Markets Division Americas
Tribune	UCB	Unisys	United Rentals	United States Cellular
USG	Vistar	Vulcan Materials	Washington Savannah River	Western Digital
Wm. Wrigley Jr.	Wyndham Worldwide	Zimmer Holdings		

Companies in the Peer Group (n=16)

Agilent Technologies	Alliant Tech Systems	Borg Warner	Cooper Industries	Emcor Group
Harris Group Corp.	Juniper Networks	Molex	Owens Corning	Pitney Bowes
Precision Cast Parts	Rockwell Automation	Rockwell Collins	Spirit AeroSystems	Tenneco
USG				

As there is no well-defined group of comparable publicly-traded companies in the United States operating in the same industries as our company s, the Compensation Committee believes that the blended approach of broad industry comparison provided by the Towers Perrin Survey, as well as specific companies in industries similar to our company s provides an appropriate comparison. While such market information is considered by the Compensation Committee to assist in setting a range for the individual and combined elements of compensation for our named executive officers and other members of our executive committee, it is not solely determinative.

Executives are benchmarked against positions comparable to their own based on level, revenue, scope of role and job description. The Compensation Committee used benchmark data as an input, among other factors considered, when setting compensation levels for our named executive officers. While the Compensation Committee uses the 50th percentile market data as a reference point, it does not target a specific percentile positioning of compensation for our named executive officers. Other factors considered by the Compensation Committee are discussed below in Compensation Discussion and Analysis Key Components of Executive Compensation for Fiscal 2011.

Role of Tally Sheets

The Compensation Committee has reviewed tally sheets setting forth all components of compensation paid to our executive committee members, including our named executive officers, in the most recent fiscal year, including all cash compensation, perquisites and the value of outstanding long-term awards. The tally sheets also enumerate potential payouts to the executive officers upon various termination scenarios. The Compensation Committee considered the information presented in the tally sheets in determining the compensation program for our executive committee members, including our named executive officers, for fiscal 2012.

Key Components of Executive Compensation for Fiscal 2011

Our executive compensation program for fiscal 2011 focused on the achievement of key strategic objectives and increased focus on stockholder value creation, while recognizing that the economic environment in fiscal 2011 remained challenging. The fiscal 2011 pay packages for executive committee members, including our named executive officers, consisted of salary, short and long-term incentive opportunities and other benefits discussed below. The Compensation Committee determined the mix of salary and at risk pay based primarily on its review of the executive's position within our company, internal pay equity, and market data provided by ClearBridge. The Compensation Committee believes that using a mix of compensation types (for example, salary, cash incentives, and equity) and performance periods (for example, one-year and three-year periods) promotes behavior consistent with our long-term strategic plan and minimizes the likelihood of executives having significant motivation to pursue unsustainable results.

Compensation Element	Objectives	Key Features
<i>Base Salary</i>	Provide a fixed level of cash compensation upon which executives can rely.	Actual incumbent base salary may be above or below the market median to recognize management responsibilities, individual abilities and performance, level of experience and tenure with our company.
<i>Performance-Based,</i>	Provide a reasonable level of fixed compensation that is competitive with base salaries for comparable positions at similar companies.	Cash incentive payments based on a fixed target percentage of base salary during the fiscal year, with actual awards based on attainment of corporate and individual objectives.
<i>Cash Annual Incentive</i>	Link annual corporate and business priorities with individual and group performance goals.	Corporate performance objectives are based on measurable financial metrics, such as net sales, operating profit, free cash flow.
	Tie financial rewards to measurable achievements, reinforcing pay-for-performance.	Individual performance objectives are designed to reward an executive's execution against critical business priorities and may include both financial and non-financial objectives.
	Reward achievement of difficult targets, with bonus payout directly linked to achievement of those targets.	
	Reward individual performance.	
	Provide a variable award opportunity that attracts, retains and motivates our leadership and key employees.	

Compensation Element	Objectives	Key Features
<i>Long-Term Equity</i>	Align the interests of management with our stockholders.	Long-term equity incentives are provided by annual grants of two types of awards under the 2002 Incentive Plan. The targeted value mix of these awards in fiscal 2011 for our CEO and named executive officers was: 33% time vested RSUs and 67% Performance RSUs at maximum achievement level, with specific grant amounts set to ensure a majority in Performance RSUs at target.
<i>Incentives</i>	Reward achievement of our strategic objectives.	Individual equity awards also recognize an executive's impact on our company, overall corporate success and the creation of stockholder value.
	Retain senior management and key employees.	The Supplemental Executive Retirement Plan (SERP) provides a defined retirement benefit for executives based on a multiple of the executive's final average compensation. Our company no longer provides this benefit to newly hired executive officers.
	Facilitate and encourage ownership of our Common Stock.	Generally, SERP benefits vest after a minimum of ten years of service and attainment of age 55.
<i>Retirement Benefits</i>	Offer competitive retirement income for certain executive officers in order to retain and attract experienced executive talent.	The Deferred Compensation Plan (DCP) permits management and key employees to defer payment and taxation of a portion of salary and bonus into any of several investment alternatives, with final payment on termination or a date elected by the participant.
	Allow executives and certain key employees to accumulate wealth on a tax-deferred basis and to be competitive in recruiting and maintaining executive talent.	Our company does not currently match deferrals under the DCP, though the DCP does permit matching.
<i>Deferred Compensation</i>		
<i>Benefits</i>		

Compensation Element	Objectives	Key Features
<i>Severance and Change-in-Control Benefits</i>	<p>Attract and retain senior management and key employees.</p> <p>Align executive and stockholder interests by enabling our named executive officers to consider corporate transactions that are in the best interests of our stockholders and other constituents without undue concern over whether the transactions may jeopardize the named executive officer's own employment.</p>	<p>Upon the occurrence of a specified event, the severance agreements trigger the payment of a severance benefit ranging from a multiple of one time base salary plus pro rata bonus for our named executive officers and three times base salary plus full bonus for our CEO.</p> <p>The change in control severance arrangements are generally double-trigger such that the named executive officer will be entitled to cash severance payments only if his or her employment is terminated without cause or for good reason in connection with or within a specified period following the change in control. Our CEO can also voluntarily terminate employment in the thirteenth month after a change in control and have it treated as a good reason termination.</p> <p>Upon a change in control, accelerated vesting of equity awards.</p>

Determination of Fiscal 2011 Base Salary

In setting base salaries, we consider market comparisons, including benchmark and survey data provided by outside consultants. At the request of the Compensation Committee, Mr. Paliwal, our Chief Executive Officer, makes annual recommendations with respect to changes in base salary for our executive officers. The Compensation Committee makes all final decisions on base salaries (except with respect to our CEO which is ultimately decided by the Board). In September 2010, following a review of benchmark and survey data, the Compensation Committee determined that it would be appropriate to give all of our executive committee members, including our named executive officers, a 3% merit increase in base salary for fiscal 2011.

Determination of Fiscal 2011 Annual Incentive Award

We maintain two annual incentive compensation programs for our executive officers and other key employees that provide for awards in the form of cash bonuses: the 2008 Key Executive Officers Bonus Plan (2008 Key Executive Plan) and the Management Incentive Compensation Plan (MIC Plan). Executive officers and key employees are only eligible to participate in one program.

Our Compensation Committee also retains the authority to award discretionary cash bonuses to executives under certain special circumstances. For instance, in fiscal 2011 the Compensation Committee approved a discretionary bonus of \$200,000 to Mr. Sachin Lawande, our Executive Vice President, Chief Technology Officer and Co-President Lifestyle and Infotainment Divisions, to recognize extraordinary performance and in recognition of the fact that he carried the responsibilities of two executive roles for this period.

2008 Key Executive Officers Bonus Plan

Our 2008 Key Executive Plan is an annual incentive program for our Chief Executive Officer and other members of our executive committee, if they are designated to participate by the Compensation Committee. The Compensation Committee designates participants to the 2008 Key Executive Plan annually, within 90 days of the start of our fiscal year. Awards payable under the 2008 Key Executive Plan are intended to qualify as performance-based compensation for federal income tax purposes. Under the 2008 Key Executive Plan, our Chief Executive Officer and any other designated executive officers are eligible to receive awards.

In order to receive an award under the 2008 Key Executive Plan, our company or the executive's business unit must achieve pre-established performance targets. Subject to the Compensation Committee's discretion, the performance metrics may include, but are not limited to:

earnings or earnings per share;

revenue;

stock price or total return to stockholders; and/or

operating income or earnings before interest and taxes (EBIT).

The targets for each metric are established by reference to our internal business plan. The Compensation Committee determines the specific measures, threshold and target values, and maximum values for each member of our executive committee, including our named executive officers, and our CEO establishes their individual achievement objectives.

Annual cash awards payable to any plan participant under the 2008 Key Executive Plan cannot exceed \$3 million. The Compensation Committee maintains discretion under the 2008 Key Executive Plan to decrease the amount paid to any participant in the 2008 Key Executive Plan. In fiscal 2011, all our executive committee members, including our named executive officers, were designated by the Compensation Committee as participants under the 2008 Key Executive Plan.

Management Incentive Compensation Plan

Under the MIC Plan, certain specified key employees of our company are eligible to receive a cash bonus expressed as a percentage of base salary. The maximum payout opportunity permitted under the MIC Plan is 100% of base salary. The MIC Plan includes performance measures that are consistent with those under the 2008 Key Executive Plan as described above. MIC Plan participants are also evaluated based upon performance against individual targets. Performance against these personal objectives results in a multiplier from zero to 120% of the initial value. The initial value is calculated based on achievement of our company's or a business unit's specified financial objectives. If threshold level is not achieved for any of the corporate or business unit measures, then there is no payment under the MIC Plan regardless of a participant's achievement of his or her individual objectives. In fiscal 2011, none of our executive committee members participated in the MIC Plan.

Fiscal 2011 Annual Incentive Compensation Awards

In September 2010, the Board approved the amount of Mr. Paliwal's fiscal 2011 annual incentive award under the 2008 Key Executive Plan (as provided for in his letter agreement, described below in Compensation Discussion and Analysis Key Components of Executive Compensation for Fiscal 2011 Benefits, Perquisites, and Contracts Employment Agreements and Offer Letters), and the Compensation Committee approved the amount of the fiscal 2011 awards for the executive committee who are participants in the 2008 Key Executive Plan, including the named executive officers. At the same time, the Compensation Committee approved the performance measures and goals for the target annual incentive awards under the 2008 Key Executive Plan and the MIC Plan for fiscal 2012. The fiscal 2011 awards were subject to our company achieving specified levels of performance for the following metrics:

revenue growth;

operating profit; and

free cash flow.

Free cash flow is a non-GAAP measure which the Compensation Committee calculated as follows: operating income plus depreciation and amortization plus change in working capital. The change in working capital includes net accounts receivable from third parties plus net inventories less trade accounts payable to third parties. The Compensation Committee selected these metrics because it believes that:

they are critical to our overall corporate and operational performance;

they reinforce management focus on the annual business plan;

with respect to free cash flow, provides a measure of our ability to generate cash and reinvest in growth initiatives; and

together, they drive long-term stockholder value creation.

In addition to the corporate metrics described above, the awards for our named executive officers (other than our CEO) are subject to the achievement of individual and/or divisional objectives, depending on the named executive officer's role and responsibilities. The Compensation Committee does not establish individual bonus targets for our CEO but uses the three financial metrics above to determine the level of incentive award earned.

The following tables set forth the threshold, target and maximum levels of performance, the weights of each corporate or division performance metric and actual performance for each of these metrics for fiscal 2011. All dollar amounts in the tables are in thousands except for figures reflected as a percentage.

Company Objectives

Performance Metric	Weight	Threshold 50%	Target 100%	Maximum 150%	Actual Performance
Revenue Growth	40%	\$ 3,126,000	\$ 3,237,000	\$ 3,302,000	\$ 3,472,000
Operating Profit	30%	\$ 85,000	\$ 119,000	\$ 131,000	\$ 192,000
Free Cash Flow	30%	\$ 113,000	\$ 142,000	\$ 149,000	\$ 203,000

Automotive Division Objectives

Performance Metric	Weight	Threshold 50%	Target 100%	Maximum 150%	Actual Performance
Revenue Growth	40%	\$ 2,213,000	\$ 2,263,000	\$ 2,315,000	\$ 2,490,000
Operating Profit	30%	\$ 94,000	\$ 119,000	\$ 131,000	\$ 181,000
Free Cash Flow	30%	\$ 141,000	\$ 156,000	\$ 166,000	\$ 196,000

Consumer Division Objectives

Performance Metric	Weight	Threshold 50%	Target 100%	Maximum 150%	Actual Performance
Revenue Growth	40%	\$ 369,000	\$ 397,000	\$ 405,000	\$ 387,800
Operating Profit	30%	(\$ 1,000)	(\$ 500)	\$ 4,000	\$ 9,100
Free Cash Flow	30%	\$ 0	\$ 5,000	\$ 6,000	\$ 14,200

Professional Division Objectives

Performance Metric	Weight	Threshold 50%	Target 100%	Maximum 150%	Actual Performance
Revenue Growth	40%	\$ 544,000	\$ 577,200	\$ 588,000	\$ 593,000
Operating Profit	30%	\$ 89,400	\$ 95,100	\$ 104,600	\$ 98,000
Free Cash Flow	30%	\$ 76,000	\$ 84,000	\$ 93,200	\$ 89,000

For Messrs. Augsburg, Lawande and Mauser the Compensation Committee assigned a weight of 70% to the division objectives and a weight of 30% to the company objectives. For Mr. Paliwal and Mr. Parker, the company objectives were assigned a weight of 100%.

Like the corporate and divisional objectives, individual performance objectives are intended to challenge executives to achieve stretch goals that contribute to the achievement of the annual operating plan, improve our company's performance, and ensure that corporate and divisional financial goals are met or exceeded. Individual performance objectives are also designed to ensure successful execution of ongoing strategic objectives, such as the development and launch of new products, the rollout of new sales and distribution schemes in specific territories, and the successful execution of restructuring activities. Potential scores for achievement of individual performance objectives range from 0% to 120%. As approved by the Compensation Committee:

Mr. Parker's individual objectives included goals related to refinancing our credit facility and improving our company's credit rating (40% weight); implementing certain cost savings programs related to our shared services function (30% weight); implementation of a disaster recovery plan (30%); and completion of a program to rationalize our corporate organizational structure (20% weight). Based on his efforts and achievements against these targets, Mr. Parker received an aggregate individual objective score of 112.5% out of a maximum of 120%.

Mr. Augsburg's individual objectives included goals related to executing on a Professional Division growth plan in China (30% weight); successfully integrating the Selenium business acquired in June 2010 (40% weight); completion of one acquisition (30% weight); and restructuring of certain facilities (20% weight). Based on his efforts and achievements against these targets, Mr. Augsburg received an aggregate individual objective score of 120% out of a maximum of 120%.

Mr. Lawande's individual objectives included goals related to smartphone integration with automotive head units (40% weight); global footprint optimization by restructuring of engineering facilities (30% weight); increasing branded audio take rates (30% weight); and executing on an Automotive Division growth plan in China (20% weight). Based on his efforts and achievements against these targets, Mr. Lawande received an aggregate individual objective score of 117.6% out of a maximum of 120%.

Mr. Mauser's individual objectives included goals related to global footprint optimization by restructuring of manufacturing facilities (40% weight); global footprint optimization by restructuring of engineering facilities (30% weight); increasing branded audio take rates (30% weight); and executing on an Automotive Division growth plan in China (20% weight). Based on his efforts and achievements against these targets, Mr. Mauser received an aggregate individual objective score of 112.8% out of a maximum of 120%.

The annual incentive compensation is calculated by multiplying the total business target achievement by the individual target achievement. If the maximum business financial targets are achieved (i.e., 150%), then the achievement multiplier on the individual targets cannot exceed 100%. The following table sets forth the target awards and actual payouts, each as a percentage of base salary, for Mr. Paliwal and our named executive officers:

Name	Target Annual Incentive Award (% of base salary)	Actual Payout (% of base salary)
Dinesh Paliwal	200%	300%
Herbert Parker	75%	112.5%
Blake Augsburg	75%	112.5%
Sachin Lawande	75%	112.5%
Michael Mauser	75%	112.5%

Long-Term Equity Incentive Program

Our equity incentive plans are administered by the Compensation Committee and are designed to provide incentive compensation to executive officers and other key employees in the form of stock options, restricted shares and RSUs.

A substantial majority of the option grants that have been awarded to the key employees under our equity incentive plans are non-qualified stock options, thereby providing us with the ability to realize tax benefits upon the exercise of these option awards. Awards of restricted shares and RSUs granted under the plans have a minimum vesting period of three years and, therefore, are generally subject to forfeiture for a period of at least three years. Time-vested awards under our equity incentive plans vest immediately upon a change in control of our company, and performance-vested awards partially vest in accordance with the terms of the award agreements. This single trigger vesting of our equity awards is designed to ensure that ongoing employees are fully aligned with shareholders in the event of a transaction by having the opportunity to realize value from their equity awards at the time of the transaction, on a basis similar to that available to stockholders as a whole. These provisions also recognize that a change in control often causes significant disruption or change in employment relationships and thus treats all employees the same regardless of their employment status after the transaction.

When making equity-based incentive awards, the Compensation Committee takes into consideration the dates on which we expect to make public announcements regarding earnings as well as other events or circumstances that have not been publicly announced that may be deemed material to us, our stockholders and other investors.

Determination of Fiscal 2011 Equity Awards

In September 2009, we put in place a new long-term equity incentive program for our executive committee members, including our named executive officers, granting equity in the form of 33% time-vested RSUs and 67% Performance RSUs. The value at the date of grant was set to be approximately at the 50th percentile of the market, as described above under Compensation Discussion and Analysis Description of Compensation Decision Making Process Role of Surveys and Benchmarking, when the target number of Performance RSUs is earned.

The number of 2011 Performance RSUs will be determined based on our company's achievement of the following goals:

50% of the 2011 Performance RSUs will be earned upon achievement of a targeted EPS at the end of fiscal 2013 (the EPS Performance-Earned Units). EPS is a non-GAAP measure; and

50% of the 2011 Performance RSUs will be earned upon achievement of a targeted three-year relative TSR, which is defined as stock price appreciation plus reinvested dividends (the TSR Performance-Earned Units). The beginning stock price for the three-year relative TSR was determined by taking the

60 trading day average stock for our Common Stock immediately prior to the date of grant (the Initial Stock Price), and will be compared to the 60 trading day average stock price for our Common Stock immediately prior to September 1, 2013. The TSR will be benchmarked against the following selected group of peer companies:

Aisin	Alpine	AU Optronics
Audi	Bang & Olufsen	Best Buy
BMW AG	Continental AG	Daimler AG
Denso	Fiat	Flextronics
Fujikon	Garmin	Honda Motors
Jabil Circuit	Johnson Control	Live Nation Entertainment
MediaMarkt	Motorola*	Nokia
Onkyo	Panasonic Corp	Pioneer
Renesas	Texas Instruments	Tom Tom
Toshiba Corp	Toyota	Yamaha

* Motorola will be replaced by Motorola Mobility Holdings following the split up of the Motorola business in 2011. The number of 2011 Performance RSUs that vest shall be determined pursuant to the following steps:

We will determine whether either the EPS threshold goal or the TSR threshold goal has been achieved: 2011 Performance RSUs will equal zero upon the occurrence of both of the following: (i) EPS is less than \$2.75 and (ii) TSR is below the 25th percentile. If EPS equals or exceeds \$2.75 and/or TSR is at or above the 25th percentile, the determination of the number of 2011 Performance RSUs that will vest as described in the next paragraphs.

The EPS Performance-Earned Units shall be determined in accordance with the following matrix, based upon the actual EPS achieved:

Achievement Level	FY2013 EPS Goal	Percent of Maximum 2011 Performance RSUs Earned
Below Threshold	<\$ 2.75	0
Threshold	\$ 2.75	12.5%
Target	\$ 3.25	25%
Maximum	\$ 3.75	50%

The number of EPS Performance-Earned Units shall be determined based upon straight-line interpolation in the event that EPS achieved falls between the threshold EPS goal and the target EPS goal, or between the target EPS goal and the maximum EPS goal.

The TSR Performance-Earned Units shall be determined in accordance with the following matrix, based upon the actual TSR achieved:

Achievement Level	TSR Goal Percentile Positioning	Percent of Maximum 2011 Performance RSUs Earned
Below Threshold	<25 th	0
Threshold	25 th	12.5%
Target	50 th	25%
Maximum	75 th	50%

The number of TSR Performance-Earned Units shall be determined based upon straight-line interpolation in the event that TSR achieved falls between the threshold TSR goal and the target TSR goal, or between the target TSR goal and the maximum TSR goal.

The long-term equity awards granted in September 2010 vest as follows:

Time-vested RSUs vest on the third anniversary of the grant date so long as the participant is employed by us on that anniversary date; and

2011 Performance RSUs vest on the third anniversary of the grant date subject to the achievement of the EPS and TSR goals at the end of fiscal 2013.

Our CEO's long-term equity incentive grant in September 2010 was determined based on his amended employment contract providing a grant value equal to six times his annual salary, with at least two times salary in the form of time-vested RSUs and the remainder in Performance RSUs, which results in a mix of 33% time-vested RSUs and 67% Performance RSUs. The time-vested RSUs vest fully on September 1, 2013. The Performance RSUs will vest on September 1, 2013, subject to the achievement of the EPS and TSR targets described above.

The awards made to our named executive officers are described in more detail below under the captions Executive Compensation Fiscal 2011 Grants of Plan-Based Awards and Executive Compensation Outstanding Equity Awards at 2011 Fiscal Year-End. For additional information regarding the compensation received by our named executive officers in fiscal 2011, see the information below under the caption Executive Compensation Summary Compensation Table.

Benefits, Perquisites, and Contracts

Employment Agreements and Offer Letters

In fiscal 2011 we had an employment agreement in place with Mr. Paliwal. The employment agreement with Mr. Paliwal provides continuity and stability in leadership for the organization. From time to time, we may also enter into employment offer letters with newly hired or promoted executive officers and key employees in order to attract and retain these qualified individuals. These offer letters document employment terms, including initial base salary, target incentive amounts and severance benefits that are typically limited to a qualifying termination of employment during the first year of employment. These offer letters do not make commitments to maintain salary and target incentive amounts at or above those initial levels in future years. You can find additional information regarding terms of the employment agreements and offer letters below under Executive Compensation Employment Agreements and Other Employment Arrangements.

Severance and Change-in-Control Arrangements

In addition to the employment arrangements identified above, we also have entered into severance agreements with Mr. Paliwal and each of our other named executive officers, which are detailed below in this Proxy Statement under Executive Compensation Severance and Change in Control Benefits. These agreements provide for severance benefits in the event of a termination of employment under specified circumstances, including following a change in control of our company. The payout amounts under these agreements range from a multiple of:

three times base salary plus bonus for our CEO;

two times base salary plus bonus for our CFO in the event of termination of employment upon a change in control;

one and one-half times base salary for our other named executive officers in the event of termination of employment upon a change in control; and

one time base salary plus pro rata bonus for each of our named executive officers, except our CEO, in the event of termination of employment under specified circumstances (excluding a change in control of our company).

The Compensation Committee has determined that the differences in payout amounts and other benefits under these severance agreements are reasonable and are based on a combination of competitive practices for employment arrangements for comparable positions in the broader market and the expected time to elapse in finding a new, comparable position.

If any severance payments or benefits provided to either Mr. Paliwal or Mr. Parker would be subject to the excise tax imposed on parachute payments by the Internal Revenue Code of 1986, we will gross-up his compensation for all such excise taxes and any federal, state and local taxes applicable to such gross-up payment. With respect to Mr. Parker, he will only receive this gross-up in the event his employment is terminated upon a change in control of our company. The Compensation Committee decided, in the exercise of its judgment, that we would not provide this benefit to any of our other named executive officers.

Under the terms of our stockholder approved equity incentive plans and the related award agreements, unvested stock options, restricted shares and time-vested RSU awards become fully vested upon a change in control of our company. We adopted this single-trigger treatment for our long-term compensation plan for the following reasons:

to fully align employees with shareholders in the event of a transaction;

to ensure that ongoing employees are treated the same as terminated employees with respect to outstanding equity grants; and

to retain key employees in the face of a potential change in control by providing a benefit if they remain with our company through the date of the change in control.

The Performance RSUs will partially vest upon a change in control of our company. If the change in control event occurs prior to the vesting date, the Performance RSUs will vest as follows:

60% vest automatically; and

a pro rata portion of the remaining 40% will vest based on the number of days lapsed from date of grant to the effective date of the change in control, divided by the three-year vesting period.

The Compensation Committee believes that these benefits are consistent with its objectives and are necessary and appropriate in order to attract and retain qualified senior executives.

Employee Benefits

We provide certain executive officers with supplemental retirement, termination and death benefits under our SERP. As of January 2008 we decided to suspend providing this benefit to newly hired executive officers. We provide our executive officers employed in the United States, including our named executive officers, with the opportunity to participate in our DCP. These plans are described below under the captions Executive Compensation Pension Benefits for Fiscal 2011 Supplemental Executive Retirement Plan and Executive Compensation Nonqualified Deferred Compensation.

Our named executive officers are also eligible to participate in other company-sponsored benefit plans available to employees generally, including medical and life insurance. Employees, including executive officers that are employed in the United States, are eligible to participate in a company-sponsored 401(k) defined contribution plan.

The Compensation Committee believes that these benefits are necessary and appropriate in order to attract and retain qualified executive officers insofar as these benefits are generally made available by similarly situated companies.

Executive Perquisites

We provide our named executive officers with certain perquisites that have historically been provided. These perquisites include the use of company owned or leased cars and reimbursement of car-related expenses, payment of insurance premiums, relocation expenses in the event an executive officer is asked to relocate at our request, reimbursement of legal fees, and rent for temporary housing.

The Compensation Committee has determined it is appropriate to provide these perquisites in order to attract and retain our named executive officers by offering compensation opportunities that are competitive with those offered by similarly situated public companies. In determining the total compensation payable to our named executive officers, the Compensation Committee considers perquisites in the context of the total compensation which our named executive officers are eligible to receive. However, given the fact that perquisites represent a relatively small portion of the executive's total compensation, the availability of these perquisites does not materially influence the decisions made by the Compensation Committee with respect to other elements of the total compensation to which our named executive officers are entitled to or which they are awarded. For a description of the perquisites received by our named executive officers during fiscal 2011, see the information below under the caption *Executive Compensation Summary Compensation Table All Other Compensation*.

Reducing the Possibility for Excessive Risk-Taking

Our company's executive compensation program is designed to motivate and reward our executive officers for their performance during the fiscal year and over the long-term, and for taking well thought out and appropriate business risks, such as investment in new product development, research and development, and furthering our emerging market strategy, toward achieving our long-term financial and strategic growth objectives. The following characteristics of our executive compensation program work to reduce the possibility of our executive officers, either individually or as a group, making excessively risky business decisions that could maximize short-term results at the expense of long-term value:

Balanced Mix of Pay Components: The target compensation mix is not overly weighted toward annual incentive awards and represents a balance of cash and long-term equity based compensation vesting over three years.

Balanced Approach to Performance-Based Awards:

Performance targets are tied to several financial metrics, including operational sales growth, free cash flow, and operating profit. Metrics are quantitative and measurable.

Performance-based awards are based on the achievement of strategic and leadership objectives in addition to financial metrics. Metrics are quantitative and measurable.

Performance Period and Vesting Schedules: The performance period and vesting schedules for long-term incentives overlap and, therefore, reduce the motivation to maximize performance in any one period. RSUs vest three years from the grant date.

Stock Ownership Guidelines: Requires our CEO to directly or indirectly own equity in our company of five times his salary and other executive officers, including our named executive officers, to own equity of three times their salary, and to retain this equity throughout their tenure.

Award Adjustment Recovery Policies

We have not yet adopted any policies (sometimes referred to as *clawback* policies), regarding the adjustment or recovery of awards or payments if the relevant performance measures upon which they are based are restated or otherwise adjusted in a manner that would reduce the size of an award or payment. However, the Compensation Committee is considering implementing such a policy and expects to adopt one in the near future. We have not required any named executive officer to return any award or repay any payment received in any fiscal year.

Refinements to the Compensation Program in Fiscal 2012

The Compensation Committee reviews and reassesses our compensation programs annually to determine their effectiveness and adequacy in light of the stated objectives of these programs. The Compensation Committee strives to implement programs with challenging but realizable goals so as to properly incentivize executives and align their interests with those of our stockholders. Following their review of our current programs in early fiscal 2012, the Compensation Committee has made the following decisions in relation to the long-term incentive plan:

Performance RSU Metrics

For the Performance RSUs awarded in fiscal 2012 (the 2012 Performance RSUs), the Compensation Committee decided to continue use of the relative TSR metric, modified the EPS metric so that it is based on the achievement of a three-year cumulative EPS target, and added return on invested capital (ROIC) as a third performance metric, to capture our company's earnings relative to our use of capital. Each metric is weighted one-third.

EPS Defined as 3-year cumulative EPS for fiscal 2012 through fiscal 2014. Awards shall be determined as follows:

Achievement Level	FY2012-FY2014 Cumulative EPS Goal	Percentage of Maximum 2012 Performance RSUs Earned
Below Threshold	<\$ 9.89	0
Threshold	\$ 9.89	8 1/3%
Target	\$ 10.99	16 2/3%
Maximum	\$ 12.09	33 1/3%

Three-year relative TSR Defined as stock price appreciation plus reinvested dividends. We have maintained the same peer group as fiscal 2011, with the exception of companies that have dropped out of the group due to bankruptcy or pending acquisitions. Awards shall be determined as follows:

Achievement Level	TSR Goal Percentile Positioning	Percentage of Maximum 2012 Performance RSUs Earned
Below Threshold	<25 th	0
Threshold	25 th	8 1/3%
Target	50 th	16 2/3%
Maximum	75 th	33 1/3%

ROIC Defined as net operating profit after tax divided by invested capital (which is defined as the sum of total debt and book equity) for fiscal 2014. Awards shall be determined as follows:

Achievement Level	FY2014 ROIC Goal	Percentage Maximum 2012 Performance RSUs Earned
Below Threshold	<14%	0
Threshold	14%	8 1/3%
Target	15.5%	16 2/3%
Maximum	17%	33 1/3%

The Compensation Committee believes that by selecting these metrics for the 2012 Performance RSUs it has adopted a balanced approach to capturing an external share-based measure and an internal earnings-based measures which will reward for relative performance in a volatile market while also rewarding superior earnings results.

Base Salary

In September 2011, the Compensation Committee also considered changes to the base salaries for our named executive officers for fiscal 2012. Following a review of benchmark and peer group data, the Compensation Committee determined that all our executive committee members, including our named executive officers, be given a 3% merit increase in base salary for fiscal 2012. These increases became effective in September 2011.

Named Executive Officer	Base Salary FY 2011	Base Salary FY 2012
Dinesh Paliwal	\$ 1,159,000	\$ 1,194,845
Herbert Parker	515,000	530,928
Blake Augsburg	438,000	451,546
Sachin Lawande	438,000	451,546
Michael Mauser	505,000	520,619

Annual Incentive Compensation

Also in September 2011, the Compensation Committee considered changes to the annual incentive compensation plan. The Compensation Committee and the Board decided to maintain the target percentage payouts under our 2008 Key Executive Plan, but increased the maximum percentage payout to all our executive committee members, including our named executive officers, as follows:

	Fiscal Year 2011 Maximum Percentage	Fiscal Year 2012 Maximum Percentage
CEO	300%	400%
All executive committee members (excl. CEO)	112.5%	150%

Achievement of September 2011 Performance RSUs

In fiscal 2009, our company awarded Performance RSUs to certain executives and key employees (the 2008 Performance RSUs) under the 2002 Plan. The vesting date for the 2008 Performance RSUs was September 17, 2011, and the awards were subject to the achievement of two performance goals: operating income and global footprint index.

With respect to the operating income metric, the threshold was set at \$223,000,000. Our company's actual performance was \$211,000,000.

With respect to the global footprint index metric, the target was set at 152%. Our company's actual performance was 158%. As a result, half of the 2008 Performance RSUs were forfeited as our company failed to meet the threshold operating income target, and half of the 2008 Performance RSUs vested as we exceeded the target set for the global footprint index.

Stock Ownership Guidelines

The Board approved and adopted executive stock ownership guidelines in fiscal 2009. These guidelines encourage our executive officers to hold ownership in our company, recognizing that stock ownership directly aligns executive interests to those of our stockholders. The guidelines encourage ownership levels in our Common Stock generally equal to a multiple of each named executive officer's annual base salary depending on such executive's level with our company, and increases with greater responsibility. The named executive officer stock ownership guidelines are as follows:

five times base salary for the CEO; and

three times base salary for all executive committee members, including our named executive officers.

Executives are expected to comply by December 21, 2013 or within five years of being appointed as an executive committee member of our company.

Internal Revenue Code Section 162(m)

As applicable to our company, Section 162(m) of the Internal Revenue Code of 1986 (Code) provides that compensation in excess of \$1 million paid to the chief executive officer or to any of the other three most highly compensated executive officers (not including the chief financial officer) of a public company is not deductible for federal income tax purposes. There is an exception to this limitation for performance-based compensation under Section 162(m) of the Code. Bonus awards under our 2008 Key Executive Plan and option grants and certain other awards under our equity incentive plans are intended to qualify as performance-based compensation under Section 162(m) of the Code. The Compensation Committee reviews on an annual basis the potential impact of this deduction limitation on executive compensation. The Compensation Committee intends to continue to evaluate our company s potential exposure to this deduction limitation. While we endeavor to use this exception to maximize the deductibility of our compensation, in order to maintain flexibility in compensating executives and to attract necessary leadership in certain circumstances, we have not adopted a policy that all compensation must be deductible. We do not believe that such a policy is in the best interests of our company or our stockholders.

COMPENSATION AND OPTION COMMITTEE REPORT

The Compensation and Option Committee has reviewed and discussed with management the Compensation Discussion and Analysis. Based on that review and discussion, the Compensation and Option Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and in our Annual Report on Form 10-K for the fiscal year ended June 30, 2011.

This report is submitted by the members of the Compensation and Option Committee.

Members of the Compensation and Option Committee

Edward H. Meyer (Chairman)

Brian F. Carroll

Dr. Jiren Liu

Hellene S. Runtagh

Gary G. Steel

The foregoing report is not soliciting material, is not deemed filed with the SEC and is not to be incorporated by reference in any filing of our company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

Compensation Risk Assessment

The Compensation Committee does not believe that any risks arising from our compensation policies and practices are reasonably likely to have a material adverse effect on our company. The Compensation Committee considered various factors that have the effect of mitigating risk and, with the assistance of ClearBridge, reviewed our compensation policies and practices for our employees, including the elements of our executive compensation programs, to determine whether any portion of such compensation encourages excessive risk taking. The Compensation Committee concluded that any such risks are mitigated by:

the multiple elements of our compensation packages, including base salary, annual cash incentive programs and, for most of our employees, equity awards that vest over a number of years and are intended to motivate employees to take a long-term view of our business;

the structure of our annual cash incentive program, which is based on (i) a number of different performance measures to avoid employees placing undue emphasis on any particular performance metric at the expense of other aspects of our business, and (ii) performance targets that we believe are somewhat of a stretch yet reasonable and should not require undue risk-taking to achieve;

effective management processes for developing strategic and annual operating plans, and strong internal financial controls; and

oversight of our programs by the Board and the Compensation Committee.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table discloses all compensation earned for fiscal 2011, fiscal 2010 and fiscal 2009 by our Chairman, Chief Executive Officer and President, our Chief Financial Officer, and the three other most highly paid executive officers who were employed by us as of June 30, 2011. We refer to these individuals as our named executive officers.

Name and Principal Position	Year	Salary	Bonus	Stock Awards(2)	Option Awards(3)	Change in Pension and Nonqualified		All Other Compensation(5)	Total
						Non-Equity Incentive Plan Compensation(4)	Compensation(4)		
Dinesh Paliwal, Chairman, CEO and President	2011	\$ 1,152,649	\$ 0	\$ 6,755,063	\$ 0	\$ 3,476,250	\$ 4,505,072	\$ 128,203	\$ 16,017,237
	2010	1,125,000	0	4,468,113	0	3,375,000	1,261,376	141,751	10,371,240
	2009	1,125,000	0	3,153,381	870,172	191,250	2,121,325	120,255	7,581,383
Herbert Parker, Executive Vice President and Chief Financial Officer	2011	512,288	0	1,267,941	0	579,375		33,667	2,393,271
	2010	500,000	0	739,389	0	562,500		41,716	1,843,605
	2009	500,000	162,500	498,749	412,466	41,650		26,471	1,641,836
Blake Augsburger, Executive Vice President and President Professional Division	2011	434,955	0	1,117,806	0	492,469	161,946	30,252	2,237,428
	2010	425,000	0	739,389	0	478,125	171,032	35,813	1,849,359
	2009	425,000	0	398,986	329,968	93,330	112,850	33,951	1,394,085
Sachin Lawande, Executive Vice President, Chief Technology Officer and Co-President Lifestyle and Infotainment Divisions(6)	2011	440,496	200,000(1)	1,117,806	0	492,469		28,818	2,279,589
	2010	365,000	100,000	443,502	0	439,969		80,537	1,429,008
	2009	305,625	0	168,928	250,293	22,440		39,409	786,695
Michael Mauser, Executive Vice President and Co-President Infotainment and Lifestyle Divisions(7)	2011	524,560	0	1,117,806	0	588,269	177,023	36,913	2,444,571
	2010	381,353	0	141,729	0	342,679	0	22,270	888,031

- (1) With respect to Mr. Lawande represents a special bonus not tied to the MIC Plan or the 2008 Key Executive Plan in recognition of his achievement of extraordinary performance and the fact that he held two executive committee positions in fiscal 2011.
- (2) For all stock awards (other than the Performance RSUs), we calculated the fair value of such stock awards under FASB ASC Topic 718 by multiplying the closing price of our Common Stock on the date of grant by the number of shares subject to such stock award. We assume zero anticipated forfeitures in connection with valuing such stock awards for purposes of FASB ASC Topic 718. For the Performance RSUs, we estimated fair value based on a model that considers the closing price of our Common Stock on the date of grant, the number of shares subject to such stock award, and the estimated probabilities of vesting outcomes. For a description of the assumptions used in determining the fair value of equity awards under FASB ASC Topic 718, see Note 14, *Shareholders' Equity and Share-Based Compensation*, to our consolidated financial statements in our Form 10-K for the fiscal year ended June 30, 2011. Performance RSUs are displayed assuming target performance; the following amounts represent the maximum potential Performance RSU value by individual for the awards made in fiscal 2011: Mr. Paliwal \$4,766,234; Mr. Parker \$894,915; Mr. Augsburger \$789,037; Mr. Lawande \$789,037; and Mr. Mauser \$789,037.
- (3) The amounts reported as option awards reflect the grant date fair value calculated in accordance with FASB ASC Topic 718 of options granted in the applicable fiscal year but without giving effect to anticipated forfeitures. For a description of the assumptions used in determining the fair value of equity awards under FASB ASC Topic 718, see Note 14, *Shareholders' Equity and Share-Based Compensation*, to our consolidated financial statements in our Form 10-K for the fiscal year ended June 30, 2011.
- (4) For fiscal 2011, for each named executive officer the amount reflected in this column represents an award under the 2008 Key Executive Plan. For fiscal 2010, for each of Mr. Paliwal, Mr. Parker, and Mr. Augsburger the amount reflected in this column represents an award under the 2008 Key Executive Plan, and for all other named executive officers represents awards granted under our MIC Plan. For fiscal 2009, for each of Mr. Paliwal and Mr. Augsburger the amount reflected in this column represents an award under the 2008 Key Executive Plan, and for all other named executive officers represents awards granted under our MIC Plan.
- (5) Includes compensation as described under the caption All Other Compensation below.
- (6) Mr. Lawande became an executive officer of our company in January 2009.
- (7)

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Mr. Mauser became an executive officer of our company in April 2010. Mr. Mauser's compensation was paid in Euros and has been translated into U.S. Dollars at the exchange rate in effect on June 30, 2011 in the case of bonus payments, and at the average exchange rate for the 12 months ended June 30, 2011 in the case of salary and other compensation amounts.

All Other Compensation

The following table provides information regarding each component of compensation included in the All Other Compensation column in the Summary Compensation Table for fiscal 2011.

Name	Company 401(k) Contributions(1)	Value of Insurance Premiums(2)	Automobile Related Expenses(3)	Other(4)	Total
Dinesh Paliwal	\$ 7,350	\$ 64,285	\$ 56,568	\$ 0	\$ 128,203
Herbert Parker	7,350	978	25,339	0	33,667
Blake Augsburg	7,350	844	22,058	0	30,252
Sachin Lawande	7,350	780	20,688	0	28,818
Michael Mauser	0	6,557	30,356	0	36,913

- (1) Represents our contributions on behalf of each named executive officer, to our 401(k) defined contribution plan.
- (2) For Mr. Parker, Mr. Augsburg and Mr. Lawande the amount in this column represents life insurance premiums paid by us for coverage in excess of \$50,000. For Mr. Paliwal, represents life insurance premiums paid by us for coverage in excess of \$50,000 and premiums paid for a life insurance policy, an accidental death and dismemberment insurance policy and a long-term disability insurance policy. For Mr. Mauser, represents accident and health insurance premiums.
- (3) Includes reimbursement of car payments or lease payments made on behalf of our named executive officers, reimbursement of gasoline, repair, and maintenance costs, taxes, insurance and parking.

Fiscal 2011 Grants of Plan-Based Awards

The following table shows all plan-based awards granted to the named executive officers in fiscal 2011.

Name	Grant Date	Date of Board or Committee Action	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards; Number of Shares of Stock or Units(3)	Grant Date Fair Value of Stock and Option Awards(\$)
			Threshold(\$)	Target(\$)	Maximum(\$)	Threshold	Target	Maximum		
Dinesh Paliwal	9/1/2010	9/1/2010							72,641	2,382,625(4)
	9/1/2010	9/1/2010				36,328	72,656	145,312		4,372,438(5)
	9/1/2010	9/1/2010	1,158,750	2,317,500	3,476,250					
Herbert Parker	9/1/2010	9/1/2010							13,627	446,966(4)
	9/1/2010	9/1/2010				6,821	13,642	27,284		820,976(5)
	9/1/2010	9/1/2010	193,125	386,250	579,375					
Blake Augsburg	9/1/2010	9/1/2010							12,011	393,961(4)
	9/1/2010	9/1/2010				6,014	12,028	24,056		723,845(5)
	9/1/2010	9/1/2010	164,156	328,312	492,469					
Sachin Lawande	9/1/2010	9/1/2010							12,011	393,961(4)
	9/1/2010	9/1/2010				6,014	12,028	24,056		723,845(5)
	9/1/2010	9/1/2010	164,156	328,312	492,469					
Michael Mauser	9/1/2010	9/1/2010							12,011	393,961(4)
	9/1/2010	9/1/2010				6,014	12,028	24,056		723,845(5)
	9/1/2010	9/1/2010	196,089	392,179	588,268					

- (1) Represents the possible range of awards payable under the 2008 Key Executive Plan to all our named executive officers. For additional information regarding these awards, see Compensation Discussion and Analysis Key Components of Executive Compensation for Fiscal 2011 Determination of Fiscal 2011 Annual Incentive Award Fiscal 2011 Annual Incentive Compensation Awards.
- (2) Represents the possible range of Performance RSUs that vest on September 1, 2013 if certain performance goals are achieved. The determination of the number of Performance RSUs that will vest is more fully described above under Compensation Discussion and Analysis Key Components of Executive Compensation for Fiscal 2011 Long-Term Equity Incentive Program Fiscal 2011 Equity Awards.
- (3) Represents RSUs that vest on September 1, 2013.
- (4) Represents the grant date fair value of the equity awards reported in the previous column calculated pursuant to FASB ASC Topic 718 based upon the assumptions set forth in Note 14, *Shareholders' Equity and Share-Based Compensation*, to our consolidated financial statements in our Form 10-K for the fiscal year ended June 30, 2011.
- (5) Represents the grant date fair value of the Performance RSUs based upon the probable outcome of the performance conditions, excluding the effect of estimated forfeitures. Assuming that the maximum performance threshold is achieved, the grant date fair value of the award would be as follows: Mr. Paliwal \$4,766,234; Mr. Parker \$894,915; Mr. Augsburg \$789,037; Mr. Lawande \$789,037; and Mr. Mauser \$789,037.

Employment Agreements and Other Employment Arrangements

Mr. Paliwal serves as our Chairman, Chief Executive Officer and President pursuant to a letter agreement with our company entered into in May 2007. The letter agreement, as amended, provides for an annual base salary of no less than \$1,125,000, and a target annual incentive award of 200% of his base salary, with a maximum annual incentive award opportunity of 300% of his base salary. In addition, Mr. Paliwal is eligible to receive an annual equity grant equal to four times his annual base salary at target and six times his annual base salary at maximum achievement. Mr. Paliwal also received a one-time cash bonus of \$1,200,000 in connection with joining our company and an additional one-time cash payment of \$350,000 in connection with an amendment to his letter agreement in November 2007 to offset the awards he forfeited in connection with leaving his former employer to join our company.

Mr. Paliwal is also permitted to participate in our employee benefit plans and programs. For a description of severance compensation payable to Mr. Paliwal under this agreement and his severance agreement, see below under Executive Compensation Severance and Change in Control Benefits Severance and Employment Agreements.

Outstanding Equity Awards at 2011 Fiscal Year-End

The following table provides information regarding stock options, restricted shares and RSUs held by our named executive officers that were outstanding at June 30, 2011.

Name	Option Grant Date	Option Awards				Stock Awards	
		Number of Securities Underlying Unexercised Option Exercisable	Number of Securities Underlying Unexercised(1) Option	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested(2)
Dinesh Paliwal	07/02/2007	60,000	40,000	\$ 116.65	07/02/2017		
	10/18/2007	60,000	40,000	87.58	10/18/2017		
	09/17/2008	48,499	24,249	32.14	09/17/2018		
						6,000(3)	273,420
						50,000(4)	2,278,500
						7,530(5)	343,142
						28,757(6)	1,310,456
						3,216(7)	146,553
						81,967(8)	3,735,236
						163,934(9)	7,470,472
Herbert Parker	06/02/2008	111,783	20,000	43.65	06/02/2018		
	09/17/2008	22,989	11,494	32.14	09/17/2018		
						7,759(12)	353,578
						7,759(13)	353,578
						13,564(8)	618,111
						27,128(9)	1,236,223
Blake Augsburger	03/24/2004	6,000	0	75.22	03/24/2014		
	08/16/2005	6,000	0	82.00	08/16/2015		
	06/01/2006	10,000	0	85.36	06/01/2016		
	05/01/2007	20,000	5,000	120.83	05/01/2017		
	09/17/2008	391	9,195	32.14	09/17/2018		
	02/22/2008	20,000		42.32	02/22/2018		
						6,207(12)	282,853
						6,207(13)	282,853
Sachin Lawande	08/16/2005	1,000	0	82.00	08/16/2015		
	05/01/2007	4,800	1,200	120.83	05/01/2017		
	09/17/2008	0	2,000	32.14	09/17/2018		
	02/02/2009	0	15,000	16.43	02/02/2019		
	02/22/2008	10,000		42.32	02/22/2018		
						5,000(14)	227,850
						1,350(12)	61,520
						1,350(13)	61,520
						8,136(8)	370,758
						16,272(9)	741,515
Michael Mauser	03/24/2004	1,800	0	75.22	03/24/2014		
	08/16/2005	4,000	0	82.00	08/16/2015		
	05/01/2007	4,000	1,000	120.83	05/01/2017		
	09/17/2008	4,000	2,000	32.14	09/17/2018		
	09/24/2002	800	0	24.115	09/24/2012		
	02/22/2008	9,600		42.32	02/22/2018		
						12,011(10)	547,341
					24,056(11)	1,096,232	

	1,350(12)	61,520
	1,350(13)	61,520
	2,600(8)	118,482
	5,200(9)	236,964
	12,011(10)	547,341
	24,056(11)	1,096,232

- (1) All the non-performance-based stock options held by our named executive officers (other than Mr. Parker) that were granted prior to September 17, 2008, vest annually at a rate of 20% commencing on the first anniversary of the date of grant. Non-performance-based stock options held by our named executive officers that were granted after September 17, 2008 vest annually at a rate of 33 1/3% commencing on the first anniversary of the date of grant. Of the 131,783 stock options held by Mr. Parker that were granted to him on June 2, 2008, 50,000 vest annually at a rate of 20% commencing on the first anniversary of the date of grant, 49,066 vested on February 2, 2010 and 32,717 vested on May 13, 2010.
- (2) Based upon a market value per share of \$45.57, the closing market price of our Common Stock on June 30, 2011.
- (3) Of the 6,000 restricted shares held by Mr. Paliwal, 3,000 vest annually beginning July 2, 2011 and ending on July 2, 2012.
- (4) The RSUs held by Mr. Paliwal vest on September 17, 2011.
- (5) Of the 7,530 RSUs held by Mr. Paliwal, 3,765 vest on July 1, 2011 and 3,765 vest on July 1, 2012.
- (6) The RSUs held by Mr. Paliwal vest on September 17, 2011.
- (7) Of the 3,216 cash-settled RSUs held by Mr. Paliwal, 1,608 vest annually starting on July 2, 2011 and ending on July 2, 2012.
- (8) The RSUs vest on September 1, 2012.
- (9) The Performance RSUs vest on September 1, 2012. The number of Performance RSUs that will vest is subject to adjustment based on our achievement of pre-established performance goals. The performance measure for the Performance RSUs is operating margin. The number of Performance RSUs that will vest will be determined as follows: (i) no Performance RSUs will be earned for performance below the threshold level, (ii) 25% of the Performance RSUs will be earned upon achievement of the threshold level for the measure, (iii) 100% of the Performance RSUs for the measure will be earned upon achievement of the maximum level for the measure, and (iv) for performance between threshold and maximum, the number of Performance RSUs earned will be determined by straight-line interpolation.
- (10) The RSUs vest on September 1, 2013.
- (11) The Performance RSUs vest on September 1, 2013 if certain performance goals are achieved. The determination of the number of Performance RSUs that will vest is more fully described above under Compensation Discussion and Analysis Key Components of Executive Compensation for Fiscal 2011 Long-Term Equity Incentive Program Fiscal 2011 Equity Awards.
- (12) The RSUs vest on September 17, 2011.
- (13) The Performance RSUs vest on September 17, 2011. The number of Performance RSUs that will vest is subject to adjustment based on our achievement of pre-established performance goals. The performance measures for the Performance RSUs are operating income and the global footprint index. Fifty percent of the Performance RSUs can be earned based on the achievement of each measure. The number of Performance RSUs that will vest will be determined as follows: (i) no Performance RSUs will be earned for performance below the threshold level, (ii) 25% of the Performance RSUs for each measure will be earned upon achievement of the threshold level for each of the measures, (iii) 100% of the Performance RSUs for each measure will be earned upon achievement of the maximum level for each of the measures, and (iv) for performance between threshold and maximum, the number of Performance RSUs earned will be determined by straight-line interpolation.
- (14) The restricted shares held by Mr. Lawande vest on February 2, 2012.

Option Exercises and Stock Vested in Fiscal 2011

The following table provides information regarding the acquisition of Common Stock by Messrs. Paliwal, Parker, Augsburger and Lawande upon the vesting of restricted shares and RSUs and the exercise of stock options during fiscal 2011.

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(1)
Dinesh Paliwal			18,000	\$ 541,800
Herbert Parker			5,500	261,470
Blake Augsburger	20,400	\$ 339,141		
Sachin Lawande	9,000	246,292		

- (1) Includes (i) for Mr. Paliwal, 18,000 RSUs that vested on July 1, 2010, for which the amount realized on vesting is based on a value per share of \$30.10, the closing price of our Common Stock on June 30, 2010; and (ii) for Mr. Parker, 5,500 shares of restricted stock that vested on June 2, 2011, for which the amount realized on vesting is based on a value per share of \$47.54, the closing price of our Common Stock on June 1, 2011.

Pension Benefits for Fiscal 2011

The following table provides information for our named executive officers regarding the present value of benefits as of June 30, 2011 under our SERP and a German pension plan.

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit(3)	Payments During Last Fiscal Year
Dinesh Paliwal(1)	SERP	25	\$ 9,415,619	\$ 0
Blake Augsburg	SERP	9	596,287	0
Michael Mauser(2)	German Pension	6	525,024	0

- (1) As of June 30, 2011, Mr. Paliwal had four years of service with our company. Under his letter agreement, Mr. Paliwal was credited with 21 years of service under the SERP upon joining our company, which was equal to his years of service at his previous employer. As a result of the additional credited years of service, the present value of Mr. Paliwal's pension benefits at June 30, 2011 was increased by \$6,727,310.
- (2) Mr. Mauser is entitled to an annual pension that is equal to 2% of eligible salary for every year of service, up to a maximum of 30%. The annual benefit will be increased by the cost of living rate, currently assumed to be 5.25%, every three years.
- (3) Amounts reported comprise the actuarial present value of the named executive officer's accumulated benefit under the SERP as of June 30, 2011. See Note 16, *Retirement Benefits*, to our consolidated financial statements in our Form 10-K for the fiscal year ended June 30, 2011, for information regarding the assumptions made in determining these values.

Supplemental Executive Retirement Plan

The SERP provides supplemental retirement, termination and death benefits to certain executive officers and key employees designated by the Board. Benefits under the SERP payable upon termination or death are described below under the caption *Executive Compensation Severance and Change in Control Benefits Supplemental Executive Retirement Plan*. The Compensation Committee administers the SERP. Of the named executive officers, only Mr. Paliwal and Mr. Augsburg have been designated as participants. All SERP benefits are subject to deductions for social security and federal, state and local taxes.

Retirement benefits are based on the average of the participant's highest cash compensation (base salary and bonus) during any five consecutive years of employment by our company (Average Cash Compensation). Participants retiring at age 65 or older receive an annual retirement benefit equal to either (a) 3 1/3% of Average Cash Compensation per year of service up to a maximum of 50%, or (b) 2% of Average Cash Compensation per year of service up to a maximum of 30%, as designated by our company. Mr. Paliwal has been designated as a participant entitled to receive an annual retirement benefit of up to 50% of Average Cash Compensation, and Mr. Augsburg has been designated as a participant entitled to receive an annual retirement benefit of up to 30% of Average Cash Compensation. Unless another form of payment is approved by the administrative committee for the SERP, benefits are payable monthly in the form of a life annuity. If the participant dies after benefits have commenced but prior to receiving ten years of benefits, they are paid to the participant's beneficiary for the remainder of that period.

Mr. Mauser is entitled to an annual pension that is equal to 2% of eligible salary for every year of service, up to a maximum of 30%. This pension is payable at age 60 and is offset by pension payable from the Harman/Becker Nokia plan (3,396 Euro). The annual benefit will be increased by the cost of living rate, currently assumed to be 5.25%, every three years.

Nonqualified Deferred Compensation

Our DCP provides supplemental retirement benefits for executive officers designated by the Compensation Committee. Prior to the beginning of each fiscal year, each plan participant may elect to defer up to 100% of his

or her annual base salary and bonus on a pre-tax basis to a deferral account. These amounts are always fully vested and subject to a 10% penalty on any unscheduled withdrawals. We may decide to make contributions on a pre-tax basis to a plan participant's account, subject to a vesting schedule. In the event of a change in control of our company, any unvested amounts vest immediately and we indemnify the plan participant for any expense incurred in enforcing his or her rights under the DCP.

Plan participants specify that portion of their accounts to be deemed invested in designated benchmark funds. This may be changed once in any calendar month by the plan participant. We credit earnings to the accounts based on the rate of return of the designated funds. For fiscal 2011, the designated funds produced returns ranging from 0.0244% to 44.63%. Upon retirement or termination of employment other than due to death, plan participants may receive their account balances in the form of a lump-sum payment or in annual installments. In the event of death prior to the commencement of benefits or during payment of installments, the balances in a plan participant's vested accounts as of the date of death are payable to the plan participant's beneficiaries.

None of our named executive officers made contributions to our DCP in fiscal 2011, and none of our named executive officers has made contributions to such plan in the past.

Severance and Change in Control Benefits

We provide benefits to each of our named executive officers in the event his employment is terminated. We provide these benefits through our SERP, 2008 Key Executive Plan and employment and severance agreements we have entered into with some of the named executive officers.

Severance and Employment Agreements

We have entered into severance agreements with each of Messrs. Paliwal, Parker, Augsburg, and Lawande (CIC Agreement). Mr. Paliwal's CIC Agreement provides that if, within six months prior to or two years following a change in control, as defined below, of our company, Mr. Paliwal is terminated without cause, as defined below, or under certain circumstances terminates his own employment, he is entitled to receive a severance payment. The CIC Agreements for the other named executive officers, as amended, provide that if within two years following a change in control a named executive officer is terminated without cause or under certain circumstances terminates his own employment, he is entitled to receive a severance payment. For Mr. Paliwal, the severance payment is equal to three times the sum of Mr. Paliwal's highest annual base salary during any period prior to his termination plus his highest annual cash incentive pay during the three fiscal years preceding the change in control. For Mr. Parker, the severance payment is equal to two times the sum of Mr. Parker's highest annual base salary during any period prior to his termination plus his highest annual cash incentive pay during the three fiscal years preceding the change in control. For each of Messrs. Augsburg and Lawande, the severance payment is equal to one and one-half times his highest annual base salary during any period prior to his termination.

Each of Mr. Paliwal and Mr. Parker is deemed to have been terminated without cause if he is terminated by us for any reason other than:

conviction of a felony; or

willful gross neglect or willful gross misconduct with respect to employment duties which results in material economic harm to us. Each of our other named executive officers is deemed to have been terminated without cause if he is terminated by us for any reason other than:

conviction of a criminal violation involving fraud, embezzlement or theft in connection with his duties or in the course of his employment with us;

intentional wrongful damage to property of our company or of any subsidiary;

intentional wrongful disclosure of secret processes or confidential information of our company or of any subsidiary; or

intentional wrongful engagement in any competitive activity;
and any such act shall have been demonstrably and materially harmful to our company.

Each of our named executive officers is entitled to severance compensation if he terminates his employment within two years following a change in control (and for Mr. Paliwal, six months prior to or two years following a change in control) under the following circumstances:

failure to maintain his position (or one substantially equivalent) with our company;

significant adverse change in authority, power, function, responsibilities or duties;

reduction in base salary and bonus;

termination or reduction in employee benefits;

a subsequent change in control of our company in which the successor company does not assume all of our duties and obligations under the severance agreement;

relocation of his principal place of work of more than 50 miles or that requires him to travel away from his office 20% or more than was required in any of the three years immediately prior to the change in control; or

as to Mr. Paliwal only, for any reason in the thirteenth month following the change in control after a one year transition period.
In addition, each of Mr. Paliwal and Mr. Parker is entitled to severance compensation if he terminates his employment within six months prior to the change in control for good reason, which includes the following circumstances:

reduction in base salary and bonus;

as to Mr. Paliwal only, failure by our stockholders to elect or reelect him as a member of the Board;

diminution in any titles or a material diminution in duties or responsibilities; or

change in reporting relationship.

A change in control is defined as:

the acquisition by any person, entity or group of 25% or more of our voting stock, other than an acquisition by us or our subsidiaries or a company benefit plan, other than in a transaction that is not deemed a change in control as defined in the next bullet;

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a reorganization, merger, consolidation, sale or other disposition of all or substantially all of our assets, or any other transaction having a similar effect unless:

the holders of our voting stock immediately prior to the transaction beneficially own more than 50% of the combined voting power of the surviving entity;

no person, entity or group beneficially owns 25% or more of the combined voting power of the surviving entity;

a majority of the directors of the surviving entity were directors of our company prior to the transaction;

when a majority of our directors (a) have not been approved by two-thirds of our then directors or (b) were elected or appointed as a result of an actual or threatened election contest; or

approval by our stockholders of a complete liquidation or dissolution of our company.

Each of the severance agreements for Mr. Paliwal and Mr. Parker also provides that we will pay an additional amount for Section 4999 excise taxes, subject to a limitation based on the overall cost of the severance agreement, including any additional gross-up payment for excise taxes, if applicable. Additionally, each of these agreements provides that Mr. Paliwal and Mr. Parker shall not engage in any competitive activity, as defined in the agreement, without our written consent, during the term of such agreement and for a period of one year after his employment is terminated.

We have also entered into a letter agreement with Mr. Paliwal (Paliwal Agreement) and severance agreements with Messrs. Parker, Augsburg, and Lawande (Severance Agreement). The provisions of the Paliwal Agreement provide for severance compensation if he is terminated without cause or if he terminates his employment for good reason. Mr. Paliwal is entitled to receive a severance payment equal to (1) two times the sum of his annual base salary plus his target annual bonus at the time of his termination, (2) a pro rata annual bonus based on actual performance for the portion of the fiscal year he was employed, (3) any unpaid bonus for the fiscal year preceding the year of termination, and (4) accelerated vesting of a pro rata number of any unvested restricted shares of the restricted stock award, inducement stock award and stock option award he received upon joining our company. The provisions of the Severance Agreements provide for severance compensation if the named executive officer is terminated without cause, or terminates his employment for good reason. Each named executive officer is entitled to receive a severance payment equal to (1) one time his annual base salary plus (2) a pro rata annual bonus based on actual performance for the portion of the fiscal year he was employed. The terms cause, good reason and change in control under the Paliwal Agreement and Severance Agreements are defined in the same manner as they are defined in the CIC Agreements.

Supplemental Executive Retirement Plan

Mr. Paliwal and Mr. Augsburg are eligible for benefits under the SERP in the event of a change in control of our company or termination of employment under certain circumstances. Benefits payable under the SERP are based on the average of the participant's highest Average Cash Compensation during any five consecutive years of employment by our company.

A participant whose employment is terminated prior to age 65 with at least 15 years of service, and who is not otherwise entitled to retirement benefits under the SERP, is entitled to an annual termination benefit equal to either (a) 30% of Average Cash Compensation, increased by 4% for each year of service over 15 years, up to a maximum of 50%, or (b) 15% of Average Cash Compensation, increased by 3% for each year of service over 15 years, up to a maximum of 30%, as designated by our company. The termination benefit commences upon the later of termination of the participant's employment, other than due to death, or the participant reaching age 55. Mr. Paliwal has been designated as a participant entitled to receive an annual termination benefit of up to 50% of Average Cash Compensation and Mr. Augsburg has been designated as a participant entitled to receive an annual termination benefit of up to 30% of Average Cash Compensation.

Additionally, if a participant's employment is terminated for any reason other than death within three years after a change in control of our company, the participant vests with the maximum designated retirement benefit regardless of age or years of service and we indemnify the participant for any expense incurred in enforcing the participant's rights in the retirement benefit under the SERP. Under the SERP, a change in control is defined in the same manner as under Mr. Paliwal's severance agreement, as described above.

A pre-retirement death benefit equal to two or three times the highest annual cash compensation earned by a participant during his or her employment with our company is paid to the beneficiaries of a participant who dies prior to the commencement of benefits under the SERP. Mr. Paliwal has been designated as a participant entitled to receive a death benefit equal to three times his highest annual cash compensation, and Mr. Augsburg has been designated as a participant entitled to receive a death benefit equal to two times his highest annual cash compensation. The benefit is paid to the participant's designated beneficiary in a single lump sum or, at the request of the beneficiary and with the consent of the SERP's administrative committee, the benefit may be paid in another form providing the actuarial equivalent of the lump-sum payment.

2008 Key Executive Officers Bonus Plan

In the event of a change in control of our company, each participant in the 2008 Key Executive Plan is entitled to the award amount for that fiscal year without pro ration or any other deduction, provided that he or she is employed by us at the time of the change in control or, if the plan participant is no longer employed by us, the participant's employment is terminated after commencement of discussions that resulted in a change in control of our company but within 180 days prior to the change in control. Under this plan, a change in control is defined in the same manner as under Mr. Paliwal's severance agreement, as described above.

Summary of Benefits

The following tables quantify potential compensation that would become payable to each of Messrs. Paliwal, Parker, Augsburger, Lawande and Mauser, under the agreements and our plans and policies discussed above, if his employment had terminated on June 30, 2011, given his base salary as of that date and, if applicable, the closing price of our Common Stock on June 30, 2011.

Due to the factors that may affect the amount of any benefits provided upon the events described below, any actual amounts paid or payable may be different than those shown in these tables. Factors that could affect these amounts include the date the termination event occurs, the base salary of an executive officer on the date of termination of employment and the price of our Common Stock when the termination event occurs.

Dinesh Paliwal

	Cash Severance Payments(\$)	Tax Gross Up Payments(\$)	Acceleration of Equity Awards\$(1)	Pension Benefits\$(2)	Total(\$)
Voluntary Termination	\$ 0	\$ 0	\$ 0	\$ 9,416,000	\$ 9,416,000
Termination With Cause	0	0	0	9,416,000	9,416,000
Termination Without Cause/Good Reason	10,429,000(3)	0	18,322,000	11,473,000	40,224,000
Death	3,476,000(3)	0	22,404,000	13,500,000	39,380,000
Disability	3,476,000(3)	0	22,404,000	11,473,000	37,353,000
Retirement	0	0	0	9,416,000	9,416,000
Change in Control(4)	17,077,000(5)	13,909,000	22,730,000	11,473,000	65,189,000

- (1) Under the terms of Mr. Paliwal's agreements representing awards of stock options, restricted shares and RSUs, a specified amount of unvested awards become vested upon a change in control, termination without cause or for good reason, and upon Mr. Paliwal's death or disability, as such terms are defined in the award agreements. The amounts shown represent the value of the unvested stock options, restricted shares and RSUs on June 30, 2011, at \$45.57 per share, the closing price of our Common Stock on that date.
- (2) Includes death benefit and present value of accumulated retirement benefits, as applicable, that Mr. Paliwal would be entitled to under our SERP.
- (3) Represents the amount payable under the Paliwal Agreement.
- (4) To receive these benefits under his CIC Agreement, a qualifying termination of Mr. Paliwal's employment must occur within six months prior to or within two years following a change in control.
- (5) Represents the amount payable under Mr. Paliwal's CIC Agreement. Also includes the award for fiscal 2012 that Mr. Paliwal is entitled to under the 2008 Key Executive Plan upon a change in control of our company.

Herbert Parker

	Cash Severance Payments	Tax Gross Up Payments	Acceleration of Equity Awards(1)	Total
Voluntary Termination	\$ 0	\$ 0	\$ 0	\$ 0
Termination With Cause	0	0	0	0
Termination Without Cause/Good Reason(2)	1,094,000	0	0	1,094,000
Death	0	0	0	0
Disability	0	0	0	0
Retirement	0	0	0	0
Change in Control(3)	2,737,000	2,640,000	4,055,000	9,432,000

- (1) Under the terms of Mr. Parker's agreements representing awards of stock options, restricted shares and RSUs, any unvested awards become vested upon a change in control, as defined in the award agreements. The amount shown represents the value of unvested stock options, RSUs and unvested restricted shares on June 30, 2011, at \$45.57 per share, the closing price of our Common Stock on that date.
- (2) Represents the amount payable under his Severance Agreement.
- (3) To receive these benefits under his CIC Agreement, a qualifying termination of Mr. Parker's employment must occur six months prior to or within two years following a change in control.

Blake Augsburg

	Cash Severance Payments	Acceleration of Equity Awards	Pension Benefits(1)	Total
Voluntary Termination	\$ 0	\$ 0	\$ 596,000	\$ 596,000
Termination With Cause				