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

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

HARMONIC INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	3663	77-0201147
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

549 BALTIC WAY, SUNNYVALE, CA 94089
TELEPHONE (408) 542-2500
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

ANTHONY J. LEY
PRESIDENT AND CHIEF EXECUTIVE OFFICER
549 BALTIC WAY, SUNNYVALE, CA 94089
TELEPHONE (408) 542-2500
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

WITH COPIES TO:

LAWRENCE CALOF, ESQ.
STAN SZE, ESQ.
TILDA CHO, ESQ.
MICHAEL MAYES, ESQ.
GIBSON, DUNN & CRUTCHER LLP
ONE MONTGOMERY STREET
TELESIS TOWER, 26TH FLOOR
SAN FRANCISCO, CALIFORNIA 94104-4505
(415) 393-8200

LARRY W. SONSINI, ESQ.
STEVE L. CAMAHORT, ESQ.
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WILSON SONSINI GOODRICH & ROSATI
PROFESSIONAL CORPORATION
650 PAGE MILL ROAD
PALO ALTO, CALIFORNIA 94304-1050
(650) 493-9300

ALEXANDRE BALKANSKI
C-CUBE MICROSYSTEMS INC.
1778 MCCARTHY BLVD.
MILPITAS, CALIFORNIA 95035
(408) 490-8000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE OF THE SECURITIES TO THE PUBLIC: AS SOON AS PRACTICABLE AFTER THIS REGISTRATION STATEMENT BECOMES EFFECTIVE AND ALL OTHER CONDITIONS TO THE MERGER OF C-CUBE MICROSYSTEMS INC. ("C-CUBE MICROSYSTEMS") INTO HARMONIC INC. ("HARMONIC") PURSUANT TO AN AMENDED AND RESTATED AGREEMENT AND PLAN OF MERGER AND REORGANIZATION, DATED AS OF DECEMBER 9, 1999, DESCRIBED IN THE ENCLOSED JOINT PROXY STATEMENT/PROSPECTUS, HAVE BEEN SATISFIED OR WAIVED.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER UNIT(2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(2)	AMOUNT OF REGISTRATION FEE(3)
Common Stock, par value $.001 per share ("Harmonic Common Stock").....	25,371,225	N/A	1,944,856,624	513,442

(1) Represents the maximum number of shares of the Registrant's Common Stock to be issued in connection with the transaction, based on 46,000,000 shares of C-Cube Microsystems Common Stock estimated to be outstanding at the anticipated closing, and 750,000 shares of C-Cube Microsystems Common Stock issuable pursuant to exercisable options to purchase shares of C-Cube Microsystems Common Stock.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(f)(1), 457(f)(3) and 457(c) under the Securities Act of 1933, as amended. The proposed maximum aggregate offering price is based on $76,656, the average of the high and low prices of C-Cube Microsystems Common Stock as reported on the Nasdaq National Market on March 21, 2000.

(3) In accordance with Rule 0-11 under the Securities Exchange Act of 1934, as amended, $444,709.73 was paid on December 10, 1999 in connection with the filing of preliminary proxy materials relating to the transaction in which the securities being registered are proposed to be issued. Pursuant to Rule 457(b) under the Securities Act of 1933, the amount previously paid is credited against the fee payable upon filing this Registration Statement.

HARMONIC INC.
549 BALTIC WAY
SUNNYVALE, CALIFORNIA 94089

C-CUBE MICROSYSTEMS INC.
1778 MCCARTHY BOULEVARD
MILPITAS, CALIFORNIA 95035

JOINT PROXY STATEMENT/PROSPECTUS

Harmonic Inc. and C-Cube Microsystems Inc. have entered into a merger agreement that provides for the merger of C-Cube Microsystems into Harmonic after the proposed spin-off by C-Cube Microsystems of its semiconductor business. Because C-Cube Microsystems is currently comprised of the DiviCom business and the semiconductor business the proposed transaction would in effect be an acquisition of the DiviCom business by Harmonic. The DiviCom business designs, manufactures and sells a full spectrum of products and systems that enables the transmission of digital video, audio and data over a variety of networks. In the merger, C-Cube Microsystems stockholders will receive 0.5427 of a share of Harmonic common stock in exchange for each share of C-Cube Microsystems common stock. If the merger is approved, C-Cube Microsystems will spin off its semiconductor business immediately prior to and in connection with the merger, and each C-Cube Microsystems stockholder will receive a distribution of shares of the spun-off semiconductor business based on the number of shares the stockholder holds in C-Cube Microsystems relative to the total number of shares outstanding.

The semiconductor business is registering the issuance of shares by the spun-off semiconductor business in a registration statement on Form S-1. C-Cube Microsystems will send the Form S-1 prospectus relating to the spin-off along with this joint proxy statement/prospectus to both the Harmonic and C-Cube Microsystems stockholders.

Harmonic is also asking its stockholders to approve an amendment to Harmonic's certificate of incorporation to increase the authorized number of shares of Harmonic common stock from 50 million shares to 150 million shares. If

approved, this amendment to the certificate of incorporation will take effect only if the merger is completed. REGARDLESS OF THE OUTCOME OF THE VOTE TO APPROVE THE AMENDMENT TO THE CERTIFICATE OF INCORPORATION, APPROVAL OF THE MERGER AGREEMENT WILL ALSO CONSTITUTE APPROVAL OF AN AMENDMENT TO THE CERTIFICATE OF INCORPORATION TO INCREASE HARMONIC'S AUTHORIZED COMMON SHARES FROM 50 MILLION SHARES TO 75 MILLION SHARES TO ALLOW FOR THE ISSUANCE OF APPROXIMATELY 26 MILLION SHARES OF HARMONIC COMMON STOCK TO THE CURRENT C-CUBE MICROSYSTEMS STOCKHOLDERS.

THE BOARDS OF DIRECTORS OF HARMONIC AND C-CUBE MICROSYSTEMS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOR OF THE MERGER AND, IN THE CASE OF HARMONIC, THE AMENDMENT TO HARMONIC'S CERTIFICATE OF INCORPORATION. YOUR VOTE IS VERY IMPORTANT. Whether or not you plan to attend a meeting, please take the time to vote by completing and mailing the enclosed proxy card to us.

This joint proxy statement/prospectus provides you with detailed information about the merger, a description of which begins on page 27, and the proposed spin-off of C-Cube Microsystems' semiconductor business, a description of which is contained in the accompanying Form S-1 prospectus. YOU SHOULD ALSO CAREFULLY READ THE SECTION ENTITLED "RISK FACTORS" BEGINNING ON PAGE 16 FOR A DISCUSSION OF SPECIFIC RISKS THAT YOU SHOULD CONSIDER IN DETERMINING HOW TO VOTE ON THE PROPOSED MERGER.

NEITHER THE SEC NOR ANY STATE SECURITIES REGULATOR HAS APPROVED THE SECURITIES TO BE ISSUED UNDER THIS JOINT PROXY STATEMENT/PROSPECTUS OR DETERMINED IF THIS JOINT PROXY STATEMENT/PROSPECTUS IS ACCURATE OR ADEQUATE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This joint proxy statement/prospectus is dated March 24, 2000 and is first being mailed to stockholders of Harmonic and C-Cube Microsystems on March 24, 2000.

[HARMONIC LOGO]

HARMONIC INC.

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON APRIL 24, 2000

To the stockholders of Harmonic Inc.:

NOTICE IS HEREBY GIVEN that a special meeting of the stockholders of Harmonic Inc., a Delaware corporation, will be held at The Westin Hotel, 5101 Great America Parkway, Santa Clara, CA 95054, on April 24, 2000, at 9:00 a.m., local time, for the following purposes:

1. To consider and vote upon a proposal to approve the Amended and Restated Agreement and Plan of Merger and Reorganization, dated as of December 9, 1999, by and between Harmonic Inc. and C-Cube Microsystems Inc., as amended, and an amendment to the certificate of incorporation to increase the authorized number of shares to 75 million.

2. To consider and vote upon a proposal to amend Harmonic's certificate of incorporation to increase the authorized number of shares of Harmonic common stock from 50 million shares to 150 million shares. If approved, the amendment to the certificate of incorporation will take effect only if the merger is completed.

3. To transact such other business as may properly come before the special meeting or any adjournment or postponement of the meeting.

YOUR BOARD OF DIRECTORS HAS UNANIMOUSLY DETERMINED THAT THE MERGER IS IN THE BEST INTERESTS OF HARMONIC AND ITS STOCKHOLDERS AND RECOMMENDS THAT YOU VOTE TO APPROVE THE MERGER AGREEMENT AND THE ISSUANCE OF HARMONIC COMMON STOCK IN THE MERGER. YOUR BOARD OF DIRECTORS HAS ALSO UNANIMOUSLY DETERMINED THAT THE AMENDMENT TO THE CERTIFICATE OF INCORPORATION IS IN THE BEST INTERESTS OF HARMONIC AND ITS STOCKHOLDERS AND RECOMMENDS THAT YOU VOTE TO APPROVE THE AMENDMENT. Each of the items of business to be submitted to a vote at the Harmonic meeting is more fully described in this joint proxy statement/prospectus, which we urge you to read carefully.

Stockholders of record on the close of business on February 25, 2000, are

entitled to notice of and to vote at the special meeting and any adjournment or postponement of the meeting. Stockholders are cordially invited to attend the special meeting in person. The two proposals to be voted on by Harmonic stockholders will require the affirmative vote of the holders of a majority of the Harmonic common stock represented at the special meeting.

YOUR VOTE IS VERY IMPORTANT. TO ENSURE THAT YOUR SHARES ARE REPRESENTED AT THE SPECIAL MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD AND MAIL IT PROMPTLY IN THE POSTAGE-PAID ENVELOPE PROVIDED, WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING IN PERSON. ANY EXECUTED BUT UNMARKED PROXY CARDS WILL BE VOTED FOR APPROVAL OF THE MERGER AGREEMENT AND THE ISSUANCE OF HARMONIC COMMON STOCK IN THE MERGER AND THE AMENDMENT TO THE CERTIFICATE OF INCORPORATION. YOU MAY REVOKE YOUR PROXY IN THE MANNER DESCRIBED IN THE ACCOMPANYING JOINT PROXY STATEMENT/PROSPECTUS AT ANY TIME BEFORE IT HAS BEEN VOTED AT THE SPECIAL MEETING. ANY STOCKHOLDER ATTENDING THE SPECIAL MEETING MAY VOTE IN PERSON EVEN IF THE STOCKHOLDER HAS RETURNED A PROXY.

By Order of the Board of Directors

ANTHONY J. LEY
President and Chief Executive Officer

Sunnyvale, California
March 24, 2000

C-CUBE LOGO

C-CUBE MICROSYSTEMS INC.

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON APRIL 24, 2000

Date: April 24, 2000
Time: 9:00 a.m.
Place: C-Cube Microsystems
1778 McCarthy Boulevard
Milpitas, California 95035

At the meeting you will be asked:

1. To consider and vote upon a proposal to adopt the Amended and Restated Agreement and Plan of Merger and Reorganization, dated as of December 9, 1999, by and between C-Cube Microsystems Inc. and Harmonic Inc., as amended, which, if approved, will necessarily include the proposed spin-off of the semiconductor business. Each share of C-Cube Microsystems common stock will be converted into 0.5427 of a Harmonic common share. Adoption of the merger agreement will constitute approval of the merger and the proposed spin-off by C-Cube Microsystems of its semiconductor business.

2. To transact such other business as may properly come before the special meeting or any adjournment of the special meeting.

The attached joint proxy statement/prospectus contains a more complete description of these items of business. Only holders of record of C-Cube Microsystems common stock at the close of business on March 22, 2000, the record date, are entitled to vote on the matters listed in this notice of special meeting. Stockholders are cordially invited to attend the special meeting in person. The two proposals to be voted on by C-Cube Microsystems stockholders will require the affirmative vote of the holders of a majority of the C-Cube Microsystems common stock represented at the special meeting.

YOUR BOARD OF DIRECTORS HAS UNANIMOUSLY DETERMINED THAT THE MERGER IS IN THE BEST INTERESTS OF C-CUBE MICROSYSTEMS AND ITS STOCKHOLDERS AND RECOMMENDS THAT YOU VOTE TO APPROVE THE MERGER AGREEMENT AND THE ISSUANCE OF C-CUBE MICROSYSTEMS COMMON STOCK IN THE MERGER. Each of the items of business to be submitted to a vote at the C-Cube Microsystems meeting is more fully described in this joint proxy statement/prospectus, which we urge you to read carefully.

YOUR VOTE IS VERY IMPORTANT. TO ENSURE THAT YOUR SHARES ARE REPRESENTED AT THE SPECIAL MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD AND

MAIL IT PROMPTLY IN THE POSTAGE-PAID ENVELOPE PROVIDED, WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING IN PERSON. ANY EXECUTED BUT UNMARKED PROXY CARDS WILL BE VOTED FOR APPROVAL OF THE MERGER AGREEMENT AND THE PROPOSED SPIN-OFF OF THE SEMICONDUCTOR BUSINESS. YOU MAY REVOKE YOUR PROXY IN THE MANNER DESCRIBED IN THE ACCOMPANYING JOINT

PROXY STATEMENT/PROSPECTUS AT ANY TIME BEFORE IT HAS BEEN VOTED AT THE SPECIAL MEETING. ANY STOCKHOLDER ATTENDING THE SPECIAL MEETING MAY VOTE IN PERSON EVEN IF THE STOCKHOLDER HAS RETURNED A PROXY.

By Order of the Board of Directors
Of C-Cube Microsystems Inc.

ALEXANDRE A. BALKANSKI
President and Chief Executive Officer

Milpitas, California
March 24, 2000

Whether or Not You Plan to Attend the Special Meeting,
Please Complete, Sign, Date and Return the Accompanying
Proxy In the Enclosed Self-addressed Stamp Envelope.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: WHAT AM I BEING ASKED TO VOTE UPON?

A: Harmonic stockholders: You are being asked to approve:

- the merger agreement, the issuance of Harmonic common stock in the merger and an amendment to the certificate of incorporation to increase the authorized number of shares to 75 million to allow for the issuance of approximately 26 million shares of Harmonic common stock to the current C-Cube Microsystems stockholders; and

- the further amendment of Harmonic's certificate of incorporation to increase the authorized number of shares of Harmonic common stock to 150 million shares. If approved, this further amendment to the certificate of incorporation will take effect only if the merger is completed.

C-Cube Microsystems stockholders: You are being asked to approve the merger, which if approved, will necessarily result in the proposed spin-off of the semiconductor business.

Q: WHEN WILL THE PROPOSED SPIN-OFF OF THE SEMICONDUCTOR BUSINESS OCCUR?

A: If the Harmonic or C-Cube Microsystems stockholders do not vote to approve the merger, or the merger is otherwise abandoned, then the proposed spin-off will not occur.

If the Harmonic and C-Cube Microsystems stockholders do vote to approve the merger and the conditions to the merger are satisfied or waived, the record date for the spin-off transaction will be set immediately after the vote for the proposed merger. C-Cube Microsystems will then spin off its semiconductor business approximately seven business days thereafter which will be immediately prior to the closing of the merger.

Q: WHAT WILL I RECEIVE IN THE MERGER?

A: Harmonic stockholders: You will not receive any consideration in the merger nor will you receive any consideration from the proposed spin-off by C-Cube Microsystems of its semiconductor business. You are receiving the C-Cube

Semiconductor prospectus relating to the spin-off for informational purposes only and not investment purposes.

C-Cube Microsystems stockholders: You will receive, for each share of C-Cube Microsystems common stock you hold, 0.5427 of a share of Harmonic common stock. Based on a closing sale price of $102 7/8 for a share of Harmonic common stock as of March 20, 2000, 0.5427 of a share of Harmonic common stock would be valued at $55.83. In addition, at the completion of the proposed spin-off transaction, prior to the closing of the merger, you will receive a distribution of shares of the semiconductor business based on the number of shares you hold in C-Cube Microsystems relative to the total number of shares of C-Cube Microsystems that are outstanding. Please see the separate prospectus relating to the spin-off that has been mailed to you along with this joint proxy statement/ prospectus.

C-Cube Microsystems option holders: If you do not exercise your vested options prior to the closing of the merger, your vested options will be canceled and you will not receive any Harmonic shares or options for those C-Cube Microsystems options. Generally, each outstanding unvested C-Cube Microsystems option held by either an employee who will continue to be employed by Harmonic after the merger or an employee who will continue to be employed by C-Cube Microsystems' semiconductor business after the proposed spin-off will be adjusted so as to preserve the value of such options. Please see "The Merger -- Interests of Certain Persons in the Merger -- Employee Options" beginning on page 46 for further details on this issue.

Q: IF I AM A C-CUBE MICROSYSTEMS STOCKHOLDER, HOW SHOULD I SEND IN MY STOCK CERTIFICATES?

A: Do not send your stock certificates with your proxy card. You must keep your stock certificates until after the closing, when you will receive a letter of transmittal describing how you may exchange your certificates for merger consideration. You must send in your

C-Cube Microsystems stock certificates with your completed letter of transmittal to the exchange agent.

Q: HOW DOES MY BOARD OF DIRECTORS RECOMMEND THAT I VOTE ON THE PROPOSALS?

A: Harmonic stockholders: The Harmonic board of directors unanimously recommends that you vote FOR:

- the merger agreement, the issuance of Harmonic common stock in the merger and the amendment to the certificate of incorporation to increase the authorized number of shares to 75 million to allow for the issuance of approximately 26 million shares of Harmonic common stock to the current C-Cube Microsystems stockholders; and

- the proposed further amendment to Harmonic's certificate of incorporation to increase the authorized number of shares of Harmonic common stock to 150 million shares.

C-Cube Microsystems stockholders: The C-Cube Microsystems board of directors unanimously recommends that you vote FOR the proposal to approve the merger, which if approved, will necessarily result in the proposed spin-off of the semiconductor business.

Q: WHAT VOTE IS REQUIRED TO APPROVE THE PROPOSALS?

A: Harmonic stockholders: The two proposals to be voted upon by the Harmonic stockholders will require the approval of holders of a majority of the outstanding shares of Harmonic common stock. If you do not vote, your non-votes will have the same effect as votes against approval of the merger.

C-Cube Microsystems stockholders: Approval of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of C-Cube Microsystems common stock. If you do not vote, your non-votes will have the same effect as votes against approval of the merger.

Q: WHAT DO I NEED TO DO NOW?

A: After you read and consider the information in this document, just mail your signed proxy card in the enclosed return envelope as soon as possible, so that your shares may be represented at the appropriate stockholders meeting. You should return your proxy card whether or not you plan to attend your stockholders meeting. If you attend your stockholders meeting, you may revoke your proxy at any time before it is voted and vote in person if you wish.

Q: WHAT DO I DO IF I WANT TO CHANGE MY VOTE AFTER I HAVE SENT IN MY PROXY CARD?

A: You can change your vote at any time before your proxy is voted at the meetings. You can do this in one of three ways. First, you can send a written notice stating that you would like to revoke your proxy. Second, you can complete and submit a new proxy card at a later date. If you choose either of these methods, you must submit your notice of revocation or your new proxy card to Harmonic or C-Cube Microsystems, as the case may be, before your stockholders meeting. Finally, you can attend your meeting and vote in person. Simply attending your meeting, however, will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change your vote.

Q: IF MY SHARES ARE HELD IN "STREET NAME" BY MY BROKER, WILL MY BROKER VOTE MY SHARES FOR ME?

A: Your broker will vote your shares only if you provide instructions on how to vote. If you do not provide your broker with instructions on how to vote, your broker's non-votes will have the same effect as votes against approval of the merger. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares.

Q: WHAT CONSTITUTES A QUORUM AT THE STOCKHOLDERS' MEETINGS?

A: A quorum is a majority of the outstanding shares entitled to vote which are present or represented by proxy at the special meetings. A quorum must exist for the transaction of business at the special meeting. If you submit a properly executed proxy card, even if you abstain from voting, your shares will be considered part of the quorum. Broker non-votes, which are shares held by a broker or

nominee that are represented at the special meeting, but with respect to which the broker or nominee is not empowered to vote on a proposal, are included in determining the presence of a quorum.

Q: WHO CAN I CALL WITH QUESTIONS?

A: Harmonic stockholders:

Chase Mellon Consulting Services L.L.P. at
(888) 566-9475.

C-Cube Microsystems stockholders:

Corporate Investor Communications, Inc. at (877) 313-0571.

SUMMARY

This is a summary and it does not contain all the information that may be important to you. Even though we have highlighted what we believe is the most important information for you, we encourage you to read the entire joint proxy statement/prospectus for a complete understanding of the proposed merger after the proposed spin-off by C-Cube Microsystems of its semiconductor business. See "Where You Can Find More Information" on page 75.

THE COMPANIES
Harmonic Inc..... Harmonic designs, manufactures and markets

digital and fiber optic systems for delivering video, voice and data services over various networks.

Harmonic's advanced solutions enable cable television and other network operators to provide a range of broadcast and interactive services that include:

- high-speed Internet access;

- telephone; and

- video-on-demand.

Harmonic offers a broad range of fiber optic transmission products and systems for digital video broadcasting for a variety of networks.

Harmonic is headquartered in Sunnyvale, California, where it also operates a research and development center and a manufacturing facility. Harmonic also has operations in foreign countries. Harmonic has a sales and support center in the United Kingdom and operates a research and development center in Israel. In addition, Harmonic maintains several sales and support centers worldwide. For more information, please see Harmonic's website at www.harmonicinc.com or see the section entitled "Information About Harmonic" on page 55 of this joint proxy statement/ prospectus. References to Harmonic's web site do not incorporate by reference the information contained at that web site into this joint proxy statement/prospectus.

Harmonic's address is:

Harmonic Inc.
549 Baltic Way
Sunnyvale California 94089
Tel. (408) 542-2500

C-Cube Microsystems Inc.....

C-Cube Microsystems designs, manufactures and sells semiconductors and systems for digital video applications.

Semiconductor Business. As a major supplier of semiconductors used for digital video applications through its semiconductor business, C-Cube Microsystems has played a role in enabling the growth of digital video. This business is focused on working with its original equipment manufacturer customers and service providers to enable key applications in its consumer and communications target markets. In the consumer market, it is focused on video compact disc, playback and recordable digital

video disc, and digital video cassette recorder players. In the communications market, it targets set-top boxes that allow for two-way communications between the service providers and the end-users, broadcast encoders which compress data into a more compact form making the data easier to store and transmit and emerging appliances. Users of these products will be able to record hours of digital video disc quality video obtained from any video source, whether television, video cassette

recorder, digital video disc, digital camcorder or analog camcorder. Once they have recorded the video, they will be able to edit and play back the video on standard personal computers and store the resulting video to digital video disc, web pages, e-mail, recordable computer disc or personal computer hard-disk drives. For more information about the semiconductor business, please see "Information About C-Cube Microsystems" on page 55 of this joint proxy statement/prospectus, the separate prospectus relating to the spin-off that has been mailed to you along with this joint proxy statement/ prospectus and the company's website at www.c-cube.com.

DiviCom Business. In addition to its role as a major supplier of semiconductors, C-Cube Microsystems is also a significant provider of digital video communication systems through its DiviCom business. Acquired by C-Cube Microsystems in 1996, the DiviCom business designs, manufactures and sells a full spectrum of products and systems that enables the transmission of digital video, audio and data over a variety of networks. For more information about the DiviCom business, please see DiviCom's website at www.divi.com or see the section entitled "Information About the DiviCom Business" on page 51 of this joint proxy statement/prospectus. References to C-Cube Microsystems' and the DiviCom business' web sites do not incorporate by reference the information contained at those web sites into this joint proxy statement/prospectus.

C-Cube Microsystems was established as a California corporation in 1988.

C-Cube's address is:

C-Cube Microsystems Inc.
1778 McCarthy Boulevard
Milpitas, California 95035
Tel. (408) 490-8000

Share Price Information..... Harmonic's common stock is currently listed on the Nasdaq National Market under the symbol "HLIT." C-Cube Microsystems' common stock is currently listed on the Nasdaq National Market under the symbol "CUBE."

On October 27, 1999, the last trading day before the public announcement of the merger between Harmonic and C-Cube Microsystems, the closing price on the Nasdaq National Market of Harmonic's common stock was $59.875 per share and of C-Cube Microsystems' common stock was $40.375 per share.

You may obtain more recent stock price quotations from most newspapers, the Internet or other financial sources.

THE MEETINGS (PAGE 23)
Time, Date and Place..... The Harmonic stockholders meeting will be held at 9:00 a.m., local time, on April 24, 2000 at:

The Westin Hotel
5101 Great America Parkway
Santa Clara, California 95054

	The C-Cube Microsystems stockholders meeting will be held at 9:00 a.m., local time, on April 24, 2000 at: C-Cube Microsystems 1778 McCarthy Boulevard Milpitas, California 95035
Record Dates, Shares Entitled to Vote and Votes Required.....	Harmonic stockholders may cast one vote per share of Harmonic common stock that they held on the close of business on February 25, 2000. On that date, 30,726,923 shares of Harmonic common stock were outstanding and entitled to vote, of which 924,862 shares were held by Harmonic's directors and executive officers. The two proposals to be voted upon by the Harmonic stockholders will require the approval by holders of a majority of the shares of Harmonic common stock outstanding at the special meeting. If you do not vote, your non-votes will have the same effect as votes against approval of the merger. C-Cube Microsystems stockholders may cast one vote per share of C-Cube Microsystems common stock they held on the close of business on March 22, 2000. On that date, 45,216,909 shares of C-Cube Microsystems common stock were outstanding and entitled to vote, of which 3,048,447 shares were held by C-Cube Microsystems' directors and executive officers. The holders of a majority of outstanding shares of C-Cube Microsystems common stock must approve the merger. If you do not vote, your non-votes will have the same effect as votes against approval of the merger.
REASONS FOR THE MERGER (PAGE 29).....	Harmonic and C-Cube Microsystems believe that the merger will provide the opportunity to: - enable the combined company to offer more complete product solutions for cable customers worldwide; - leverage our combined resources to develop more effectively new products and technologies for evolving broadband network architectures; - expand Harmonic's presence in telecommunications, satellite, wireless and other emerging broadband markets; - increase revenue from cross-selling of existing products; and - enhance our combined competitive position.
STRUCTURE OF THE MERGER (PAGE 44).....	C-Cube Microsystems will merge with Harmonic immediately after the proposed spin-off by C-Cube Microsystems of its semiconductor business, after which the separate existence of C-Cube Microsystems will terminate and Harmonic will be the

surviving corporation. As a result of the merger, stockholders of C-Cube Microsystems will be entitled to receive 0.5427 of a share of Harmonic common stock for each share of C-Cube Microsystems common stock. C-Cube Microsystems will not spin off its semiconductor business if the C-Cube

	stockholders do not approve the proposal regarding the merger or if the merger is otherwise abandoned.
MERGER STEPS	
General.....	The rights and obligations of all parties under the merger agreement are governed by the exact language of the merger agreement, not the description in this joint proxy statement/prospectus. A copy of the merger agreement is included in this joint proxy statement/prospectus as Appendix A.
Opinions of Financial Advisors (pages 33 and 38).....	In deciding to approve the proposed merger, the Harmonic board considered the opinion of Warburg Dillon Read that, as of the date of the opinion, the exchange ratio provided for in the merger agreement was fair to Harmonic from a financial point of view. The opinion is subject to the qualifications and limitations referred to in its text. We attach a copy of the Warburg Dillon Read opinion as Appendix B and encourage you to read it carefully. WARBURG DILLON READ'S OPINION IS DIRECTED TO THE HARMONIC BOARD OF DIRECTORS AND DOES NOT CONSTITUTE A RECOMMENDATION TO ANY STOCKHOLDER AS TO ANY MATTER RELATING TO THE MERGER. C-Cube Microsystems' financial advisor, Credit Suisse First Boston Corporation, has delivered a written opinion to the C-Cube Microsystems board of directors as to the fairness, from a financial point of view, of the exchange ratio provided for in the merger agreement. The full text of Credit Suisse First Boston's written opinion is attached to this document as Appendix C. We encourage you to read this opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and limitations on the review undertaken. CREDIT SUISSE FIRST BOSTON'S OPINION IS DIRECTED TO THE C-CUBE MICROSYSTEMS BOARD OF DIRECTORS AND DOES NOT CONSTITUTE A RECOMMENDATION TO ANY STOCKHOLDER AS TO ANY MATTER RELATING TO THE MERGER.
Termination of the Merger Agreement (page 59).....	Both companies may mutually agree to terminate the merger agreement at any time without completing the merger. Under certain conditions enumerated in the merger agreement, either company may terminate the merger agreement.
Termination Fees and Expenses (page 59).....	Under circumstances enumerated in the merger agreement, either party may be obligated to pay the other party a termination fee of $50 million.
No Solicitation (page 60).....	The merger agreement prohibits C-Cube Microsystems from soliciting, initiating or encouraging any acquisition proposal or providing information to, describing or negotiating with any

person or group concerning any acquisition proposal unless it receives an unsolicited acquisition proposal from a third party and follows defined procedures defined in the

	merger agreement in addressing such a proposal.
Accounting Treatment (page 51).....	Harmonic will treat the merger as a purchase for accounting and financial reporting purposes. Harmonic estimates that it will record goodwill intangibles of $1.4 billion and non-goodwill intangibles of $270 million related to the transaction. Estimated annual amortization expense for goodwill intangibles will be approximately $276 million and $54 million for non-goodwill intangibles over the next five years.
Certain Federal Income Tax Consequences of the Merger and Spin-off (page 46).....	Harmonic has received an opinion from Gibson, Dunn & Crutcher LLP and C-Cube Microsystems has received an opinion from Wilson Sonsini Goodrich & Rosati, Professional Corporation, that the merger will qualify as a reorganization under Section 368(a) of the Internal Revenue Code. As a result, generally, a C-Cube Microsystems stockholder who receives Harmonic common stock in exchange for shares of C-Cube Microsystems common stock will not recognize any gain or loss, except for any gain or loss attributable to cash received in lieu of fractional shares. The spin-off will be taxable to C-Cube Microsystems as a result of Section 355(e) of the Internal Revenue Code because it is undertaken as part of the same plan as the Harmonic merger, which will result in a change of control of C-Cube Microsystems, and also as a result of certain internal restructuring transactions undertaken prior to the distribution of the Semiconductor stock. This liability of C-Cube Microsystems, which is expected to be substantial, will become a liability of Harmonic as a result of the merger. C-Cube Microsystems has estimated, based on certain assumptions, including an assumed fair market value for the stock of the spun-off semiconductor business of $975 million, that this tax liability will be approximately $203 million. The actual tax liability may differ significantly from the estimate based on the facts and circumstances existing at the time of the spin-off. For example, the value of the stock of the spun-off semiconductor business will likely fluctuate and if such value at the time of the spin-off exceeds the assumed value, the actual tax liability likely will exceed the estimated tax liability. C-Cube Microsystems is required to retain and transfer to Harmonic in the merger an amount of cash sufficient to pay this liability as well as all other tax liabilities of C-Cube Microsystems and its subsidiaries for periods prior to the merger. C-Cube Microsystems has received an opinion from Ernst & Young LLP that the spin-off of its semiconductor business will be tax free to C-Cube Microsystems stockholders, except for any gain or loss attributable to cash received instead of fractional shares. However, there is some risk that the spin-off will not qualify for tax-free treatment. The opinion of Ernst & Young

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LLP was delivered to C-Cube Microsystems solely for the benefit of C-Cube Microsystems stockholders.

For further details, see "Risk Factors -- Risk Factors Relating to the Merger Addressed to Current C-Cube Microsystems Stockholders," "-- Risk Factors Relating to the Merger Addressed to Current Harmonic Stockholders" and "The Merger -- Certain Federal Income Tax Consequences of the Merger and the Spin-off."

TAX MATTERS ARE VERY COMPLICATED AND THE TAX CONSEQUENCES OF THE MERGER AND THE SPIN-OFF TO EACH STOCKHOLDER WILL DEPEND ON THE STOCKHOLDER'S PARTICULAR FACTS AND CIRCUMSTANCES. STOCKHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS TO UNDERSTAND FULLY THE TAX CONSEQUENCES OF THE MERGER AND THE SPIN-OFF.

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HISTORICAL FINANCIAL INFORMATION

We are providing or incorporating by reference in this joint proxy statement/prospectus selected historical financial information for Harmonic and the DiviCom business to help you in your analysis of the financial aspects of the merger. The financial statements of the DiviCom business carve out the results of operations and financial position of the DiviCom business and exclude the results of operations and financial position of C-Cube's semiconductor business, which will be spun-off prior to the closing of the merger.

We derived this information from the audited and unaudited financial statements of Harmonic and the DiviCom business for the periods presented. The information is only a summary and you should read it together with the financial information included or incorporated by reference in this joint proxy statement/prospectus. See "Where You Can Find More Information" on page 75.

CONSOLIDATED HISTORICAL FINANCIAL INFORMATION -- HARMONIC

In the table below, Harmonic provides you with its selected historical financial information. Harmonic prepared this information using its consolidated financial statements as of the dates indicated and for each of the fiscal years in the five-year period ended December 31, 1998 and the nine-month periods ended October 1, 1999 and October 2, 1998. Harmonic derived the results of operations data below for each of the five years in the period ended December 31, 1998, and the balance sheet data at December 31, 1998, 1997, 1996, 1995 and 1994 from financial statements audited by PricewaterhouseCoopers LLP, Independent Accountants. Harmonic derived the remaining data from unaudited financial statements. All applicable share data and per share amounts in the selected historical financial information have been retroactively adjusted to reflect the two-for-one stock split made effective on October 14, 1999. In the opinion of Harmonic management, the unaudited data reflect all adjustments, consisting only of normal or recurring adjustments, necessary to present the data fairly for each interim period.

When you read the selected consolidated historical financial information, you should read along with it the historical financial statements and accompanying notes that Harmonic has included in its Annual Report on Form 10-K/3A for the year ended December 31, 1998. You can obtain this report by following the instructions under "Where You Can Find More Information" on page 75. The historical results are not necessarily indicative of results to be expected for any future period.

	YEARS ENDED DECEMBER 31,					NINE MONTHS ENDED	
	1994	1995	1996	1997	1998	OCTOBER 2, 1998	OCTOBER 1, 1999

	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)						
STATEMENT OF CONSOLIDATED OPERATIONS DATA:							
Net sales	$18,224	$39,180	$60,894	$74,442	$ 83,857	$ 56,760	$120,789
Cost of sales	11,757	21,329	33,163	39,837	53,302	36,574	69,326
Gross profit	6,467	17,851	27,731	34,605	30,555	20,186	51,463
Operating expenses:							
Research and development	3,209	6,144	9,237	11,676	13,524	10,173	11,971
Sales and marketing	4,108	5,750	9,827	13,599	18,162	13,305	17,723
General and administrative	1,339	2,196	3,463	4,824	6,812	5,234	6,248
Acquired in-process technology	--	--	--	--	14,000	14,000	--
Total operating expenses	8,656	14,090	22,527	30,099	52,498	42,712	35,942
Income (loss) from operations(1)	(2,189)	3,761	5,204	4,506	(21,943)	(22,526)	15,521

	YEARS ENDED DECEMBER 31,					NINE MONTHS ENDED	
	1994	1995	1996	1997	1998	OCTOBER 2, 1998	OCTOBER 1, 1999
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)						
Interest and other income, net	(179)	577	1,025	682	490	445	1,674
Income (loss) before income taxes (1)	(2,368)	4,338	6,229	5,188	(21,453)	(22,081)	17,195
Provision for income taxes	--	217	311	259	--	--	4,299
Net income (loss)(1)	$(2,368)	$ 4,121	$ 5,918	$ 4,929	$(21,453)	$(22,081)	$ 12,896
Net income (loss) per share(2)							
Basic	$ --	$ 0.36	$ 0.29	$ 0.24	$ (0.92)	$ (0.95)	$ 0.47
Diluted	--	0.20	0.26	0.21	(0.92)	(0.95)	0.43
Weighted average shares							
Basic	--	11,594	20,211	20,690	23,244	23,146	27,592
Diluted	--	20,763	22,948	23,046	23,244	23,146	30,264

	DECEMBER 31,						
	1994	1995	1996	1997	1998	OCTOBER 2, 1998	OCTOBER 1, 1999
CONSOLIDATED BALANCE SHEET DATA:							
Cash, cash equivalents, short-term and long-term investments	$ 1,743	$22,126	$16,410	$13,670	$ 9,178	$ 8,215	$ 75,658
Working capital	6,893	32,495	34,321	38,772	32,318	31,405	88,150
Total assets	14,578	41,817	54,633	58,887	62,424	59,563	158,488
Long-term debt	1,480	--	--	--	577	--	--
Stockholders' equity (deficit)	(20,717)	37,009	43,641	49,931	43,474	42,733	124,707

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(1) The 1998 loss from operations and net loss include a one-time charge of

$14.0 million for acquired in-process technology.

(2) Net loss per share data for periods prior to the commencement of public trading of Harmonic's common stock on May 22, 1995 have not been presented as such presentation is not meaningful.

CONSOLIDATED HISTORICAL FINANCIAL INFORMATION -- THE DIVICOM BUSINESS

The table below provides you with selected historical financial information of the DiviCom business. This information was carved out from the consolidated financial statements of C-Cube Microsystems for the periods from August 26, 1996 through December 31, 1996, the two years in the period ended December 31, 1998 and the nine months ended September 30, 1998 and 1999. Amounts for the years ended December 31, 1994 and 1995 and for the period from January 1, 1996 through August 26, 1996 were derived from the separate financial statements of the DiviCom business prior to its acquisition by C-Cube Microsystems. The financial statements of the DiviCom business as of December 31, 1997 and 1998 and September 30, 1999 and for the two years in the period ended December 31, 1998 and the nine months ended September 30, 1999 were audited by Deloitte & Touche LLP as stated in their opinion included elsewhere. The DiviCom business is wholly owned by C-Cube Microsystems and, accordingly, the financial information of the DiviCom business may not necessarily reflect the results of operations, financial position, changes in net investment and cash flows of DiviCom had it been a separate stand-alone entity. The financial statements as of December 31, 1994 and 1995 and for the two years in the period ended December 31, 1995 were audited by PriceWaterhouseCoopers LLP. The assets and liabilities of the Predecessor DiviCom business do not reflect the acquisition cost of C-Cube Microsystems and, accordingly, are not comparable to the assets and liabilities of the DiviCom business subsequent to the acquisition by C-Cube Microsystems as of August 26, 1996. The financial statements for all other periods included herein were unaudited. In the opinion of DiviCom's management, the unaudited data reflect all

adjustments, consisting only of normal or recurring adjustments, necessary to present the data fairly for each interim period.

When you read the selected historical financial information, you should read along with it the historical financial statements and accompanying notes of the DiviCom business included elsewhere in this joint proxy statement/prospectus.

	PREDECESSOR			THE DIVICOM BUSINESS				
	YEARS ENDED DECEMBER 31,						NINE MONTHS ENDED SEPTEMBER 30,	
	1994	1995	1996(1)	1996(2)	1997	1998	1998	1999
	(IN THOUSANDS)							
INCOME STATEMENT DATA:								
Net revenue	$ 319	$34,119	$ 23,895	$ 47,127	$118,760	$142,715	$102,249	$133,821
Costs and expenses:								
Cost of product revenue	156	16,451	17,423	22,817	59,965	75,088	54,405	67,852
Research and development	8,460	13,572	10,038	7,549	17,659	21,449	15,599	21,820
Selling, general and administrative	2,615	5,275	8,337	4,666	15,423	23,959	17,650	23,683
Acquired in-process technology	--	--	--	131,349	--	--	--	--
Total costs and expenses	11,231	35,298	35,798	166,381	93,047	120,496	87,654	113,355
Income (loss) from operations(3)	$(10,912)	$(1,179)	$(11,903)	$ 119,254	$ 25,713	$ 22,219	$ 14,595	$ 20,466

	DECEMBER 31,		AUGUST 26,	DECEMBER 31,			SEPTEMBER 30,	
	1994	1995	1996	1996	1997	1998	1998	1999
BALANCE SHEET DATA:								

Cash, cash equivalents and short-term investments	$ 4,064	$ 7,387	$ 6,448	$ 6,869	$ 28,540	$ 39,882	$ 59,244	$ 33,900
Total assets	10,440	26,364	53,241	61,762	81,987	105,594	109,013	128,873
Net investment	2,893	14,557	4,827	45,365	60,412	75,025	74,755	89,876

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(1) Period from January 1 to August 26, 1996.

(2) Period from August 27 to December 31, 1996.

(3) The loss from operations for the period from August 27 to December 31, 1996 includes a one-time charge of $131,349 for acquired in-process technology.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

We are also providing selected unaudited pro forma financial information in this joint proxy statement/prospectus to show you how Harmonic might have looked if the merger and the spin-off of the semiconductor business had been completed on January 1, 1998 for results of operations purposes and on October 1, 1999 for balance sheet purposes. The pro forma financial information was prepared using the purchase method of accounting.

If Harmonic and C-Cube Microsystems had actually completed the merger on these dates, the combined company might have performed differently. You should not rely on the pro forma financial information as an indication of the results that Harmonic would have achieved if the merger had taken place earlier or the future results that Harmonic will experience after completion of the merger.

The following unaudited selected pro forma financial information should be read in conjunction with the separate historical financial statements and accompanying notes of Harmonic and the DiviCom business that are included in or incorporated by reference in this joint proxy statement/prospectus.

The pro forma information is based on management's estimates and a preliminary valuation of the intangible assets acquired. In addition, management is in the process of assessing and formulating its integration plans. Management does not know the exact amount of the restructuring costs but does not believe that they will be material.

Based on the timing of the closing of the transaction, the finalization of the valuation, the finalization of the integration plans and other factors, the pro forma adjustments may differ materially from those presented in this pro forma financial data. See also "Risk Factors -- Risk Factors Relating to the Combined Company After the Merger" for further discussion of factors that may affect the pro forma adjustments and actual results of operations. A change in the value assigned to long-term tangible and intangible assets and liabilities could result in a reallocation of the purchase price and a change in the pro forma adjustments. The statement of operations effect of these changes will depend on the nature and amount of the assets or liabilities adjusted. See "Unaudited Pro Forma Financial Statements" beginning on page 63 for a further description of the pro forma adjustments.

	YEAR ENDED DECEMBER 31, 1998	NINE MONTHS ENDED OCTOBER 1, 1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA) (UNAUDITED)	
PRO FORMA COMBINED STATEMENT OF OPERATIONS DATA:		
Net sales	$ 226,572	$ 254,610
Cost of sales	149,390	152,928
Gross profit	77,182	101,682
Operating expenses:		
Research and development	34,973	33,791
Selling, general and administrative	48,629	47,426
Amortization of intangibles	309,704	232,278
Acquired in-process technology	14,000	--

Total operating expenses	407,306	313,495
Loss from operations	(330,124)	(211,813)
Interest and other income, net	2,241	2,641
Loss before income taxes	(327,883)	(209,172)
Provision for income taxes	(13,410)	(4,963)
Net loss	$(314,473)	$(204,209)
Net loss per share -- basic and diluted	$ (6.42)	$ (3.83)
Weighted average shares -- basic and diluted	48,977	53,325
OTHER PRO FORMA DATA:		
Cash flow provided by operations	$ 15,997	$ 7,267
Cash used in investing activities	(35,154)	(59,821)
Cash provided by financing activities	1,074	68,420

	OCTOBER 1, 1999
PRO FORMA COMBINED BALANCE SHEET DATA:	
Cash, cash equivalents, short-term and long-term investments	$ 338,658
Working capital	154,930
Intangible assets	1,658,415
Total assets	2,168,461
Current liabilities	304,450
Long-term liabilities	90,328
Total stockholders' equity	1,773,683

COMPARATIVE HISTORICAL AND PRO FORMA PER SHARE DATA

The following table reflects the historical net income (loss) and book value per share of Harmonic common stock and the historical net income and book value per share of the DiviCom business in comparison with the unaudited pro forma net loss and book value per share after giving effect to the proposed merger. The information presented in the following table should be read in conjunction with the unaudited pro forma combined financial statements and the DiviCom business financial statements included elsewhere in this document and the historical consolidated financial statements and related notes of Harmonic which are incorporated by reference in this document. Historical per share data for the DiviCom business have been derived from the special-purpose consolidated financial statements and are based on C-Cube Microsystems' historical shares outstanding.

	YEAR ENDED DECEMBER 31, 1998	NINE MONTHS ENDED OCTOBER 1, 1999
HARMONIC HISTORICAL PER SHARE DATA		
Net income (loss) per share(1)		
Basic	$(0.92)	$ 0.47
Diluted	(0.92)	0.43
Book value per share(2)		4.12
Cash dividends	--	--

THE DIVICOM BUSINESS HISTORICAL PER SHARE DATA		
Net income per share(1)		
Basic	$ 0.42	$ 0.36
Diluted	0.38	0.33
Book value per share(2)		2.22
Cash dividends	--	--
PRO FORMA COMBINED PER SHARE DATA		
Net loss per share		
Harmonic		
Basic and diluted	$(6.42)	$(3.83)
Per equivalent DiviCom business share(3)		
Basic and diluted	(3.48)	(2.08)
Book value per share		
Harmonic		$31.49
Per equivalent DiviCom business share(3)		$17.09
Cash dividends		
Harmonic	--	--
Per equivalent DiviCom business share(3)	--	--

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(1) Basic net income (loss) per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed using the weighted average number of common and common equivalent shares outstanding during the period. Common equivalent shares consist of shares issuable upon the exercise of stock options and warrants using the treasury stock method. Common equivalent shares are excluded from the computations if their effect is antidilutive.

Basic and diluted pro forma earnings per common share is calculated based on the issuance of 25.7 million shares of Harmonic common stock in the merger. Options and warrants outstanding during 1998 and 1999 were not included in the computation of diluted earnings per share because inclusion of such options and warrants would have been antidilutive.

(2) The historical book value per share is computed by dividing stockholders' equity by the number of shares of common stock outstanding at December 31, 1998 and at October 1, 1999. The pro forma number of shares of Harmonic common stock outstanding at October 1, 1999 assume the merger had occurred as of that date.

(3) The equivalent pro forma net loss, book value and dividends per share for the DiviCom business are based upon the exchange of .5427 shares of Harmonic common stock for one share of the DiviCom business.

Comparative Per Share Market Price and Dividend Information

Harmonic common stock is traded on the Nasdaq National Market under the symbol "HLIT" and C-Cube Microsystems common stock is traded on the Nasdaq National Market under the symbol "CUBE." The following table shows, for the periods indicated, the high and low reported sales prices per share of Harmonic common stock and C-Cube Microsystems common stock on the Nasdaq National Market. The Harmonic share prices have been adjusted to reflect a two-for-one stock split on October 14, 1999. Neither Harmonic nor C-Cube Microsystems has ever paid dividends on their capital stock. Harmonic currently expects to retain future earnings, if any, for the use in the operation and expansion of its business and does not anticipate paying any cash dividends in the foreseeable future.

	PRICE RANGE OF C-CUBE MICROSYSTEMS COMMON STOCK		PRICE RANGE OF HARMONIC COMMON STOCK	
	HIGH	LOW	HIGH	LOW
1997 Quarter Ended:				
March 31	$ 39.25	$25.25	$ 12.63	$ 6.38
June 30	28.81	17.38	10.50	5.63
September 30	34.50	17.66	10.63	7.44

	December 31	33.81	16.19	8.25	5.13
1998	Quarter Ended:				
	March 31	22.25	17.63	8.13	5.31
	June 30	24.69	15.69	9.50	6.06
	September 30	20.19	14.56	9.00	3.81
	December 31	29.81	15.25	9.44	4.38
1999	Quarter Ended:				
	March 31	30.81	17.25	14.44	7.44
	June 30	35.00	18.50	29.50	13.50
	September 30	45.13	26.56	73.31	26.00
	December 31	65.38	34.50	100.88	47.00
2000	Quarter Ended:				
	March 31 (through March 20)	106.25	51.50	157.50	72.50

RISK FACTORS

You should consider the following risk factors, together with the other information included and incorporated by reference in this joint proxy statement/prospectus, in deciding whether to vote to approve the merger.

RISK FACTORS RELATING TO THE MERGER ADDRESSED TO CURRENT C-CUBE MICROSYSTEMS STOCKHOLDERS

In considering whether to vote in favor of the merger, holders of C-Cube Microsystems common stock should consider the following risks related to the merger.

If the price of Harmonic common stock declines, C-Cube Microsystems is not permitted to terminate the merger and you will receive less value for your C-Cube Microsystems common stock.

There will be no adjustment to the exchange ratio of 0.5427 of a share of Harmonic common stock for each share of C-Cube Microsystems common stock for changes in the market price of either Harmonic common stock or C-Cube Microsystems common stock. C-Cube Microsystems is not permitted to terminate the merger or resolicit the vote of its stockholders solely because of changes in the market price of Harmonic common stock. Accordingly, the specific dollar value of Harmonic common stock to be received by you upon completion of the merger may be less if the price of Harmonic common stock declines.

C-Cube Microsystems' directors and officers may receive more benefits from the merger than C-Cube Microsystems stockholders generally, and therefore the recommendation of the C-Cube Microsystems board of directors to approve the merger may be biased.

In considering the recommendation of the C-Cube Microsystems board of directors to approve the merger, C-Cube Microsystems' stockholders should consider that some of C-Cube Microsystems' directors and officers have interests in the merger that differ from, or are in addition to, their interests as C-Cube Microsystems stockholders. C-Cube Microsystems' directors and officers may receive benefits from the merger not available to C-Cube Microsystems stockholders generally. These benefits include the receipt of cash in connection with C-Cube Microsystems stock options, potential payments under C-Cube Microsystems' severance agreements and the continuation of existing indemnification policies and agreements. These and additional interests are described under the headings "The Merger -- Interests of Certain Persons in the Merger" beginning on page 44 and may have biased the C-Cube Microsystems board of directors into recommending for the approval of the merger.

The IRS may challenge the tax-free nature of the merger and require you to pay taxes on any gain realized on your exchange of C-Cube Microsystems common stock for Harmonic common stock.

Harmonic and C-Cube Microsystems will not obtain a ruling from the Internal Revenue Service that the merger will generally be tax-free to C-Cube Microsystems stockholders. Therefore, there is a risk that the Internal Revenue Service may challenge the tax-free nature of the merger. If it does, C-Cube Microsystems stockholders may be required to pay tax on any gain realized in the merger. See "The Merger -- Certain Federal Income Tax Consequences of the Merger and Spin-off."

Failure to complete the merger could negatively impact C-Cube Microsystems' stock price and future business and operations.

The merger agreement contains certain conditions which Harmonic and/or C-Cube Microsystems must meet prior to the closing of the merger. In addition, the merger agreement may be terminated by either party under certain circumstances. In the event that the merger is not completed, the market price for C-Cube Microsystems' common stock could decline. Each of Harmonic and C-Cube Microsystems has agreed that if the merger is not consummated as a result of certain specified events, it will pay to the other party a termination fee of $50 million. There may be damages in addition to the $50 million termination fee. If the merger is not consummated, fees and expenses incurred in connection with the proposed

combination, in addition to the possible break up fee described above, could materially and adversely affect C-Cube Microsystems' operating results. In addition, if the merger is not consummated, C-Cube Microsystems will not spin off its semiconductor business, and the C-Cube Microsystems stockholders will not realize the potential benefits of the spin-off.

PLEASE SEE RISK FACTORS INCLUDED IN THE SEPARATE C-CUBE SEMICONDUCTOR PROSPECTUS RELATING TO THE SPIN-OFF THAT HAS BEEN MAILED TO YOU ALONG WITH THIS PROXY STATEMENT/PROSPECTUS FOR RISKS RELATING TO THE SPIN-OFF BY C-CUBE MICROSYSTEMS OF ITS SEMICONDUCTOR BUSINESS.

RISK FACTORS RELATING TO THE MERGER ADDRESSED TO CURRENT HARMONIC STOCKHOLDERS

In considering whether to vote in favor of the merger, holders of Harmonic common stock should consider the following risks related to the merger.

Harmonic stockholders may experience lower returns on their investment after the merger.

Harmonic stockholders may receive a lower return on their investment after the merger than if the merger does not occur. A lower return would occur if Harmonic does not achieve the anticipated operating and strategic benefits of the merger but spends significant time and resources in integrating the two companies. Also, the issuance of Harmonic common stock in the merger will result in dilution and this could hurt its market price. Ongoing general uncertainty related to the merger could also negatively impact Harmonic's stock price. Finally, since the acquisition will be accounted for using the purchase method, Harmonic estimates that it will record goodwill related to the transaction of $1.4 billion and will be incurring goodwill amortization expense of $276 million per year over the next five years. This may also negatively impact Harmonic's stock price.

Difficulties in the development and production of video encoding chips by C-Cube Microsystems' semiconductor business may adversely impact Harmonic after the merger.

The DiviCom business and the semiconductor business currently collaborate on the production and development of two video encoding microelectronic chips. After the merger and the spin-off of the semiconductor business, Harmonic and the spun-off semiconductor business will have a contractual relationship under which Harmonic will have access to certain of the spun-off semiconductor business' technologies and products which the DiviCom business previously depended on for its product and service offerings. However, under the contractual relationships between Harmonic and the spun-off semiconductor business, the semiconductor business does not have a firm commitment to continue the development of video encoding microelectronic chips. As a result, the semiconductor business may choose not to continue future development of the chips for any reason. The semiconductor business may also encounter in the future technological difficulties in the production and development of the chips. If the spun-off semiconductor business is not able to or does not sustain its development and production efforts in this area, Harmonic may not be able to fully recognize the benefits of the acquisition. See "Supply, License and Development Agreement" at page 60 for further details of Harmonic's business relationship with the spun-off semiconductor business after the merger.

Harmonic will be liable for C-Cube Microsystems' pre-merger tax liabilities, including tax liabilities resulting from the spin-off of its semiconductor

business.

C-Cube Microsystems and Harmonic believe that the spin-off of the semiconductor business will give rise to a significant tax liability which would be approximately $203 million based on an assumed valuation of the semiconductor business of $975 million. The spin-off will be taxable to C-Cube Microsystems as a result of Section 355(e) of the Internal Revenue Code because it is undertaken as part of the same plan as the Harmonic merger, which will result in a change of control of C-Cube Microsystems, and also as a result of certain internal restructuring transactions undertaken prior to the distribution of the Semiconductor stock. Under state law, Harmonic generally will become liable for all of C-Cube Microsystems' debts, including C-Cube Microsystems' liability for taxes resulting from the spin-off and related transactions. C-Cube Microsystems is required to retain and transfer to Harmonic in the merger an

amount of cash sufficient to pay this liability as well as all other tax liabilities of C-Cube Microsystems and its subsidiaries for periods prior to the merger. Harmonic will be indemnified by the spun-off semiconductor business if the cash reserves are not sufficient to satisfy all of C-Cube Microsystems' tax liabilities for periods prior to the merger, including tax liabilities resulting from the spin-off and related transactions. If for any reason, the spun-off semiconductor business does not pay such taxes, in which case Harmonic would have a claim against that business, or if there are additional taxes due with respect to the non-semiconductor business, Harmonic generally will remain liable, and such liability could have a material adverse effect on Harmonic.

Due to the structure of the merger transaction, Harmonic will be liable for C-Cube Microsystems' general pre-merger liabilities and any liabilities relating to C-Cube Microsystems semiconductor business for which the spun-off semiconductor business is unable to indemnify Harmonic.

The merger of C-Cube Microsystems into Harmonic, with Harmonic as the surviving entity, will result in Harmonic assuming all of the liabilities of C-Cube Microsystems at the time of the merger. Pursuant to the merger agreement, Harmonic will be indemnified by the spun-off semiconductor business for any liabilities associated with C-Cube Microsystems' historic semiconductor business. However, if the spun-off semiconductor business is unable to fulfill its indemnification obligations to Harmonic or if general liability claims not specifically associated with C-Cube Microsystems' historic semiconductor business are asserted after the merger, Harmonic would have to assume such obligations. Those obligations could have a material adverse effect on Harmonic.

Failure to complete the merger could negatively impact Harmonic's common stock price and future business and operations.

The merger agreement contains certain conditions which Harmonic and/or C-Cube Microsystems must meet prior to the closing of the merger. In addition, the merger agreement may be terminated by either party under certain circumstances. In the event that the merger is not completed, the market price for Harmonic's common stock could decline. Each of Harmonic and C-Cube Microsystems has agreed that if the merger is not consummated as a result of certain specified events, it will pay to the other party a termination fee of $50 million. There may be damages in addition to the $50 million termination fee. If the merger is not consummated, fees and expenses incurred in connection with the proposed combination, in addition to the possible "break up fee" described above, could materially and adversely affect Harmonic's operating results.

RISKS RELATING TO THE COMBINED COMPANY AFTER THE MERGER

Before you approve the merger, you should note that there are various risks associated with the combined company as it will exist after the merger, including those described below. Many of these risks are already associated with Harmonic and the DiviCom business as standalone entities. For more information regarding Harmonic as a standalone entity, please see the section entitled "Risk Factors" in Harmonic's Form 10-K/3A for the year ended December 31, 1998. You should carefully consider these risk factors together with all of the other information included in this joint proxy statement/prospectus before you decide to approve the merger.

The combined company will depend on capital spending in the cable and

satellite industries for a substantial portion of its revenue, and any decrease or delay in capital spending in these industries would negatively impact the combined company's business, operating results and financial condition.

Almost all of Harmonic's historic sales have been derived from sales to cable television operators and broadcasters and it expects these sales to constitute a substantial majority for the foreseeable future. Almost all of the DiviCom business' historic sales have been derived from sales to satellite operators, telephone companies and cable operators. Demand for the combined company's products in the future will depend on the magnitude and timing of capital spending by cable television operators, broadcasters, satellite operators and telephone companies for constructing and upgrading of their systems.

These capital spending patterns are dependent on a variety of factors, including:

- access to financing;
- annual budget cycles;
- the status of federal, local and foreign government regulation of telecommunications and television broadcasting;
- overall demand for cable television services and the acceptance of new video, voice and data services carried over cable networks;
- competitive pressures; and
- discretionary customer spending patterns and general economic conditions.

Any decrease or delay in capital spending by cable television operators, broadcasters, satellite operators and telephone companies for constructing and upgrading their systems would negatively impact the combined company's business, operating results and financial condition.

Both Harmonic's and the DiviCom business' customer bases have historically been highly concentrated. The loss of AT&T or any other key customer would have a negative effect on the combined company's business after the merger.

Historically, a significant majority of Harmonic's and the DiviCom business' sales have been to relatively few customers. During 1998, sales by Harmonic to AT&T accounted for approximately 17% of its net sales. More recently, Harmonic's sales to AT&T has accounted for an increasing significant portion of its historic net sales. On a pro forma consolidated basis, sales to AT&T by Harmonic and the DiviCom business would have accounted for approximately 19.3% of net sales for the first nine months of 1999. Due in part to the consolidation of ownership of cable television systems, Harmonic expects that sales to AT&T and relatively few other customers will continue to account for a significant percentage of net sales of the combined company for the foreseeable future. The loss of, or any reduction in orders from, a significant customer would harm the combined company's business.

Because the systems contracts of the DiviCom business can span several quarters, the timing of our revenue is difficult to predict and could result in lower than expected revenue in any particular quarter.

Substantially all of the DiviCom business revenue are from systems contracts. These contracts include a combination of product as well as installation and integration services. Revenue forecasts are based on estimated timing of the systems installation and integration. Because the systems contracts on the average span three quarters, the timing of revenue is difficult to predict and could result in lower than expected revenue in any particular quarter.

Because a large percentage of Harmonic's and the DiviCom business' revenue is derived from international sales, the combined company will be subject to risks associated with international operations, which may harm its profitability.

On a pro forma consolidated basis, sales to customers outside of the United States would have represented 45% of net sales of the combined company in 1998 and 37% in the first nine months of 1999, Harmonic expects that international sales will continue to represent a significant portion of the combined company's net sales for the foreseeable future. Harmonic's international operations are and will be, after the merger, subject to a number of risks, including:

- changes in foreign government regulations and telecommunications standards;

- import and export license requirements, tariffs, taxes and other trade barriers;

- difficulty in collecting accounts receivable;

- difficulty in staffing and managing foreign operations.

Harmonic maintains two facilities in the State of Israel with a total of approximately 80 employees. The personnel at these facilities will represent a significant portion of the combined company's research

and development operations. Accordingly, the combined company will be directly influenced by the political, economic and military conditions affecting Israel. Any major hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners could also significantly harm the combined company's business.

While both the combined company's international sales are typically denominated in U.S. dollars, fluctuations in currency exchange rates could cause its products to become relatively more expensive to customers in a particular country, leading to a reduction in sales or profitability in that country. Gains and losses on the conversion to U.S. dollars of accounts receivable, accounts payable and other monetary assets and liabilities arising from international operations may contribute to fluctuations in operating results. Furthermore, payment cycles for international customers are typically longer than those for customers in the United States. Unpredictable sales cycles could cause the combined company to fail to meet or exceed the expectations of security analysts and investors for any given period. Further, the foreign markets may not continue to develop.

The markets in which the combined company will operate are intensely competitive and many of their competitors are larger and more established.

The markets for cable television fiber optics systems and digital and video broadcasting systems are extremely competitive and have been characterized by rapid technological change and declining average selling prices. For example, in 1998, generally lower selling prices in the industry resulted in an approximate ten percent decrease in product sales revenues as compared to 1997. Harmonic's current competitors include significantly larger corporations such as

- ADC Telecommunications;

- ANTEC, a company owned in part by AT&T;

- General Instrument, which has been acquired by Motorola;

- Philips; and

- Scientific-Atlanta.

Additional competition could come from new entrants in the broadband communications equipment market, such as Lucent Technologies and Cisco Systems. In the digital and video broadcasting systems business, the DiviCom business currently competes with vertically integrated system suppliers including General Instrument, Scientific-Atlanta, NDS/Tandberg, Thomson Broadcast Systems and Philips, as well as more specialized suppliers including SkyStream and Terayon. Most of these companies are substantially larger and have greater financial, technical, marketing and other resources than the combined company will have after the merger. Many of these large organizations are in a better position to withstand any significant reduction in capital spending by customers in these markets. They often have broader product lines and market focus and will

therefore not be as susceptible to downturns in a particular market. In addition, many of the combined company's competitors have been in operations longer than either of Harmonic or Divicom and therefore have more long standing and established relationships with domestic and foreign cable television operators than the combined company does. The combined company may not be able to compete successfully in the future and competition may harm its business.

If any of the combined company's competitors' products or technologies were to become the industry standard, the combined company's business could be seriously harmed. Recently, companies that have historically not had a large presence in the broadband communications equipment market have begun to expand their market share through mergers and acquisitions. The continued consolidation of the combined company's competitors would have a significant negative impact on the combined company. Further, the combined company's competitors may bundle their products or incorporate functionality into existing products in a manner that discourages users from purchasing the combined company's products.

The combined company will need to develop and introduce new and enhanced products in a timely manner to remain competitive.

Broadband communications markets are characterized by continuing technological advancement, changes in customer requirements and evolving industry standards. To compete successfully, the combined company must design, develop, manufacture and sell new or enhanced products that provide increasingly higher levels of performance and reliability. However, the combined company may not be able to successfully develop or introduce these products if its products:

- are not cost effective,

- are not brought to market in a timely manner; and

- its products fail to achieve market acceptance.

In addition, to successfully develop and market the combined company's planned products for digital applications, the combined company will be required to retain and attract new personnel with experience and expertise in the digital arena. Competition for qualified personnel is intense. The combined company may not be successful in retaining and attracting qualified personnel.

Competition for qualified personnel is intense, and the combined company may not be successful in attracting and retaining personnel, which could impact its ability to maintain and grow its operations.

The combined company's future success will depend, to a significant extent, on the ability of its management to operate effectively, both individually and as a group. The combined company is dependent on its ability to retain and motivate high caliber personnel, in addition to attracting new personnel. Competition for qualified technical and other personnel is intense, particularly in the San Francisco Bay Area and Israel, and the combined company may not be successful in attracting and retaining such personnel.

Competitors and others have in the past and may in the future attempt to recruit Harmonic's or the combined company's employees. While Harmonic's employees are required to sign standard agreements concerning confidentiality and ownership of inventions, Harmonic generally does not have employment contracts or noncompetition agreements with any of its personnel. The loss of the services of any of Harmonic's or the combined company's key personnel, the inability to attract or retain qualified personnel in the future or delays in hiring required personnel, particularly engineers and other technical personnel, could negatively affect the combined company's business.

Both Harmonic and the DiviCom business purchase several key components, subassemblies and modules used in the manufacture or integration of their products from sole or limited sources, and are substantially dependent on contract manufacturers.

Many components, subassemblies and modules necessary for the manufacture or integration of the combined company's products are obtained from a sole supplier or a limited group of suppliers. The combined company's reliance on sole or limited suppliers, particularly foreign suppliers, and its increasing reliance on subcontractors involves several risks, including a potential inability to

obtain an adequate supply of required components, subassemblies or modules and reduced control over pricing, quality and timely delivery of components, subassemblies or modules. Neither Harmonic nor the DiviCom business generally maintain long-term agreements with any of its suppliers or subcontractors. An inability to obtain adequate deliveries or any other circumstance that would require the combined company to seek alternative sources of supply could affect its ability to ship our products on a timely basis, which could damage relationships with current and prospective customers and harm the combined company's business.

The combined company cannot be sure that the year 2000 problem will not affect its business.

Thus far, neither Harmonic nor C-Cube Microsystems has had any significant problems related to year 2000 issues associated with products under development or released, or the computer systems, software, other property and equipment used by each of them. However, neither Harmonic nor C-Cube

Microsystems can guarantee that the year 2000 problem will not adversely affect their businesses, operating results or financial condition at some point in the future.

RISKS RELATING TO FORWARD-LOOKING STATEMENTS IN THIS JOINT PROXY STATEMENT/PROSPECTUS

Both Harmonic and C-Cube Microsystems have each made forward-looking statements in this joint proxy statement/prospectus that are subject to risks and uncertainties. Forward-looking statements include expectations concerning matters that are not historical facts. Words such as "believes," "expects," "anticipates," or similar expressions indicate forward-looking statements. Some of the factors that could cause actual results to differ from these expectations are discussed in this risk factors section.

THE MEETINGS -- GENERAL PROXY INFORMATION

THE HARMONIC STOCKHOLDERS MEETING

General; Date, Time and Place of the Special Meeting

Harmonic's board of directors is sending this joint proxy statement/prospectus to Harmonic's stockholders in connection with the Harmonic board's solicitation of proxies for use at the special meeting of Harmonic stockholders to be held on April 24, 2000 at 9:00 a.m., local time, at:

THE WESTIN HOTEL
5101 GREAT AMERICA PARKWAY
SANTA CLARA, CA 95054

Matters to be Considered at the Special Meeting

At the special meeting, Harmonic stockholders will be asked:

- to approve the merger agreement and an amendment to the certificate of incorporation to increase the authorized number of shares to 75 million;

- to approve the further amendment to Harmonic's certificate of incorporation to increase the authorized number of shares of Harmonic common stock from 50 million shares to 150 million shares. This amendment is designed to allow for the issuance of the Harmonic common stock as provided for in the merger agreement and for future stock issuances by Harmonic for purposes such as raising funds to repay debt, acquisition of assets, employee incentives or stock splits. Assuming that approximately 26 million shares are issued in the merger, Harmonic would have approximately 57 million shares of common stock outstanding. If approved, the further amendment to the certificate of incorporation will take effect only if the merger is completed; and

- to transact other business that properly comes before the special meeting or any postponements or adjournments of the special meeting.

IF THE STOCKHOLDERS APPROVE THE MERGER BUT NOT THE AMENDMENT TO THE CERTIFICATE OF INCORPORATION, THE CERTIFICATE OF INCORPORATION WILL NEVERTHELESS BE AMENDED TO INCREASE THE AUTHORIZED NUMBER OF SHARES TO 75 MILLION TO ALLOW FOR THE ISSUANCE OF APPROXIMATELY 26 MILLION SHARES OF HARMONIC COMMON STOCK TO THE CURRENT C-CUBE MICROSYSTEMS STOCKHOLDERS.

Record Date for Voting on the Merger; Stockholders Entitled to Vote

Only Harmonic stockholders of record at the close of business on February 25, 2000, are entitled to notice of and to vote at the special meeting. As of the close of business on that record date, there were 30,726,923 shares of Harmonic common stock outstanding and entitled to vote, which were held of record by 129 stockholders. Each Harmonic stockholder is entitled to one vote for each share of Harmonic common stock held as of the record date.

Security Ownership

Harmonic's previous SEC filings contain information on the security ownership of certain beneficial owners and the security ownership of management. For information on how you may obtain copies of these filings, please see the section entitled "Where You Can Find More Information" on page 75.

Voting and Revocation of Proxies

The proxy for the Harmonic stockholders meeting is solicited on behalf of Harmonic's board of directors. Harmonic stockholders are requested to complete, date and sign the Harmonic proxy and promptly return it in the accompanying envelope or otherwise mail it to Harmonic. All properly executed

proxies received by Harmonic before the special meeting that are not revoked will be voted at the special meeting in accordance with the instructions indicated on the proxies or, if no direction is indicated, to approve the merger agreement and the issuance of Harmonic common stock in the merger and the amendment to Harmonic's certificate of incorporation.

A Harmonic stockholder that has given a proxy may revoke it at any time before it is exercised at the special meeting by doing any of the following:

- delivering to the Secretary of Harmonic a written notice, bearing a date later than the date of the proxy, stating that the proxy is revoked;

- signing and delivering a proxy relating to the same shares and bearing a later date than the date of the previous proxy, before the vote at the special meeting; or

- attending the special meeting and voting in person.

Proxy Solicitation

In addition to this mailing, Harmonic employees may solicit proxies personally, electronically or by telephone. Harmonic is also paying Chase Mellon Consulting Services L.L.P. a fee of approximately $10,000 plus expenses to help with the solicitation.

Stockholder Vote Required for Harmonic Proposals

Harmonic stockholders' approval of the merger agreement and the issuance of Harmonic common stock in the merger requires the affirmative vote of the holders of a majority of the outstanding shares of Harmonic common stock. Harmonic stockholders' approval of the amendment to Harmonic's certificate of incorporation also requires the affirmative vote of the holders of a majority of the outstanding shares of Harmonic common stock.

Abstentions and broker non-votes are not affirmative votes and will have the same effect as votes against approval of the merger. Abstentions and broker non-votes are also not counted as affirmative votes with respect to the proposed amendment to Harmonic's certificate of incorporation and will have the same

effect as votes against approval of the amendment.

In addition, the required vote of the Harmonic stockholders with respect to the proposed amendment to the certificate of incorporation is based upon the number of outstanding shares of Harmonic common stock rather than upon the shares actually voted in person or by proxy at the special meeting. Therefore, if a stockholder fails either to submit a proxy or to vote in person at the special meeting, it will have the same effect as a vote against approval of the amendment.

Harmonic Board Recommendation

HARMONIC'S BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED THE MERGER AND BELIEVES THAT THE TERMS OF THE MERGER AGREEMENT ARE FAIR TO, AND THAT THE MERGER IS IN THE BEST INTERESTS OF, HARMONIC AND ITS STOCKHOLDERS. HARMONIC'S BOARD HAS ALSO UNANIMOUSLY APPROVED THE AMENDMENT TO HARMONIC'S CERTIFICATE OF INCORPORATION. HARMONIC'S BOARD OF DIRECTORS THEREFORE UNANIMOUSLY RECOMMENDS THAT THE HOLDERS OF HARMONIC COMMON STOCK VOTE TO APPROVE THE MERGER AGREEMENT AND THE ISSUANCE OF HARMONIC COMMON STOCK IN THE MERGER AND THE AMENDMENT TO HARMONIC'S CERTIFICATE OF INCORPORATION.

THE MATTERS TO BE CONSIDERED AT THE SPECIAL MEETING ARE OF GREAT IMPORTANCE TO THE HARMONIC STOCKHOLDERS. ACCORDINGLY, HARMONIC'S STOCKHOLDERS ARE URGED TO READ AND CAREFULLY CONSIDER THE INFORMATION PRESENTED IN THIS JOINT PROXY STATEMENT/PROSPECTUS AND TO COMPLETE, DATE, SIGN AND PROMPTLY RETURN THE ENCLOSED PROXY CARD IN THE ENCLOSED POSTAGE-PAID ENVELOPE.

THE C-CUBE MICROSYSTEMS STOCKHOLDERS MEETING

General; Date, Time and Place of the Special Meeting

C-Cube Microsystems' board of directors is sending this joint proxy statement/prospectus to C-Cube Microsystems' stockholders in connection with the C-Cube Microsystems board's solicitation of proxies for use at the special meeting of C-Cube Microsystems stockholders to be held on April 24, 2000, at 9:00 a.m., local time, at:

C-CUBE MICROSYSTEMS INC.
1778 MCCARTHY BOULEVARD
MILPITAS, CA 95035

Matters to be Considered at the Special Meeting

At the special meeting, C-Cube Microsystems stockholders will be asked to approve the merger agreement which, if approved, will necessarily result in the proposed spin-off of the semiconductor business, and to transact such other business as may properly come before the special meeting or any postponements or adjournments of the special meeting.

Record Date for Voting on the Merger; Stockholders Entitled to Vote

Only C-Cube Microsystems stockholders of record at the close of business on March 22, 2000 are entitled to notice of and to vote at the special meeting. As of the close of business on that record date, there were 45,216,909 shares of C-Cube Microsystems common stock outstanding and entitled to vote, which were held of record by approximately 700 stockholders. Each C-Cube Microsystems stockholder is entitled to one vote for each share of C-Cube Microsystems common stock held as of the record date.

Security Ownership

C-Cube Microsystems' previous SEC filings and the separate prospectus relating to the spin-off that has been mailed to you along with this joint proxy statement/prospectus contain information on the security ownership of certain beneficial owners and the security ownership of management. For information on how you may obtain copies of C-Cube Microsystems' SEC filings, please see the section entitled "Where You Can Find More Information" on page 75.

Voting and Revocation of Proxies

The proxy for the C-Cube Microsystems stockholders meeting is solicited on

behalf of C-Cube Microsystems' board of directors. C-Cube Microsystems stockholders are requested to complete, date and sign the C-Cube Microsystems proxy and promptly return it in the accompanying envelope or otherwise mail it to C-Cube Microsystems. All properly executed proxies received by C-Cube Microsystems before the special meeting that are not revoked will be voted at the special meeting in accordance with the instructions indicated on the proxies or, if no direction is indicated, to approve the merger and the transactions contemplated by the merger agreement.

A C-Cube Microsystems stockholder that has given a proxy may revoke it at any time before it is exercised at the special meeting by doing any of the following:

- delivering to the Secretary of C-Cube Microsystems a written notice, bearing a date later than the date of the proxy, stating that the proxy is revoked;

- signing and delivering a proxy relating to the same shares and bearing a later date than the date of the previous proxy, before the vote at the special meeting; or

- attending the special meeting and voting in person.

Proxy Solicitation

In addition to this mailing, C-Cube Microsystems employees may solicit proxies personally, electronically or by telephone. Corporate Investor Communications, Inc. has also been engaged to assist with proxy solicitation for a fee estimated at $8,000-$10,000.

Stockholder Vote Required to Approve the Merger

C-Cube Microsystems stockholders' approval of the merger requires the affirmative vote of the holders of a majority of the outstanding shares of C-Cube Microsystems common stock. Abstentions and broker non-votes are not affirmative votes and will have the same effect as votes against approval of the merger. IN ADDITION, THE REQUIRED VOTE OF THE C-CUBE MICROSYSTEMS STOCKHOLDERS IS BASED UPON THE NUMBER OF OUTSTANDING SHARES OF C-CUBE MICROSYSTEMS COMMON STOCK RATHER THAN UPON THE SHARES ACTUALLY VOTED IN PERSON OR BY PROXY AT THE SPECIAL MEETING. THEREFORE, IF A STOCKHOLDER FAILS EITHER TO SUBMIT A PROXY OR TO VOTE IN PERSON AT THE SPECIAL MEETING, IT WILL HAVE THE SAME EFFECT AS A VOTE AGAINST APPROVAL OF THE MERGER.

C-Cube Microsystems Board Recommendation

AFTER CAREFUL CONSIDERATION, C-CUBE MICROSYSTEMS' BOARD OF DIRECTORS UNANIMOUSLY DETERMINED THE MERGER AND THE PROPOSED SPIN-OFF BY C-CUBE MICROSYSTEMS OF ITS SEMICONDUCTOR BUSINESS TO BE FAIR AND IN YOUR BEST INTEREST AND DECLARED THE TRANSACTION ADVISABLE. C-CUBE MICROSYSTEMS' BOARD OF DIRECTORS APPROVED THE MERGER AGREEMENT AND RECOMMENDS YOUR ADOPTION OF THE MERGER AGREEMENT. In considering the recommendation of C-Cube Microsystems' board of directors with respect to the merger agreement, you should be aware that some directors and officers of C-Cube Microsystems have interests in the merger that are different from, or are in addition to the interests of C-Cube Microsystems stockholders generally. Please see the section entitled "The Merger -- Interests of Certain Persons in the Merger" on page 44 of the joint proxy statement/prospectus.

THE MATTERS TO BE CONSIDERED AT THE SPECIAL MEETING ARE OF GREAT IMPORTANCE TO THE C-CUBE MICROSYSTEMS STOCKHOLDERS. ACCORDINGLY, C-CUBE MICROSYSTEMS' STOCKHOLDERS ARE URGED TO READ AND CAREFULLY CONSIDER THE INFORMATION PRESENTED IN THIS JOINT PROXY STATEMENT/PROSPECTUS AND TO COMPLETE, DATE, SIGN AND PROMPTLY RETURN THE ENCLOSED PROXY CARD IN THE ENCLOSED POSTAGE-PAID ENVELOPE.

THE MERGER

GENERAL

Each of our boards of directors has approved the merger agreement, which provides for the merger of C-Cube Microsystems into Harmonic after the proposed spin-off by C-Cube Microsystems of its semiconductor business. As a result of the merger, C-Cube Microsystems stockholders will receive in the aggregate for their shares approximately 26 million shares of Harmonic stock, based on the exchange ratio of 0.5427. In addition, at completion of the spin-off transaction prior to the closing of the merger, each C-Cube Microsystems stockholder will receive a distribution of shares of the spun-off semiconductor business based on the number of shares the stockholder holds in C-Cube Microsystems relative to the total number of shares outstanding.

BACKGROUND OF THE MERGER

Harmonic has been engaged for some time in developing and marketing digital video headend systems to complement its core business of providing fiber optic systems for cable operators. From time to time, Harmonic has considered expanding its digital video broadcasting systems business through acquisitions of digital video companies, including the DiviCom business of C-Cube Microsystems. In August 1997, Edward Thompson, Harmonic's Vice President of Business Development met with Tom Lookabaugh, President of C-Cube Microsystems' DiviCom business, to talk in general terms about the advantages of combining Harmonic and the DiviCom business. They discussed the merits of such a combination, and arranged a meeting in September 1997 between Anthony J. Ley, Chairman, President and Chief Executive Officer of Harmonic, and Alexandre Balkanski, President and Chief Executive Officer of C-Cube Microsystems. Following that meeting, Harmonic received indications from C-Cube Microsystems that it had no interest in pursuing a transaction which would involve the sale of its DiviCom business. During 1998, Mr. Thompson and Dr. Lookabaugh continued to have conversations from time to time about a possible combination of Harmonic and the DiviCom business.

In June 1999, Harmonic became aware that C-Cube Microsystems had retained investment bankers to explore strategic options for C-Cube Microsystems. Harmonic subsequently held meetings in July with representatives of Warburg Dillon Read, its financial advisor, to discuss possible methods of acquiring the DiviCom business. On July 8, 1999, Harmonic authorized Warburg Dillon Read to explore merger possibilities with C-Cube Microsystems' financial advisor, Credit Suisse First Boston Corporation, who was acting on behalf of C-Cube Microsystems.

Harmonic's board met in a regularly scheduled meeting on July 20 and discussed, among other things, the rationale for the proposed merger, the various structural alternatives, including tax and accounting consequences, valuation of the DiviCom business and the likelihood of other bidders emerging for either C-Cube Microsystems or its DiviCom business. At that meeting, Harmonic's board authorized management to proceed with further discussions. C-Cube Microsystems' board also met on July 20 to discuss, among other things, potential business combinations with third parties.

On July 29, Messrs. Thompson, Ley, and Robin Dickson, Chief Financial Officer of Harmonic, met with Messrs. Balkanski and Lookabaugh, together with both companies' financial advisors to discuss a potential business combination. The meeting focused on the two companies' business operations and strategy, whether a cultural fit existed and how the two companies could be integrated. Both companies executed a confidentiality agreement.

The same individuals met again on August 2 to discuss structural issues and various ways to value the DiviCom business. At that meeting, Harmonic submitted an initial verbal proposal to merge with C-Cube Microsystems provided that C-Cube Microsystems spin-off or sell its semiconductor business prior to the merger. Messrs. Ley, Dickson, Balkanski and Lookabaugh, along with representatives from Credit Suisse First Boston, C-Cube Microsystems' financial advisor, and Warburg Dillon Read were present.

On August 18, Messrs. Ley, Dickson, Balkanski and Lookabaugh, along with representatives from Credit Suisse First Boston and Warburg Dillon Read met, and C-Cube Microsystems' representatives offered their response to Harmonic's initial proposal. The response focused primarily on the tax implications of the proposed transaction.

Various discussions continued during August and early September between C-Cube Microsystems and Harmonic, and their financial advisors, regarding a potential transaction involving Harmonic and the DiviCom business. The parties agreed that, prior to further financial due diligence by Harmonic, the parties would try to reach agreement on a valuation for the DiviCom business. On September 8, 1999, Harmonic, through its financial advisor, presented a revised merger proposal to C-Cube Microsystems that Harmonic would purchase the DiviCom business in an all stock transaction.

On October 1, Messrs. Ley, Dickson, Thompson, Balkanski and Lookabaugh and Walt Walczykowski, C-Cube Microsystems' Chief Financial Officer, along with representatives from Credit Suisse First Boston, Warburg Dillon Read and respective legal counsel to Harmonic and C-Cube met to more fully discuss the potential transaction and the potential strategic and financial benefits of a business combination.

On October 5, Harmonic and C-Cube Microsystems, and their respective representatives met to discuss the revised merger proposal proposed by Harmonic on September 8, 1999.

On October 7, Dr. Balkanski along with other representatives from C-Cube Microsystems met with a group of C-Cube Microsystems' legal and financial advisors and accountants to discuss the structure and timing of the transaction. Shortly thereafter, Harmonic and C-Cube Microsystems each requested access to information for due diligence purposes from each other.

During the week of October 11 through October 15:

- the companies and their advisors conducted extensive due diligence on each other;

- management of both companies met to discuss combining operations of the two companies; and

- negotiations continued on significant issues including (a) intellectual property issues, (b) tax issues, (c) the issue of unvested options currently held by C-Cube Microsystems employees and (d) the cash remaining with C-Cube Microsystems after the disposition of its semiconductor business.

On October 14, in a special meeting of the C-Cube Microsystems board of directors, C-Cube Microsystems management, C-Cube Microsystems' legal and financial advisors reviewed with the board of directors the terms of the proposed transaction. In addition, C-Cube Microsystems' legal counsel reviewed with the board of directors their fiduciary duties. The board of directors considered the proposed acquisition and determined that management should continue to pursue and evaluate the business combination.

On October 16, Harmonic's board of directors met to consider the proposed transaction. At the Harmonic board meeting, senior management and Harmonic's financial and legal advisors discussed the following with the board:

- the status of the negotiations with respect to the proposed transaction;

- the potential benefits and risks associated with an acquisition of the DiviCom business; and

- the principal terms and conditions of the merger agreement.

Harmonic's financial advisors reviewed the financial analyses relating to the merger. The Harmonic board then discussed the terms of the proposed merger and the analyses presented by the financial advisors, unanimously approved the merger, and authorized management to finalize the terms of the merger agreement.

On October 18, the C-Cube Microsystems board of directors met again. At the meeting, C-Cube Microsystems' management, along with its financial, accounting and legal advisors, updated the directors on their due diligence investigations and reviewed the revised terms of the proposed transaction, based

upon the proposed definitive merger agreement and other materials previously circulated to the board. The meeting included a discussion of the material terms

of the proposed transaction, including the businesses and assets to be combined and the corporate governance, tax and accounting treatment of the contemplated transaction. The board of directors discussed the proposed acquisition and determined to continue to pursue and evaluate the proposed business combination further.

On October 19, Harmonic's board of directors met again to consider the proposed transaction. At this meeting, Harmonic's board of directors discussed the status of the negotiations with respect to the proposed transaction, the structure of the proposed transaction and additional information about C-Cube Microsystems gathered from its due diligence review process.

On October 19, substantially all outstanding issues related to the merger agreement were finalized, except for certain open due diligence matters. The C-Cube Microsystems board of directors met and again reviewed the proposed transaction. The board of directors further discussed the proposed merger and elected to continue to pursue and evaluate the proposed business combination.

On October 26, the C-Cube Microsystems board of directors met again to review the proposed transaction. Representatives of Credit Suisse First Boston delivered an oral opinion, subsequently confirmed in writing on October 27, 1999, the date of the merger agreement before the amendment and restatement, to the effect that, as of the date of the opinion and based upon and subject to the matters stated in the opinion, the exchange ratio provided for in the merger agreement was fair to the holders of C-Cube Microsystems common stock, from a financial point of view. This meeting concluded with the board unanimously voting to approve the acquisition and the merger agreement and related documents and to recommend that C-Cube Microsystems' stockholders adopt the merger agreement and approve the merger, subject to satisfactory resolution of the outstanding issues.

On October 26, Harmonic's board of directors met telephonically to review the proposed transaction. Representatives of Warburg Dillon Read delivered an oral opinion, subsequently confirmed in writing as of the same date, to the effect that, as of the date of the opinion and based upon and subject to the matters stated in the opinion, the exchange ratio provided for in the merger agreement was fair to Harmonic, from a financial point of view. At the meeting, Harmonic's management and its advisors updated the directors on the revised terms of the proposed transaction. This meeting concluded with the board unanimously voting to approve the acquisition and the merger agreement and the related documents and to recommend that Harmonic's stockholders adopt the merger agreement and approve the merger, subject to satisfactory resolution of the outstanding issues.

C-Cube Microsystems and Harmonic entered into the merger agreement on October 27, 1999. A press release stating the general terms of the merger agreement was released after the markets closed on October 27, 1999.

On December 9, 1999, C-Cube Microsystems and Harmonic amended and restated the merger agreement.

REASONS FOR THE MERGER

Harmonic's Reasons for the Merger

Harmonic's board of directors believes that the merger will provide several important benefits to Harmonic and its stockholders. Harmonic's board of directors considered many factors. In view of the complexity and wide variety of information and factors that it considered, Harmonic's board did not find it practical to quantify or otherwise assign specific weights to the factors considered. However, after taking into consideration all of the factors considered, the board believes that the most important factors are as follows:

- MORE COMPLETE PRODUCT SOLUTIONS FOR CABLE CUSTOMERS. The merger will allow Harmonic to offer a more complete package of digital and optical systems to its cable customers worldwide. Harmonic's strong position in fiber optics products for cable customers will be enhanced by the addition of the

DiviCom business products and its technical and market expertise in digital video systems. Harmonic's board of directors believes that the

merger would allow Harmonic to offer digital video systems to its cable customers in a more timely and cost-effective manner than if Harmonic were to develop the digital video systems internally.

- NEW PRODUCTS AND TECHNOLOGIES FOR EVOLVING BROADBAND NETWORK ARCHITECTURES. Harmonic's current programs to develop and market new products and technologies for evolving broadband network architectures will be enhanced by the addition of the DiviCom business' substantial research and development resources. Harmonic's board of directors believes that the acquisition of C-Cube Microsystems' technological expertise in the digital video systems arena would allow Harmonic to establish an immediate presence in an area which Harmonic historically has not participated in.

- EXPANDED PRESENCE IN TELEPHONE, SATELLITE AND WIRELESS MARKETS. The DiviCom business' established presence in telephone, satellite and wireless markets will accelerate Harmonic's current efforts to penetrate these markets and diversify its customer base beyond the cable industry. In the near term, the merger is expected to increase Harmonic's role in the emergence of digital video services over cable, satellite, telephone and wireless networks. Looking further ahead, the combination increases Harmonic's participation in video transmission over emerging standards on the Internet.

- INCREASED REVENUE FROM CROSS-SELLING OF EXISTING PRODUCTS. Certain current products of each company can be potentially sold to customers of the other, thereby increasing revenue without a commensurate increase in selling costs.

- ENHANCED COMPETITIVE POSITION. The markets we address are characterized by consolidation of customers and suppliers into larger entities. Our increased size as a result of the merger will better position and equip us to compete with our generally larger competitors and address more effectively the larger customers who command greater purchasing power.

- FAIRNESS OF EXCHANGE RATIO. Warburg Dillon Read prepared financial analyses and presented those analyses to Harmonic's board of directors. Warburg Dillon Read also opined that the exchange ratio stated in the merger agreement was fair, from a financial point of view as of the date of its opinion, to Harmonic as described more fully in the text of the entire opinion attached as Appendix B to this joint proxy statement/prospectus.

Harmonic's board of directors consulted with Harmonic's senior management, as well as its legal and financial advisors, in reaching its decision to approve the transaction. Harmonic's board also considered other factors as part of its deliberations on the proposed merger. Though important considerations in the overall deliberation process, none of the following factors in and of itself were material to the Harmonic's board decision to approve the transaction:

- historical information concerning Harmonic's and C-Cube Microsystems' financial performance, results of operations, assets, liabilities, operations, management and competitive position;

- management's view of the financial condition, results of operations, assets, liabilities, businesses and prospects of Harmonic and C-Cube Microsystems after giving effect to the merger and the proposed spin-off;

- current market conditions and historical trading information with respect to Harmonic and C-Cube Microsystems common stock;

- the attractiveness of other acquisition candidates;

- the risk that the potential benefits sought in the merger might not be fully realized, if at all;

- the risk that the merger might not be consummated and the effect of the public announcement of the merger on Harmonic's sales, operating results and stock price; and

- the terms and conditions of the merger agreement, including closing

conditions, termination fees, no solicitation provisions and the disposition of the semiconductor business.

Harmonic's board of directors does not intend the above discussion of information and factors to be exhaustive, but believes the discussion to include all of the material factors that it considered. However, after taking into consideration all of the factors discussed above, Harmonic's board concluded that the merger agreement and merger were fair to, and in the best interests of, Harmonic and its stockholders and that Harmonic should proceed with the merger.

C-Cube Microsystems' Reasons for the Merger

C-Cube Microsystems' board of directors has determined that the terms of the merger and the merger agreement are fair to, and in the best interests of, C-Cube Microsystems and it stockholders. Accordingly, C-Cube Microsystems' board of directors has approved the merger agreement and the consummation of the merger and the disposition of the semiconductor business and recommends that you vote FOR approval of the merger agreement and the merger.

In reaching its decision, C-Cube Microsystems' board of directors identified several significant potential benefits of the merger and the spin-off of the semiconductor business on which the merger is conditioned. Because of the wide variety of factors considered by the board and the complexity of the board's deliberations, C-Cube Microsystems' board did not find it practical to quantify or otherwise assign specific weight to the factors considered. The C-Cube Microsystems' board did, however, conclude that the most important of the factors considered include:

- The merger allows the combined company to obtain a broader and stronger product suite for digital video infrastructure than could have otherwise been achieved that will provide opportunities to realize significant benefits and long-term value to stockholders;

- The merger and the disposition of the semiconductor business will allow both C-Cube Microsystems' DiviCom business and its semiconductor business to retain many benefits of their business relationship with each other;

- By completing the merger and the disposition of the semiconductor business, C-Cube Microsystems' stockholders will be afforded an enhanced ability to increase or decrease their level of participation in the systems products industry or the semiconductor industry separately, allowing them the ability to more accurately focus their investments.

C-Cube Microsystems' board of directors consulted with C-Cube Microsystems' senior management, as well as its legal counsel, independent accountants and financial advisors, in reaching its decision to approve the merger and the disposition of the semiconductor business. Among the factors considered by C-Cube Microsystems' board of directors in its deliberations were the following:

- the financial condition, results of operations, cash flow, business and prospects of C-Cube Microsystems and Harmonic;

- the current economic and industry environment, including the rate of consolidation in the telecommunications industry and its supplier base;

- the complementary nature of the technology, products, services and customer base of C-Cube Microsystems and Harmonic;

- the intense competition in the computer, networking and telecommunications industries and the ability of larger industry participants to increase market share;

- the key strengths that Harmonic will provides as a merger partner, including Harmonic's strong technology and channels in the cable industry, a critical growth segment for the DiviCom business;

- the fact that C-Cube Microsystems received no other formal proposals from interested parties;

- the prospects of C-Cube Microsystems as an independent company, with and without the spin-off of the semiconductor business;

- the impact of the merger and the spin-off of the semiconductor business on C-Cube Microsystems' customers and employees;

- the fairness to C-Cube Microsystems of the terms of the merger agreement and the related agreements, which were the product of extensive arm's length negotiations; and

- the opinion of Credit Suisse First Boston to the effect that, as of the date of the opinion and based upon and subject to the matters stated in the opinion, the exchange ratio set forth in the merger agreement was fair, from a financial point of view, to the holders of C-Cube Microsystems common stock, a copy of which is attached as Appendix C to this joint proxy statement/prospectus.

In assessing the transaction, C-Cube Microsystems' board of directors considered a variety of information, including the following:

- historical information concerning the businesses operations, positions and results of operations, technology and management style, competitive position, industry trends and prospects of C-Cube Microsystems and Harmonic;

- current and historical market prices, volatility and trading data for the two companies; and

- information and advice based on due diligence investigations by members of C-Cube Microsystems' board of directors and management and C-Cube Microsystems' legal, financial and accounting advisors concerning the business, technology, services, operations, properties, assets, financial condition, operating results and prospects of Harmonic, trends in Harmonic's business and financial results and capabilities of Harmonic's management team.

C-Cube Microsystems' board of directors also identified and considered a number of uncertainties and risks in its deliberations concerning the merger and the spin-off of the semiconductor business, including the following:

- the risk that the potential benefits sought in the merger might not be fully realized, if at all;

- the risk that the merger might not be consummated and the effect of the public announcement of the merger on C-Cube Microsystems' (a) sales, operating results and stock price and (b) ability to attract and retain key management, sales and marketing and technical personnel;

- risks associated with fluctuations in Harmonic's stock price prior to the closing of the merger;

- corporate tax liability to be incurred by C-Cube Microsystems in connection with the spin-off of the semiconductor business; and

- the other risks associated with the business of Harmonic, C-Cube Microsystems and the merged companies and the merger described in this joint proxy statement/prospectus under "Risk Factors."

As a result of the foregoing considerations, C-Cube Microsystems' board of directors determined that the potential advantages of the merger and spin-off of the semiconductor business outweighed the benefits of remaining a separate company. C-Cube Microsystems' board of directors believes that the combined company will have a far greater opportunity than C-Cube Microsystems alone to compete in its industry.

In view of the variety of factors considered in connection with its evaluation of the merger and the spin-off of the semiconductor business, C-Cube Microsystems' board of directors did not find it practical to quantify or otherwise assign relative weights to the specific factors considered in reaching its determination and did not do so. In addition, many of the factors contained elements which may affect the fairness of the merger in both a positive and negative way. Except as described above, C-Cube Microsystems' board of directors, as a whole, did not attempt to analyze each individual factor separately to determine how it impacted the fairness of the merger and the spin-off of the semiconductor business. Consequently, individual members of C-Cube Microsystems' board of directors may have given different

weights to different factors and may have viewed different factors as affecting the determination of fairness differently.

OPINION OF HARMONIC FINANCIAL ADVISOR

Opinion of Warburg Dillon Read

Under an engagement letter dated October 17, 1999, Harmonic retained Warburg Dillon Read to act as its financial advisor in connection with the merger. Harmonic's board of directors selected Warburg Dillon Read to act as its financial advisor based on Warburg Dillon Read's qualifications, expertise and reputation and its knowledge of the business and affairs of Harmonic. At the meeting of Harmonic's board of directors on October 26, 1999, Warburg Dillon Read rendered its oral opinion, subsequently confirmed in writing as of the same date, that, as of October 26, 1999, based upon and subject to the various considerations set forth in the opinion, the exchange ratio provided for in the merger agreement was fair, from a financial point of view, to Harmonic.

THE FULL TEXT OF THE WRITTEN OPINION OF WARBURG DILLON READ IS ATTACHED AS APPENDIX B TO THIS JOINT PROXY STATEMENT/PROSPECTUS AND SETS FORTH, AMONG OTHER THINGS:

- THE ASSUMPTIONS MADE,

- PROCEDURES FOLLOWED,

- MATTERS CONSIDERED AND

- LIMITATIONS ON THE SCOPE OF THE REVIEW UNDERTAKEN BY WARBURG DILLON READ IN RENDERING ITS OPINION.

HARMONIC'S STOCKHOLDERS ARE URGED TO READ THE OPINION CAREFULLY AND IN ITS ENTIRETY. WARBURG DILLON READ'S OPINION IS DIRECTED TO HARMONIC'S BOARD OF DIRECTORS AND ADDRESSES ONLY THE FAIRNESS OF THE EXCHANGE RATIO PROVIDED FOR IN THE MERGER AGREEMENT FROM A FINANCIAL POINT OF VIEW TO HARMONIC AS OF THE DATE OF THE OPINION. IT DOES NOT ADDRESS ANY OTHER ASPECT OF THE MERGER AND DOES NOT CONSTITUTE A RECOMMENDATION TO ANY HOLDER OF HARMONIC COMMON STOCK AS TO HOW TO VOTE AT THE HARMONIC SPECIAL MEETING. THE SUMMARY OF THE OPINION OF WARBURG DILLON READ SET FORTH IN THIS DOCUMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF THE OPINION.

In connection with rendering its opinion, Warburg Dillon Read, among other things:

- reviewed publicly available business and historical financial information relating to Harmonic, C-Cube Microsystems and the DiviCom business,

- reviewed other financial information and other data relating to the business and financial prospects of Harmonic that were provided by Harmonic,

- reviewed other financial information and other data relating to the business and financial prospects of C-Cube Microsystems and the DiviCom business prepared by the managements of Harmonic and C-Cube Microsystems and the DiviCom business,

- conducted discussions with members of the senior managements of Harmonic, C-Cube Microsystems and the DiviCom business,

- reviewed publicly available financial and stock market data with respect to certain other companies in lines of business Warburg Dillon Read believed to be generally comparable to those of the DiviCom business,

- compared the financial terms of the merger with the publicly available financial terms of other transactions which Warburg Dillon Read believed to be generally relevant,

- considered pro forma effects of the merger on Harmonic's financial statements and reviewed estimates of synergies furnished by Harmonic management,

- reviewed the October 19 draft of the merger agreement, and

- conducted other financial studies, analyses, and investigations, and considered other information as Warburg Dillon Read deemed necessary or appropriate.

In connection with its opinion, Warburg Dillon Read did not assume any responsibility for independent verification of the information reviewed by it, and, with Harmonic's consent, relied upon such information as being complete and accurate. With Harmonic's consent, Warburg Dillon Read assumed that the financial projections and estimates reviewed by it, including information relating to strategic, financial, and operational benefits anticipated from the merger, were reasonably prepared on bases reflecting the best currently available estimates and judgements of the future financial performance of Harmonic, C-Cube Microsystems and the DiviCom business and that such projections and estimates formed a reasonable basis upon which Warburg Dillon Read could base its opinion. Warburg Dillon Read further assumed that the financial results referred to in such projections and estimates would be achieved. Warburg Dillon Read also relied upon, without independent verification, the assessment by the managements of Harmonic and the DiviCom business of the strategic and other benefits expected to result from the merger.

In rendering its opinion, Warburg Dillon Read did not make any independent valuation or appraisal of the assets or liabilities of Harmonic, C-Cube Microsystems or the DiviCom business, nor was it furnished with any such valuations or appraisals. At the direction of Harmonic's board of directors, Warburg Dillon Read assumed that C-Cube Microsystems' semiconductor business would be sold or spun off prior to consummation of the merger, without continuing liability to Harmonic for the operations of the semiconductor business or the disposition of the semiconductor business. Warburg Dillon Read further assumed that the information provided to it with respect to the DiviCom business accurately reflected C-Cube Microsystems following the disposition of the semiconductor business. Warburg Dillon Read's opinion does not address the disposition of C-Cube Microsystems' semiconductor business. Warburg Dillon Read assumed that:

- the merger would be consummated in accordance with the terms set forth in the merger agreement and the related transaction documents;

- that the representations and warranties of each party contained in the merger agreement were true and accurate; and

- that all conditions to the consummation of the merger would be satisfied without waiver thereof. In addition, Warburg Dillon Read assumed that the merger would be accounted for as a purchase in accordance with U.S. generally accepted accounting principles and would be treated as a tax-free reorganization and/or exchange, each pursuant to the Internal Revenue Code of 1986.

Warburg Dillon Read's opinion was necessarily based on economic, market and other conditions on, and the information made available to it as of, the date of its opinion. Warburg Dillon Read's opinion does not imply any conclusion as to the price or trading range of Harmonic's stock at any time before or after the date of its opinion, which may vary depending upon various factors, including:

- changes in interest rates;

- dividend rates;

- market conditions;

- general economic conditions; and

- other factors that generally influence the price of securities.

In addition, Warburg Dillon Read's opinion does not address Harmonic's underlying business decision to effect the merger.

The following is a brief summary of the material analyses Warburg Dillon Read performed in connection with its oral opinion and the preparation of its opinion letter dated October 26, 1999. Some of

these summaries of financial analyses include information presented in tabular format. In order to understand fully the financial analyses used by Warburg Dillon Read, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses.

Historical Stock Price Performance. Warburg Dillon Read reviewed the stock price performance of Harmonic and C-Cube Microsystems common stock over the twelve month period ending on October 25, 1999. Warburg Dillon Read then compared the stock price performance of Harmonic and C-Cube Microsystems against an index of the selected companies listed below under the description of the selected company trading analysis, the Nasdaq and the S&P 500. Warburg Dillon Read observed the following rates of return:

	12-MONTH RETURN(%)
Harmonic	1,124.4
C-Cube Microsystems	134.8
Comparables	179.6
Nasdaq	65.4
S&P 500	20.1

Warburg Dillon Read noted that C-Cube Microsystems had a 12-month rate of return which exceeded the 12-month rate of return indicated for the Nasdaq and S&P 500 indices but was less than the 12-month rate of return for Harmonic and the selected companies.

Selected Company Trading Analysis. Warburg Dillon Read compared financial information of Harmonic and the DiviCom business with publicly available information for:

- JDS Uniphase Corp.,
- Broadcom Corp.,
- Tellabs, Inc.,
- CIENA Corp.,
- General Instrument Corp.,
- Scientific-Atlanta, Inc.,
- C-Cor.net Corp., and
- ANTEC Corp.

Based on publicly available estimates from securities research analysts and information provided by C-Cube Microsystems and the DiviCom business, and using the closing price of Harmonic common stock on October 25, 1999 of $68.88, the following table presents:

- the price to earnings ratios for calendar year 2000,
- the price to earnings ratio for long term earnings per share growth rates for calendar year 2000, and
- the enterprise value ratio of calendar year 2000 revenue.

	PRICE TO EARNINGS RATIO FOR CALENDAR YEAR 2000	PRICE TO EARNINGS RATIO FOR LONG-TERM EARNINGS PER SHARE GROWTH RATES FOR CALENDAR YEAR 2000	REVENUE MULTIPLE FOR CALENDAR YEAR 2000

Harmonic	68.9x	1.0x	8.8x
JDS Uniphase Corp	103.1x	2.4x	18.5x
Broadcom Corp	89.5	1.8	17.1
CIENA Corp.	51.8	NM	5.0
General Instrument Corp.	43.5	2.1	3.6
Scientific-Atlanta, Inc.	38.8	1.3	2.7

	PRICE TO EARNINGS RATIO FOR CALENDAR YEAR 2000	PRICE TO EARNINGS RATIO FOR LONG-TERM EARNINGS PER SHARE GROWTH RATES FOR CALENDAR YEAR 2000	REVENUE MULTIPLE FOR CALENDAR YEAR 2000
Tellabs, Inc	36.6	1.3	8.5
ANTEC Corp	31.5	0.6	1.9
C-Cor.net Corp	30.6	0.6	2.5
Median	43.5	1.3	5.0

Warburg Dillon Read defined the term enterprise value to mean equity value plus net debt.

Warburg Dillon Read noted that the multiples of price to earnings for each category for the DiviCom business implied by the merger were in the range of 45.3 to 61.1, 0.7 to 2.5 and 6.9 to 8.1, respectively, based on estimates provided by C-Cube Microsystems management. Warburg Dillon Read further noted that the multiples for Harmonic and the range of multiples for the DiviCom business were within the range of multiples indicated for the selected companies.

No company used in this analysis is identical to Harmonic, C-Cube Microsystems or the DiviCom business. In performing this analysis, Warburg Dillon Read made judgements and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Harmonic, C-Cube Microsystems and the DiviCom business, such as the impact of competition on the businesses of Harmonic, C-Cube Microsystems and the DiviCom business and the industry in general, industry growth and the absence of any adverse material change in the financial condition and prospects of Harmonic, C-Cube Microsystems and the DiviCom business or the industry or in the financial markets in general. Mathematical analysis, such as determining the average or median, is not in itself a meaningful method of using peer group data.

Analysis of Precedent Transactions. Warburg Dillon Read compared statistics based on publicly available information for selected transactions in the communications equipment industry to the relevant financial statistics for the DiviCom business based:

- on the value of the DiviCom business implied by the exchange ratio and the closing share price of Harmonic common stock on October 25, 1999 of $68.88, and

- on information provided by C-Cube Microsystems and the DiviCom business.

The following table presents the implied multiples paid to the last twelve months earnings and revenue and next twelve months earnings and revenue for the precedent transactions:

	ENTERPRISE VALUE TO LAST TWELVE MONTHS REVENUE	EQUITY VALUE TO LAST TWELVE MONTHS EARNINGS

Cisco Systems/Cerent	295.0x	not meaningful
Uniphase/JDS Fitel	16.3	79.2x
Lucent Technologies/Ascend	13.1	86.4
Lucent Technologies/Excel Switching	10.7	80.4
General Electric plc/FORE Systems	6.6	89.3
Motorola/General Instrument	4.9	63.4
Alcatel/Xylan	5.5	49.7
Tandberg/NDS	1.6	21.0
Median	8.6	79.2

	ENTERPRISE VALUE TO NEXT TWELVE MONTHS REVENUE	EQUITY VALUE TO NEXT TWELVE MONTHS EARNINGS
Cisco Systems/Cerent	88.9x	not meaningful
Uniphase/JDS Fitel	9.3	49.3x
Lucent Technologies/Ascend	8.9	52.8
Lucent Technologies/Excel Switching	7.8	43.1
General Electric plc/FORE Systems	5.2	50.7
Motorola/General Instrument	4.3	50.3
Alcatel/Xylan	4.1	36.5
Tandberg/NDS	1.4	19.1
Median	6.5	49.3

Warburg Dillon Read noted that the multiples of enterprise value to last twelve months revenue implied by the merger was 10.1 and equity value to last twelve months earnings implied by the merger was 80.8, based on the DiviCom business management estimates. Warburg Dillon Read noted that the multiples of enterprise value to next twelve months revenue implied by the merger was in the range of 7.5 to 8.4 and equity value to next twelve months earnings implied by the merger was in the range of 53.1 to 63.1, based on the DiviCom business management estimates. Warburg Dillon Read noted that the multiples of enterprise value to last twelve months revenue and equity value to last twelve months earnings and the range of multiples of enterprise value to next twelve months revenue implied by the merger were within the range of the same sets of multiples for the precedent transactions. Warburg Dillon Read further noted that the lower end of the range of multiples of equity value to next twelve months earnings implied by the merger was with the range of the same multiples for the precedent transactions.

No transaction used as a comparison in this analysis is identical to the merger. In evaluating the transactions listed above, Warburg Dillon Read made judgements and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Harmonic, C-Cube Microsystems and the DiviCom business, such as the impact of competition on Harmonic, C-Cube Microsystems, the DiviCom business or the industry or in the financial markets in general. Mathematical analysis, such as determining the average or median, is not in itself a meaningful method of using precedent transaction data.

Contribution Analysis. Warburg Dillon Read analyzed the respective contributions of the DiviCom business and Harmonic to estimated calendar years 1999, 2000 and 2001 revenue and net income of the combined company. Warburg Dillon Read noted that the portion of estimated calendar years 1999, 2000 and 2001 revenue and net income of the combined company to be contributed by Harmonic to the combined entity generally was lower than the 56% of the equity of the combined entity to be owned by the holders of Harmonic common stock.

Discounted Cash Flow Analysis. Warburg Dillon Read estimated a range of equity values for Harmonic and the DiviCom business based upon the discounted present value of the projected after tax cash flows for Harmonic and the DiviCom business. In performing this analysis, Warburg Dillon Read used next twelve months price to earnings multiples ranging from 30.0x to 40.0x. The range of valuations indicated by this analysis implied a relative value of the DiviCom business ranging from 49% to 58% of that of Harmonic. Warburg Dillon Read noted

that the relative values all were higher than the 44% of the equity of the combined entity to be owned by C-Cube Microsystems stockholders.

Pro Forma Merger Analysis. Warburg Dillon Read analyzed the pro forma impact of the merger on Harmonic's combined projected earnings per share for calendar years 1999 and 2000. This analysis indicated that the merger would result in earnings per share accretion for Harmonic.

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. In arriving at its opinion, Warburg Dillon Read considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor

considered by it. Furthermore, Warburg Dillon Read believes that selecting any portion of its analyses, without considering all analyses, would create an incomplete view of the process underlying its opinion. In addition, Warburg Dillon Read may have given various analyses and factors more or less weight than other analyses and factors, and may have deemed various assumptions more or less probable than other assumptions, so that the ranges of valuations resulting from any particular analysis described above should not be taken to be Warburg Dillon Read's view of the actual value of Harmonic or the DiviCom business. In performing its analyses, Warburg Dillon Read made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Harmonic or C-Cube Microsystems. Any estimates contained in Warburg Dillon Read's analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favourable than those suggested by such estimates.

The analyses performed were prepared solely as part of Warburg Dillon Read's analysis of the fairness of the exchange ratio provided for in the merger agreement from a financial point of view to Harmonic and were conducted in connection with the delivery of the Warburg Dillon Read opinion to Harmonic's board of directors. The analyses do not purport to be appraisals or to reflect the prices at which any securities may trade at the present time or at any time in the future or at which Harmonic or the DiviCom business might actually be sold. The exchange ratio provided for in the merger agreement was determined through arm's-length negotiations between Harmonic and C-Cube Microsystems and was approved by Harmonic's board of directors. Warburg Dillon Read did not recommend any specific exchange ratio to Harmonic or that any specific exchange ratio constituted the only appropriate exchange ratio for the merger.

In addition, Warburg Dillon Read's opinion and presentation to Harmonic's board of directors was one of many factors taken into consideration by Harmonic's board of directors in making its decision to approve the merger. Consequently, the Warburg Dillon Read analyses as described above should not be viewed as determinative of the opinion of Harmonic's board of directors with respect to the exchange ratio or of whether C-Cube Microsystems' board of directors would have been willing to agree to a different exchange ratio.

Harmonic's board of directors retained Warburg Dillon Read based upon Warburg Dillon Read's qualifications, experience and expertise. Warburg Dillon Read is an internationally recognized investment banking and advisory firm. Warburg Dillon Read, as part of its investment banking business, is continuously engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate, estate and other purposes. In the past, Warburg Dillon Read and its affiliates have provided financing services for Harmonic and the DiviCom business, and have received fees for the rendering of these services. In the ordinary course of Warburg Dillon Read's trading and brokerage activities, Warburg Dillon Read or its affiliates may at any time hold long or short positions, may trade or otherwise effect transactions, for its own account or for the account of customers in the equity securities of Harmonic, C-Cube Microsystems or any other parties involved in the transaction.

Under the engagement letter, Warburg Dillon Read provided financial advisory services and a financial fairness opinion in connection with the merger, and Harmonic agreed to pay Warburg Dillon Read a fee of $7.2 million, all of which is conditioned upon consummation of the merger. In addition, Harmonic has also agreed to indemnify Warburg Dillon Read and its affiliates,

their respective directors, officers, agents and employees and each person, if any, controlling Warburg Dillon Read or any of its affiliates against possible liabilities and expenses, including possible liabilities under the federal securities laws, related to or arising out of Warburg Dillon Read's engagement.

OPINION OF C-CUBE MICROSYSTEMS' FINANCIAL ADVISOR

Opinion of Credit Suisse First Boston Corporation

Credit Suisse First Boston has acted as C-Cube Microsystems' financial advisor in connection with the merger. C-Cube Microsystems selected Credit Suisse First Boston based on Credit Suisse First

Boston's experience, expertise and reputation, and familiarity with C-Cube Microsystems' business. Credit Suisse First Boston is an internationally recognized investment banking firm and is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes.

In connection with Credit Suisse First Boston's engagement, C-Cube Microsystems requested that Credit Suisse First Boston evaluate the fairness, from a financial point of view, to the holders of C-Cube Microsystems common stock of the exchange ratio provided for in the merger agreement. On October 26, 1999, at a meeting of the C-Cube Microsystems board of directors held to evaluate the merger, Credit Suisse First Boston rendered to the C-Cube Microsystems board of directors an oral opinion, which opinion was confirmed by delivery of a written opinion dated October 27, 1999, the date of the merger agreement, to the effect that, as of the date of the opinion and based upon and subject to the matters described in the opinion, the exchange ratio was fair, from a financial point of view, to the holders of C-Cube Microsystems common stock.

THE FULL TEXT OF CREDIT SUISSE FIRST BOSTON'S WRITTEN OPINION DATED OCTOBER 27, 1999 TO THE C-CUBE MICROSYSTEMS BOARD OF DIRECTORS, WHICH SETS FORTH THE PROCEDURES FOLLOWED, ASSUMPTIONS MADE, MATTERS CONSIDERED AND LIMITATIONS ON THE REVIEW UNDERTAKEN, IS ATTACHED AS APPENDIX C AND IS INCORPORATED INTO THIS DOCUMENT BY REFERENCE. HOLDERS OF C-CUBE MICROSYSTEMS COMMON STOCK ARE URGED TO, AND SHOULD, READ THIS OPINION CAREFULLY AND IN ITS ENTIRETY. CREDIT SUISSE FIRST BOSTON'S OPINION IS ADDRESSED TO THE C-CUBE MICROSYSTEMS BOARD OF DIRECTORS AND RELATES ONLY TO THE FAIRNESS OF THE EXCHANGE RATIO FROM A FINANCIAL POINT OF VIEW, DOES NOT ADDRESS ANY OTHER ASPECT OF THE PROPOSED MERGER OR ANY RELATED TRANSACTION, INCLUDING THE DISPOSITION OF THE C-CUBE MICROSYSTEMS SEMICONDUCTOR BUSINESS, AND DOES NOT CONSTITUTE A RECOMMENDATION TO ANY STOCKHOLDER AS TO ANY MATTER RELATING TO THE MERGER, INCLUDING THE DISPOSITION OF THE C-CUBE MICROSYSTEMS SEMICONDUCTOR BUSINESS. THE SUMMARY OF CREDIT SUISSE FIRST BOSTON'S OPINION IN THIS DOCUMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF THE OPINION.

In arriving at its opinion, Credit Suisse First Boston reviewed the merger agreement, as well as publicly available business and financial information relating to C-Cube Microsystems and Harmonic. Credit Suisse First Boston also reviewed other information relating to C-Cube Microsystems, after taking into effect the disposition of C-Cube Microsystems' semiconductor business, and Harmonic, which C-Cube Microsystems and Harmonic provided to or discussed with Credit Suisse First Boston. Furthermore, Credit Suisse First Boston met with the managements of C-Cube Microsystems and Harmonic to discuss the businesses and prospects of C-Cube Microsystems, after taking into effect the disposition of the semiconductor business, and Harmonic.

Credit Suisse First Boston also considered financial and stock market data of C-Cube Microsystems and Harmonic and compared those data with similar data for other publicly held companies in businesses it deemed similar to C-Cube Microsystems and Harmonic. Credit Suisse First Boston considered, to the extent publicly available, the financial terms of other business combinations and other transactions which have recently been effected. Credit Suisse First Boston also considered other information, financial studies, analyses and investigations and financial, economic and market criteria that it deemed relevant.

In connection with its review, Credit Suisse First Boston did not assume

any responsibility for independent verification of any of the information that was provided to or otherwise reviewed by it and relied on that information being complete and accurate in all material respects. With respect to financial forecasts, Credit Suisse First Boston was advised, and assumed, that the forecasts were reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of C-Cube Microsystems and Harmonic as to the future financial performance of C-Cube Microsystems, after taking into effect the disposition of the semiconductor business, and Harmonic and the strategic benefits and potential synergies anticipated to result from the merger, including the amount, timing and achievability of those synergies and benefits. Credit Suisse First Boston also assumed, with the consent of the C-Cube Microsystems board of directors, that the merger will be treated as a tax-free reorganization

for federal income tax purposes and that the disposition of the C-Cube Microsystems semiconductor business will be effected prior to the consummation of the merger.

Credit Suisse First Boston was not requested to make, and did not make, an independent evaluation or appraisal of the assets or liabilities, contingent or otherwise, of C-Cube Microsystems or Harmonic, and was not furnished with any evaluations or appraisals. Credit Suisse First Boston's opinion was necessarily based on information available to, and financial, economic, market and other conditions as they existed and could be evaluated by, Credit Suisse First Boston on the date of its opinion. Credit Suisse First Boston did not express any opinion as to the actual value of the Harmonic common stock when issued in the merger or the prices at which the Harmonic common stock will trade after the merger. Although Credit Suisse First Boston evaluated the exchange ratio from a financial point of view, Credit Suisse First Boston was not requested to, and did not, recommend the specific consideration payable in the merger, which consideration was determined between C-Cube Microsystems and Harmonic. No other limitations were imposed on Credit Suisse First Boston with respect to the investigations made or procedures followed in rendering its opinion.

In preparing its opinion to the C-Cube Microsystems board of directors, Credit Suisse First Boston performed a variety of financial and comparative analyses, including those described below. The summary set forth below describes the material information provided to the C-Cube Microsystems' board of directors by Credit Suisse First Boston in connection with its opinion to the board of directors. This summary describes, among other things, the material analyses performed by Credit Suisse First Boston but is not a complete description of the analyses underlying Credit Suisse First Boston's opinion. The preparation of a fairness opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analyses and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, Credit Suisse First Boston made qualitative judgments as to the significance and relevance of each analysis and factor that it considered. Accordingly, Credit Suisse First Boston believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying its analyses and opinion.

In its analyses, Credit Suisse First Boston considered industry performance, regulatory, general business, economic, market and financial conditions and other matters, many of which are beyond the control of C-Cube Microsystems and Harmonic. No company, transaction or business used in Credit Suisse First Boston's analyses as a comparison is identical to C-Cube Microsystems or Harmonic or the proposed merger, and an evaluation of the results of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, business segments or transactions being analyzed. The estimates contained in Credit Suisse First Boston's analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by the analyses. In addition, analyses relating to the value of businesses or securities do not purport to be appraisals or to reflect the prices at which

businesses or securities actually may be sold. Accordingly, Credit Suisse First Boston's analyses and estimates are inherently subject to substantial uncertainty.

Credit Suisse First Boston's opinion and financial analyses were only one of many factors considered by the C-Cube Microsystems board of directors in its evaluation of the proposed merger and should not be viewed as determinative of the views of the C-Cube Microsystems board of directors or management with respect to the merger or the exchange ratio.

The following is a summary of the material financial analyses performed by Credit Suisse First Boston in connection with the preparation of its opinion and reviewed with the board of directors at a meeting of the C-Cube Microsystems board of directors held on October 26, 1999. THE FINANCIAL ANALYSES

SUMMARIZED BELOW INCLUDE INFORMATION PRESENTED IN TABULAR FORMAT. IN ORDER TO FULLY UNDERSTAND CREDIT SUISSE FIRST BOSTON'S FINANCIAL ANALYSES, THE TABLES MUST BE READ TOGETHER WITH THE TEXT OF EACH SUMMARY. THE TABLES ALONE DO NOT CONSTITUTE A COMPLETE DESCRIPTION OF THE FINANCIAL ANALYSES. CONSIDERING THE DATA SET FORTH IN THE TABLES BELOW WITHOUT CONSIDERING THE FULL NARRATIVE DESCRIPTION OF THE FINANCIAL ANALYSES, INCLUDING THE METHODOLOGIES AND ASSUMPTIONS UNDERLYING THE ANALYSES, COULD CREATE A MISLEADING OR INCOMPLETE VIEW OF CREDIT SUISSE FIRST BOSTON'S FINANCIAL ANALYSES.

Peer Group Comparison. After taking into effect the disposition of C-Cube Microsystems' semiconductor business, Credit Suisse First Boston compared equity value implied by the merger as a multiple of estimated calendar years 2000 and 2001 earnings, referred to as the Price to Earnings Multiple, and aggregate value implied by the merger as a multiple of estimated calendar years 2000 and 2001 revenue, referred to as the revenue multiple, with corresponding financial data for the following companies in the communications equipment industry:

- Harmonic Inc.

- Tellabs, Inc.

- General Instrument Corporation (pre-merger announcement)

- ADC Telecommunications, Inc.

- Scientific-Atlanta, Inc.

This analysis was based upon estimates for C-Cube Microsystems prepared by the management of C-Cube Microsystems, referred to as management case I, as well as adjustments to those estimates by the management of C-Cube Microsystems to reflect the potential for slower near-term revenue growth, attributable to delayed U.S. market penetration, and higher operating expenditures, referred to as management case II. Estimates for the selected companies were based upon publicly available research analysts' estimates.

This analysis indicated, among other things, the following implied multiples for the selected companies:

	CALENDAR YEAR 2000 PRICE TO EARNINGS MULTIPLE	CALENDAR YEAR 2000 REVENUE MULTIPLE
Tellabs	37.0x	8.3x
General Instrument	42.9x	3.5x
ADC Telecom	27.3x	3.3x
Scientific-Atlanta	38.6x	2.5x
Harmonic	80.2x	9.4x

as compared with the following multiples for C-Cube Microsystems implied by the exchange ratio in the merger:

	CALENDAR YEAR 2000 PRICE TO EARNINGS MULTIPLE	CALENDAR YEAR 2000 REVENUE MULTIPLE
C-Cube Microsystems management case I.....	46.2	7.2x
C-Cube Microsystems management case II.....	62.2x	8.3x

In addition, Credit Suisse First Boston compared estimated calendar years 2000 and 2001 price to earnings multiple and revenue multiple for Harmonic, based on publicly available research analysts'

estimates, with corresponding financial data for the following companies in the high-growth communications equipment index and the communications equipment majors index over the same period:

HIGH-GROWTH COMMUNICATIONS EQUIPMENT INDEX	COMMUNICATIONS EQUIPMENT MAJORS INDEX
- JDS Uniphase Corporation	- Cisco Systems, Inc.
- Juniper Networks, Inc.	- Lucent Technologies, Inc.
- Brocade Communications Systems, Inc.	- Nortel Networks Corporation
- Redback Networks Inc.	- Motorola, Inc.
- Extreme Networks, Inc.	- Tellabs, Inc.
- Copper Mountain Networks, Inc.	- 3Com Corporation
- Clarent Corporation	- ADC Telecommunications, Inc.
- Efficient Networks, Inc.	- CIENA Corporation
- Carrier Access Corporation	- Newbridge Networks Corporation
- Terayon Communication Systems, Inc.	

This analysis indicated, among other things, the following implied multiples for the selected transactions:

	PRICE TO EARNINGS MULTIPLE		REVENUE MULTIPLE	
	2000	2001	2000	2001
HIGH-GROWTH COMMUNICATIONS EQUIPMENT				
High.....	102.2x	75.0x	68.0x	43.8x
Low.....	42.3x	29.1x	4.6x	2.4x
COMMUNICATIONS EQUIPMENT MAJORS				
High.....	63.1x	51.8x	11.4x	8.6x
Low.....	17.2x	13.0x	1.1x	1.1x

as compared with the following implied multiples for Harmonic:

	PRICE TO EARNINGS MULTIPLE		REVENUE MULTIPLE	
	2000	2001	2000	2001
Harmonic.....	80.2x	60.9x	9.4x	6.7x

Selected Transactions Analysis. Credit Suisse First Boston analyzed the implied transaction multiples and purchase prices paid or proposed to be paid in

the following selected transactions in the cable and video broadcast industry:

ACQUIROR	TARGET	DATE OF ANNOUNCEMENT
- Motorola, Inc.	General Instrument Corporation	September 1999
- Tandberg Television	NDS Group plc (Digital Broadcasting Business)	October 1999
- C-Cube Microsystems Inc.	DiviCom Inc.	May 1996

Credit Suisse First Boston compared the price to earnings and revenue multiples implied by the exchange ratio in the merger agreement, using management cases I and II for C-Cube Microsystems, with price to earnings and revenue multiples implied in the selected transactions using publicly available

financial information available at the time of the relevant transaction. This analysis indicated the following implied multiples for the selected transactions:

	PRICE TO EARNINGS MULTIPLE		REVENUE MULTIPLE	
	2000	2001	2000	2001
General Instrument/Motorola.....	45.6x	37.1x	3.7x	3.0x
NDS/Tandberg Television.....	24.1x	NA	1.7x	NA
DiviCom/C-Cube Microsystems.....	NA	NA	NA	NA

as compared with the following multiples for C-Cube Microsystems implied by the exchange ratio in the merger agreement:

	PRICE TO EARNINGS MULTIPLE		REVENUE MULTIPLE	
	2000	2001	2000	2001
C-Cube Microsystems management case I.....	46.2x	35.1x	7.2x	5.4x
C-Cube Microsystems management case II.....	62.2x	48.6x	8.3x	6.4x

Historical Stock Price Analysis. Credit Suisse First Boston reviewed the prices at which the Harmonic common stock traded since January 2, 1998 through October 25, 1999. Credit Suisse First Boston noted that the highest closing price for Harmonic common stock during this period was $77.41 and the lowest closing price for Harmonic common stock during this period was $4.06, as compared with the closing price for Harmonic common stock on October 25, 1999, the last trading day before the date of the C-Cube Microsystems board meeting, of $68.88.

Pro Forma Earnings Impact Analysis. Credit Suisse First Boston analyzed the potential pro forma effect of the merger on Harmonic's estimated earnings per share for calendar years 2000 and 2001, based upon Harmonic's estimates and management cases I and II for C-Cube Microsystems. This analysis indicted that the proposed merger would be accretive to Harmonic's estimated earnings, except in calendar year 2001 utilizing the C-Cube Microsystems management case II. This analysis did not include the impact of any potential benefits anticipated to result from the merger.

Other Factors. In the course of preparing its opinion, Credit Suisse First

Boston also reviewed and considered other information and data, including:

- C-Cube Microsystems' historical and projected financial information;

- Harmonic's stock price performance relative to the high-growth communications equipment index, the communications equipment majors index, NASDAQ and C-Cube Microsystems;

- Publicly available research analysts' estimates of Harmonic's estimated earnings per share and estimated long-term growth rate; and

- Harmonic's actual reported earnings per share compared with first call consensus earnings per share expectations for each quarter beginning in March 1996.

Miscellaneous. C-Cube Microsystems has agreed to pay Credit Suisse First Boston for its financial advisory services a fee of approximately 0.5% of the aggregate consideration payable in the merger. C-Cube Microsystems has agreed to reimburse Credit Suisse First Boston for its out-of-pocket expenses, including fees and expenses of legal counsel and any other advisor retained by Credit Suisse First Boston. C-Cube Microsystems also has agreed to indemnify Credit Suisse First Boston and related parties against liabilities, including liabilities under the federal securities laws, arising out of its engagement. In the ordinary course of business, Credit Suisse First Boston and its affiliates may actively trade the debt and equity securities of both C-Cube Microsystems and Harmonic for their own accounts and for the accounts of customers and, accordingly, may at any time hold long or short positions in such securities.

STRUCTURE OF THE MERGER

In the merger, each share of C-Cube Microsystems common stock other than shares held by Harmonic, C-Cube Microsystems or any other of their respective subsidiaries will be converted into 0.5427 of a share of Harmonic common stock, as a result of which the current holders of C-Cube Microsystems common stock and options and the current holders of Harmonic common stock and options will hold approximately 44% and 56%, respectively, of the common stock of Harmonic after the merger.

The transaction will be effected by having C-Cube Microsystems merge into Harmonic and, immediately prior to the merger and as part of the same transaction, spinning off an entity containing its C-Cube Microsystems' semiconductor business and distributing the shares of the spin-off entity to C-Cube Microsystems stockholders. For additional information regarding the spin-off, please see the separate prospectus relating to the spin-off that has been mailed to you along with this proxy statement/prospectus. The separate corporate existence of C-Cube Microsystems will cease, and Harmonic shall continue as the surviving entity. The merger agreement provides that in the event Harmonic or C-Cube Microsystems reasonably determines prior to the closing that:

- There is a material possibility that the transactions contemplated by the merger agreement will not constitute a "reorganization" within the meaning of Section 368(a) of the Code;

- There is a material possibility that the merger will result in a material corporate level tax; or

- There are material tax benefits available if the transactions contemplated by the merger agreement are restructured;

such party may request that the structure of the merger be altered to account for such circumstance. In any case, there would be no material adverse change in the economic consequences to the stockholders of Harmonic and C-Cube Microsystems.

INTERESTS OF CERTAIN PERSONS IN THE MERGER

When considering the recommendation of C-Cube Microsystems' board of directors, you should be aware that C-Cube Microsystems' directors and officers have interests in the merger that are different from, or are in addition to, your interests.

Directors and Officers Indemnification

In particular, some of the directors and officers of C-Cube Microsystems participate in arrangements and have continuing indemnification against liabilities that provide them with interests in the merger that are different from, or are in addition to, your interests.

Under the merger agreement, Harmonic has agreed to honor C-Cube Microsystems' obligations under indemnification agreements between C-Cube Microsystems and its directors and officers in effect before the completion of the merger and any indemnification provisions of C-Cube Microsystems amended and restated certificate of incorporation and bylaws. Harmonic has also agreed to provide for indemnification provisions in the certificate of incorporation and bylaws of the surviving corporation of the merger that are at least as favorable as C-Cube Microsystems' provisions and to maintain these provisions for at least six years from the completion of the merger. In addition, Harmonic has agreed to maintain C-Cube Microsystems' directors' and officers' liability insurance for six years from the completion of the merger, provided that Harmonic is not required to pay more than 200% of the premium for C-Cube Microsystems' insurance.

Severance Agreements

C-Cube Microsystems has in effect severance compensation agreements with the following individuals, the costs of which will be borne by the spun-off semiconductor business. These individuals will benefit from a change of control, which will occur upon consummation of the merger, as follows:

Alexandre Balkanski's Management Retention and Consulting Agreement provides that upon a change of control preceded by the spin-off of C-Cube Microsystems' semiconductor business, if he is terminated other than for cause in the first twelve months, 100% of the unvested portion of all stock options he holds will automatically accelerate and become vested. As of December 31, 1999, Dr. Balkanski held 526,667 options in C-Cube Microsystems. Dr. Balkanski's agreement also provides that he will remain in a consulting position with the semiconductor business after the merger and will receive health, dental and vision benefits as a result.

Umesh Padval's Management and Retention Agreement provides that upon a change of control, if he is terminated other than for cause in the first twelve months following the change of control:

- 100% of the unvested portion of all stock options he holds, or 466,666 options as of December 31, 1999, will accelerate and become vested,

- he will continue to receive salary at the rate he received prior to his termination until the earlier of one year from the date of termination or the date he commences full-time employment with another company, and

- he will continue to receive health, dental and vision benefits until the earlier of one year from the date of termination or the date he commences full-time employment with another company.

Rick Foreman's Management Retention Agreement provides that upon a change of control, if he is terminated other than for cause in the first twelve months following the change of control:

- the unvested portion of all stock options he holds that would have vested in the subsequent six month period of time, or 15,871 options as of December 31, 1999, will accelerate and become vested,

- he will continue to receive a salary at the rate he received prior to his termination under the earlier of six months from the date of termination, or the date he commences full-time employment with another company, and

- he will continue to receive health, dental and vision benefits until the earlier of six months from the date of termination, or the date

he commences full-time employment with another company.

Fermi Wang's Management Retention Agreement provides that upon a change of control, if he is terminated other than for cause in the first twelve months following the change of control:

- 50% of the unvested portion of all stock options he holds, or 63,873 options as of December 31, 1999, will accelerate and become vested,
- he will continue to receive a salary at the rate he received prior to termination until the earlier of one year from the date of termination, or the date he commences full-time employment with another company, and
- he will continue to receive health, dental and vision benefits until the earlier of one year form the date of termination, or the date he commences full-time employment with another company.

Ray Newstead's Management Retention Agreement provides that upon a change of control, if he is terminated other than for cause in the first twelve months following the change of control:

- 50% of the unvested portion of all stock options he holds, or 60,000 options as of December 31, 1999, will accelerate and become vested,
- he will continue to receive a salary at the rate he received prior to termination until the earlier of one year from the date of termination, or the date he commences full-time employment with another company, and
- he will continue to receive health, dental and vision benefits until the earlier of one year from the date of termination, or the date he commences full-time employment with another company.

Outside Director Options

All shares granted to C-Cube Microsystems' outside directors under their respective stock option agreements accelerate upon a change of control which will occur upon consummation of the merger.

As a result of these interests, these directors and officers of C-Cube Microsystems could be more likely to vote to approve the merger agreement than if they did not hold these interests. C-Cube Microsystems' stockholders should consider whether these interests may have influenced these directors and officers to support or recommend the merger.

Employee Options

All vested options must be exercised before the closing of the merger. Vested options not exercised before the closing of the merger will be canceled. Holders of those vested options will not receive any shares of Harmonic common stock, the common stock of the spun-off semiconductor business or any other options for the canceled options.

All unvested C-Cube Microsystems employee stock options that are outstanding at the closing of the merger will automatically be converted into new options for Harmonic common stock if holders of the unvested C-Cube Microsystems options are employed by Harmonic or C-Cube Microsystems after the merger. If holders of the unvested C-Cube Microsystems options are employed by the spun-off semiconductor business after the closing, those unvested C-Cube Microsystems options will automatically be converted into new options for common stock of the spun-off semiconductor business after the closing of the merger.

GOVERNMENTAL AND REGULATORY MATTERS

We have filed the notifications required under the Hart-Scott-Rodino Act and, on December 15, 1999, the required waiting period was terminated. The Justice Department, the Federal Trade Commission or any state or foreign governmental authority could take action under the antitrust laws as it deems necessary in the public interest. This action could include seeking to enjoin the merger or seek Harmonic's divestiture of C-Cube Microsystems or C-Cube

Microsystems' divestiture of all or some portion of its business. Private parties may also seek to take legal action under the antitrust laws under certain circumstances.

Based on information available to us, we believe that the merger will comply with all significant federal, state and foreign antitrust laws. We cannot assure you, however, that there will not be a challenge to the merger on antitrust grounds or that, if this challenge were made, we would prevail.

FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER AND THE SPIN-OFF

In the opinion of Gibson, Dunn & Crutcher LLP and Wilson Sonsini Goodrich & Rosati, Professional Corporation (in each case only with respect to the merger) and in the opinion of Ernst & Young LLP (but only with respect to the tax treatment of the spin-off to the C-Cube Microsystems stockholders), the

following discussion describes the material federal income tax consequences of the merger and the spin-off. Insofar as this discussion relates to C-Cube Microsystems stockholders, it does not include all federal income tax considerations that may be relevant to particular C-Cube Microsystems stockholders in light of their particular circumstances, or to C-Cube Microsystems stockholders who are subject to special tax rules, such as dealers in securities, banks or other financial institutions, insurance companies, individuals who are not citizens or residents of the United States, foreign entities, or tax-exempt organizations or accounts. This discussion also does not apply to C-Cube Microsystems stockholders who are subject to alternative minimum tax or mark-to-market rules, stockholders who hold their shares as part of a hedge, straddle or other risk reduction transaction or conversion transaction, or stockholders who acquired their C-Cube Microsystems common stock through stock option or stock purchase programs or otherwise as compensation. In addition, it does not address the tax consequences of the merger under foreign, state or local tax laws. This discussion is based on the Internal Revenue Code, applicable Treasury Regulations, judicial decisions and administrative rulings and practice, all as of the date of this proxy statement/ prospectus, all of which are subject to change. Any such changes could be applied retroactively and could affect the accuracy of the statements and conclusions in this discussion and the tax consequences of the merger and spin-off to Harmonic, C-Cube Microsystems and their stockholders. Neither Harmonic nor C-Cube Microsystems has requested or will request a ruling from the Internal Revenue Service with regard to any of the tax consequences of the merger or the spin-off.

STOCKHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THEM OF THE MERGER BASED ON THEIR OWN CIRCUMSTANCES, INCLUDING THE APPLICABLE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES TO THEM OF THE MERGER AND THE SPIN-OFF.

Material Federal Income Tax Consequences of the Merger

Gibson, Dunn & Crutcher LLP, counsel to Harmonic, and Wilson Sonsini Goodrich & Rosati, Professional Corporation, counsel to C-Cube Microsystems, are of the opinion, subject to the limitations and qualifications described herein, that the merger will qualify as a reorganization under Section 368(a) of the Internal Revenue Code. As a result, subject to the limitations and qualifications described herein:

- No gain or loss will be recognized by a C-Cube Microsystems stockholder upon the receipt of Harmonic common stock solely in exchange for C-Cube Microsystems common stock in the merger, except for gain or loss arising from the receipt of cash in exchange for a fractional share as discussed below.

- The aggregate tax basis of the Harmonic common stock received by a C-Cube Microsystems stockholder in the merger, including any fractional share of Harmonic common stock for which cash is received, will be the same as the aggregate tax basis of the C-Cube Microsystems common stock exchanged for the Harmonic stock. The aggregate tax basis of the C-Cube Microsystems stock exchanged by each C-Cube Microsystems stockholder for the Harmonic stock shall be equal to the tax basis of the C-Cube Microsystems stock held by that stockholder immediately before the spin-off of the semiconductor business adjusted downward to reflect an allocation of a portion of such tax basis to the spun-off semiconductor business stock received by that stockholder, as discussed under the section entitled

"Material Federal Income Tax Considerations" beginning on page of the separate prospectus relating to the spin-off that has been mailed to you along with this joint proxy statement/prospectus.

- The holding period of the Harmonic common stock received by each C-Cube Microsystems stockholder in the merger will include the period for which the C-Cube Microsystems common stock exchanged therefor was considered to be held, provided that the C-Cube Microsystems common stock was held as a capital asset at the time of the merger.

- A C-Cube Microsystems stockholder receiving cash instead of a fractional share of Harmonic common stock will generally recognize gain or loss equal to the difference between the amount of cash received and the stockholder's basis in the fractional share.

- A C-Cube Microsystems stockholder may be subject to backup withholding at a rate of 31%. However, backup withholding will not apply to a C-Cube Microsystems stockholder who either (i) furnishes a correct taxpayer identification number and certifies that he or she is not subject to backup withholding by completing the substitute Form W-9 that will be included as part of the transmittal letter, or (ii) otherwise proves to Harmonic and its exchange agent that the stockholder is exempt from backup withholding.

Material Federal Income Tax Consequences of the Merger to Harmonic Stockholders. Harmonic stockholders will not recognize gain or loss solely as a result of the merger.

Material Federal Income Tax Consequences of the Merger to Harmonic and C-Cube Microsystems. Harmonic will not recognize gain or loss solely as a result of the merger. In addition, C-Cube Microsystems will not recognize any gain or loss solely as a result of the merger. However, as discussed below under "Material Federal Income Tax Consequences of the Spin-Off", it is expected that C-Cube Microsystems will incur a substantial tax liability as a result of Section 355(e) of the Internal Revenue Code because the distribution is undertaken as part of the same plan as the Harmonic merger, which will result in a change of control of C-Cube Microsystems, and also as a result of certain internal restructuring transactions undertaken prior to the distribution of the Semiconductor stock. Under state law, Harmonic will become liable for this tax by virtue of the merger. Pursuant to the merger agreement, the semiconductor business is required to indemnify C-Cube Microsystems against such taxes and cash will be required to be set aside in an amount sufficient to pay the taxes of C-Cube Microsystems and its subsidiaries payable through the date of the spin-off, including taxes resulting from the spin-off and related transactions. The merger agreement also requires the spun-off semiconductor business to agree to indemnify Harmonic in the event the taxes attributable to the spin-off and related transactions or the semiconductor business exceed the amount initially set aside to pay those taxes. Given the number of factors that will be taken into account in determining the tax liability of C-Cube Microsystems and its subsidiaries prior to and resulting from the spin-off and related transactions, there can be no assurance that the cash set aside for payment of those taxes will be sufficient to satisfy the full amount of those taxes. In the event that the spun-off semiconductor business does not pay any excess taxes, in which case Harmonic would have a claim against that business, Harmonic will be liable for those amounts and, depending on the magnitude of the additional taxes, such payment could have a material adverse effect on Harmonic and the Harmonic stockholders, including C-Cube Microsystems stockholders receiving Harmonic stock in the merger.

It is also a condition to the merger that Harmonic and C-Cube Microsystems receive an opinion from Gibson, Dunn & Crutcher and/or Wilson Sonsini Goodrich & Rosati, Professional Corporation, that the merger will constitute a "reorganization" under Section 368(a) of the Internal Revenue Code. The opinions that have been rendered herein and the opinions to be rendered at the closing of the merger are and will be conditioned upon the following assumptions:

- the truth and accuracy of the statements, covenants, representations and warranties in the merger agreement, in the representations received from Harmonic and C-Cube Microsystems that are to be delivered to counsel, and in other documents related to Harmonic and C-Cube Microsystems relied upon by such counsel for those opinions;

- consummation of the merger in accordance with the merger agreement, without any waiver, breach or amendment of any material provisions of the merger agreement, the effectiveness of the merger under applicable state law, and the performance of all covenants contained in the merger agreement and the tax representations without waiver or breach of any material provision thereof;

- the accuracy of any representation or statement made "to the knowledge of" or similarly qualified without such qualification, and as to all matters in which a person or entity is making a representation, that such person or entity is not a party to, does not have, or is not aware of, any plan, intention, understanding or agreement inconsistent with such representation, and there is no such plan, intention, understanding or agreement inconsistent with such representation;

- the reporting of the merger as a reorganization by Harmonic and C-Cube Microsystems in their respective federal income tax returns; and

- other customary assumptions as to the accuracy and authenticity of documents provided to such counsel.

Opinions of counsel are not binding on the Internal Revenue Service or the courts, and the Internal Revenue Service may take a position contrary to those discussed below. If the Internal Revenue Service were to assert a contrary position, or if any of the statements, covenants, representations, warranties or assumptions described above is inaccurate, the merger may not be treated as a reorganization. If the merger is not treated as a reorganization, each C-Cube Microsystems stockholder generally will be required to recognize gain or loss equal to the difference between the fair market value of the Harmonic stock and cash received in the merger and the stockholder's basis in the C-Cube Microsystems common stock surrendered in the merger. In that case, the stockholder's basis in the Harmonic stock received in the merger generally would equal the fair market value of that stock on the day of the merger, and the holding period for the Harmonic stock received generally would begin on the day following the merger. In addition, if the merger is not treated as a reorganization, C-Cube would incur gain, in addition to the gain resulting from the spin-off of the semiconductor business, equal to the excess of the value of the Harmonic stock issued in the merger over the tax basis in C-Cube Microsystems' assets. This gain, if recognized, would give rise to substantial tax liability and could have a material adverse effect on the value of Harmonic and its stock.

Material Federal Income Tax Considerations of the Spin-Off -- C-Cube Microsystems Stockholder Tax Considerations

Tax-Free Treatment. It is the opinion of Ernst & Young LLP that, for federal income tax purposes, the distribution will qualify as a spin-off that will be tax-free to C-Cube Microsystems stockholders under Section 355(a) of the Internal Revenue Code. As a result, subject to the limitations and qualifications discussed herein:

- A C-Cube Microsystems stockholder will not recognize income, gain or loss as a result of the receipt of Semiconductor stock, except with respect to any cash received instead of fractional shares.

- The tax basis of a C-Cube Microsystems stockholder in its Semiconductor stock and its C-Cube Microsystems stock (which will be converted into Harmonic stock in the merger) will be determined by allocating the stockholder's basis in its C-Cube Microsystems stock immediately before the distribution and merger between the Harmonic stock received in the merger and the Semiconductor stock received in proportion to their relative fair market values in accordance with applicable Treasury regulations.

- The holding period of a C-Cube Microsystems stockholder in the Semiconductor stock received in the distribution will include the holding period of the C-Cube Microsystems stock with respect to which the Semiconductor stock is distributed, provided the C-Cube Microsystems stock was held as a capital asset on the date of the distribution.

- A C-Cube Microsystems stockholder will recognize gain or loss with respect to cash received instead of fractional shares of Semiconductor stock. This gain or loss will be a capital gain or loss provided the stockholder held its C-Cube Microsystems stock as a capital asset on the date of the distribution and provided that certain other requirements are met, and it will be a long-term capital gain or loss if the stockholder held its C-Cube stock for more than one year on the date of the distribution.

The Ernst & Young LLP opinion referred to above is based on and subject to certain limitations, qualifications, assumptions and representations provided by C-Cube Microsystems and Semiconductor. C-Cube Microsystems and Semiconductor are not aware of any present facts or circumstances which would make such assumptions or representations untrue. However, certain future events not within the

control of C-Cube Microsystems or Semiconductor, including, for example, certain dispositions of Semiconductor stock, could cause the distribution of Semiconductor stock not to qualify for tax-free treatment to C-Cube Microsystems stockholders. In addition, even in the absence of an inaccurate assumption or representations, the IRS is not precluded from successfully asserting that the distribution is taxable to the C-Cube shareholders. The opinion of Ernst & Young LLP merely represents its interpretation of existing authorities and is not binding on the IRS.

The scope of the Ernst & Young LLP Opinion is expressly limited to the federal income tax consequences of the spin-off to those stockholders of C-Cube Microsystems who hold their shares as capital assets and not subject to special circumstances (such as pursuant to compensatory arrangements or subject to hedging or similar arrangements) and such opinion was issued to C-Cube Microsystems solely for the benefit of such C-Cube Microsystems stockholders. Ernst & Young LLP has made no determination and expressed no opinion regarding the tax consequences of the spin-off to any other person or entity (including without limitation C-Cube Microsystems, Harmonic or Semiconductor) under the laws of any jurisdiction, nor should any such determination or opinion be inferred.

The opinion of Ernst & Young LLP regarding the tax treatment of the spin-off to the stockholders of C-Cube Microsystems, Inc. is subject to certain limitations and is conditioned on the following assumptions which it has not independently verified:

- the truth, accuracy and completeness of the statements, covenants, representations and warranties contained in the Statement of Facts and Representations provided by the management of C-Cube Microsystems and Semiconductor, to Ernst & Young LLP,

- the consummation of the spin-off and certain internal restructuring transactions as described in the Statement of Facts and Representations, and in accordance with the related agreements and documents furnished therewith,

- the reporting of the spin-off by C-Cube Microsystems (and any successors) as qualifying as tax-free spin-off transaction pursuant to Internal Revenue Code Section 355(a).

- the assumption that any representation or statement qualified by to the knowledge of, belief or expect or similar qualification remains true without such qualification, and that as to all matters in which a person or entity is making a statement or representation that there is no plan, intention, understanding, or agreement inconsistent with such representation,

- the assumption that no events material to the opinion of Ernst & Young LLP and not disclosed in the Statements of Facts and Representations will take place after the spin-off and the Harmonic merger, and

- other customary assumptions as to the accuracy and authenticity of documents provided to Ernst & Young LLP.

The opinion of Ernst & Young LLP is based upon an analysis of the Internal Revenue Code as in effect on the date thereof, Treasury Regulations, current

case law, and published IRS authorities. The foregoing may change, perhaps with retroactive effect, and Ernst & Young LLP has undertaken no obligation to update its opinions for changes in facts or law occurring subsequent to the date thereof. Such analysis is not binding on the IRS or courts and thus no assurance can be given that the IRS would not adopt a position contrary to that of the opinion of Ernst & Young LLP and prevail in a court of law.

Risk of Taxable Treatment. If the distribution of Semiconductor stock did not qualify for tax-free treatment for the stockholders of C-Cube Microsystems, each holder of C-Cube Microsystems stock who received Semiconductor stock would be treated as receiving a taxable distribution, which might be treated as taxable capital gains or taxable ordinary income up to the value of the stock distribution.

Material Federal Income Tax Considerations of the Spin-Off -- Corporate Tax Considerations

Notwithstanding the treatment of the transaction for C-Cube Microsystems stockholders, the spin-off will be taxable to C-Cube Microsystems as a result of Section 355(e) of the Internal Revenue Code because it is undertaken as part of the same plan as the Harmonic merger, which will result in a change of

control of C-Cube Microsystems, and also as a result of certain internal restructuring transactions undertaken prior to the distribution of the Semiconductor stock. C-Cube Microsystems will recognize a taxable gain approximately equal to the difference between the fair market value of Semiconductor on the date of distribution, minus the basis in the assets (net of liabilities) that C-Cube Microsystems will transfer to Semiconductor, minus certain expenses related to the spin-off transaction. C-Cube Microsystems has estimated, based on certain assumptions, including an assumed fair market value for the stock of the spun-off semiconductor business of $975 million, that this tax liability will be approximately $203 million. The actual tax liability may differ significantly from the estimate based on the facts and circumstances existing at the time of the distribution. For example, the value of the stock of the spun-off semiconductor business will likely fluctuate and if such value at the time of the distribution exceeds the assumed value, the actual tax liability likely will exceed the estimated tax liability.

Under Semiconductor's tax sharing agreement with Harmonic, Semiconductor will be liable for the corporate tax incurred as a result of the spin-off, including any increase in that corporate tax liability (plus certain related costs) that results, for example, from an IRS audit. C-Cube Microsystems will retain, and transfer to Harmonic, cash reserves in an amount estimated to be sufficient to pay the corporate tax liability. In addition, Semiconductor has agreed to indemnify and hold Harmonic harmless from and against these tax liabilities to the extent they relate to the semiconductor business, including the spin-off, and exceed the retained cash reserve set aside for the payment of taxes.

The foregoing summary of material income tax considerations is only a general description. Each C-Cube Microsystems stockholder should consult each holder's own tax advisor to determine the particular tax consequences of the distribution in light of such stockholder's particular circumstances, including application of federal, state, local and foreign laws, and the effect of possible changes in tax laws that may affect the above discussion.

DELISTING AND DEREGISTRATION OF C-CUBE MICROSYSTEMS COMMON STOCK; REGISTRATION AND LISTING OF HARMONIC COMMON STOCK ISSUED IN CONNECTION WITH THE MERGER

C-Cube Microsystems common stock is currently listed on the Nasdaq National Market under the symbol "CUBE." Upon the completion of the merger, C-Cube Microsystems common stock will be delisted from the Nasdaq National Market and deregistered under the Securities Exchange Act of 1934.

Harmonic common stock is currently listed on the Nasdaq National Market under the symbol "HLIT." This joint proxy statement/prospectus is part of a Harmonic registration statement on Form S-4 to register the shares of Harmonic common stock to be issued as consideration in the merger under the Securities Act. Harmonic has agreed to use its commercially reasonable efforts to cause the shares of Harmonic common stock to be issued in the merger or upon exercise of substitute options to be approved for listing on the Nasdaq National Market prior to the closing date.

ACCOUNTING TREATMENT

Harmonic will account for the merger as a purchase for accounting and financial reporting purposes. As a result, Harmonic will record the DiviCom business' tangible and intangible assets and liabilities at their estimated fair values and will record as goodwill the excess of the purchase price over the estimated net fair values. Harmonic estimates that it will record goodwill related to the transaction of $1.4 billion and will be incurring goodwill amortization expense of $276 million per year over the next five years. The DiviCom business' operating results will be combined with Harmonic's results only from the date of the merger.

INFORMATION ABOUT THE DIVICOM BUSINESS

OVERVIEW

The DiviCom business designs, manufactures and sells products and systems that enable companies to deliver digital video, audio and data over a variety of networks. Companies using these products and systems include satellite, wireless, telephone and cable companies. By combining video compression

technologies with network and communications technologies, the DiviCom business creates innovative products for producers and distributors of video and video-enhanced information. These products include encoders, multiplexers and network management systems, as well as systems integration services.

The DiviCom business has expertise in a wide range of digital video technologies, as well as experience in integrating those technologies into complete network systems. Based on widely adopted standards such as motion picture expert group-2 and digital video broadcasting, the DiviCom business products and systems enable digital video broadcasting over a variety of networks. The types of networks include satellite, wireless, telephone and cable networks. DiviCom supplements its product offerings with complementary services including systems integration, consulting, training and technical support.

The DiviCom business differentiates itself by offering open solutions, as opposed to closed or proprietary systems. Open solutions means that the DiviCom business' systems interoperate with a wide variety of consumer and other devices. This provides the DiviCom business customers with more choice and faster time to market.

The DiviCom business was founded in 1993. C-Cube Microsystems acquired it in August, 1996 and has operated as a division of C-Cube Microsystems since that time. The DiviCom business and the semiconductor division of C-Cube Microsystems have collaborated on the development and production of encoding chips and will continue that relationship after the merger under the terms of a Supply, License and Development Agreement, which was entered into at the time of the merger agreement. Headquartered in Milpitas, California with sales offices in several countries, the DiviCom business had approximately 435 employees as of September 30, 1999.

INDUSTRY BACKGROUND

Cable operators, internet service providers and broadcasters face a growing technical challenge as they plan and deploy real-time digital video transmission systems. These next-generation systems incorporate new technologies that are often outside of the service provider's core competency. To meet the often-conflicting goals of interoperability, reliability and efficiency, nearly all new systems for broadcasting digital video implement widely adopted standards. In some cases, companies that have previously provided proprietary analog-based solutions have developed their own proprietary digital-based solutions or created proprietary solutions where there are no standards, such as conditional access. Increasingly, companies that broadcast digital video realize that they need to foster interoperability and competition among their equipment suppliers. Accordingly, adherence to industry standards is a key requirement for suppliers in this market.

The DiviCom business has benefited from this trend through its expertise in a wide range of digital video technologies, as well as experience in integrating those technologies into complete network systems. By combining video compression

technologies with network and communications technologies, the DiviCom business creates innovative products for producers and distributors of video and video-enhanced information. Products include audio/video encoders adhering to widely adopted standards, multiplexers and network management systems, as well as integration services. Based on the motion picture expert group-2 international standard, the DiviCom business' products enable digital video broadcasting over a variety of networks. The types of networks include satellite, cable, wireless cable, also known as multichannel multipoint distribution system and telephone networks.

TECHNOLOGY AND PRODUCTS

The markets for the DiviCom business's products are characterized by rapidly changing technology and evolving industry standards. the DiviCom business spends approximately 15% of its revenue in the development of new products and in improving capabilities and reducing costs of existing products. It has assembled a team of approximately 180 highly-skilled engineers and applies its proprietary technology, including unique compression algorithms, to obtain optimal performance from its family of digital video broadcasting system-level products. The DiviCom business supplements its product offerings with complementary services including systems integration, consulting, training and technical support.

The DiviCom business provides systems that deliver digital video, audio and data over a variety of networks. The primary products within DiviCom's systems business consist of:

- Program encoders;
- Multiplexers;
- Control and automation products;
- Data networking products; and
- Professional services and systems support.

Program Encoders

The MediaView(TM) line of program encoders provides compression of video, audio and data channels. Using sophisticated signal pre-processing, noise reduction and encoding algorithms, these encoders produce high-quality video and audio at low data rates. Their compliance with widely adopted standards enables interoperability with other products and systems.

Multiplexers

In a broadcast facility, the video, audio and data streams must be combined or multiplexed into a single stream prior to transmission. The DiviCom business's remultiplexer product performs this task, combining compressed streams from various sources into a single transport stream. Sources are the DiviCom business program encoders or third-party devices such as video servers. The DiviCom remultiplexer product is especially designed for flexible distribution to all types of networks. The DiviCom remultiplexer product also provides scrambling, monitoring and decoding capabilities.

Control and Automation Products

Modern digital networks are a diverse array of hardware and software components from a variety of vendors, using a number of network protocols and standards. Network management is a key tool that lets service providers monitor and control their networks.

Because of its special expertise in digital video, audio and data, the DiviCom business is highly qualified to help service providers with their network management requirements. The DiviCom business product line includes a full range of products that service providers can adapt and configure to meet the needs of their deployments.

Data Networking Products

Cable service providers look to add interactive services to their service offerings as a way to increase revenue with the existing infrastructure. To address this market, the DiviCom business has introduced an interactive set-top box controller which enables cable service providers to deliver information to their subscribers over two-way cable networks. Each controller can support thousands of individual set-top boxes and can be managed from a central facility or distributed locations using standard internet network management protocols.

DiviCom also has similar products in the satellite broadcasting market. With these products, service providers can increase revenue by offering their subscribers high-speed data services such as "push" information broadcasts, multimedia streaming and internet access.

Professional Services and Systems Support

The DiviCom business's DiviSys(TM) technology integration group provides consulting and implementation services to the DiviCom business customers worldwide. DiviSys draws upon its expertise in broadcasting television, communications networking and compression technology to design, integrate and install complete business solutions. DiviSys offers a broad range of services including program management, budget analysis, technical design and planning, parts inventory management, building and site preparation, equipment installation and integration, end-to-end system testing and comprehensive

customer training. The DiviSys group also has extensive experience in integrating the DiviCom business products with numerous third-party products and services.

INTELLECTUAL PROPERTY AND LICENSES

The DiviCom business attempts to protect its technology through a combination of patents, copyrights, trade secret laws, confidentiality procedures and licensing arrangements. As of September 30, 1999, it had five issued United States patents and eighteen U.S. patent applications pending. Notwithstanding its patent position, the DiviCom business believes that, in view of the rapid pace of technological advance in the communications industry, the technical expertise and creative skills of its engineers and other personnel are the most important factors in determining its future success.

CUSTOMERS

The DiviCom business sells its products and systems to a variety of satellite, telephone, cable and broadband wireless customers, both domestic and international. Customers who have accounted for over 10% of the DiviCom business's revenue in the last two years include DirecTV and Echostar, both of whom are providers of satellite broadcasting services in the United States. A majority of the DiviCom business's revenue are derived from sales under contract terms, with the remainder derived principally from purchase orders. In addition to the sale of products and systems, the DiviCom business earns revenue from the provision of installation, project management and maintenance services.

SALES AND MARKETING

The DiviCom business has established a professional marketing team, a direct sales force and a worldwide network of independent sales representatives and distributors. Sales offices have been opened in a number of locations in North America and overseas, including France, the United Kingdom, Hong Kong and Latin America. In addition, the DiviCom business has a team of application engineers who assist customers with designing its products into their networks. For technical support, the DiviCom business's customer service and support organization provides a customized set of services for ongoing maintenance, support-on-demand and customer training. This service is designed to meet each customer's specific needs in order to maximize the benefits they receive from the DiviCom business's products and systems.

RESEARCH & DEVELOPMENT

The DiviCom business has developed a highly specialized research and development team that researches, designs, and develops state-of-the art video networking products. There are three research and development locations -- California, Colorado, and New York. The DiviCom business's research and development strategy is focused on providing sustained technical excellence

in two key areas -- video compression and broadband networking.

MANUFACTURING

The DiviCom business's manufacturing strategy is focused on the rapid transition of products from engineering development to production. The DiviCom business makes extensive use of the services of subcontract assembly houses in order to minimize inventory risks, obtain competitive pricing and increase supply flexibility. The DiviCom business's manufacturing group establishes relationships with key supply and subcontract partners. Electronic component distributors are responsible for the procurement and "kitting" of components in preparation for contract assembly.

Once a product or subsystem has demonstrated design stability, it is transitioned from the DiviCom business engineering group to the contract partner for management and full turnkey assembly. The contract partner purchases components to the DiviCom business specifications, contracts with the assembly facility to perform product builds and ships the completed systems to the DiviCom business. The DiviCom business manages the final integration, system testing, reliability and quality assurance testing and configuration per customer requirements.

INFORMATION ABOUT HARMONIC

Additional information regarding Harmonic is contained in its filings with the SEC. For information on how you can obtain copies of such filings, please see the section entitled "Where You Can Find More Information" on page 75 of this joint proxy statement/prospectus.

INFORMATION ABOUT C-CUBE MICROSYSTEMS

Additional information regarding C-Cube Microsystems is contained in its filings with the SEC. For information on how you can obtain copies of such filings, please see the section entitled "Where You Can Find More Information" on page 75 of this joint proxy statement/prospectus.

THE MERGER AGREEMENT

This is a description of the terms of the amended and restated merger agreement that we believe are important. However, the description does not contain all the terms of the amended and restated merger agreement, only those that we believe to be material. A copy of the amended and restated merger agreement is attached as Appendix A to this joint proxy statement/prospectus and is incorporated herein by reference. We encourage you to read the entire amended and restated merger agreement.

STRUCTURE OF THE MERGER

Under the merger agreement, C-Cube Microsystems will merge into Harmonic after disposition of C-Cube Microsystems' semiconductor business. Harmonic will continue as the surviving corporation and you will be Harmonic stockholders.

CLOSING

The closing date of the merger will be specified by Harmonic and C-Cube Microsystems, but will be no later than the second business day after the satisfaction or waiver of the conditions to the merger that are to be satisfied other than on the day of closing. The merger shall become effective on the date and time at which the certificate of merger has been duly filed with the Secretary of State of the State of Delaware or at such other date and time as is agreed between the parties and specified in the certificate of merger.

DISPOSITION OF THE SEMICONDUCTOR BUSINESS

Prior to the effective time of the merger, the merger agreement provides that C-Cube Microsystems shall have disposed of its semiconductor business through either a sale of that entire business or by transferring the business to a separate legal entity whose shares are distributed to the stockholders of

C-Cube Microsystems. If the merger is approved, C-Cube Microsystems will spin off its semiconductor business immediately prior to and in connection with merger.

Pursuant to the terms of the merger agreement, Harmonic will be reimbursed for all liabilities relating to the semiconductor business. These liabilities include, but are not limited to, taxes incurred in the spin-off of the semiconductor business and severance payments to employees not employed by Harmonic after the merger. The merger agreement contemplates the execution of certain agreements between Harmonic and C-Cube Microsystems which will provide for, among other things, the establishment, prior to the closing of the merger, of a cash reserve to be used for the payment of taxes relating to the spin-off transaction and the retention of $60 million for the DiviCom business.

CONSIDERATION TO BE RECEIVED FOR C-CUBE MICROSYSTEMS COMMON STOCK IN THE MERGER

At the time the merger takes place, each share of C-Cube Microsystems common stock, other than shares held by C-Cube Microsystems as treasury stock and shares held by Harmonic, will be converted into 0.5427 of a share of Harmonic common stock.

If the merger is approved, C-Cube Microsystems will spin off its semiconductor business immediately prior to and in connection with the merger, and each C-Cube Microsystems stockholder will also receive a distribution of shares of the spin-off entity based on the number of shares the stockholder holds in C-Cube Microsystems relative to the total number of shares outstanding. For more information regarding the spin-off, please see the separate prospectus relating to the spin-off that has been mailed to you along with this proxy statement/prospectus.

PROCEDURES FOR EXCHANGE OF C-CUBE MICROSYSTEMS COMMON STOCK

Harmonic will deposit with the exchange agent certificates representing the shares of Harmonic common stock and an estimated amount of the cash to be paid to C-Cube Microsystems stockholders in the merger for fractional shares. Each letter of transmittal sent to C-Cube Microsystems stockholders

before closing includes detailed instructions on how C-Cube Microsystems stockholders may exchange their C-Cube Microsystems common stock for the consideration they will receive in the merger. After the closing, the exchange agent will send to former C-Cube Microsystems stockholders who submitted their letters of transmittal and their C-Cube Microsystems share certificates new certificates for the Harmonic common stock, and a check for payment of any fractional share interests or dividends or distributions the stockholder is entitled to receive. No interest will be paid on any cash to be paid as a result of the merger.

Harmonic will not pay C-Cube Microsystems stockholders entitled to receive Harmonic common stock in the merger any dividends or other distributions with respect to Harmonic common stock with a record date occurring after the closing until those stockholders have properly surrendered their C-Cube Microsystems share certificates.

TREATMENT OF FRACTIONAL SHARES

Holders of C-Cube Microsystems common stock will be paid cash instead of any fractional shares of Harmonic common stock they would otherwise receive. The amount of cash to be received instead of the fractional share will be equal to:

- the fraction of a share you would otherwise receive, multiplied by

- the average closing price of Harmonic common stock, as reported on the Nasdaq National Market for the five (5) days immediately preceding the last full trading day prior to the effective time.

TREATMENT OF C-CUBE MICROSYSTEMS EMPLOYEE STOCK OPTIONS

Each outstanding and unvested stock option to acquire C-Cube Microsystems common stock granted under C-Cube Microsystems' stock plans held by current employees of C-Cube Microsystems who will continue their employment with Harmonic will be converted automatically in the merger into a stock option to acquire Harmonic common stock. The terms of each new Harmonic option will be

substantially the same as the corresponding C-Cube Microsystems option. The amount of any additional consideration and the number of shares of Harmonic common stock subject to the new Harmonic options will be equal to what the holder of the option would have been entitled to receive in the merger if the holder had exercised the option to acquire C-Cube Microsystems' common stock in full immediately before the merger occurred. However, these adjustments with respect to C-Cube Microsystems' options that are incentive stock options under the Internal Revenue Code will be made to conform to the Internal Revenue Code provisions applicable to incentive stock options. These adjustments will be made so as to preserve the value of the unvested C-Cube Microsystems options as determined immediately before the spin-off.

Each outstanding and vested stock option to acquire C-Cube Microsystems common stock held by current employees of C-Cube Microsystems who will continue their employment with Harmonic will be canceled on the effective time if not previously exercised. Each stock option to acquire C-Cube Microsystems common stock held by current employees of C-Cube Microsystems who will not continue their employment with Harmonic shall be:

- exercised;

- converted into options to receive shares of the spun-off semiconductor business; or

- otherwise canceled on or prior to the effective time.

REGISTRATION AND LISTING OF HARMONIC COMMON STOCK

Harmonic has agreed to use its reasonable best efforts to register the shares of Harmonic common stock to be issued as consideration in the merger under the Securities Act and to cause the shares to be listed on the Nasdaq National Market. The registration and listing are conditions to the obligations of Harmonic and C-Cube Microsystems to consummate the merger. Harmonic has registered the issuance of such shares in the merger under the Securities Act in a registration statement which the SEC has declared effective.

REPRESENTATIONS AND WARRANTIES

C-Cube Microsystems and Harmonic have made certain customary representations and warranties to each other, including as to:

- corporate existence and power;
- corporate authorization;
- non-contravention;
- capitalization;
- subsidiaries;
- SEC filings;
- financial statements;
- absence of undisclosed material liabilities;
- the filing of this joint proxy statement/ prospectus;
- taxes;
- employee benefit plans;
- litigation and compliance with laws;
- labor matters;
- certain contracts and arrangements;
- environmental matters;
- intellectual property;
- opinion of financial advisor;
- board recommendation;
- tax treatment;
- finders' fees; and
- absence of certain changes;
- section 203 of the Delaware General Corporation Law.

The representations and warranties contained in the merger agreement will not survive beyond the effective time of the merger.

COVENANTS REGARDING CONDUCT OF BUSINESS BEFORE THE MERGER

Harmonic and C-Cube Microsystems have agreed to conduct their businesses from October 27, 1999 to the effective time in the ordinary course consistent with past practice and use their reasonable best efforts to preserve intact

their current business organizations and relationships with third parties and to keep available the services of their present officers and employees. Notwithstanding the foregoing, C-Cube Microsystems may dispose of its semiconductor business as contemplated by the merger agreement. Harmonic and C-Cube Microsystems have further agreed to enter into a supply, license and development agreement at or prior to the effective time.

Harmonic has agreed:

- to continue all rights to indemnification and all limitations on liability existing in favor of any present officers, directors, employees or agents of C-Cube Microsystems;

- to provide comparable officers' and directors' liability insurance for six years after the effective time, covering actions occurring prior to the effective time for each such person currently covered by C-Cube Microsystems' liability insurance;

- to provide employee benefits for one year after the effective time to C-Cube Microsystems' current employees who continue to be employed by C-Cube Microsystems after the effective time that in the aggregate are comparable to C-Cube Microsystems' benefits immediately prior to the effective time;

- to use its reasonable best efforts to cause the Harmonic stock issuable in the merger to be listed on the Nasdaq National Market; and

- to take all action necessary to have its board of directors appoint two designees of C-Cube Microsystems to the Harmonic board after the merger.

C-Cube Microsystems has agreed to use its commercially reasonable efforts to dispose of its semiconductor business.

CONDITIONS TO THE COMPLETION OF THE MERGER

Harmonic and C-Cube Microsystems will complete the merger only if the conditions specified in the merger agreement are either satisfied or waived. The conditions include:

- approval of the merger by the stockholders of C-Cube Microsystems and by the stockholders of Harmonic;

- there being no law or court order prohibiting the merger;

- the stock issuable in the merger be authorized for listing on the Nasdaq National Market;

- the disposition of the semiconductor business by C-Cube Microsystems under the terms set forth in the merger agreement;

- each of Harmonic and C-Cube Microsystems having performed in all material respects all of their respective obligations under the merger agreement;

- the representations and warranties made by the other party in the merger agreement remaining accurate in all material respects, with such exceptions as would not reasonably be expected to have a material adverse effect;

- Harmonic and/or C-Cube Microsystems receiving legal opinions as to tax matters relating to the merger; and

- C-Cube Microsystems having redeemed or retire all of its outstanding convertible notes.

Harmonic and C-Cube Microsystems will re-circulate a proxy statement and resolicit stockholder approval if they waive the tax opinion condition.

TERMINATION OF THE MERGER AGREEMENT

The merger agreement may be terminated under the following circumstances:

- by mutual consent;

- by either Harmonic or C-Cube Microsystems if:

  - the conditions listed above have not been materially complied with or performed by the other party and such party fails to cure such breach;

  - the merger is not consummated by May 31, 2000;

  - there is any law or regulation or any judgment, injunction, order or decree which prevents either party from consummating the merger; or

  - the stockholders of either party fails to approve the merger and the related transactions;

- by Harmonic, if the Board of Directors of C-Cube Microsystems:

  - withdraws or amends its approval or recommendation of the merger and reorganization and the related transactions;

  - recommends another acquisition to its stockholders; or

  - recommends or fails to recommend against a tender offer or exchange offer for 50% or more of the outstanding shares of C-Cube Microsystems; and

- by C-Cube Microsystems, for the purpose of accepting a superior proposal, so long as it has not obtained the approval of stockholders prior to such termination.

TERMINATION FEES AND EXPENSES

C-Cube Microsystems has agreed to pay Harmonic a termination fee of $50 million if:

- Harmonic terminates the merger agreement in the circumstances described in the third bullet under "Termination of the Merger Agreement" above unless the reason for withdrawal of C-Cube

  Microsystems board approval is due to a material adverse change to Harmonic or a material breach of representatives and warranties by Harmonic;

- Harmonic or C-Cube Microsystems terminate the merger agreement due to the failure of C-Cube Microsystems' stockholders to approve the merger because of another acquisition proposal and a definitive agreement for the other acquisition is signed within twelve months after such termination; or

- C-Cube Microsystems terminates the merger agreement in the circumstances described in the last bullet under "Termination of the Merger Agreement" above.

Harmonic has agreed to pay C-Cube Microsystems a termination fee of $50 million if Harmonic or C-Cube Microsystems terminates the merger agreement due to the failure of Harmonic's stockholders to approve the merger because of another acquisition proposal and a definitive agreement for the other acquisition is signed within twelve months after such termination

NO SOLICITATION; COVENANT TO RECOMMEND

The merger agreement prevents C-Cube Microsystems from negotiating or otherwise engaging in discussions with, or furnishing information to, a third party regarding a merger transaction with C-Cube Microsystems unless:

- C-Cube Microsystems has received an unsolicited proposal for the transaction from that third party;

- C-Cube Microsystems' board of directors has determined after consultation with its legal counsel that failure to do so would constitute a breach of its fiduciary duties to its stockholders under Delaware law;

- C-Cube Microsystems has notified Harmonic about the proposal;

- the C-Cube Microsystems board of directors determines in good faith that, based on the terms and conditions contained in the proposal, the proposal could reasonably be expected to constitute a superior proposal; and

- the third party executes a confidentiality agreement with terms substantially similar to those contained in the confidentiality agreement between Harmonic and C-Cube Microsystems.

AMENDMENT OR WAIVER OF THE MERGER AGREEMENT

The parties may amend the merger agreement or waive its terms and conditions before the effective time, but, after C-Cube Microsystems' stockholders have approved the merger agreement, no such amendment shall be made except as allowed under applicable law. To date, the merger agreement has been amended and restated one time as set forth in Appendix A hereto.

SUPPLY, LICENSE, AND DEVELOPMENT AGREEMENT

Harmonic and C-Cube Microsystems entered into a related Supply, License and Development Agreement at the same time that they entered into the merger agreement. This separate agreement covers two video encoding microelectronic chips. Under this agreement, the spun-off semiconductor business will:

- supply certain current generation microelectronic chips to Harmonic after the merger under specified terms and prices;

- license certain technology to Harmonic after the merger in return for Harmonic's grant to the spun-off semiconductor business of certain licenses to technology acquired by Harmonic as a result of the merger; and

- use its commercially reasonable efforts to complete the development of the next generation of certain microelectronic chips.

HARMONIC AFTER THE MERGER

MANAGEMENT

Directors

In connection with the merger, Harmonic has agreed to appoint seven (7) directors to its board, including all six (6) members of the current Harmonic board and one (1) designee of C-Cube Microsystems chosen from the current C-Cube Microsystems board. More information about each of the members of Harmonic's current board of directors is included in Harmonic's filings with the SEC. For information on how you can obtain copies of these filings, please see the section entitled "Where You Can Find More Information" on page 75. C-Cube Microsystems has designated Baryn S. Futa as the director it will appoint to the Harmonic board. More information about each of the members of C-Cube Microsystems' current board of directors is included in C-Cube Microsystems' filings with the SEC. For information on how you can obtain copies of these filings, please see the section entitled "Where You Can Find More Information" on page 75.

Executive Officers

The officers of Harmonic at the effective time will be the officers of the surviving corporation. In addition, Harmonic intends to appoint Tom Lookabaugh to serve as an officer of Harmonic. The composition of Harmonic's management is not expected to change materially as a result of the merger. More information about each of Harmonic's executive officers is included in Harmonic's filings with the SEC. For information on how you can obtain copies of these filings, please see the section entitled "Where You Can Find More Information" on page 75. Harmonic may enter into retention or other arrangements with C-Cube Microsystems officers who are employed by the surviving corporation following the merger. More information about C-Cube Microsystems' executive officers is included in C-Cube Microsystems' filings with the SEC. For information on how you can obtain copies of these filings, please see the section entitled "Where

You Can Find More Information" on page 75.

HARMONIC CAPITAL STOCK

As of February 25, 2000, Harmonic was authorized to issue 50,000,000 shares of Harmonic common stock, of which 30,726,923 shares were issued and outstanding, and 5,000,000 shares of Harmonic preferred stock, none of which have been issued. If the Harmonic stockholders approve the amendment to Harmonic's certificate of incorporation and the merger is completed, then Harmonic will be authorized to issue 150 million shares of Harmonic common stock.

Each share of Harmonic common stock entitles the holder to vote on matters submitted to a vote of the stockholders, and, subject to the prior preferences of the Harmonic preferred stock, if issued, a share of assets remaining available for distribution to stockholders upon a liquidation of Harmonic based on the percentage ownership of Harmonic. Dividends may be paid to the holders of the Harmonic common stock when and if declared by Harmonic's board of directors out of funds legally available therefor. Harmonic has never paid any dividends on its capital stock. Harmonic currently expects to retain future earnings, if any, for the use in the operation and expansion of its business and does not anticipate paying any cash dividends in the foreseeable future. The covenants made by Harmonic under its existing line of credit prohibit the payment of dividends. Harmonic common stock is not convertible or redeemable and has no preemptive rights.

After giving effect to the merger, the former holders of C-Cube Microsystems common stock and options who receive Harmonic common stock in the merger will hold approximately 44% of the outstanding shares of Harmonic common stock. This percentage is based on the number of shares of Harmonic common stock and options and C-Cube Microsystems common stock and options outstanding on the record date.

INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers LLP will remain the independent accountants for Harmonic after the merger. Deloitte & Touche LLP currently serves as the independent accountants for C-Cube Microsystems.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Harmonic common stock is ChaseMellon Shareholder Services, San Francisco, California.

EXCHANGE AGENT

The exchange agent in the merger is ChaseMellon Shareholder Services, San Francisco, California.

UNAUDITED PRO FORMA FINANCIAL STATEMENTS

The following unaudited pro forma combined financial statements are presented for illustrative purposes only and are not necessarily indicative of the combined financial position or results of operations of future periods or the results that actually would have been realized had Harmonic and the DiviCom business been a combined company during the specified periods. The pro forma combined financial statements, including the notes thereto, are qualified in their entirety by reference to, and should be read in conjunction with, the historical consolidated financial statements of Harmonic and the DiviCom business, including the notes thereto, included herein or incorporated herein by reference. See "Where You Can Find More Information" on page 75.

The following pro forma combined financial statements give effect to the proposed merger of Harmonic and the DiviCom business using the purchase method of accounting. The financial statements of the DiviCom business represent the financial statements of the business to be acquired and have been carved out of the consolidated financial statements of C-Cube Microsystems. They exclude the

results of operations and financial position of C-Cube Microsystems' semiconductor business, which will be spun-off from the DiviCom business prior to the closing of the merger. The pro forma combined financial statements are based on the respective historical consolidated financial statements and the notes thereto of Harmonic and the DiviCom business, which are included or incorporated herein by reference. The pro forma adjustments are preliminary and based on management's estimates and a preliminary third-party valuation of the intangible assets acquired. In addition, management is in the process of assessing and formulating its integration plans. Management does not know the exact amount of the restructuring costs but does not believe that they will be material.

The pro forma combined balance sheet assumes that the merger took place on October 1, 1999 and combines Harmonic's October 1, 1999 consolidated balance sheet and the DiviCom business' September 30, 1999 consolidated balance sheet. The pro forma combined statement of operations assumes the merger took place as of the beginning of 1998. The pro forma combined statement of operations for the year ended December 31, 1998 combines Harmonic's and the DiviCom business' consolidated statements of operations for the year ended December 31, 1998. The pro forma combined statement of operations for the nine months ended October 1, 1999 combines Harmonic's and the DiviCom business' consolidated statements of operations for the nine month periods ended October 1, 1999 and September 30, 1999, respectively.

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31, 1998			
	HARMONIC	DIVICOM	PRO FORMA ADJUSTMENTS (NOTE 2)	PRO FORMA COMBINED
Net sales	$ 83,857	$142,715	--	$ 226,572
Cost of sales	53,302	75,088	$ 21,000(d)	149,390
Gross profit	30,555	67,627	(21,000)	77,182
Operating expenses:				
Research and development	13,524	21,449	--	34,973
Selling, general and administrative	24,670	23,959	--	48,629
Amortization of intangibles	304	--	309,400(d)	309,704
Acquired in-process technology	14,000	--	--	14,000
Total operating expenses	52,498	45,408	309,400	407,306
Income (loss) from operations	(21,943)	22,219	(330,400)	(330,124)
Interest and other income, net	490	1,751	--	2,241
Income (loss) before income taxes	(21,453)	23,970	(330,400)	(327,883)
Provision for income taxes	--	8,390	(21,800)(e)	(13,410)
Net income (loss)	$(21,453)	$ 15,580	$(308,600)	$(314,473)
Net loss per share				
Basic and diluted	$ (0.92)			$ (6.42)
Weighted average shares				
Basic and diluted	23,244			48,977

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	NINE MONTHS ENDED OCTOBER 1, 1999			
	HARMONIC	DIVICOM	PRO FORMA ADJUSTMENTS (NOTE 2)	PRO FORMA COMBINED
Net sales	$120,789	$133,821	--	$ 254,610
Cost of sales	69,326	67,852	$ 15,750(d)	152,928
Gross profit	51,463	65,969	(15,750)	101,682
Operating expenses:				
Research and development	11,971	21,820	--	33,791
Selling, general and administrative	23,743	23,683	--	47,426
Amortization of intangibles	228	--	232,050(d)	232,278
Total operating expenses	35,942	45,503	232,050	313,495
Income (loss) from operations	15,521	20,466	(247,800)	(211,813)
Interest and other income, net	1,674	967	--	2,641
Income (loss) before income taxes	17,195	21,433	(247,800)	(209,172)
Provision for income taxes	4,299	7,088	(16,350)(e)	(4,963)
Net income (loss)	$ 12,896	$ 14,345	$(231,450)	$(204,209)
Net income (loss) per share				
Basic	$ 0.47			$ (3.83)
Diluted	0.43			(3.83)
Weighted average shares				
Basic	27,592			53,325
Diluted	30,264			53,325

UNAUDITED PRO FORMA COMBINED BALANCE SHEET
(IN THOUSANDS)

	HARMONIC OCTOBER 1, 1999	DIVICOM SEPTEMBER 30, 1999	PRO FORMA ADJUSTMENTS (NOTE 2)	PRO FORMA COMBINED
ASSETS:				
Current assets:				
Cash and cash equivalents	$ 18,163	$ 21,968	$ 229,100(f)	$ 269,231
Short-term investments	34,656	11,932		46,588
Accounts receivable, net	35,239	52,504		87,743
Inventories, net	30,496	9,948		40,444
Prepaid expenses and other assets	2,842	12,532		15,374
Total current assets	121,396	108,884	229,100	459,380
Long-term marketable investments	22,839	--		22,839
Property and equipment, net	13,163	14,063		27,226
Intangibles and other assets	1,090	5,926	1,652,000(d)	1,659,016
	$158,488	$128,873	$1,881,100	$2,168,461
LIABILITIES AND STOCKHOLDERS' EQUITY:				
Current liabilities:				
Accounts payable:	$ 15,075	$ 11,592	$	$ 26,667
Accrued liabilities:	13,928	18,163	10,000(a)	42,091
Income taxes payable	4,243	6,649	203,000(f)	213,892
Deferred income taxes	--	--	21,800(e)	21,800
Total current liabilities	33,246	36,404	234,800	304,450
Other long term liabilities	535	48		583

Deferred income taxes.....	--	2,545	87,200(e)	89,745
Stockholders' equity:				
Common stock and additional paid-in capital.....	139,151	--	1,694,003(a)	1,833,154
Retained earnings (accumulated deficit).....	(14,576)	--	(45,000)(b)	(59,576)
Net investment.....	--	89,903	(89,903)(c)	--
Currency translation.....	132	(27)		105
Total stockholders' equity.....	124,707	89,876	1,559,100	1,773,683
	$158,488	$128,873	$1,881,100	$2,168,461

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

The pro forma combined balance sheet assumes that the merger took place on October 1, 1999 and combines Harmonic's October 1, 1999 consolidated balance sheet and the DiviCom business' September 30, 1999 consolidated balance sheet.

The pro forma combined statement of operations assumes the merger took place as of the beginning of 1998. The pro forma combined statement of operations for the year ended December 31, 1998 combines Harmonic's and the DiviCom business' consolidated statements of operations for the year ended December 31, 1998. The pro forma combined statements of operations for the nine months ended October 1, 1999 combines Harmonic's and the DiviCom business' consolidated statements of operations for the nine month periods ended October 1, 1999 and September 30, 1999, respectively.

On a combined basis, there were no transactions between Harmonic and the DiviCom business during the periods presented.

The historical cost of sales of the DiviCom business includes amortization of intangibles related to purchased technology arising from C-Cube Microsystems' acquisition of the DiviCom business in 1996. Amortization was $2,832,000 and $2,124,000 for 1998 and the nine months ended September 30, 1999, respectively.

The pro forma combined provision for income taxes may not represent the amounts that would have resulted had Harmonic and the DiviCom business filed consolidated income tax returns during the periods presented.

NOTE 2. PRO FORMA ADJUSTMENTS

The pro forma information including the allocation of the purchase price is based on management's preliminary estimates and valuation of the intangible assets acquired. In addition, management is in the process of assessing and formulating its integration plans. Management does not know the exact amount of the restructuring costs associated with the integration plans but does not believe that they will be material; no amounts are included in the pro forma financial statements. The pro forma financial statements have not been adjusted to reflect any cost savings or operating synergies that may be realized as a result of the merger.

The purchase price of $1.7 billion includes $1.6 billion of stock to be issued, $98 million in Harmonic stock option costs and estimated expenses of the transaction of $10 million. The stock to be issued reflects issuance of 25.7 million shares of Harmonic common stock and an average market price per share of Harmonic common stock of $62.00. The average market price per share is based on the average closing price for a period three days before and after the October 27, 1999 announcement of the merger. The actual number of Harmonic common shares to be issued will depend on the actual number of outstanding shares of C-Cube Microsystems at the effective date.

Following is a table of the estimated total purchase price, preliminary purchase price allocation and annual amortization of the intangible assets acquired (in thousands):

Estimated purchase price:	
Estimated value of securities to be issued	$1,596,000
Assumption of options of the DiviCom business	98,000
Direct transaction costs and expenses	10,000
Total estimated purchase price	$1,704,000

		ANNUAL AMORTIZATION
Purchase price allocation:		
Tangible net assets acquired	$ 116,000	--
Intangible assets acquired:		
Customer base	126,000	$ 25,200
Developed technology	95,000	19,000
Trademark and tradename	16,000	3,200
Assembled workforce	23,000	4,600
Supply agreement	10,000	2,000
Total intangibles (excluding goodwill)	270,000	54,000
In-process research and development	45,000	
Goodwill	1,382,000	276,400
Deferred tax liabilities	(109,000)	
Total estimated purchase price allocation	$1,704,000	$330,400

The tangible net assets acquired represent the estimated fair value of the net tangible assets of the DiviCom business as of September 30, 1999 of $89.9 million plus additional cash of $26.1 million received as a result of to the merger.

A customer base represents established relationships with businesses that repeatedly order from a company. The income approach was used to estimate the value of the DiviCom business' customer base by determining the present value of future cash flows generated by existing customers. Key assumptions used in the calculation included an attrition rate of 20%, discount rate of 20% and estimates of revenue growth, cost of sales, operating expenses and tax rate provided by management of the DiviCom business.

In estimating the value of the trademark and tradename, the relief from royalty method was employed. The relief from royalty method is based on the assumption that in lieu of ownership, a firm would be willing to pay a royalty in order to exploit the related benefits of the assets. Therefore, a portion of the company's earnings, equal to the after-tax royalty that would have been paid for the use of the trademark and tradename, can be attributed to the company's possession of the trademark and tradename. The trademark and tradename are each being amortized on a straight-line basis over its estimated useful life of five years.

The value of the assembled workforce was derived by estimating the costs to replace the existing employees, including recruiting, hiring and training costs for each category of employee. The value of the assembled workforce is being amortized on a straight-line basis over its estimated useful life of five years.

Harmonic and C-Cube Microsystems entered into a Supply, License and Development Agreement (Supply Agreement) concurrent with the merger agreement. This separate agreement covers the supply, licensing and development of two encoder chips for Harmonic by the spun-off semiconductor business. The value of the Supply Agreement was derived by using the income approach and is being amortized on a straight line basis over its estimated useful life of five years.

A portion of the purchase price has been allocated to developed technology and in-process research and development (IPRD). Developed technology and IPRD were identified and valued through extensive interviews, analysis of data provided by the DiviCom business concerning development projects, their stage of development, the time and resources needed to complete them, if applicable, their expected income generating ability and associated risks. The income approach, which includes an analysis of the cash flows, and risks associated with achieving such cash flows, was the primary technique utilized in valuing the developed technology and IPRD.

Where development projects had reached technological feasibility, they were classified as developed technology and the value assigned to developed technology was capitalized. The developed technology is being amortized on a straight-line basis over its estimated useful life of five years.

Where the development projects had not reached technological feasibility and had no future alternative uses, they were classified as IPRD, which will be expensed upon the consummation of the merger. The value was determined by estimating the expected cash flows from the projects once commercially viable, discounting the net cash flows back to their present value and then applying a percentage of completion to the calculated value as defined below.

- Net cash flows. The net cash flows from the identified projects are based on estimates of revenue, cost of sales, research and development costs, selling, general and administrative costs and income taxes from those projects. These estimates are based on the assumptions mentioned below. The research and development costs included in the model reflect costs to sustain projects, but exclude costs to bring in-process projects to technological feasibility.

  The estimated revenue is based on projections of the DiviCom business for each in-process project. These projections are based on its estimates of market size and growth, expected trends in technology and the nature and expected timing of new product introductions by the DiviCom business and its competitors.

  Projected gross margins and operating expenses approximate the DiviCom business' recent historical levels.

- Discount rate. Discounting the net cash flows back to their present value is based on the industry weighted average cost of capital ("WACC"). The industry WACC is approximately 17%. The discount rate used in discounting the net cash flows from IPR&D is 25%, an 800 basis point increase from the industry WACC. This discount rate is higher than the industry WACC due to inherent uncertainties surrounding the successful development of the IPR&D, market acceptance of the technology, the useful life of such technology and the uncertainty of technological advances which could potentially impact the estimates described above.

- Percentage of completion. The percentage of completion for each project was determined using costs incurred to date on each project as compared to the remaining research and development to be completed to bring each project to technological feasibility. The percentage of completion varied by individual project ranging from 10% to 80%.

If the projects discussed above are not successfully developed, the sales and profitability of the combined company may be adversely affected in future periods.

Based on the timing of the closing of the transaction, the finalization of the valuation, and purchase price allocation, finalization of the integration plans and other factors, the pro forma adjustments may differ materially from those presented in these pro forma combined financial statements. A change in the value assigned to long-term tangible and intangible assets and liabilities could result in a reallocation of the purchase price and a change in the pro forma adjustments. The statement of operations effect of these changes will depend on the nature and amount of the assets or liabilities adjusted.

(a) Adjustments reflect the components of the purchase price -- $1.6 billion in Harmonic common stock, $98 million in Harmonic common stock options and $10 million in estimated expenses of the transaction. The

Harmonic common stock will be issued in exchange for outstanding shares of C-Cube Microsystems common stock. Harmonic common stock options, with an assumed weighted average exercise price of $27.90, will be issued in exchange for unvested C-Cube Microsystems options.

(b) Adjustment includes $45 million for purchased in-process research and development. As discussed in Note 2, the value of this IPR&D was based upon a preliminary valuation. This amount will be expensed upon the consummation of the merger. This amount has been reflected as a reduction to retained earnings and has not been included in the pro forma combined statement of operations due to its non-recurring nature.

(c) Adjustment reflects elimination of the DiviCom business' net investment.

(d) Adjustments include the recording of $1,652 million in intangible assets which are comprised of $270 million of non-goodwill intangibles (see table in Note 2) and $1,382 million in goodwill.

The estimated useful life of non-goodwill intangible assets and goodwill is five years. The annual amortization charge to income approximates $330 million based on a five-year average useful life.

(e) Adjustment reflects the recording of deferred tax liabilities associated with the step up to fair value of non-goodwill intangible assets recorded as part of this transaction. These liabilities were recorded using statutory tax rates of 41%. The deferred tax liability will be recognized in the statement of operations as the underlying assets giving rise to the deferred taxes are amortized.

(f) Adjustment reflects the transfer of cash for the estimated tax liability related to the spin-off ($203 million based on an assumed valuation of the semiconductor business of $975 million) plus additional cash as contemplated in the merger agreement.

NOTE 3. PRO FORMA EARNINGS PER COMMON SHARE

Basic and diluted pro forma earnings per common share is calculated based on the issuance of 25.7 million shares of Harmonic common stock in the merger. Options and warrants outstanding during 1998 and 1999 were not included in the computation of diluted EPS because inclusion of such options and warrants would have been antidilutive.

COMPARISON OF STOCKHOLDER RIGHTS

This section of the joint proxy statement/prospectus describes certain differences between the rights of holders of Harmonic common stock and C-Cube Microsystems' common stock. While we believe that this description covers the important differences between the two stocks, it may not contain all of the information that is important to C-Cube Microsystems stockholders. C-Cube Microsystems stockholders should carefully read this entire document and the other documents that we refer to for a more complete understanding of the differences between being a stockholder of Harmonic and being a stockholder of C-Cube Microsystems.

The rights of C-Cube Microsystems stockholders are governed by C-Cube Microsystems' certificate of incorporation and C-Cube Microsystems' by-laws, each as currently in effect. After completion of the merger, C-Cube Microsystems stockholders will become stockholders of Harmonic. As a Harmonic stockholder, your rights will be governed by Harmonic's certificate of incorporation and Harmonic's by-laws, each as currently in effect or as proposed to be amended as described in this joint proxy statement/prospectus. Each of Harmonic and C-Cube Microsystems is incorporated under the laws of the State of Delaware and, accordingly, the rights of C-Cube Microsystems stockholders will continue to be governed by the Delaware General Corporation Law after completion of the merger.

When neither a reference to C-Cube Microsystems or to Harmonic is provided,

the identified rights apply to both companies.

CLASSES OF COMMON STOCK OF HARMONIC AND C-CUBE MICROSYSTEMS

We each have one class of common stock issued and outstanding. Holders of Harmonic common stock and holders of C-Cube Microsystems common stock are each entitled to one vote for each share held. Neither of our certificates of incorporation permit our respective stockholders to cumulate votes at any election of directors.

BOARD OF DIRECTORS

C-Cube Microsystems' certificate of incorporation provides for a classified board of directors. A classified board of directors is one with respect to which a certain number of directors are elected on a rotating basis each year. Delaware law permits, but does not require, a classified board of directors, where the directors can be divided into as many as three classes with staggered terms of office, with only one class of directors standing for election each year. C-Cube Microsystems' certificate of incorporation calls for a division of C-Cube Microsystems board of directors into three classes with one class being elected annually and with each director elected for a term of three years.

Harmonic's certificate of incorporation and by-laws currently provide that Harmonic's board of directors shall consist of 6 members to be elected at each annual meeting of stockholders. Harmonic shall amend its by-laws to provide for 7 directors prior to the closing of the merger.

REMOVAL OF DIRECTORS

Any director or the entire board of either of our companies may be removed with or without cause by the holders of a majority of the shares of our respective stock entitled to vote generally in the election of our directors, voting together as a single class -- subject to the rights of holders of any outstanding series of preferred stock.

FILLING VACANCIES ON THE BOARD OF DIRECTORS

Any newly created directorships or vacancies in either of our boards of directors, resulting from any increase in the number of authorized directors or death, resignation, disqualification or other cause, may be filled solely by the vote of a majority of the remaining members of that board of directors, even though less than a quorum, or in the case of Harmonic, by a sole remaining director -- subject to the rights of holders of any outstanding series of preferred stock.

Vacancies in C-Cube Microsystems' board of directors resulting from the removal of a director may be filled either by the holders of a majority of the shares of outstanding stock of C-Cube Microsystems, voting together as a single class, or by a majority of the remaining directors, even though less than a quorum.

Vacancies in Harmonic's board of directors resulting from the removal of a director may be filled only by the affirmative vote of a majority of the shares represented and voting at a duly held meeting at which a quorum is present.

No decreases in the number of directors on either of our respective boards of directors may shorten the term of any director then in office.

LIMITS ON STOCKHOLDER ACTION BY WRITTEN CONSENT

C-Cube Microsystems' certificate of incorporation provides that C-Cube Microsystems stockholders may take action only at an annual or special meeting of stockholders and that they may not take action by written consent.

Harmonic's certificate of incorporation does not limit the right of a stockholder to take action by written consent.

ABILITY TO CALL SPECIAL MEETINGS

C-Cube Microsystems' certificate of incorporation provides that only a majority of the total number of authorized directors of its board of directors or the holders of at least 10% of all the shares entitled to cast votes at a

meeting may call a special meeting of the stockholders.

Harmonic's by-laws provide that only the chairman of the board, its board of directors, its president, or one or more of its stockholders holding shares in the aggregate entitled to cast not less than 10% of the votes of all shares of its stock owned by stockholders entitled to vote at a meeting may call a special meeting of the stockholders.

ADVANCE NOTICE PROVISIONS FOR STOCKHOLDER NOMINATIONS AND PROPOSALS

C-Cube Microsystems' by-laws provide that to be timely, a stockholder's proposal of business must be received not fewer than 120 calendar days prior to the date that C-Cube Microsystems' proxy statement was released to its stockholders in connection with the previous year's annual meeting of stockholders. If C-Cube Microsystems had no annual meeting in the previous year, or if it changed the date of the annual meeting by more than 30 calendar days, then the stockholder must make the request no more than 10 days following the date on which C-Cube Microsystems publicly disclosed the change in the date of the meeting.

Harmonic's by-laws provide that to be timely, a stockholder's proposal of business must be received not fewer than 120 calendar days prior to the date that Harmonic specified in its proxy statement released in connection with the previous year's annual meeting of stockholders. If no annual meeting was held in the previous year or if the date of the annual meeting has been changed by more than 30 calendar days from the date contemplated in the previous year's proxy statement, then the stockholder must make the request within a reasonable time before the solicitation is made.

PREFERRED STOCK

Both of our certificates of incorporation provide that our boards of directors are authorized to provide for the issuance of shares of preferred stock in one or more series, and to fix the designations, powers, preferences and rights of the shares of each series and any qualifications, limitations or restrictions on such shares.

AMENDMENT OF CERTIFICATE OF INCORPORATION

Under Delaware law, a certificate of incorporation of a Delaware corporation may be amended by approval of the board of directors of the corporation and the affirmative vote of the holders of a majority of the outstanding shares entitled to vote for the amendment, unless the corporation's certificate of incorporation requires a higher vote.

C-Cube Microsystems' certificate of incorporation provides that the affirmative vote of the holders of at least 66 2/3% of the shares of C-Cube Microsystems stock entitled to vote generally in the election of directors, voting together as a single class, is required, in certain circumstances, to amend any of the following provisions of C-Cube Microsystems' certificate of incorporation, among others:

- procedures to amend the certificate of incorporation;
- procedures to amend the by-laws;
- the number, election, term, and powers of directors;
- removal of directors;
- filling of vacancies;
- indemnification of directors; and
- procedures to call a special meeting of C-Cube Microsystems stockholders.

DELAWARE ANTI-TAKEOVER STATUTES

We are both subject to Section 203 of the Delaware General Corporation Law, which, under certain circumstances, may make the consummation of various business transactions by "interested stockholders," as defined in Section 203,

with either of us more difficult for a three-year period from the time that the stockholder becomes an interested stockholder. Under Delaware law, a corporation may elect in its certificate of incorporation or by-laws not to be governed by Section 203. Neither Harmonic nor C-Cube Microsystems has done so.

LIMITATION OF LIABILITY OF DIRECTORS

The Delaware General Corporation Law permits a corporation to include a provision in its certificate of incorporation eliminating or limiting the personal liability of a director or officer to the corporation or its stockholders for damages for a breach of the director's fiduciary duty, subject to certain limitations.

Each of our respective certificates of incorporation includes a provision eliminating personal liability of our respective directors to each of us or to our stockholders, as permitted by Delaware law. In the case of C-Cube Microsystems, however, the personal liability of a director for monetary damages for breach of fiduciary duty as a director is expressly preserved with respect to any of the following:

- any breach of the director's duty of loyalty to the company or its stockholders;

- any acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

- under Section 174 of the Delaware General Corporation Law regarding unlawful payment of dividends or unlawful stock purchases or redemptions; or

- any transaction from which the director derived an improper personal benefit.

In addition, each of our certificates of incorporation provide that if the Delaware General Corporation Law is amended to authorize corporate action further limiting or eliminating the personal liability of directors, then the liability of each of our respective directors will be limited or eliminated to the fullest extent permitted by the Delaware General Corporation Law as so amended from time to time.

While these provisions provide directors with protection from awards for monetary damages for breaches of their fiduciary duties, they do not eliminate that duty. Accordingly, these provisions will have no effect on the availability of equitable remedies such as an injunction or recission based on a director's breach of his or her fiduciary duty.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Delaware General Corporation Law permits a corporation to indemnify officers and directors for actions taken in good faith and in a manner they reasonably believed to be in, or not opposed to, the best interests of the corporation, and with respect to any criminal action, which they had no reasonable cause to believe was unlawful.

Both of our respective certificates of incorporation and/or by-laws provide that any person made or threatened to be made a party to an action or proceeding, whether civil, criminal, administrative or investigative, because that person is or was a director, officer, or employee of either of our corporations, or is or was serving at the request of either of us as a director or officer of another corporation or of a partnership, joint venture, trust or other enterprise, will be indemnified against expenses, including attorney's fees, judgments, fines and amounts paid in a settlement, and held harmless by each of us to the fullest extent permitted by the Delaware General Corporation Law.

C-Cube Microsystems' by-laws, however, prohibit it from indemnifying any person in the case of actions, suits, or proceedings initiated by the person seeking indemnity unless:

- such indemnification is expressly required by law;

- the action was authorized by C-Cube Microsystems' board of directors;

- indemnification is provided by C-Cube Microsystems, in its sole discretion, as a result of the powers granted it under the Delaware General Corporation Law; or

- the action is brought to enforce a right to indemnification under an indemnity agreement, statute, or law, or otherwise as required under Section 145 of the Delaware General Corporation Law.

The indemnification rights conferred by each of us are not exclusive of any other right to which persons seeking indemnification may be entitled under any statute, our respective certificates of incorporation or by-laws, any agreement, vote of stockholders or disinterested directors or otherwise. In addition, each of us is authorized to, and does, purchase and maintain insurance on behalf of our directors and officers.

AMENDMENT TO HARMONIC'S CERTIFICATE OF INCORPORATION

Harmonic is also asking its stockholders to approve an amendment to Harmonic's certificate of incorporation to increase the authorized number of shares of Harmonic common stock from 50 million shares to 75 million shares in connection with the merger proposal or to 150 million shares if the further amendment to the certificate of incorporation is approved. A form of the amendment is attached as Appendix D to this joint proxy statement/prospectus. This amendment is designed to allow for the issuance of the Harmonic common stock in the merger and for future stock issuances by Harmonic for purposes such as raising funds to repay debt, acquisition of assets, employee incentives or stock splits. If approved, this amendment to the certificate of incorporation will take effect only if the merger is completed.

STOCKHOLDER PROPOSALS

Harmonic will designate the date of its next annual meeting of stockholders after the completion of the merger. As disclosed in Harmonic's proxy materials for the 1999 Harmonic annual meeting, stockholder nominations or proposals to be considered for inclusion in the proxy material for the 2000 annual meeting must have been duly submitted to the Secretary of Harmonic by December 13, 1999 in order to be eligible to be considered at the 2000 annual meeting of Harmonic stockholders.

C-CUBE MICROSYSTEMS WILL HAVE AN ANNUAL MEETING IN 2000 ONLY IF THE MERGER IS NOT COMPLETED. If you are a C-Cube Microsystems stockholder and you wish to submit a proposal to be considered for inclusion in C-Cube Microsystems' proxy materials for its next annual meeting, you must submit the proposal to the Secretary of C-Cube Microsystems in writing so that the proposal will be received at C-Cube Microsystems' executive offices by November 30, 2000 or if a special meeting, notice must be received not later than the close of business on the tenth (10th) day following the day on which notice of the date of the meeting was mailed or public disclosure was made.

EXPERTS

The consolidated financial statements of Harmonic as of December 31, 1998 for each of the three years in the period then ended, all of which are incorporated by reference in this joint proxy statement/prospectus from Harmonic's Annual Report on Form 10-K/3A for the year ended December 31, 1998, have been audited by PricewaterhouseCoopers LLP, independent public accountants, as indicated in Harmonic's reports, which also are incorporated by reference in this joint proxy statement/prospectus. These financial statements have been incorporated in reliance on the authority of PricewaterhouseCoopers LLP as experts in accounting and auditing in giving the reports.

The consolidated financial statements of the DiviCom business (an operating unit of C-Cube Microsystems Inc.) as of December 31, 1998 and September 30, 1999 and for each of the two years in the period ended December 31, 1998 and the nine month period ended September 30, 1999, all of which are included elsewhere in this joint proxy statement/prospectus, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing elsewhere in the registration statement, and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

LEGAL MATTERS

The validity of the shares of Harmonic common stock to be issued in connection with the merger and certain of the United States federal tax consequences to C-Cube Microsystems stockholders will be passed upon by Gibson, Dunn & Crutcher LLP, San Francisco, California. Certain of the United States federal tax consequences to C-Cube Microsystems stockholders will also be passed upon by Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, California.

WHERE YOU CAN FIND MORE INFORMATION

Harmonic has filed with the Securities and Exchange Commission a registration statement on Form S-4 under the Securities Act that registers the shares of Harmonic common stock to be issued in exchange for shares of C-Cube Microsystems common stock in connection with the merger. The registration statement, including the attached exhibits and schedules, contains additional relevant information about Harmonic and its capital stock. The rules and regulations of the SEC allow us to omit certain information included in the registration statement from this document.

In addition, Harmonic and C-Cube Microsystems file reports, proxy statements and other information with the SEC under the Securities Exchange Act. You may read and copy this information at the following public reference rooms of the SEC:

Washington, D.C.	New York, New York	Los Angeles, California
450 Fifth Street, N.W.	7 World Trade Center	5670 Wilshire Boulevard
Room 1024	Suite 1300	11th floor
Washington, D.C. 20549	New York, NY 10048	Los Angeles, CA 90036

You may also obtain copies of this information by mail from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, at prescribed rates. You may obtain information on the operation of the public reference rooms by calling the SEC at (800) SEC-0330.

The SEC also maintains an Internet website that contains reports, proxy statements and other information about issuers, like Harmonic and C-Cube Microsystems, which file electronically with the SEC. The address of that site is http://www.sec.gov.

The SEC allows Harmonic and C-Cube Microsystems to "incorporate by reference" information into this joint proxy statement/prospectus, which means that important information may be disclosed to you by referring you to another document filed separately with the SEC. The information of Harmonic and C-Cube Microsystems incorporated by reference is deemed to be part of this joint proxy statement/prospectus, except for information superseded by information in, or incorporated by reference in, this joint proxy statement/prospectus. This joint proxy statement/prospectus incorporates by reference the documents set forth below that have been previously filed with the SEC. The following documents contain important information about Harmonic and C-Cube Microsystems and their financial condition and operating results and are hereby incorporated by reference:

- The description of Harmonic's common stock set forth in its Registration Statement on Form 8-A filed with the SEC on April 7, 1995 including any amendments or reports filed for the purpose of updating such description;

- Harmonic's Current Report on Form 8-K dated March 23, 1999;

- Amendment No. 3 to Harmonic's Annual Report on Form 10-K for the year ended December 31, 1998, filed on Harmonic's Form 10-K/3A dated March 10, 2000;

- Harmonic's Quarterly Report on Form 10-Q for the Quarter Ended April 2, 1999;

- Harmonic's Quarterly Report on Form 10-Q for the Quarter Ended July 2, 1999;

- Harmonic's Quarterly Report on Form 10-Q for the Quarter Ended October 1, 1999;

- Harmonic's Current Report on Form 8-K dated November 1, 1999;

- The description of C-Cube Microsystems' common stock set forth in its Registration Statement on Form 8-A filed with the SEC on April 21, 1994, including any amendments or reports filed for the purpose of updating such description;

- C-Cube Microsystems' Annual Report on Form 10-K/A for the year ended December 31, 1998;

- C-Cube Microsystems' Quarterly Report on Form 10-Q for the Quarter Ended March 31, 1999;

- C-Cube Microsystems' Annual Report Pursuant to Section 15(d) of the Securities Exchange Act of 1934, as amended, filed on Form 11-K with the SEC on July 14, 1999;

- C-Cube Microsystems' Quarterly Report on Form 10-Q for the Quarter Ended June 30, 1999;

- C-Cube Microsystems' Quarterly Report on Form 10-Q for the Quarter Ended September 30, 1999; and

- C-Cube Microsystems' Current Report on Form 8-K dated October 29, 1999.

Harmonic and C-Cube Microsystems are also incorporating by reference additional documents that each of them may file with the SEC under the Exchange Act between the date of this joint proxy statement/prospectus and the dates of each of their respective special meetings.

Harmonic has supplied all information contained or incorporated by reference in this joint proxy statement/prospectus relating to Harmonic, and C-Cube Microsystems has supplied all information contained or incorporated by reference in this joint proxy statement/prospectus relating to C-Cube Microsystems.

You may have been sent some of the documents incorporated by reference, but you can obtain any of them through the SEC, Harmonic as to the documents filed by Harmonic or C-Cube Microsystems as to the documents filed by C-Cube Microsystems. Documents incorporated by reference are available from Harmonic or C-Cube Microsystems without charge, excluding any exhibits which are not specifically incorporated by reference as exhibits to this joint proxy statement/prospectus, at the following addresses:

Harmonic Inc.	C-Cube Microsystems Inc.
549 Baltic Way,	1778 McCarthy Boulevard
Sunnyvale, CA 94089	Milpitas, California 95035
Telephone (408) 542-2500	(408) 490-8000

If you would like to request documents from either company, please do so by March 21, 2000 to receive them before the special meetings.

You should rely only on the information in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. If you are in a jurisdiction where offers to exchange or sell, or solicitations of offers to exchange or purchase, the securities offered by this document or the solicitation of proxies is unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this document does not extend to you. The information contained in this document speaks only as of the date of this document unless the information specifically indicates that another date applies.

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APPENDIX A

AMENDED AND RESTATED AGREEMENT AND PLAN OF MERGER AND REORGANIZATION

BY AND BETWEEN

C-CUBE MICROSYSTEMS INC.

AND

HARMONIC INC.

DATED AS OF DECEMBER 9, 1999

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EXHIBITS

AMENDED AND RESTATED AGREEMENT AND PLAN OF MERGER AND REORGANIZATION, dated as of December 9, 1999 (this "AGREEMENT"), by and between C-Cube Microsystems Inc., a Delaware corporation (the "COMPANY"), and Harmonic Inc., a Delaware corporation ("PARENT").

WITNESSETH

WHEREAS, the respective Boards of Directors of Parent and the Company have each (i) determined that the Merger (as defined in Section 1.1(a) hereof) is advisable and fair to, and in the best interests of, their respective stockholders and (ii) approved this Agreement and the Merger upon the terms and subject to the conditions set forth herein, and in accordance with the Delaware General Corporation Law (the "DGCL"), whereby each issued and outstanding share of common stock, par value $.001 per share (the "COMMON STOCK"), of the Company (other than shares of Common Stock owned, directly or indirectly, by the Company or by Parent immediately prior to the Effective Time (as defined in Section 1.1(b) hereof) and Dissenting Shares (as defined in Section 1.2(c) hereof), will, upon the terms and subject to the conditions and limitations set forth herein, be converted into shares of Common Stock, par value $.001 per share, of Parent (the "PARENT SHARES") and, if the Semi Sale (as defined in Section 1.5(a) hereof) has been consummated, the Semi Sale Consideration (as defined in Section 1.5(b)) in accordance with the provisions of Article I of this Agreement;

WHEREAS, for federal income tax purposes, the Merger is intended to qualify as a reorganization under the provisions of Section 368(a) of the United States Internal Revenue Code of 1986, as amended (the "CODE"); and

WHEREAS, the parties wish to amend and restate that certain Agreement and Plan of Merger and Reorganization, dated as of October 27, 1999 by and between the Company and Parent.

NOW, THEREFORE, in consideration of the representations, warranties, covenants, agreements and conditions set forth herein, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

THE MERGER

SECTION 1.1 The Merger.

(a) Upon the terms and subject to the conditions of this Agreement, and in accordance with the DGCL, at the Effective Time, the Company shall be merged

(the "MERGER") with and into Parent, whereupon the separate existence of the Company shall cease, and Parent shall continue as the surviving corporation (sometimes referred to herein as the "SURVIVING CORPORATION") and shall continue to be governed by the laws of the State of Delaware and shall continue under the name "Harmonic Inc."

(b) Concurrently with the Closing (as defined in Section 1.7 hereof), the Company and Parent shall cause a certificate of merger substantially in the form attached hereto as Exhibit A (the "CERTIFICATE OF MERGER") with respect to the Merger to be executed and filed with the Secretary of State of the State of Delaware (the "SECRETARY OF STATE") as provided in the DGCL. The Merger shall become effective on the date and time at which the Certificate of Merger has been duly filed with the Secretary of State of the State of Delaware in accordance with Section 251 of the DGCL or at such other date and time as is agreed between the parties and specified in the Certificate of Merger, and such date and time is hereinafter referred to as the "EFFECTIVE TIME."

(c) The Merger shall have the effects set forth in the DGCL. Without limiting the generality of the foregoing and subject thereto, from and after the Effective Time, the Surviving Corporation shall possess all properties, rights, privileges, immunities, powers and franchises and be subject to all of the obligations, restrictions, disabilities, liabilities, debts and duties of the Company and Parent.

SECTION 1.2 Effect on Common Stock. At the Effective Time:

(a) Cancellation of Shares of Common Stock. Each share of Common Stock held by the Company as treasury stock and each share of Common Stock owned by Parent immediately prior to the Effective Time shall automatically be cancelled and retired and cease to exist, and no consideration or payment shall be delivered therefor or in respect thereto. All shares of Common Stock to be converted into Merger Consideration pursuant to this Section 1.2 shall, by virtue of the Merger and without any action on the part of the holders thereof, cease to be outstanding, be cancelled and retired and cease to exist, and each holder of a certificate (representing prior to the Effective Time any such shares of Common Stock) shall thereafter cease to have any rights with respect to such shares of Common Stock, except the right to receive (i) the Parent Shares into which such shares of Common Stock have been converted, (ii) any dividend and other distributions in accordance with Section 1.3(c) hereof, (iii) any cash, without interest, to be paid in lieu of any fraction of a Parent Share in accordance with Section 1.3(d) hereof and (iv) if the Semi Sale has been consummated, the Semi Sale Consideration.

(b) Conversion of Shares of Common Stock. Subject to Section 1.3(d) hereof, each share of Common Stock issued and outstanding immediately prior to the Effective Time (other than shares of Common Stock referred to in the first sentence of Section 1.2(a) hereof and Dissenting Shares shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into (i) that number of Parent Shares equal to .5427 (provided, however, that such number was calculated assuming that the Convertible Notes (as defined in Section 1.5(b) hereof) all are converted prior to the Effective Time), and (ii) if the Semi Sale (as defined in Section 1.5(a) below) has been consummated at or prior to the Effective Time, the Semi Sale Consideration (collectively, the "MERGER CONSIDERATION"); provided, however, in the event that clause (ii) applies, to the extent that any portion of the Semi Sale Purchase Price is not paid to the Company or any of its Subsidiaries upon the consummation of the Semi Sale, then Parent shall only be obligated to pay to the stockholders of the Company the portion of the Semi Sale Consideration attributable to such portion of the Semi Sale Purchase Price ("DEFERRED SEMI SALE PURCHASE PRICE") if, as and when paid by the purchaser of the Semi Business (the "SEMI PURCHASER") to Parent, Company or any of its Subsidiaries (less any reserves established in connection with the principles set forth in Schedule 1.5(a) hereto).

(c) Dissenting Shares. (i) Notwithstanding any provision of this Agreement to the contrary, in the event of a Semi Sale, any shares of Company Common Stock held by a holder who has demanded and perfected dissenters' rights for such shares in accordance with the DGCL and who, as of the Effective Time, has not effectively withdrawn or lost such dissenters' rights ("DISSENTING SHARES") shall not be converted into or represent a right to receive Merger Consideration pursuant to Section 1.2(b), but the holder thereof shall only be entitled to such rights as are granted by the DGCL.

(ii) Notwithstanding the provisions of subsection (i) above, if any holder of shares of Company Common Stock who demands purchase of such shares under the DGCL shall effectively withdraw or lose (through failure to perfect or otherwise) such holder's dissenters' rights, then, as of the later of (A) the Effective Time or (B) the occurrence of such event, such holder's shares shall automatically be converted into and represent only the right to receive Merger Consideration as provided in Section 1.2(b), without interest thereon, upon surrender of the certificate representing such shares.

(iii) The Company shall give Parent (A) prompt notice of its receipt of any written demands for purchase of any shares of Company Common Stock, withdrawals of such demands, and any other instruments relating to the Merger served pursuant to the DGCL and received by the Company and (B) the opportunity to participate in all negotiations and proceedings with respect to demands for purchase of any shares of Company Common Stock under the DGCL. The Company shall not, except with the prior written consent of Parent or as may be required under applicable law, voluntarily make any payment with respect to any demands for the purchase of Company Common Stock or offer to settle or settle any such demands.

(d) Convertible Notes. At the Effective Time, the holders of the Convertible Notes then outstanding will become entitled thereafter to convert such Convertible Notes into the kind and amount of Merger

Consideration which they would have been entitled to receive in the Merger had such Convertible Notes been converted into Common Stock immediately prior to the Merger. At or prior to the Effective Time, Parent and the Company shall execute any supplemental indenture required in connection with the Merger by the indenture governing the Convertible Notes.

SECTION 1.3 Exchange of Certificates.

(a) Prior to the mailing of the Proxy Statement (as defined in Section 5.3(c) hereof) such bank, trust company, Person or Persons as shall be designated by Parent and reasonably acceptable to the Company shall act as the depositary and exchange agent for the delivery of the Merger Consideration in exchange for shares of Common Stock (the "EXCHANGE AGENT") in connection with the Merger. At or promptly following the Effective Time, Parent shall deposit, or cause to be deposited, with the Exchange Agent the Merger Consideration for the benefit of the holders of shares of Common Stock which are converted into Merger Consideration pursuant to Section 1.2(b) hereof (together with cash as required to (i) pay any dividends or distributions with respect thereto in accordance with Section 1.3(c) hereof and (ii) make payments in lieu of fractional Parent Shares, pursuant to Section 1.3(d) hereof, being hereinafter referred to as the "EXCHANGE FUND")); provided, however, that Parent shall only be obligated to so deposit Deferred Semi Sale Purchase Price if, as and when paid by the Semi Purchaser. For purposes of this Agreement, "PERSON" means any natural person, firm, individual, corporation, limited liability company, partnership, association, joint venture, company, business trust, trust or any other entity or organization, whether incorporated or unincorporated, including a government or political subdivision or any agency or instrumentality thereof.

(b) As of or promptly following the Effective Time, the Surviving Corporation shall cause the Exchange Agent to mail (and to make available for collection by hand) to each holder of record of a certificate or certificates, which immediately prior to the Effective Time represented outstanding shares of Common Stock (other than Dissenting Shares) (the "CERTIFICATES"), (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon proper delivery of the Certificates to the Exchange Agent and which shall be in the form and have such other provisions as Parent and the Company may reasonably specify) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for the Merger Consideration into which the number of shares of Common Stock previously represented by such Certificate shall have been converted pursuant to this Agreement (which instructions shall provide that at the election of the surrendering holder, Certificates may be surrendered, and the Merger Consideration in exchange therefor collected, by hand delivery). Upon surrender of a Certificate for cancellation to the Exchange Agent, together with a letter of transmittal duly completed and validly executed in accordance with the instructions thereto, and such other documents as may be required pursuant to such instructions, the holder of such Certificate shall be entitled to receive

in exchange therefor the Merger Consideration for each share of Common Stock formerly represented by such Certificate, to be mailed (or made available for collection by hand if so elected by the surrendering holder) within three business days of receipt thereof (but in no case prior to the Effective Time), and the Certificate so surrendered shall be forthwith cancelled. The Exchange Agent shall accept such Certificates upon compliance with such reasonable terms and conditions as the Exchange Agent may impose to effect an orderly exchange thereof in accordance with normal exchange practices. No interest shall be paid or accrued for the benefit of holders of the Certificates on the cash payable pursuant to subsections (c) and (d) below upon the surrender of the Certificates.

(c) No dividends or other distributions with respect to Parent Shares with a record date on or after the Effective Time shall be paid to the holder of any unsurrendered Certificate with respect to the Parent Shares represented thereby by reason of the conversion of shares of Common Stock pursuant to Sections 1.2(b) hereof and no cash payment in lieu of fractional Parent Shares shall be paid to any such holder pursuant to Section 1.3(d) hereof until such Certificate is surrendered in accordance with this Article I. Subject to the effect of applicable laws, following surrender of any such Certificate, there shall be paid, without interest, to the Person in whose name the Parent Shares representing such securities are registered (i) at the time of such surrender the amount of any cash payable in lieu of fractional Parent Shares to which such holder is entitled pursuant to Section 1.3(d) hereof and the proportionate amount of

dividends or other distributions with a record date after the Effective Time theretofore paid with respect to Parent Shares, and (ii) at the appropriate payment date or as promptly as practicable thereafter, the proportionate amount of dividends or other distributions with a record date after the Effective Time but prior to such surrender and a payment date subsequent to such surrender payable with respect to such Parent Shares.

(d) No fraction of a share of Parent Common Stock will be issued by virtue of the Merger, but in lieu thereof each holder of shares of Parent Common Stock who would otherwise be entitled to a fraction of a share of Parent Common Stock (after aggregating all fractional shares of Parent Common Stock that otherwise would be received by such holder) shall, upon surrender of such holder's Certificate(s) receive from Parent an amount of cash (rounded to the nearest whole cent), without interest, equal to the product of (i) such fraction, multiplied by (ii) the average closing price of Parent Common Stock for the five (5) trading days immediately preceding the last full trading day prior to the Effective Time, as reported on the Nasdaq National Market System.

(e) Any portion of the Exchange Fund which remains undistributed to the holders of the Certificates for one year after the Effective Time shall be delivered to Parent, upon demand, and any holders of shares of Common Stock prior to the Merger who have not theretofore complied with this Article I shall thereafter look for payment of their claim, as general creditors thereof, only to Parent for their claim for Parent Shares, any cash without interest, to be paid, in lieu of any fractional Parent Shares and any dividends or other distributions with respect to Parent Shares to which such holders may be entitled.

(f) None of Parent, the Company or the Exchange Agent shall be liable to any Person in respect of any Parent Shares held in the Exchange Fund (and any cash, dividends and other distributions payable in respect thereof) delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. If any Certificates shall not have been surrendered prior to one year after the Effective Time (or immediately prior to such earlier date on which (i) any Parent Shares, (ii) any cash in lieu of fractional Parent Shares or (iii) any dividends or distributions with respect to Parent Shares in respect of such Certificate would otherwise escheat to or become the property of any Governmental Entity (as defined in Section 3.3(b) hereof)), any such Parent Shares, cash, dividends or distributions in respect of such Certificate shall, to the extent permitted by applicable law, become the property of Parent, free and clear of all claims or interest of any Person previously entitled thereto.

SECTION 1.4 Stock Options.

Each option granted to a Continuing Employee (as defined in Section 5.12(a)

hereof) to acquire a share of Common Stock, which is outstanding and unvested immediately prior to the Effective Time ("OPTION"), shall become and represent an option to purchase the Merger Consideration (a "SUBSTITUTE OPTION") at an exercise price equal to the exercise price per share of Common Stock subject to the Option immediately prior to the Effective Time; provided, however, that in the case of an Option that is intended to qualify as an incentive stock option under Section 422 of the Code, the conversion formula shall be adjusted (in lieu of providing for any payment of cash) if necessary to conform with Section 424(a) of the Code. The parties acknowledge and agree that the number of Options and the exercise price thereof will be adjusted in accordance with the terms thereof upon consummation of a Semi Spin (as defined in Section 1.5(a)) so as to preserve the option value as determined immediately prior to consummation of the Semi Spin; provided, however, that in the case of an Option that is intended to qualify as an incentive stock option under Section 422 of the Code, such adjustments shall be made in a manner so that the Option shall continue to be treated as an incentive stock option under Section 422 of the Code to the greatest extent allowed by law. After the Effective Time, each Substitute Option shall be exercisable upon the same terms and conditions as were applicable to the related Option prior to the Effective Time subject to accelerated vesting if and to the extent required by the applicable plans as of the date hereof. In the event of any adjustment to the conversion ratio or exercise price of any Option, such adjustments shall be made pursuant to the mutual agreement of Parent and Company prior to the Effective Time. Parent shall take such corporate action as may be necessary or appropriate to, at or prior to the Effective Time, file a registration statement on Form S-8 (or any successor or other appropriate

form) with respect to the Parent Shares subject to any Substitute Options to the extent such registration is required under applicable law in order for such Parent Shares to be sold without restriction in the United States, and Parent shall maintain the effectiveness of such registration statement for so long as such Substitute Options remain outstanding. Notwithstanding anything to the contrary contained in this Agreement, the parties agree that (i) all options to acquire shares of Common Stock that are held by Continuing Employees and that are vested and outstanding immediately prior to the Effective Time shall be, to the extent not exercised, cancelled as of the Effective Time, and (ii) all options to acquire shares of Common Stock that are held by Persons who are not Continuing Employees shall be exercised, converted into Semi (as defined in Section 1.5(a)) or Semi Purchaser (as defined in Section 1.5(a)) options or otherwise cancelled on or prior to the Effective Time.

SECTION 1.5 Disposition of the Semiconductor Business.

(a) It is a condition to each party's obligation to consummate the Merger that, prior to the Effective Time, the Semiconductor Business (as defined below) either be (i) transferred to the stockholders of the Company by transferring the Semiconductor Business to a newly formed affiliate of the Company ("SEMI") and distributing the ownership of Semi to the stockholders of the Company (such transfer and distribution, the "SEMI SPIN") in a transaction that is treated as immediately taxable in full to the Company for federal income tax purposes or (ii) sold by the Company in its entirety (a "SEMI SALE" and, together with the Semi Spin, a "SEMI DISPOSITION") to a purchaser (the "SEMI PURCHASER"). The decision as to whether and under what terms to implement a Semi Spin or a Semi Sale will be the Company's; provided, however, that Parent's consent shall be required in connection with any material deviation from the terms and conditions of a Semi Sale or a Semi Spin, as applicable, and the terms generally applicable, set forth on Schedule 1.5(a). In the event the parties hereto disagree as to whether or not the terms and conditions of a Semi Disposition materially deviate from the terms and conditions set forth on Schedule 1.5(a) or in the event the parties hereto disagree on the amount of cash to be reserved for the Semi Sale Taxes (as defined in Section 1.5(b)), either party shall be entitled to submit such dispute or disagreement for final and binding determination to a mutually acceptable third-party arbitrator, such determination to be made within ten (10) days of the submission to such arbitrator by either party. If the parties are unable to mutually agree upon an arbitrator within one week of a party's notification to the other party of its desire to arbitrate such a dispute, then each party shall have one week to select an arbitrator and such two arbitrators shall have one week to select a third arbitrator who shall have final authority to resolve such dispute within ten (10) days of such arbitrator's selection based upon the terms and conditions set forth on Schedule 1.5(a). The parties shall share equally in the fees and expenses of such arbitrators, and such fees and expenses shall be paid by the

parties prior to the Effective Time.

(b) The "Semiconductor Business" shall consist of the assets and liabilities set forth on Schedule 1.5(b). The "SEMI SALE CONSIDERATION" shall equal the quotient of (i) the Semi Sale Purchase Price less the sum of (A) all expenses attributable to the sale of the Semiconductor Business and (B) the Semi Sale Taxes and (ii) the sum of (a) the number of shares of Common Stock outstanding immediately prior to consummation of the Semi Sale, (b) the number of shares of Common Stock underlying options to purchase Common Stock that are vested immediately prior to consummation of the Semi Sale ("VESTED OPTIONS"), (c) the number of shares of Common Stock underlying Options not constituting Vested Options that are issued to Continuing Employees, and (d) the number of shares of Common Stock underlying the Company's 5 7/8% Convertible Subordinate Notes ("CONVERTIBLE NOTES") outstanding immediately prior to the consummation of the Semi Sale. The "SEMI SALE PURCHASE PRICE" shall equal the aggregate purchase price for the Semiconductor Business payable to the Company or any of its Subsidiaries in the Semi Sale, including any contingent consideration and any consideration subject to escrow, holdback or indemnification provisions of the Semi Sale, but excluding amounts payable with respect to, or reserved for payment with respect to, options issued to employees of the Semiconductor Business that are not vested as of the Effective Time. The "SEMI SALE TAXES" shall equal the income and other Taxes (as defined in Section 3.11(b)) incurred and to be incurred by Parent, the Company or any affiliates thereof in connection with the Semi Sale and the distribution of the Semi Sale Consideration pursuant to the Merger. For purposes of determining the amount of the Semi Sale Taxes that are based on

net income, there shall be deducted from the "amount realized" from the Semi Sale (or corresponding amount as determined for state, local or foreign income Tax purposes), without duplication, (i) the tax basis of the cash and other assets recognized as assets of the Semiconductor Business pursuant to Schedules 1.5(a) and 1.5(b) (but only to the extent such cash and other assets are transferred to the Semi Purchaser), (ii) capitalized expenses of the Company that both reduce the income tax liability of the Company and are attributable to the sale within the meaning of clause (i)(A) of the second sentence of this Section 1.5(b), (iii) the amount of any deductions accrued on or prior to the Closing Date attributable to the exercise of Company options after the date hereof and on or prior to the Closing Date (provided that deductions that reduce Semi Sale Taxes pursuant to this paragraph shall not also reduce other Company taxable income, and assuming for the purposes of this subsection that a "disqualifying disposition" occurs with respect to 80% of all Company options that are "incentive stock options" under Section 422 of the Code that are exercised on or prior to the Closing Date) and (iv) any other currently deductible items of the Company attributable to the sale within the meaning of clause (i)(A) of the second sentence of this Section 1.5(b). For purposes of this paragraph, expenses related to the disposition of Semi incurred or accrued by the end of the Closing Date shall not be treated as allocated to Semi's tax period beginning on the day after Closing Date under Treas. Reg. Section 1.1502-76(b)(1)(ii)(B). The Company and Parent shall mutually determine the amount of the Semi Sale Taxes prior to the Closing Date. If the Company and Parent fail to reach an agreement within one (1) week prior to the scheduled Closing Date, either party shall be entitled to submit the matter to a mutually acceptable third-party arbitrator. If the parties are unable to mutually agree upon an arbitrator within one (1) week of a party's notification to the other party of its desire to arbitrate such a dispute, then each party shall have one (1) week to select an arbitrator and such two arbitrators shall have ten (10) days to select a third arbitrator who shall have final authority to resolve such dispute within ten (10) days of such arbitrator's selection, but before the Closing Date. The parties shall share equally in the fees and expenses of such arbitrators, and such fees and expenses shall be paid by the parties prior to the Effective Time.

SECTION 1.6 Lost Certificates. If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by the Surviving Corporation, the posting by such Person of a bond, in such reasonable amount as the Surviving Corporation may direct (but consistent with past practice of the Company), as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent will issue in exchange for such lost, stolen or destroyed Certificate the Parent Shares to which the holder thereof is entitled pursuant to this Article I.

SECTION 1.7 Merger Closing. Subject to the satisfaction or waiver of the conditions set forth in Article VI hereof, the closing of the Merger (the "CLOSING") will take place at 10:00 a.m., California time, on a date to be specified by the parties hereto, and no later than the second business day after the satisfaction or waiver of the conditions set forth in Article VI hereof that are to be satisfied other than on the day of Closing, at the offices of Wilson Sonsini Goodrich & Rosati, Professional Corporation, 650 Page Mill Road, Palo Alto, California, unless another time, date or place is agreed to in writing by the parties hereto (such date, the "CLOSING DATE").

SECTION 1.8 Possible Alternative Structure. In the event that Parent or the Company reasonably determines prior to the Effective Time that (i) there is a material possibility that the transactions contemplated by this Agreement will not constitute a "reorganization" within the meaning of Section 368(a) of the Code, (ii) there is a material possibility that the Merger will result in a material corporate level Tax, or (iii) there are material Tax benefits available if the transactions contemplated by this Agreement are restructured, such party may request that the structure of the acquisition of the Company contemplated by this Agreement be altered in a manner so as to permit (i) the transactions contemplated by this Agreement to qualify as a reorganization under Section 368 of the Code or a transfer under Section 351 of the Code, (ii) the avoidance of such material corporate-level Tax, or (iii) the achievement of such Tax benefits as applicable. In any case, corresponding changes to this Agreement shall be made consistent with such structure but without any material adverse change in the economic consequences to Parent, the Company or their respective stockholders.

ARTICLE II

THE SURVIVING CORPORATION

SECTION 2.1 Certificate of Incorporation. At the Effective Time, the Certificate of Incorporation of Parent, as in effect immediately prior to the Effective Time, shall be the Certificate of Incorporation of the Surviving Corporation until thereafter amended as provided by law.

SECTION 2.2 By-Laws. The by-laws of Parent in effect at the Effective Time shall be the by-laws of the Surviving Corporation until thereafter amended in accordance with applicable law, the certificate of incorporation of such entity and the by-laws of such entity.

SECTION 2.3 Officers and Directors.

(a) From and after the Effective Time, the officers of Parent at the Effective Time shall be the officers of the Surviving Corporation, with the following additions and exceptions: Tom Lookabaugh, until their respective successors are duly elected or appointed and qualified in accordance with applicable law.

(b) The Board of Directors of the Surviving Corporation effective as of, and immediately following, the Effective Time shall consist of six (6) members provided, further that the Board of Directors of Parent shall take all such action as may be necessary to cause to be appointed to the Board of Directors of the Surviving Corporation as of the Effective Time five (5) designees of Parent and one (1) designee of the Company, each of whom shall be nominated from the current directors of the Parent and the Company, designated in writing by the parties prior to the mailing of the Proxy Statement (defined in Section 5.3(c) hereof).

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Parent, subject to such exceptions as are specifically disclosed in writing in the disclosure letter supplied by the Company to Parent, which disclosure shall provide an exception to or otherwise qualify the representations or warranties of Company specifically referred to in such disclosure and such other representations and warranties to the extent such disclosure shall reasonably appear to be applicable to such other representations or warranties (the "COMPANY DISCLOSURE SCHEDULE") as

follows:

SECTION 3.1 Corporate Existence and Power. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware, and has all corporate powers and all governmental licenses, authorizations, consents and approvals (collectively, "LICENSES") required to carry on its business as now conducted or presently proposed to be conducted except for failures to have any such License which would not, in the aggregate, have a Company Material Adverse Effect (as defined below). The Company is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the character of the property owned, leased or operated by it or the nature of its activities makes such qualification necessary, except in such jurisdictions where failures to be so qualified would not reasonably be expected to, in the aggregate, have a Company Material Adverse Effect. As used herein, the term "COMPANY MATERIAL ADVERSE EFFECT" means a material adverse effect on the financial condition, business, assets or results of operations of the Company and its Subsidiaries, taken as a whole (assuming consummation of the Semi Disposition), provided, however, that in no event shall any effect that results from (a) the public announcement or pendency of the transactions contemplated hereby or any actions taken in compliance with this Agreement, (b) changes affecting the telecommunications equipment industry generally, (c) changes affecting the United States economy generally, or (d) stockholders class action litigation arising from allegations of a breach of fiduciary duty relating to this Agreement, constitute a Company Material Adverse Effect. The Company has heretofore made available to Parent true and complete copies of the Certificate of Incorporation and the by-laws of the Company as currently in effect.

SECTION 3.2 Corporate Authorization.

(a) The Company has the requisite corporate power and authority to execute and deliver this Agreement and, subject to approval of the Company's stockholders, as set forth in Section 3.2(b) hereof and as contemplated by Section 5.3 hereof, to perform its obligations hereunder. The execution and delivery of this Agreement and the performance of its obligations hereunder have been duly and validly authorized, and this Agreement has been approved, by the Board of Directors of the Company and no other corporate proceedings, on the part of the Company, other than the approval of the Company's stockholders, are necessary to authorize the execution, delivery and performance of this Agreement. This Agreement has been duly executed and delivered by the Company and constitutes, assuming due authorization, execution and delivery of this Agreement by Parent, a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

(b) Under applicable law, the Certificate of Incorporation and the rules of the NASDAQ, the affirmative vote of the holders of a majority of the shares of Common Stock outstanding on the record date, established by the Board of Directors of the Company in accordance with the by-laws of the Company, applicable law and this Agreement, is the vote required to approve the Merger, adopt this Agreement and, if applicable, approve the Semi Sale.

SECTION 3.3 Consents and Approvals; No Violations.

(a) Neither the execution and delivery of this Agreement nor the performance by the Company of its obligations hereunder will (i) conflict with or result in any breach of any provision of the Certificate of Incorporation or the by-laws of the Company; (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration or obligation to repurchase, repay, redeem or acquire or any similar right or obligation) under any of the terms, conditions or provisions of any note, mortgage, letter of credit, other evidence of indebtedness, guarantee, license, lease or agreement or similar instrument or obligation to which the Company or any of its Subsidiaries is a party or by which any of them or any of their assets may be bound or (iii) assuming that the filings, registrations, notifications, authorizations, consents and approvals referred to in subsection (b) below have been obtained or made, as the case may be, violate any order, injunction, decree, statute, rule or regulation of any Governmental Entity to which the Company or any of its Subsidiaries is subject, excluding from the foregoing clauses (ii) and (iii) such requirements, defaults, breaches, rights or violations that would not, in the aggregate, reasonably be expected to have a

Company Material Adverse Effect and would not have a material adverse effect on the ability of the Company to perform its obligations hereunder.

(b) No filing or registration with, notification to, or authorization, consent or approval of, any government or any agency, court, tribunal, commission, board, bureau, department, political subdivision or other instrumentality of any government (including any regulatory or administrative agency), whether federal, state, multinational (including, but not limited to, the European Community), provincial, municipal, domestic or foreign (each, a "GOVERNMENTAL ENTITY") is required in connection with the execution and delivery of this Agreement by the Company or the performance by the Company of its obligations hereunder, except (i) the filing of the Certificate of Merger in accordance with the DGCL; (ii) compliance with any applicable requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder (the "HSR ACT"), or any foreign laws regulating competition, antitrust, investment or exchange controls; (iii) compliance with any applicable requirements of the Securities Act of 1933, as amended, and the rules and regulations thereunder (the "SECURITIES ACT") and the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (the "EXCHANGE ACT"); (iv) compliance with any applicable requirements of state blue sky or takeover laws and (v) such other consents, approvals, orders, authorizations, notifications, registrations, declarations and filings the failure of which to be obtained or made would not, in the aggregate, reasonably be expected to have a Company Material Adverse Effect and would not have a material adverse effect on the ability of the Company to perform its obligations hereunder.

SECTION 3.4 Capitalization. The authorized capital stock of the Company consists of 150,000,000 shares of Common Stock, par value $0.001 and 5,000,000 shares of preferred stock, par value $ 0.001 per share (the "PREFERRED STOCK"). As of September 30, 1999, there were (i) 40,476,647 shares of Common Stock issued and outstanding and (ii) no shares of Preferred Stock issued and outstanding. All shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and nonassessable and were not issued in violation of any preemptive rights. As of September 30, 1999, there were outstanding options to purchase 14,475,268 shares of Common Stock. Except as set forth in this Section 3.4, for the Convertible Notes and for changes since September 30, 1999, resulting from the exercise of options outstanding on such date, there are outstanding (i) no shares of capital stock or other voting securities of the Company, (ii) no securities of the Company or any Subsidiary of the Company convertible into or exchangeable for shares of capital stock or voting securities of the Company, (iii) no options, preemptive or other rights to acquire from the Company or any of its Subsidiaries, and no obligation of the Company to issue any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of the Company and (iv) no equity equivalent interest in the ownership or earnings of the Company or its Subsidiaries or other similar rights (the items in clauses (i), (ii), (iii) and (iv) being referred to collectively as the "COMPANY SECURITIES"). There are no outstanding obligations of the Company or any of its Subsidiaries to repurchase, redeem or otherwise acquire any Company Securities. No Subsidiary of the Company owns any capital stock or other voting securities of the Company.

SECTION 3.5 Subsidiaries.

(a) Each Subsidiary of the Company (each, a "COMPANY SUBSIDIARY") (i) is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, (ii) has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted and (iii) is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the character of the property owned or leased by it or the nature of its activities makes such qualification necessary, except for failures of this representation and warranty to be true which would not, in the aggregate, have a Company Material Adverse Effect. For purposes of this Agreement, "SUBSIDIARY" means with respect to any Person, any corporation or other legal entity of which such Person owns, directly or indirectly, more than 50% of the outstanding stock or other equity interests, the holders of which are entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity. All Company Subsidiaries and their respective jurisdictions of incorporation are identified in Schedule 3.5 of the Company Disclosure Schedule.

(b) All of the outstanding shares of capital stock of each Subsidiary of the Company are duly authorized, validly issued, fully paid and nonassessable, and such shares are owned by the Company or by a Subsidiary of the Company free and clear of any Liens (as defined hereafter) or limitations on voting rights. There are no subscriptions, options, warrants, calls, preemptive rights, rights, convertible securities or other agreements or commitments of any character relating to the issuance, transfer, sale, delivery, voting or redemption (including any rights of conversion or exchange under any outstanding security or other instrument) of any of the capital stock or other equity interests of any of such Subsidiaries. There are no agreements requiring the Company or any of its Subsidiaries to make contributions to the capital of, or lend or advance funds to, any Subsidiaries of the Company. For purposes of this Agreement, "LIEN" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset.

SECTION 3.6 SEC Documents. The Company has filed all required reports, proxy statements, registration statements, forms and other documents with the SEC since January 1, 1998 (the "COMPANY SEC DOCUMENTS"). As of their respective dates, and giving effect to any amendments thereto, (a) the Company SEC Documents complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and the applicable rules and regulations of the SEC promulgated thereunder and (b) none of the Company SEC Documents contained any untrue statement of a material

fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

SECTION 3.7 Financial Statements.

(a) The financial statements of the Company (including, in each case, any notes and schedules thereto) included in the Company SEC Documents (a) were prepared from the books and records of the Company and its Subsidiaries, (b) comply as to form in all material respects with all applicable accounting requirements and the rules and regulations of the SEC with respect thereto, (c) are in conformity with United States generally accepted accounting principles ("GAAP"), applied on a consistent basis (except in the case of unaudited statements, as permitted by the rules and regulations of the SEC) during the periods involved and (d) fairly present, in all material respects, the consolidated financial position of the Company and its consolidated Subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments which were not and are not expected to be, individually or in the aggregate, material in amount).

(b) The unaudited financial statements of the Company (assuming consummation of the Semi Disposition) for the nine-month period ended September 30, 1999 and attached to Schedule 3.7(b) of the Company Disclosure Schedule (including any notes and schedules thereto) (a) were prepared from the books and records of the Company and its Subsidiaries, (b) comply as to form in all material respects with all applicable accounting requirements and the rules and regulations of the SEC with respect thereto, (c) are in conformity with GAAP, applied on a consistent basis (except as permitted by the rules and regulations of the SEC) during the period involved and (d) fairly present, in all material respects, the consolidated financial position of the Company and its consolidated Subsidiaries (assuming consummation of the Semi Disposition) as of the date thereof and the consolidated results of their operations and cash flows for the period then ended (subject to normal year-end audit adjustments which were not and are not expected to be, individually or in the aggregate, material in amount).

SECTION 3.8 Absence of Undisclosed Liabilities. Except as set forth in the Company SEC Documents filed through the date of this Agreement, and except for liabilities and obligations incurred in the ordinary course of business since the date of the most recent consolidated balance sheet included in the Company SEC Documents, neither the Company nor any of its Subsidiaries has any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) except for those that would not, in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

SECTION 3.9 Joint Proxy Statement; Form S-4.

(a) None of the information contained in the Proxy Statement (and any amendments thereof or supplements thereto) will at the time of the mailing of the Proxy Statement to the stockholders of the Company or the stockholders of Parent and at the time of the Special Meeting (as defined in Section 5.3(a)) or the Parent Special Meeting (as defined in Section 5.3(b)), contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, except that no representation is made by the Company with respect to statements made or omitted in the Proxy Statement relating to Parent based on information supplied by Parent for inclusion in the Proxy Statement. The Proxy Statement will comply as to form in all material respects with the provisions of the Exchange Act and the rules and regulations promulgated thereunder, except that no representation is made by the Company with respect to the statements made or omitted in the Proxy Statement relating to Parent based on information supplied by Parent for inclusion in the Proxy Statement.

(b) None of the information supplied or to be supplied by the Company for inclusion or incorporation by reference in the registration statement on Form S-4 (and/or such other form as may be applicable and used) to be filed with the SEC in connection with the issuance of Parent Shares by reason of the transactions contemplated by this Agreement (such registration statement, as it may be amended or supplemented, is herein referred to as the "FORM S-4") will, with respect to information relating to the

Company, at the time the Form S-4 is filed with the SEC, and at any time it is amended or supplemented or at the time it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

SECTION 3.10 Absence of Material Adverse Changes, Etc. Since June 30, 1999, there has not been a Company Material Adverse Effect. Without limiting the foregoing, except as disclosed in the Company SEC Documents filed by the Company through the date hereof or as contemplated by this Agreement, since June 30, 1999, (i) the Company and its Subsidiaries have conducted their business in the ordinary course of business and (ii) there has not been:

(a) any declaration, setting aside or payment of any dividend or other distribution with respect to any shares of capital stock of the Company, or any repurchase, redemption or other acquisition by the Company or any Subsidiary (other than any wholly-owned Subsidiary) of the Company of any outstanding shares of capital stock or other equity securities of, or other ownership interests in, the Company or of any Company Securities;

(b) any amendment of any provision of the Certificate of Incorporation or by-laws of, or of any material term of any outstanding security issued by, the Company or any Subsidiary (other than any wholly-owned Subsidiary) of the Company;

(c) any incurrence, assumption or guarantee by the Company or any Subsidiary of the Company of any indebtedness for borrowed money other than borrowings under existing short term credit facilities not in excess of $100,000 in the aggregate;

(d) any change in any method of accounting or accounting practice by the Company or any Subsidiary of the Company, except for any such change required by reason of a change in GAAP;

(e) any (i) grant of any severance or termination pay to any director, officer or employee of the Company or any Subsidiary of the Company, (ii) employment, deferred compensation or other similar agreement (or any amendment to any such existing agreement) with any director, officer or employee of the Company or any Subsidiary of the Company entered into, (iii) increase in benefits payable under any existing severance or termination pay policies or employment agreements or (iv) increase in compensation, bonus or other benefits payable to directors, officers or employees of the Company or any Subsidiary of the Company, in each case

other than in the ordinary course of business;

(f) issuance of Company Securities other than pursuant to options outstanding as of June 30, 1999 and the issuance of options after such date in the ordinary course of business and upon the conversion of the Convertible Notes (and the issuance of Company Securities pursuant thereto);

(g) acquisition or disposition of assets material to the Company and its Subsidiaries (assuming consummation of the Semi Disposition), except for sales of inventory in the ordinary course of business consistent with past practice, or any acquisition or disposition of capital stock of any third party (other than acquisitions or dispositions of non-controlling equity interests of third parties in the ordinary course of business where the aggregate cost of all such acquisitions and dispositions does not exceed $10,000,000), or any merger or consolidation with any third party, by the Company or any Subsidiary;

(h) entry by the Company into any joint venture, partnership or similar agreement with any person other than a wholly-owned Subsidiary; or

(i) any authorization of, or commitment or agreement to take any of, the foregoing actions except as otherwise permitted by this Agreement.

SECTION 3.11 Taxes.

(a)(1) All Tax Returns (as defined below) required to be filed by or on behalf of the Company, each of its Subsidiaries, and each affiliated, combined, consolidated or unitary group of which the Company or

any of its Subsidiaries is or has been a member ("COMPANY GROUP MEMBERS") have been timely filed, and all returns filed are complete and accurate and correctly reflect the tax liabilities required to be reported therein, (2) the Company, its Subsidiaries, and Company Group Members have timely paid all Taxes (as defined below) that have become due or payable and have adequately reserved for in accordance with GAAP all Taxes (whether or not shown on any Tax Return) that have accrued but are not yet due or payable; (3) there is no presently pending audit examination, refund, claim or litigation, proposed adjustment or matter in controversy with respect to any Taxes due and owing by the Company, any Subsidiary of the Company or any Company Group Member and none of the above has knowledge that any such action or proceeding is being contemplated, (4) neither the Company, any Subsidiary of the Company nor any Company Group Member has filed any waiver of the statute of limitations applicable to the assessment or collection of any Tax which remains open; (5) all assessments for Taxes due and owing by the Company, any Subsidiary of the Company or any Company Group Member with respect to completed and settled examinations or concluded litigation have been paid; (6) neither the Company, any Subsidiary of the Company nor any Company Group Member is a party to any express or implied tax indemnity agreement, tax sharing agreement or other agreement under which it could become liable to another person as a result of the imposition of a Tax upon any person, or the assessment or collection of such a Tax; (7) the Company, each of its Subsidiaries, and each Company Group Member has complied in all material respects with all rules and regulations relating to the withholding of Taxes; (8) neither the Company, any Subsidiary, nor any Company Group Member is a party to any agreement, contract, arrangement or plan that has resulted or would result, individually or in the aggregate, in connection with this Agreement or any change of control of the Company, any Subsidiary, or any Company Group Member in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code; (9) neither the Company, any Subsidiary, nor any Company Group Member has made any payments since December 31, 1998, and is not a party to an agreement that could require it to make any payments (including any deemed payment of compensation upon exercise of an option), that would not be fully deductible by reason of Section 162(m) of the Code; and (10) the liabilities of the Company will not exceed the adjusted basis of the assets of the Company, in each case as determined for federal income tax purposes immediately prior to the Effective Time.

(b) For purposes of this Agreement, (i) "TAXES" means (A) all taxes, levies or other like assessments, charges or fees (including estimated taxes, charges and fees), including, without limitation, income, corporation, advance corporation, gross receipts, transfer, excise, property, sales, use,

value-added, license, payroll, withholding, social security and franchise or other governmental taxes or charges, imposed by the United States or any state, county, local or foreign government or subdivision or agency thereof, and such term shall include any interest, penalties or additions to tax attributable to such taxes, and (B) any liability for payment of amounts described in clause (A) whether as a result of transferee liability, of being a member of an affiliated, consolidated, combined or unitary group for any period, or otherwise through operation of law, and (ii) "TAX RETURN" means any report, return, statement or other written information required to be supplied to a taxing authority in connection with Taxes.

SECTION 3.12 Employee Benefit Plans.

(a) Except for any plan, fund, program, agreement or arrangement that is subject to the laws of any jurisdiction outside the United States, Schedule 3.12(a) of the Company Disclosure Schedule contains a true and complete list of each material deferred compensation, incentive compensation, and equity compensation plan; material "welfare" plan, fund or program (within the meaning of section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")); material "pension" plan, fund or program (within the meaning of section 3(2) of ERISA); each material employment, termination or severance agreement; and each other material employee benefit plan, fund, program, agreement or arrangement, in each case, that is in writing and sponsored, maintained or contributed to or required to be contributed to by the Company or by any trade or business, whether or not incorporated (each, an "ERISA AFFILIATE"), that together with the Company would be deemed a "single employer" within the meaning of section 4001(b) of ERISA, or to which the Company or an ERISA Affiliate is party, whether written or oral, for the benefit of any employee, consultant, director or former employee, consultant or

director of the Company or any Subsidiary of the Company. The plans, funds, programs, agreements and arrangements listed on Schedule 3.12(a) of the Company Disclosure Schedule are referred to herein collectively as the "PLANS".

(b) With respect to each Plan, the Company has heretofore delivered or made available to Parent true and complete copies of the Plan and any amendments thereto (or if the Plan is not a written Plan, a description thereof), any related trust or other funding vehicle, the most recent reports or summaries required under ERISA or the Code and the most recent determination letter received from the Internal Revenue Service with respect to each Plan intended to qualify under section 401 of the Code.

(c) No liability under Title IV or section 302 of ERISA has been incurred by the Company or any ERISA Affiliate that has not been satisfied in full, other than liability for premiums due the Pension Benefit Guaranty Corporation (which premiums have been paid when due).

(d) Each Plan has been operated and administered in all material respects in accordance with its terms and applicable law, including, but not limited to, ERISA and the Code.

(e) Each Plan intended to be "qualified" within the meaning of section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service, or in the case of such a Plan for which a favorable determination letter has not yet been received, the applicable remedial amendment period under Section 401(b) of the Code has not expired.

(f) No Plan provides medical, surgical, hospitalization, death or similar benefits (whether or not insured) for employees or former employees of the Company or any Subsidiary for periods extending beyond their retirement or other termination of service, other than (i) coverage mandated by applicable law, (ii) death benefits under any "pension plan," or (iii) benefits the full cost of which is borne by the current or former employee (or his or her beneficiary), dependant or other covered person.

(g) There are no pending, or to the knowledge of the Company, threatened or anticipated, claims that would reasonably be expected to have a Company Material Adverse Effect by or on behalf of any Plan, by any employee or beneficiary covered under any such Plan, or otherwise involving any such Plan (other than routine claims for benefits).

(h) The consummation of the transactions contemplated by this Agreement will not, either alone or in combination with another event, (i) entitle any current or former employee or officer of the Company or any ERISA Affiliate to severance pay, unemployment compensation or any other payment, except as expressly provided in this Agreement, or (ii) accelerate the time of payment or vesting, or increase the amount of compensation due any such employee or officer, other than payments, accelerations or increases (x) under any employee benefit plan that is subject to the laws of a jurisdiction outside of the United States or (y) mandated by applicable law.

(i) To the knowledge of the Company, all employee benefit plans that are subject to the laws of any jurisdiction outside the United States are in material compliance with such applicable laws, including relevant Tax laws, and the requirements of any trust deed under which they were established, except for such exceptions to the foregoing which, in the aggregate, would not reasonably be expected to have a Company Material Adverse Effect. Schedule 3.12(i) lists all material employee pension benefit plans that are subject to the laws of any jurisdiction outside the United States except for such plans that are governmental or statutory plans.

(j) Each Plan can be amended prospectively or terminated at any time without approval from any person, without advance notice, and without any liability other than for benefits accrued prior to such amendment or termination.

(k) No agreement, commitment, or obligation exists to increase any benefits under any Plan or to adopt any new Plan.

(l) No Plan has any unfunded accrued benefits that are not fully reflected in the Financial Statements.

(m) No ERISA pension plan has incurred any "accumulated funding deficiency" or "waived funding deficiency" within the meaning of Section 302 of ERISA or Section 412 of the Internal Revenue Code of 1986, as amended (the "CODE") and the Company has never sought to obtain any variance from the minimum funding standards pursuant to Section 412(d) of the Code. The funding method used in connection with each ERISA Pension Plan meets the requirements of ERISA and the Code and the actuarial assumptions used in connection with each such plan are reasonable, given the experience of such ERISA Pension Plan and reasonable expectations.

The fair market value of the plan assets of each ERISA Pension Plan are at least equal to (i) the present value of its benefit liabilities (as defined in ERISA Section 4001(a)(16), including any unpredictable contingent event benefits within the meaning of Code Section 412(l)(7), and determined on the basis of assumptions prescribed by the PBGC for purposes of ERISA Section 4044), and (ii) the Projected Benefit Obligations thereunder, as defined in Statement of Financial Accounting Standards No. 87, including any allowance for indexation and ad hoc increases. No ERISA Pension Plan has been completely or partially terminated or been the subject of a Reportable Event under ERISA Section 4043. No proceeding by the PBGC to terminate any ERISA Pension Plan has been instituted, and the Company has not incurred any liability to the PBGC (other than the PBGC premiums, all of which have been timely paid) or otherwise under Title IV of ERISA with respect to any ERISA Pension Plan.

(n) The Company neither maintains nor participates in any Voluntary Employees' Beneficiary Association ("VEBA"), under Code Sections 419 and 419A, which is intended to be exempt from taxation under section 501(c)(9) of the Code.

(o) The Company does not maintain, participate in, contribute to, or have any obligation to contribute or any liability with respect to any multiple employer or multiemployer plan, or has had any obligation with respect to such a plan during the six (6) years immediately preceding the date of this Agreement.

SECTION 3.13 Litigation; Compliance with Laws.

(a) Except as set forth in the Company SEC Documents filed through the date of this Agreement or otherwise fully covered by insurance, there is no action, suit or proceeding pending against, or to the knowledge of the Company, threatened against, the Company or any Subsidiary of the Company or any of their

respective properties before any court or arbitrator or any Governmental Entity which would reasonably be expected to have a Company Material Adverse Effect.

(b) The Company and its Subsidiaries are in compliance with all applicable laws, ordinances, rules and regulations of any federal, state, local or foreign governmental authority applicable to their respective businesses and operations, except for such violations, if any, which, in the aggregate, would not reasonably be expected to have a Company Material Adverse Effect. All governmental approvals, permits and licenses (collectively, "PERMITS") required to conduct the business of the Company and its Subsidiaries have been obtained, are in full force and effect and are being complied with except for such violations and failures to have Permits in full force and effect, if any, which, individually or in the aggregate, would not reasonably be expected to have a Company Material Adverse Effect.

SECTION 3.14 Labor Matters. As of the date of this Agreement (i) there is no labor strike, dispute, slowdown, stoppage or lockout actually pending or, to the knowledge of the Company, threatened against the Company; (ii) to the knowledge of the Company, no union organizing campaign with respect to the Company's employees or any of its Subsidiaries is underway; (iii) there is no unfair labor practice charge or complaint against the Company or any of its Subsidiaries pending or, to the knowledge of the Company, threatened before the National Labor Relations Board or any similar state or foreign agency; (iv) there is no written grievance pending relating to any collective bargaining agreement or other grievance procedure; (v) to the knowledge of the Company, no charges with respect to or relating to the Company or any of its Subsidiaries are pending before the Equal Employment Opportunity Commission or any other agency responsible for the prevention of unlawful employment practices; and (vi) there are no collective bargaining agreements with any union covering employees of the Company or any of its Subsidiaries,

except for such exceptions to the foregoing clauses (i) through (vi) which, individually or in the aggregate, would not reasonably be expected to have a Company Material Adverse Effect.

SECTION 3.15 Certain Contracts and Arrangements. Each material contract or agreement to which the Company or any of its Subsidiaries is a party or by which any of them is bound is in full force and effect, and neither the Company nor any of its Subsidiaries, nor, to the knowledge of the Company, any other party thereto, is in breach of, or default under, any such contract or agreement, and no event has occurred that with notice or passage of time or both would constitute such a breach or default thereunder by the Company or any of its Subsidiaries, or, to the knowledge of the Company, any other party thereto, except for such failures to be in full force and effect and such breaches and defaults which, in the aggregate, would not reasonably be expected to have a Company Material Adverse Effect.

SECTION 3.16 Environmental Matters.

(a) The following definitions apply to Section 3.16 and Section 4.16. (i) "CLEANUP" means all actions required to: (A) cleanup, remove, treat or remediate Hazardous Materials (as defined hereafter) in the indoor or outdoor environment; (B) prevent the Release (as defined hereafter) of Hazardous Materials so that they do not migrate, endanger or threaten to endanger public health or welfare or the indoor or outdoor environment; (C) perform pre-remedial studies and investigations and post-remedial monitoring and care; or (D) respond to any government requests for information or documents in any way relating to cleanup, removal, treatment or remediation or potential cleanup, removal, treatment or remediation of Hazardous Materials in the indoor or outdoor environment.

(ii) "Environmental Claim" means any claim, action, cause of action, investigation or written notice by any Person alleging potential liability (including, without limitation, potential liability for investigatory costs, Cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries, or penalties) arising out of, based on or resulting from (A) the presence or Release of any Hazardous Materials at any location, whether or not owned or operated by the Company or any of its Subsidiaries or (B) circumstances forming the basis of any violation of any Environmental Law (as defined hereafter).

(iii) "Environmental Laws" means all federal, state, local and foreign laws

and regulations relating to pollution or protection of the environment, including, without limitation, laws relating to Releases or threatened Releases of Hazardous Materials or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, transport or handling of Hazardous Materials.

(iv) "Hazardous Materials" means all substances defined as Hazardous Substances, Oils, Pollutants or Contaminants in the National Oil and Hazardous Substances Pollution Contingency Plan, 40 C.F.R. Section 300.5, or defined as such by, or regulated as such under, any Environmental Law.

(v) "Release" means any release, spill, emission, discharge, leaking, pumping, injection, deposit, disposal, dispersal, leaching or migration into the environment (including, without limitation, ambient air, surface water, groundwater and surface or subsurface strata) or into or out of any property, including the movement of Hazardous Materials through or in the air, soil, surface water, groundwater or property.

(b) (i) To the knowledge of the Company, the Company and its Subsidiaries are in compliance with all applicable Environmental Laws (which compliance includes, but is not limited to, the possession by the Company and its Subsidiaries of all permits and other governmental authorizations required under applicable Environmental Laws, and compliance with the terms and conditions thereof), except where failures to be in compliance would not, in the aggregate, reasonably be expected to have a Company Material Adverse Effect. Since January 1, 1998 and prior to the date of this Agreement, neither the Company nor any of its Subsidiaries has received any communication (written or oral), whether from a Governmental Entity, citizens' group, employee or otherwise, alleging that the Company or any of its Subsidiaries is not in such compliance, except where failures to be in compliance would not, in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(ii) There is no Environmental Claim pending or, to the knowledge of the Company, threatened against the Company or any of its Subsidiaries or, to the knowledge of the Company, against any Person whose liability for any Environmental Claim the Company or any of its Subsidiaries has or may have retained or assumed either contractually or by operation of law that would reasonably be expected to have a Company Material Adverse Effect.

(iii) There are no present or, to the knowledge of the Company, past actions, activities, circumstances, conditions, events or incidents, including, without limitation, the Release or presence of any Hazardous Material that could form the basis of any Environmental Claim against the Company or any of its Subsidiaries or, to the knowledge of the Company, against any Person whose liability for any Environmental Claim the Company or any of its Subsidiaries has or may have retained or assumed either contractually or by operation of law that would, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(iv) Neither the Company nor any of its Subsidiaries is subject to any indemnity or other agreement relating to liability under any Environmental Laws or relating to Hazardous Materials.

(v) The Company agrees to cooperate with Parent to effect the retention of any permits or other governmental authorizations under Environmental Laws that will be required to permit the Company to conduct the business as conducted by the Company and its Subsidiaries immediately prior to the Closing Date.

SECTION 3.17 Intellectual Property.

(a) To the knowledge of the Company, the Company and its Subsidiaries own or have the right to use all material Intellectual Property (as defined hereafter) reasonably necessary for the Company and its Subsidiaries to conduct their business as it is currently conducted (assuming consummation of the Semi Disposition). All Company Registered Intellectual Property has been identified on Schedule 3.17(a) "COMPANY REGISTERED INTELLECTUAL PROPERTY" includes a list of United States, international and foreign (i) patents and patent applications, (ii) registered trademarks and trademark applications, and (iii) registered copyright applications, in each case owned by the Company and its Subsidiaries (assuming consummation of the Semi Disposition).

(b) To the knowledge of the Company: (i) all of the registrations, including patents, relating to material Intellectual Property owned by the Company and its Subsidiaries (assuming consummation of the Semi Disposition) are subsisting and unexpired, free of all liens or encumbrances, have not been abandoned; (ii) the Company does not infringe the intellectual property rights of any third party in any respect that would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect; (iii) no judgment, decree, injunction, rule or order has been rendered by Governmental Entity which would limit, cancel or question the validity of, or the Company's or its Subsidiaries' rights (assuming consummation of the Semi Disposition) in and to, any Intellectual Property owned by the Company (assuming consummation of the Semi Disposition) in any respect that would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect; and (iv) the Company has not received notice of any pending or threatened suit, action or adversarial proceeding that seeks to limit, cancel or question the validity of, or the Company's or its Subsidiaries' rights (assuming consummation of the Semi Disposition) in and to, any Intellectual Property, which would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(c) For purposes of this Agreement "INTELLECTUAL PROPERTY" shall mean all rights, privileges and priorities provided under U.S., state and foreign law relating to intellectual property, including without limitation all (w)(1) proprietary inventions, discoveries, processes, formulae, designs, methods, techniques, procedures, concepts, developments, technology, new and useful improvements thereof and proprietary know-how relating thereto, whether or not patented or eligible for patent protection; (2) copyrights and copyrightable works, including, but not limited to, computer applications, programs, software, databases and related items; (3) trademarks, service marks, trade names, and trade dress, the goodwill of any business symbolized thereby, and all common-law rights relating thereto; (4) trade secrets and other

confidential information; (x) patents and invention disclosures; (y) all registrations, applications and recordings for any of the foregoing and (z) licenses or other similar agreements granting to the Company or any of its Subsidiaries the rights to use any of the foregoing.

(d) To the knowledge of the Company, the Company and its Subsidiaries have not used and are not making use of any confidential or proprietary information or trade secrets of any other Person in breach of any agreement to which the Company or any of its Subsidiaries is subject or in violation of any civil or criminal law.

(e) The Company has taken commercially reasonable security measures to protect the secrecy, confidentiality and value of its trade secrets.

(f) To the knowledge of the Company, all employees of the Company and its Subsidiaries have executed written agreements with the Company or its Subsidiaries that assign to the Company or its Subsidiaries all rights to inventions improvements, discoveries or information relating to the business of the Company and its Subsidiaries. To the Company's knowledge, no employee of the Company or its Subsidiaries has entered into any agreement that restricts or limits in any way the scope or type of work in which the employee may be engaged or requires the employee to transfer, assign or disclose any Intellectual Property or information concerning the employee's work to anyone other than the Company or its Subsidiaries.

SECTION 3.18 Opinion of Financial Advisor. The Company has received the opinion of Credit Suisse First Boston Corporation ("CSFB") dated the date of the original agreement to the effect that, as of the date of such opinion, and based upon and subject to the matters stated therein, the Exchange Ratio is fair from a financial point of view to the holders of Common Stock. A true and complete copy of such opinion will be delivered to Parent as soon as practicable.

SECTION 3.19 Board Recommendation. The Board of Directors of the Company, at a meeting duly called and held, has approved this Agreement and (i) determined that this Agreement and the transactions contemplated hereby, including the Merger, taken together are advisable and in the best interests of the stockholders of the Company; and (ii) resolved to recommend that the stockholders of the Company adopt this Agreement and approve the Merger.

SECTION 3.20 Tax Treatment. Neither the Company nor any of its affiliates has taken any action or knows of any fact, agreement, plan or other circumstance that could pose a material risk to the status of the Merger as a reorganization under the provisions of Section 368(a) of the Code.

SECTION 3.21 Finders' Fees. Except for CSFB (a true and correct copy of whose engagement agreement has been provided to Parent), whose fees will be paid by the Company, there is no investment banker, broker, finder or other intermediary which has been retained by, or is authorized to act on behalf of, the Company or any Subsidiary of the Company that would be entitled to any fee or commission from the Company, any Subsidiary of the Company, Parent or any of Parent's affiliates upon consummation of the transactions contemplated by this Agreement.

SECTION 3.22 Section 203 of the Delaware General Corporation Law. The Board of Directors of the Company has taken all actions so that (a) the restrictions contained in Section 203 of the DGCL applicable to a "business combination" (as defined in such Section 203) will not apply to the execution, delivery or performance of this Agreement or to the consummation of the Merger or the other transactions contemplated by this Agreement.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PARENT

Parent represents and warrants to the Company subject to such exceptions as are specifically disclosed in writing in the disclosure letter and referencing a specific representation supplied by Parent to Company, which disclosure shall provide an exception to or otherwise qualify the representations or warranties of

Parent specifically referred to in such disclosure and such other representations and warranties to the extent such disclosure shall reasonably appear to be applicable to such other representations or warranties (the "PARENT DISCLOSURE SCHEDULE"), as follows:

SECTION 4.1 Corporate Existence and Power. Parent is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, has all corporate or other power, as the case may be, and all Licenses required to carry on its business as now conducted or presently proposed to be conducted except for failures to have any such License which would not, in the aggregate, have a Parent Material Adverse Effect (as defined below). Parent is duly qualified to do business and is in good standing in each jurisdiction where the character of the property owned, leased or operated by it or the nature of its activities makes such qualification necessary, except for those jurisdictions where failures to be so qualified would not reasonably be expected to, in the aggregate, have a Parent Material Adverse Effect. As used herein, the term "PARENT MATERIAL ADVERSE EFFECT" means a material adverse effect on the financial condition, business, assets or results of operations of Parent and its Subsidiaries, taken as a whole, provided, however, that in no event shall any effect that results from (a) the public announcement or pendency of the transactions contemplated hereby, (b) changes affecting the telecommunications equipment industry generally, (c) changes affecting the United States economy generally or (d) stockholder class action litigation arising from allegations of a breach of fiduciary duty relating to this Agreement, constitute a Parent Material Adverse Effect. Parent has heretofore delivered or made available to the Company true and complete copies of the governing documents or other organizational documents of like import, as currently in effect, of Parent.

SECTION 4.2 Authorization. Parent has the requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement and the performance of its obligations hereunder have been duly and validly authorized by the Board of Directors of Parent, and no other proceedings on the part of Parent are necessary to authorize the execution, delivery and performance of this Agreement. This Agreement has been duly executed and delivered by Parent and constitutes, assuming due authorization, execution and delivery of this Agreement by the Company, a valid and binding obligation of Parent, enforceable against it in accordance with its terms.

SECTION 4.3 Consents and Approvals; No Violations.

(a) Neither the execution and delivery of this Agreement nor the performance by Parent of its obligations hereunder will (i) conflict with or result in any breach of any provision of the Certificate of Incorporation or by-laws (or other governing or organizational documents) of Parent, or (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration or obligation to repurchase, repay, redeem or acquire or any similar right or obligation) under any of the terms, conditions or provisions of any note, mortgage, letter of credit, other evidence of indebtedness, guarantee, license, lease or agreement or similar instrument or obligation to which Parent is a party or by which any of them or any of the respective assets used or held for use by any of them may be bound or (iii) assuming that the filings, registrations, notifications, authorizations, consents and approvals referred to in subsection (b) below have been obtained or made, as the case may be, violate any order, injunction, decree, statute, rule or regulation of any Governmental Entity to which Parent is subject, excluding from the foregoing clauses (ii) and (iii) such requirements, defaults, breaches, rights or violations that would not, in the aggregate, reasonably be expected to have a Parent Material Adverse Effect and would not reasonably be expected to have a material adverse effect on the ability of Parent to consummate the transactions contemplated hereby.

(b) No filing or registration with, notification to, or authorization, consent or approval of, any Governmental Entity is required in connection with the execution and delivery of this Agreement by Parent or the performance by it of its obligations hereunder, except (i) the filing of the Certificate of Merger in accordance with the DGCL; (ii) compliance with any applicable requirements of the HSR Act or any foreign laws regulating competition, antitrust, investment or exchange controls; (iii) compliance with any applicable requirements of the Securities Act and the Exchange Act; (iv) compliance with any

applicable requirements of state blue sky or takeover laws and (v) such other consents, approvals, orders, authorizations, notifications, registrations, declarations and filings the failure of which to be obtained or made would not reasonably be expected to have a Parent Material Adverse Effect and would not have a material adverse effect on the ability of Parent to perform its obligations hereunder.

SECTION 4.4 Capitalization. The authorized capital stock of Parent consists of 50,000,000 shares of Parent Common Stock and 5,000,000 shares of preferred stock, par value $.001 per share (the "PARENT PREFERRED STOCK"). As of September 27, 1999 there were (i) 15,145,478 shares of Parent Common Stock issued and outstanding and (ii) no shares of Parent Preferred Stock issued and outstanding. All shares of capital stock of Parent have been duly authorized and validly issued and are fully paid and nonassessable and were not issued in violation of any preemptive rights. As of September 27, 1999 there were outstanding Parent Options to purchase 1,910,974 shares of Parent Common Stock. Except as set forth in this Section 4.4 and except for changes since September 27, 1999 resulting from the exercise of Parent Options outstanding on such date, there are outstanding (i) no shares of capital stock or other voting securities of Parent, (ii) no securities of Parent or any Subsidiary of Parent convertible into or exchangeable for shares of capital stock or voting securities of Parent, (iii) no options, preemptive or other rights to acquire from Parent or any of its Subsidiaries, and no obligation of Parent to issue, any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of Parent, and (iv) no equity equivalent interest in the ownership or earnings of Parent or its Subsidiaries or other similar rights (the items in clauses (i), (ii), (iii) and (iv) being referred to collectively as the "PARENT SECURITIES"). There are no outstanding obligations of Parent or any of its Subsidiaries to repurchase, redeem or otherwise acquire any Parent Securities. No Subsidiary of Parent owns any capital stock or other voting securities of Parent or the Company.

SECTION 4.5 Subsidiaries.

(a) Each Subsidiary of Parent (each, a "PARENT SUBSIDIARY") (i) is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, (ii) has all corporate powers and all material governmental licenses, authorizations, consents and approvals required

to carry on its business as now conducted and (iii) is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the character of the property owned or leased by it or the nature of its activities makes such qualification necessary, except for failures of this representation and warranty to be true which would not, in the aggregate, have a Parent Material Adverse Effect. All Parent Subsidiaries and their respective jurisdictions of incorporation are identified in Schedule 4.5 of Parent Disclosure Schedule.

(b) All of the outstanding shares of capital stock of each Subsidiary of Parent are duly authorized, validly issued, fully paid and nonassessable, and such shares are owned by Parent or by a Subsidiary of Parent free and clear of any Liens or limitations on voting rights. There are no subscriptions, options, warrants, calls, preemptive rights, rights, convertible securities or other agreements or commitments of any character relating to the issuance, transfer, sale, delivery, voting or redemption (including any rights of conversion or exchange under any outstanding security or other instrument) of any of the capital stock or other equity interests of any of such Subsidiaries. There are no agreements requiring Parent or any of its Subsidiaries to make contributions to the capital of, or lend or advance funds to, any Subsidiaries of Parent.

SECTION 4.6 SEC Documents. Parent has filed all required reports, proxy statements, registration statements, forms and other documents with the SEC since January 1, 1998 (the "PARENT SEC DOCUMENTS"). As of their respective dates, and giving effect to any amendments thereto, (a) the Parent SEC Documents complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and the applicable rules and regulations of the SEC promulgated thereunder and (b) none of the Parent SEC Documents contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

SECTION 4.7 Financial Statements. The financial statements of Parent (including, in each case, any notes and schedules thereto) included in the Parent SEC Documents (a) were prepared from the books and records of Parent and its Subsidiaries, (b) comply as to form in all material respects with all applicable accounting requirements and the rules and regulations of the SEC with respect thereto, (c) are in conformity with GAAP, applied on a consistent basis (except in the case of unaudited statements, as permitted by the rules and regulations of the SEC) and (d) fairly present, in all material respects, the consolidated financial position of Parent and its consolidated Subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments which were not and are not expected to be, individually or in the aggregate, material in amount).

SECTION 4.8 Absence of Undisclosed Liabilities. Except as set forth in the Parent SEC Documents filed through the date of this Agreement, and except for liabilities and obligations incurred in the ordinary course of business since the date of the most recent consolidated balance sheet included in the Parent SEC Documents, neither Parent nor any of its Subsidiaries has any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) except for those that would not, in the aggregate, reasonably be expected to have a Parent Material Adverse Effect.

SECTION 4.9 Proxy Statement; Form S-4.

(a) None of the information contained in the Proxy Statement (and any amendments thereof or supplements thereto) will at the time of the mailing of the Proxy Statement to the stockholders of the Company or the stockholders of Parent and at the time of the Special Meeting or the Parent Special Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, except that no representation is made by Parent with respect to statements made or omitted in the Proxy Statement relating to the Company based on information supplied by the Company for inclusion in the Proxy Statement. The Proxy Statement will comply as to form in all material respects with the provisions of the Exchange Act and the rules and regulations promulgated thereunder, except that no representation is made by Parent with respect to the

statements made or omitted in the Proxy Statement relating to the Company based on information supplied by the Company for inclusion in the Proxy Statement.

(b) None of the information supplied or to be supplied by Parent for inclusion or incorporation by reference in the Form S-4 will, with respect to information relating to Parent, at the time the Form S-4 is filed with the SEC, and at any time it is amended or supplemented or at the time it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

SECTION 4.10 Absence of Material Adverse Changes, Etc. Since June 30, 1999, there has not been a Parent Material Adverse Effect. Without limiting the foregoing, except as disclosed in Parent SEC Documents filed by Parent through the date hereof or as contemplated by this Agreement, since June 30, 1999, (i) Parent and its Subsidiaries have conducted their business in the ordinary course of business and (ii) there has not been:

(a) any declaration, setting aside or payment of any dividend or other distribution with respect to any shares of capital stock of Parent, or any repurchase, redemption or other acquisition by Parent or any Subsidiary (other than any wholly-owned Subsidiary) of Parent of any outstanding shares of capital stock or other equity securities of, or other ownership interests in, Parent or of any Company Securities;

(b) any amendment of any provision of the Certificate of Incorporation or by-laws of, or of any material term of any outstanding security issued by, Parent or any Subsidiary (other than any wholly-owned Subsidiary) of Parent;

(c) any incurrence, assumption or guarantee by Parent or any Subsidiary of Parent of any indebtedness for borrowed money other than borrowings under existing short term credit facilities not in excess of $100,000 in the aggregate;

(d) any change in any method of accounting or accounting practice by Parent or any Subsidiary of Parent, except for any such change required by reason of a change in GAAP;

(e) issuance of Parent Securities other than pursuant to options outstanding as of June 30, 1999 and the issuance of options after such date in the ordinary course of business (and the issuance of securities pursuant thereto);

(f) acquisition or disposition of assets material to Parent and its Subsidiaries, except for sales of inventory in the ordinary course of business consistent with past practice, or any acquisition or disposition of capital stock of any third party (other than acquisitions or dispositions of non-controlling equity interests of third parties in the ordinary course of business where the aggregate cost of all such acquisitions and dispositions does not exceed $10,000,000), or any merger or consolidation with any third party, by Parent or any Subsidiary;

(g) entry by Parent into any joint venture, partnership or similar agreement with any person other than a wholly-owned Subsidiary; or

(h) any authorization of, or commitment or agreement to take any of, the foregoing actions except as otherwise permitted by this Agreement.

SECTION 4.11 Taxes.

(1) All Tax Returns required to be filed by or on behalf of Parent, each of its Subsidiaries, and each affiliated, combined, consolidated or unitary group of which Parent or any of its Subsidiaries is or has been a member ("PARENT GROUP MEMBERS") have been timely filed, and all returns filed are complete and accurate and correctly reflect the tax liabilities required to be reported therein, (2) Parent, its Subsidiaries and Parent Group Members have timely paid all Taxes (as defined below) that have become due or payable and have adequately reserved for in accordance with GAAP all Taxes (whether or not shown on any Tax Return) that have accrued but are not yet due or payable; (3) there is no

presently pending audit examination, refund claim or litigation, proposed adjustment or matter in controversy with respect to any Taxes due and owing by Parent, any Subsidiary of Parent or any Parent Group Member and none of the above has knowledge that of any such action or proceeding is being contemplated; (4) neither Parent, any Subsidiary of Parent nor any Parent Group Member has filed any waiver of the statute of limitations applicable to the assessment or collection of any Tax which remains open; (5) all assessments for Taxes due and owing by Parent, any Subsidiary of Parent or any Parent Group Member with respect to completed and settled examinations or concluded litigation have been paid; (6) neither Parent, any Subsidiary of Parent nor any Parent Group Member is a party to any express or implied tax indemnity agreement, tax sharing agreement or other agreement under which it could become liable to another person as a result of the imposition of a Tax upon any person, or the assessment or collection of such a Tax; and (7) Parent, each of its Subsidiaries, and each Parent Group Member has complied in all material respects with all rules and regulations relating to the withholding of Taxes.

SECTION 4.12 Employee Benefit Plans.

(a) Except for any plan, fund, program, agreement or arrangement that is subject to the laws of any jurisdiction outside the United States, Schedule 4.12(a) of Parent Disclosure Schedule contains a true and complete list of each material deferred compensation, incentive compensation, and equity compensation plan; material "welfare" plan, fund or program (within the meaning of section 3(1) of ERISA); material "pension" plan, fund or program (within the meaning of section 3(2) of ERISA); each material employment, termination or severance agreement; and each other material employee benefit plan, fund, program, agreement or arrangement, in each case, that is in writing and sponsored, maintained or contributed to or required to be contributed to by Parent or by any trade or business, whether or not incorporated, that together with Parent would be deemed a "single employer" within the meaning of

section 4001(b) of ERISA, or to which Parent or an ERISA Affiliate is party, whether written or oral, for the benefit of any employee, consultant, director or former employee, consultant or director of Parent or any Subsidiary of Parent. The plans, funds, programs, agreements and arrangements listed on Schedule 4.12(a) of the Parent Disclosure Schedule are referred to herein collectively as the "PARENT PLANS".

(b) With respect to each Parent Plan, Parent has heretofore delivered or made available to the Company true and complete copies of the Parent Plan and any amendments thereto (or if the Parent Plan is not a written plan, a description thereof), any related trust or other funding vehicle, the most recent reports or summaries required under ERISA or the Code and the most recent determination letter received from the Internal Revenue Service with respect to each Parent Plan intended to qualify under section 401 of the Code.

(c) No liability under Title IV or section 302 of ERISA has been incurred by Parent or any ERISA Affiliate that has not been satisfied in full, other than liability for premiums due the Pension Benefit Guaranty Corporation (which premiums have been paid when due).

(d) Each Parent Plan has been operated and administered in all material respects in accordance with its terms and applicable law, including, but not limited to, ERISA and the Code.

(e) Each Parent Plan intended to be "qualified" within the meaning of section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service, or in the case of such a Parent Plan for which a favorable determination letter has not yet been received, the applicable remedial amendment period under Section 401(b) of the Code has not expired.

(f) No Parent Plan provides medical, surgical, hospitalization, death or similar benefits (whether or not insured) for employees or former employees of Parent or any Subsidiary for periods extending beyond their retirement or other termination of service, other than (i) coverage mandated by applicable law, (ii) death benefits under any "pension plan," or (iii) benefits the full cost of which is borne by the current or former employee (or his or her beneficiary), dependant or other covered person.

(g) There are no pending, or to the knowledge of Parent, threatened or

anticipated, claims that would reasonably be expected to have a Parent Material Adverse Effect by or on behalf of any Parent Plan, by any employee or beneficiary covered under any such Parent Plan, or otherwise involving any such Parent Plan (other than routine claims for benefits).

(h) To the knowledge of Parent, all employee benefit plans that are subject to the laws of any jurisdiction outside the United States are in material compliance with such applicable laws, including relevant Tax laws, and the requirements of any trust deed under which they were established, except for such exceptions to the foregoing which, in the aggregate, would not reasonably be expected to have a Parent Material Adverse Effect. Schedule 4.12(i) lists all material employee pension benefit plans that are subject to the laws of any jurisdiction outside the United States except for such plans that are governmental or statutory plans.

(i) Each Plan can be amended prospectively or terminated at any time without approval from any person, without advance notice, and without any liability other than for benefits accrued prior to such amendment or termination.

(j) No agreement, commitment, or obligation exists to increase any benefits under any Plan or to adopt any new Plan.

(k) No Plan has any unfunded accrued benefits that are not fully reflected in the Financial Statements.

(l) No ERISA pension plan has incurred any "accumulated funding deficiency" or "waived funding deficiency" within the meaning of Section 302 of ERISA or Section 412 of the Internal Revenue Code of 1986, as amended (the "Code") and Parent has never sought to obtain any variance from the minimum funding standards pursuant to Section 412(d) of the Code. The funding method used in connection with

each ERISA Pension Plan meets the requirements of ERISA and the Code and the actuarial assumptions used in connection with each such plan are reasonable, given the experience of such ERISA Pension Plan and reasonable expectations.

The fair market value of the plan assets of each ERISA Pension Plan are at least equal to (i) the present value of its benefit liabilities (as defined in ERISA Section 4001(a)(16), including any unpredictable contingent event benefits within the meaning of Code Section 412(l)(7), and determined on the basis of assumptions prescribed by the PBGC for purposes of ERISA Section 4044), and (ii) the Projected Benefit Obligations thereunder, as defined in Statement of Financial Accounting Standards No. 87, including any allowance for indexation and ad hoc increases. No ERISA Pension Plan has been completely or partially terminated or been the subject of a Reportable Event under ERISA Section 4043. No proceeding by the PBGC to terminate any ERISA Pension Plan has been instituted, and Parent has not incurred any liability to the PBGC (other than the PBGC premiums, all of which have been timely paid) or otherwise under Title IV of ERISA with respect to any ERISA Pension Plan.

(m) Parent neither maintains nor participates in any Voluntary Employees' Beneficiary Association ("VEBA"), under Code Sections 419 and 419A, which is intended to be exempt from taxation under section 501(c)(9) of the Code.

(n) Parent does not maintain, participate in, contribute to, or have any obligation to contribute or any liability with respect to any multiple employer or multiemployer plan, or has had any obligation with respect to such a plan during the six years immediately preceding the date of this Agreement.

SECTION 4.13 Litigation; Compliance with Laws.

(a) Except as set forth in either the Parent SEC Documents filed through the date of this Agreement or otherwise fully covered by insurance, there is no action, suit or proceeding pending against, or to the knowledge of Parent threatened against, Parent or any Subsidiary of Parent or any of their respective properties before any court or arbitrator or any Governmental Entity which would reasonably be expected to have a Parent Material Adverse Effect.

(b) Parent and its Subsidiaries are in compliance with all applicable laws, ordinances, rules and regulations of any federal, state, local or foreign

governmental authority applicable to their respective businesses and operations, except for such violations, if any, which, in the aggregate, would not reasonably be expected to have a Parent Material Adverse Effect. All Permits required to conduct the business of Parent and its Subsidiaries have been obtained, are in full force and effect and are being complied with except for such violations and failures to have Permits in full force and effect, if any, which, individually or in the aggregate, would not reasonably be expected to have a Parent Material Adverse Effect.

SECTION 4.14 Labor Matters. As of the date of this Agreement (i) there is no labor strike, dispute, slowdown, stoppage or lockout actually pending or, to the knowledge of Parent, threatened against Parent; (ii) to the knowledge of Parent, no union organizing campaign with respect to Parent's employees is underway; (iii) there is no unfair labor practice charge or complaint against Parent pending or, to the knowledge of Parent, threatened before the National Labor Relations Board or any similar state or foreign agency; (iv) there is no written grievance pending relating to any collective bargaining agreement or other grievance procedure; (v) to the knowledge of Parent, no charges with respect to or relating to Parent are pending before the Equal Employment Opportunity Commission or any other agency responsible for the prevention of unlawful employment practices; and (vi) there are no collective bargaining agreements with any union covering employees of Parent, except for such exceptions to the foregoing clauses (i) through (vi) which, individually or in the aggregate, would not reasonably be expected to have a Parent Material Adverse Effect.

SECTION 4.15 Certain Contracts and Arrangements. Each material contract or agreement to which Parent or any of its Subsidiaries is a party or by which any of them is bound is in full force and effect, and neither Parent nor any of its Subsidiaries, nor, to the knowledge of Parent, any other party thereto, is in breach of, or default under, any such contract or agreement, and no event has occurred that with notice or passage of time or both would constitute such a breach or default thereunder by Parent or any of its

Subsidiaries, or, to the knowledge of Parent, any other party thereto, except for such failures to be in full force and effect and such breaches and defaults which, in the aggregate, would not reasonably be expected to have a Parent Material Adverse Effect.

SECTION 4.16 Environmental Matters.

(a)(i) To the knowledge of Parent, Parent and its Subsidiaries are in compliance with all applicable Environmental Laws (which compliance includes, but is not limited to, the possession by Parent and its Subsidiaries of all permits and other governmental authorizations required under applicable Environmental Laws, and compliance with the terms and conditions thereof), except where failures to be in compliance would not, in the aggregate, reasonably be expected to have a Parent Material Adverse Effect. Since January 1, 1998 and prior to the date of this Agreement, neither Parent nor any of its Subsidiaries has received any communication (written or oral), whether from a Governmental Entity, citizens' group, employee or otherwise, alleging that Parent or any of its Subsidiaries is not in such compliance, except where failures to be in compliance would not, in the aggregate, reasonably be expected to have a Parent Material Adverse Effect.

(ii) There is no Environmental Claim pending or, to the knowledge of Parent, threatened against Parent or any of its Subsidiaries or, to the knowledge of Parent, against any Person whose liability for any Environmental Claim Parent or any of its Subsidiaries has or may have retained or assumed either contractually or by operation of law that would reasonably be expected to have a Parent Material Adverse Effect.

(iii) There are no present or, to the knowledge of Parent, past actions, activities, circumstances, conditions, events or incidents, including, without limitation, the Release or presence of any Hazardous Material that could form the basis of any Environmental Claim against Parent or any of its Subsidiaries or, to the knowledge of Parent, against any Person whose liability for any Environmental Claim Parent or any of its Subsidiaries has or may have retained or assumed either contractually or by operation of law that would, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect.

(iv) Neither the Parent nor any of its Subsidiaries is subject to any indemnity or other agreement relating to liability under any Environmental Laws or relating to Hazardous Materials.

SECTION 4.17 Intellectual Property.

(a) To the knowledge of Parent, Parent and its Subsidiaries own or have the right to use all material Intellectual Property reasonably necessary for Parent and its Subsidiaries to conduct their business as it is currently conducted.

(b) To the knowledge of Parent: (i) all of the registrations, including patent registrations, relating to material Intellectual Property owned by Parent and its Subsidiaries are subsisting and unexpired, free of all liens or encumbrances, have not been abandoned; (ii) Parent does not infringe the intellectual property rights of any third party in any respect that would reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect; (iii) no judgment, decree, injunction, rule or order has been rendered by Governmental Entity which would limit, cancel or question the validity of, or Parent's or its Subsidiaries' rights in and to, any Intellectual Property owned by Parent in any respect that would reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect; and (iv) Parent has not received notice of any pending or threatened suit, action or adversarial proceeding that seeks to limit, cancel or question the validity of, or Parent's or its Subsidiaries' rights in and to, any Intellectual Property, which would reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

(c) To the knowledge of the Parent, the Parent and its Subsidiaries have not used and are not making use of any confidential or proprietary information or trade secrets of any other Person in breach of any agreement to which the Parent is subject or in violation of any civil or criminal law.

(d) The Parent has taken commercially reasonable security measures to protect the secrecy, confidentiality and value of its trade secrets.

(e) To the knowledge of the Parent, all employees of the Parent have executed written agreements with the Parent that assign to the Parent all rights to inventions improvements, discoveries or information relating to the business of the Parent. To the Parent's knowledge, no employee of the Parent has entered into any agreement that restricts or limits in any way the scope or type of work in which the employee may be engaged or requires the employee to transfer, assign or disclose any Intellectual Property or information concerning the employee's work to anyone other than the Parent.

SECTION 4.18 Opinion of Financial Advisor. Parent has received the opinion of Warburg Dillon Read to the effect that, as of the date of such opinion, the Exchange Ratio is fair from a financial point of view to Parent. A true and complete copy of such opinion will be delivered to the Company as soon as practicable.

SECTION 4.19 Board Recommendation. The Board of Directors of Parent, at a meeting duly called and held, has approved this Agreement and (i) determined that this Agreement and the transactions contemplated hereby, including the Merger, taken together are fair to and in the best interests of the shareholders of Parent; and (ii) resolved to recommend that the shareholders of Parent approve the Share Issuance.

SECTION 4.20 Tax Treatment. Neither Parent nor any of its affiliates has taken any action or knows of any fact, agreement, plan or other circumstance that could pose a material risk to the status of the Merger as a reorganization under the provisions of Section 368(a) of the Code.

SECTION 4.21 Finders' Fees. Except for Warburg Dillon Read (a true and correct copy of whose engagement agreement has been provided to the Company), whose fees will be paid by Parent, there is no investment banker, broker, finder or other intermediary that might be entitled to any fee or commission in connection with or upon consummation of the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Parent.

SECTION 4.22 Section 203 of the Delaware General Corporation Law. The

Board of Directors of Parent has taken all actions so that (a) the restrictions contained in Section 203 of the DGCL applicable to a "business combination" (as defined in such Section 203) will not apply to the execution, delivery or performance of this Agreement or the consummation of the Merger or the other transactions contemplated by this Agreement.

ARTICLE V

COVENANTS OF THE PARTIES

SECTION 5.1 Conduct of the Business of the Company. From the date hereof until the Effective Time, except as expressly contemplated or allowed by this Agreement, including in connection with the Semi Disposition, the Company and its Subsidiaries shall conduct their businesses in the ordinary course consistent with past practice and shall use commercially reasonable efforts to preserve intact their business organizations and relationships with third parties and to keep available the services of their present officers and employees. Without limiting the generality of the foregoing, from the date hereof until the Effective Time, except as expressly contemplated or allowed by this Agreement, including in connection with the Semi Disposition, the Company will not (and will not permit any of its Subsidiaries to) take any action or knowingly omit to take any action that would (i) make any of its representations and warranties contained herein false to an extent that would cause the condition set forth in Section 6.3(b) not to be satisfied, or (ii) make the representations and warranties set forth in Section 3.10 false. In addition, from the date hereof until the Effective time, except as expressly contemplated or allowed by this Agreement, including in connection with the Semi Disposition, the Company shall not, and shall not permit its Subsidiaries to accelerate, amend or change the period of exercisability of options or restricted stock, or reprice options outstanding on the date of this Agreement.

SECTION 5.2 Conduct of the Business of Parent. From the date hereof until the Closing Date, except as expressly contemplated or allowed by this Agreement, Parent and its Subsidiaries shall conduct their businesses in the ordinary course consistent with past practice and shall use their commercially reasonable efforts to preserve intact their business organizations and relationships with third parties and to keep available the services of their present officers and employees. Without limiting the generality of the foregoing, from the date hereof until the Closing Date, except as expressly contemplated or allowed by this Agreement, Parent will not (and will not permit any of its Subsidiaries to) take any action or knowingly omit to take any action that would (i) make any of its representations and warranties contained herein false to an extent that would cause the condition set forth in Section 6.2(b) not to be satisfied or (ii) make the representations and warranties set forth in Section 4.10 false.

SECTION 5.3 Stockholders' Meetings; Proxy Material.

(a) Subject to the last sentence of this Section 5.3(a), the Company shall, in accordance with applicable law and the Certificate of Incorporation and the by-laws of the Company duly call, give notice of, convene and hold a special meeting of its stockholders (the "SPECIAL MEETING") as promptly as practicable after the date hereof for the purpose of considering and taking action upon this Agreement, the Merger, and, to the extent required by applicable law, the Semi Sale, if any (the "COMPANY APPROVAL MATTERS"). The Board of Directors of the Company shall recommend approval and adoption of this Agreement and approval of the Merger and the Semi Sale, if applicable, by the Company's stockholders; provided that the Board of Directors of the Company may withdraw, modify or change such recommendation if but only if (i) it believes in good faith that a Superior Proposal (as defined in Section 5.5 hereof) has been made and (ii) it has determined in good faith, based on the advice of outside counsel, that the failure to withdraw, modify or change such recommendation would constitute a breach of the fiduciary duties of the Board of Directors of the Company under applicable law.

(b) Subject to the last sentence of this Section 5.3(b), Parent shall, in accordance with applicable law and the Certificate of Incorporation and the by-laws of Parent duly call, give notice of, convene and hold a special meeting of its stockholders (the "PARENT SPECIAL MEETING") as promptly as practicable after the date hereof for the purpose of considering and taking action upon this Agreement, the Merger and the issuance of Parent Shares in connection with the transactions contemplated hereby (the "PARENT APPROVAL MATTERS"). The Board of

Directors of Parent shall recommend approval and adoption of the Parent Approval Matters by Parent's stockholders.

(c) Promptly following the date of this Agreement, the Company and Parent shall prepare a joint proxy statement relating to the Company Approval Matters and the Parent Approval Matters (the "PROXY STATEMENT"), and Parent shall prepare and file with the SEC, following resolution of any comments the SEC may have with respect to the Proxy Statement, the Form S-4, in which the Proxy Statement will be included as a prospectus. Parent and the Company shall cooperate with each other in connection with the preparation of the foregoing documents. Parent and the Company shall each use commercially reasonable efforts to have the Form S-4 declared effective under the Securities Act as promptly as practicable after such filing. The Company will use commercially reasonable efforts to cause the Proxy Statement to be mailed to the Company's stockholders, and Parent will use commercially reasonable efforts to cause the Proxy Statement to be mailed to Parent's stockholders, in each case as promptly as practicable after the Form S-4 is declared effective under the Securities Act.

(d) Each of the Company and Parent shall as promptly as practicable notify the other of the receipt of any comments from the SEC relating to the Proxy Statement. Each of Parent and the Company shall as promptly as practicable notify the other of (i) the effectiveness of the Form S-4, (ii) the receipt of any comments from the SEC relating to the Form S-4 and (iii) any request by the SEC for any amendment to the Form S-4 or for additional information. All filings by Parent and the Company with the SEC in connection with the transactions contemplated hereby, including the Proxy Statement, the Form S-4 and any amendment or supplement thereto, shall be subject to the prior review of the other, and all mailings to the Company's and Parent's stockholders in connection with the transactions contemplated by this Agreement shall be subject to the prior review of the other party.

SECTION 5.4 Access to Information; Confidentiality Agreement. Upon reasonable advance notice, between the date hereof and the Closing Date, each of the Company and Parent shall (i) give the other, its respective counsel, financial advisors, auditors and other's authorized representatives (collectively, "REPRESENTATIVES") reasonable access during normal business hours to the offices, properties, books and records of such party and its Subsidiaries, (ii) furnish to the other Representatives such financial and operating data and other information relating to such party, its Subsidiaries and their respective operations as such Persons may reasonably request and (iii) instruct such party's employees, counsel and financial advisors to cooperate with the other in its investigation of the business of such party and its Subsidiaries; provided that any information and documents received by the other party or its Representatives (whether furnished before or after the date of this Agreement) shall be held in accordance with the Confidentiality Agreement dated July 29, 1999 between Parent and the Company (the "CONFIDENTIALITY AGREEMENT"), which shall remain in full force and effect pursuant to the terms thereof, notwithstanding the execution and delivery of this Agreement or the termination hereof until the Effective Time.

SECTION 5.5 No Solicitation. From the date hereof until the Effective Time or, if earlier, the termination of this Agreement, the Company and its Subsidiaries shall not (whether directly or indirectly through advisors, agents or other intermediaries), and the Company shall cause their respective officers, directors, advisors (including its financial advisors, attorneys and accountants), representatives or other agents not to, directly or indirectly, (a) solicit, initiate or encourage any Acquisition Proposal (as defined hereafter) or (b) engage in discussions or negotiations with, or disclose any non-public information relating to the Company or its Subsidiaries or afford access to the properties, books or records of the Company or its Subsidiaries to, any Person or group (other than Parent or any designees of Parent) concerning any Acquisition Proposal provided, however, that if the Board of Directors of the Company determines in good faith, based on such matters as it deems relevant, acting only after consultation with WSGR (or other legal counsel of nationally recognized standing) that the failure to do so would be a breach of its fiduciary duties to the Company's stockholders under the DGCL, the Company may, in response to an Acquisition Proposal that was not solicited and that the Board of Directors of the Company determines, based upon the advice of CSFB (or another financial advisor of nationally recognized standing), is from a Person or group other than the Parent or its affiliates that is capable of consummating a Superior Proposal (as defined hereafter) and only for so long as

the Board of Directors so determines that its actions are likely to lead to a Superior Proposal, (i) furnish information to any such Person or group only pursuant to a confidentiality agreement substantially in the same form as was executed by Parent prior to the execution of this Agreement and only if copies of such information are concurrently provided to Parent, and (ii) participate in discussions and negotiations regarding such proposal or offer. The Company shall promptly (and in any event within one business day after becoming aware thereof) (i) notify Parent in the event the Company or any of its Subsidiaries or other affiliates or any of their respective officers, directors, employees and agents receives any Acquisition Proposal, including the material terms and conditions thereof and the identity of the party submitting such proposal, and any request for confidential information in connection with a potential Acquisition Proposal, (ii) provide a copy of any written agreements, proposals or other materials the Company receives from any such Person or group (or its representatives), (iii) provide Parent with copies of all information furnished to any such Person or group pursuant to clause (i) of the preceding sentence if such information has not been previously furnished to Parent and (iv) notify Parent of any material changes or developments with respect to any of the matters described in clauses (i) or (ii). For purposes of this Agreement, "ACQUISITION PROPOSAL" with respect to a Person means any offer or proposal for a merger, consolidation, recapitalization, liquidation or other business combination involving such Person or the acquisition or purchase of over 50% or more of any class of equity securities of such Person, or any tender offer (including self-tenders) or exchange offer that if consummated would result in any Person beneficially owning 50% or more of any class of equity securities of such Person, or a substantial portion of the assets of, such Person and its Subsidiaries taken as a whole (it being understood by the parties that the assets of the Company not constituting the Semiconductor Business are a substantial portion of the assets of the Company and its Subsidiaries, taken as a whole), other than the transactions contemplated by this Agreement (including the Semi Disposition). As used herein, a "SUPERIOR PROPOSAL" shall mean a bona fide Acquisition Proposal which in the reasonable good

faith judgment of the Company's Board of Directors, based on such matters as it deems relevant, including in the case of clauses (i) and (ii) below the advice of the Company's financial advisor, (i) provides greater benefits to the Company's stockholders than those provided pursuant to this Agreement, (ii) provides that any financing required to consummate the transaction contemplated by the offer is either in the possession of the Person making such Acquisition Proposal or is likely to be obtained by such Person on a timely basis, and (iii) does not contain a "right of first refusal" or "right of first offer" with respect to any counter-proposal that Parent might make; provided, further, that the Board of Directors of the Company by a majority vote determines in its good faith judgment that such Acquisition Proposal is reasonably capable of being completed (taking into account all legal, financial, regulatory and other aspects of the proposal and the person making the proposal). Nothing contained in this Section 5.5 shall prohibit the Company or the Company's Board of Directors from taking and disclosing to the Company's stockholders a position with respect to a tender or exchange offer by a third party pursuant to Rules 14d-9 and 14e-2(a) promulgated under the Exchange Act or from making any disclosure required by applicable law.

SECTION 5.6 Director and Officer Liability.

(a) Parent and the Company agree that all rights to indemnification and all limitations on liability existing in favor of any individuals who on or prior to the Effective Time were officers, directors, employees or agents of the Company and any of its Subsidiaries (the "INDEMNITEES") as provided in the Certificate of Incorporation or by-laws of the Company or an agreement between an Indemnitee and the Company or a Subsidiary of the Company as in effect as of the date hereof shall survive the Merger and continue in full force and effect in accordance with its terms.

(b) Subject to the terms and conditions set forth on Schedule 1.5(a), for six years after the Effective Time, the Surviving Corporation shall provide officers' and directors' liability insurance in respect of acts or omissions occurring prior to the Effective Time covering each such Person currently covered by the Company's officers' and directors' liability insurance policy on terms with respect to coverage and amount no less favorable than those of such policy in effect on the date hereof; provided, however, that in no event shall the Surviving Corporation be required to expend more than an amount per year

equal to 200% of current annual premiums paid by the Company for such insurance (the "MAXIMUM AMOUNT") to maintain or procure insurance coverage pursuant hereto; provided, further, that if the amount of the annual premiums necessary to maintain or procure such insurance coverage exceeds the Maximum Amount, the Surviving Corporation shall maintain or procure, for such six-year period, the most advantageous policies of directors' and officers' insurance obtainable for an annual premium equal to the Maximum Amount.

(c) The obligations of Parent and the Surviving Corporation under this Section 5.6 shall not be terminated or modified in such a manner as to adversely affect any Indemnitee to whom this Section 5.6 applies without the consent of such affected Indemnitee (it being expressly agreed that the Indemnitees to whom this Section 5.6 applies shall be third party beneficiaries of this Section 5.6).

SECTION 5.7 Commercially Reasonable Efforts. Upon the terms and subject to the conditions of this Agreement and those set forth on Schedule 1.5(a), each party hereto shall use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate the transactions contemplated by this Agreement.

SECTION 5.8 Certain Filings.

(a) The Company and Parent shall cooperate with one another (i) in connection with the preparation of the Proxy Statement and the Form S-4, (ii) in determining whether any action by or in respect of, or filing with, any Governmental Entity is required, or any actions, consents, approvals or waivers are required to be obtained from parties to any material contracts, in connection with the consummation of the transactions contemplated by this Agreement and (iii) in seeking any such actions, consents, approvals or waivers or making any such filings, furnishing information required in connection therewith or with the Proxy Statement and the Form S-4 and seeking timely to obtain any such actions, consents, approvals or

waivers. Without limiting the provisions of this Section 5.8, each party hereto shall file with the Department of Justice and the Federal Trade Commission a Pre-Merger Notification and Report Form pursuant to the HSR Act in respect of the transactions contemplated hereby within ten (10) days of the date of this Agreement, and each party will use commercially reasonable efforts to take or cause to be taken all actions necessary, including to promptly and fully comply with any requests for information from regulatory Governmental Entities, to obtain any clearance, waiver, approval or authorization relating to the HSR Act that is necessary to enable the parties to consummate the transactions contemplated by this Agreement. Without limiting the provisions of this Section 5.8, each party hereto shall use commercially reasonable efforts to promptly make the filings required to be made by it with all foreign Governmental Entities in any jurisdiction in which the parties believe it is necessary or advisable.

(b) The Company and Parent shall each use commercially reasonable efforts to resolve such objections, if any, as may be asserted with respect to the Merger or any other transaction contemplated by this Agreement under any Antitrust Law (as defined below). If any administrative, judicial or legislative action or proceeding is instituted (or threatened to be instituted) challenging the Merger or any other transaction contemplated by this Agreement as violative of any Antitrust Law, the Company and Parent shall each cooperate to contest and resist any such action or proceeding, and to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order (whether temporary, preliminary or permanent) that is in effect and that restricts, prevents or prohibits consummation of the Merger or any other transaction contemplated by this Agreement, including, without limitation, by pursuing all reasonable avenues of administrative and judicial appeal. Notwithstanding anything to the contrary in this Agreement, none of Parent, any of its Subsidiaries or the Surviving Corporation, shall be required (and the Company shall not, without the prior written consent of Parent, agree, but shall, if so directed by Parent, agree) to hold separate or divest any of their respective assets or operations or enter into any consent decree or licensing or other arrangement with respect to any of their assets or operations.

(c) Each of the Company and Parent shall promptly inform the other party of

any material communication received by such party from the Federal Trade Commission, the Antitrust Division of the Department of Justice, or any other governmental or regulatory authority regarding any of the transactions contemplated hereby.

(d) "Antitrust Law" means the Sherman Act, as amended, the Clayton Act, as amended, and all other federal, state and foreign statutes, rules, regulations, orders, decrees, administrative and judicial doctrines, and other laws that are designed or intended to prohibit, restrict or regulate competition or actions having the purpose or effect of monopolization or restraint of trade.

SECTION 5.9 Comfort Letters.

(a) The Company shall use all reasonable efforts to cause Deloitte & Touche LLP to deliver a letter dated not more than five (5) days prior to the date on which the Form S-4 shall become effective and addressed to itself and Parent and their respective Boards of Directors in form and substance reasonably satisfactory to Parent and customary in scope and substance for agreed-upon procedures letters delivered by independent public accountants in connection with registration statements and proxy statements similar to the Form S-4 and the Proxy Statement.

(b) Parent shall use all reasonable efforts to cause PricewaterhouseCoopers LLP to deliver a letter dated not more than five (5) days prior to the date on which the Form S-4 shall become effective and addressed to itself and the Company and their respective Boards of Directors in form and substance reasonably satisfactory to the Company and customary in scope and substance for agreed-upon procedures letters delivered by independent accountants in connection with registration statements and proxy statements similar to the Form S-4 and the Proxy Statement.

SECTION 5.10 Public Announcements. Neither the Company, Parent nor any of their respective affiliates shall issue or cause the publication of any press release or other public announcement with respect to the Merger, this Agreement or the other transactions contemplated hereby without the prior consultation with the other party, except as may be required by law or by any listing agreement with, or

the policies of, a national securities exchange in which circumstance reasonable efforts to consult will still be required to the extent practicable.

SECTION 5.11 Further Assurances. At and after the Effective Time, the officers and directors of the Surviving Corporation will be authorized to execute and deliver, in the name and on behalf of the Company or Parent, any deeds, bills of sale, assignments or assurances and to take and do, in the name and on behalf of the Company or Parent, any other actions to vest, perfect or confirm of record or otherwise in the Surviving Corporation any and all right, title and interest in, to and under any of the rights, properties or assets of the Company acquired or to be acquired by the Surviving Corporation, as a result of, or in connection with, the Merger.

SECTION 5.12 Employee Matters.

(a) For a period of one year immediately following the date of the Closing, Parent agrees to cause the Surviving Corporation and its Subsidiaries to provide to all active employees of the Company at the Effective Time who continue to be employed by the Company as of the Effective Time and those other employees that Parent decides prior to the Effective Time, at its sole discretion, to retain (collectively "CONTINUING EMPLOYEES") coverage by benefit plans or arrangements that are, in the aggregate, substantially similar (including, with respect to eligibility requirements, exclusions and the employee portion of the cost of such benefit plans or arrangements) to those provided to the employees of the Company immediately prior to the date of the Closing.

(b) Parent shall, and shall cause the Surviving Corporation and Parent's Subsidiaries to, honor in accordance with their terms all agreements, contracts, arrangements, commitments and understandings described in Schedule 3.12(a) of the Company Disclosure Schedule as to the Continuing Employees.

SECTION 5.13 Tax-Free Reorganization Treatment.

Each of Parent and the Company shall take all reasonable actions necessary to cause the Merger to qualify as a reorganization under the provisions of section 368(a) of the Code and to obtain the opinion of counsel referred to in Sections 6.2(d) and 6.3(d) hereof, and neither party will take any action inconsistent therewith.

SECTION 5.14 Blue Sky Permits. Parent shall use commercially reasonable efforts to obtain, prior to the effective date of the Form S-4, all necessary state securities laws or "blue sky" permits and approvals required to carry out the transactions contemplated by this Agreement and the Merger, and will pay all expenses incident thereto.

SECTION 5.15 Listing. Parent shall use commercially reasonable efforts to cause the Parent Shares to be issued in the Merger or upon exercise of Substitute Options or upon cancellation of Options to be listed on the NNM, subject to notice of official issuance thereof, prior to the Closing Date.

SECTION 5.16 State Takeover Laws. If any "fair price," "business combination" or "control share acquisition" statute or other similar statute or regulation is or may become applicable to the Merger, the Company and Parent shall each take such actions as are necessary so that the transactions contemplated by this Agreement may be consummated as promptly as practicable on the terms contemplated hereby and otherwise act to eliminate or minimize the effects of any such statute or regulation on the Merger.

SECTION 5.17 Certain Notifications. Between the date hereof and the Effective Time, each party shall promptly notify the other party hereto in writing after becoming aware of the occurrence of any event which will, or is reasonably likely to, result in the failure to satisfy any of the conditions specified in Article VI.

SECTION 5.18 Affiliate Letters.

The Company shall, at least 45 days prior to the date of the Special Meeting, deliver to Parent a list reasonably satisfactory to Parent setting forth the names and addresses of all persons who at the time of the Special Meeting are, in the Company's reasonable judgment, "affiliates" of the Company for purposes of Rule 145 under the Securities Act. The Company shall furnish such information and documents as

Parent may reasonably request for the purpose of reviewing such list. The Company shall use commercially reasonable efforts to cause each person who is identified as an affiliate on such list to execute a written agreement at least 30 days prior to the date of the Special Meeting in the form of Exhibit B hereto (collectively, the "AFFILIATE AGREEMENTS").

SECTION 5.19 Disposition of Semiconductor Business. The Company will use its commercially reasonable efforts to consummate the Semi Disposition and will inform Parent promptly, and in no event later than three business days after, material developments relating thereto. Parent will cooperate with the Company in its efforts to consummate the Semi Disposition including by (i) providing assistance with respect to any proxy or information statement required in connection with the Semi Disposition and including such proxy or information statement in the Proxy Statement and Form S-4 and (ii) cooperating in the filing of any tax election or Tax Returns required or deemed advisable by the Company, so long as such elections or Tax Returns do not materially adversely affect Parent.

SECTION 5.20 Supply, License and Development Agreement. Each of the parties shall enter into an agreement at or prior to the Effective Time in the form attached hereto as Exhibit C.

SECTION 5.21 Transitional Services Agreement. The Company and Parent will use commercially reasonable efforts to enter into a Transitional Services Agreement in connection with the proposed Semi Spin. Except for the items for which substantially all of the use is by or for the benefit of the DiviCom business, all infrastructure hardware and software (including, but not limited to, telecommunications, networks, servers, desktop computers and enterprise applications) shall be owned by Semiconductor. The Transition Services Agreement shall specify the support provided by Semiconductor to the DiviCom business during the transition period following the merger.

ARTICLE VI

CONDITIONS TO THE MERGER

SECTION 6.1 Conditions to Each Party's Obligations. The respective obligations of the Company and Parent to consummate the Merger are subject to the satisfaction or, to the extent permitted by applicable law, the waiver on or prior to the Effective Time of each of the following conditions:

(a) (i) This Agreement shall have been adopted, the Merger approved and the Semi Sale, if any, approved by the stockholders of the Company, and (ii) the Share Issuance shall have been approved by the stockholders of Parent, each in accordance with applicable law;

(b) Any applicable waiting periods under the HSR Act relating to the Merger shall have expired or been terminated;

(c) No provision of any applicable law or regulation and no judgment, injunction, order or decree shall prohibit the consummation of the Merger or the other transactions contemplated by this Agreement;

(d) The Form S-4 shall have become effective under the Securities Act and shall not be the subject of any stop order or proceedings seeking a stop order, and any material "blue sky" and other state securities laws applicable to the registration and qualification of the Common Stock following the Closing shall have been complied with;

(e) The Parent Shares issuable in accordance with the Merger shall have been authorized for listing on the NNM, subject to official notice of issuance;

(f) The Semi Disposition shall have been consummated in accordance with the terms and provisions of Section 1.5(a) of this Agreement; and

(g) All disputes and disagreements arising under Section 1.5(a) of this Agreement and any arbitration of such disputes and disagreements shall have been resolved or completed except to the

extent such disputes or disagreements relate to Semi Spin Taxes and are anticipated to be resolved after the Merger.

SECTION 6.2 Conditions to the Company's Obligation to Consummate the Merger. The obligation of the Company to consummate the Merger shall be further subject to the satisfaction or, to the extent permitted by applicable law, the waiver on or prior to the Effective Time of each of the following conditions:

(a) Parent shall have performed in all material respects its agreements and covenants contained in or contemplated by this Agreement that are required to be performed by it at or prior to the Effective Time pursuant to the terms hereof;

(b) The representations and warranties of Parent contained in Article IV hereof shall be true and correct in all respects as of the Effective Time (or, to the extent such representations and warranties speak as of an earlier date, they shall be true in all respects as of such earlier date), except (i) as otherwise contemplated by this Agreement and (ii) for such failures to be true and correct which in the aggregate do not constitute Parent Material Adverse Effect;

(c) The Company shall have received certificates signed by the Chief Executive Officer of Parent, dated the Closing Date, to the effect that, to such officer's knowledge, the conditions set forth in Sections 6.2(a) and 6.2(b) hereof have been satisfied or waived; and

(d) The Company shall have received an opinion of Wilson Sonsini Goodrich & Rosati, Professional Corporation, its tax counsel, in form and substance reasonably satisfactory to it, dated the Closing Date, to the effect that the Merger will constitute a reorganization for United States federal income tax purposes within the meaning of Section 368(a) of the Code, provided, however, that if Wilson Sonsini Goodrich & Rosati, Professional Corporation does not render such opinion, this condition shall

nonetheless be deemed to be satisfied with respect to Company if Gibson, Dunn & Crutcher LLP renders such opinion to Company. The Company agrees to make such representations as may be requested by tax counsel in connection with the opinions referred to above and in Section 6.3(d).

SECTION 6.3 Conditions to Parent's Obligations to Consummate the Merger. The obligations of Parent to effect the Merger shall be further subject to the satisfaction, or to the extent permitted by applicable law, the waiver on or prior to the Effective Time of each of the following conditions:

(a) The Company shall have performed in all material respects each of its agreements and covenants contained in or contemplated by this Agreement that are required to be performed by it at or prior to the Effective Time pursuant to the terms hereof;

(b) The representations and warranties of the Company contained in Article III hereof shall be true and correct in all respects as of the Effective Time (or, to the extent such representations and warranties speak as of an earlier date, they shall be true in all respects as of such earlier date), except (i) as otherwise contemplated by this Agreement, (ii) for such failures to be true and correct which in the aggregate do not constitute a Company Material Adverse Effect and (iii) for such failures to be true and correct which relate solely to the Semiconductor Business.

(c) Parent shall have received a certificate signed by the chief executive officer of the Company, dated the Closing Date, to the effect that, to such officer's knowledge, the conditions set forth in Sections 6.3(a) and 6.3(b) hereof have been satisfied or waived;

(d) Parent shall have received an opinion of Gibson, Dunn & Crutcher LLP, its tax counsel, in form and substance reasonably satisfactory to it, dated the Closing Date, to the effect that the Merger will constitute a reorganization for United States federal income tax purposes within the meaning of Section 368(a) of the Code provided, however, that if Gibson, Dunn & Crutcher LLP does not render such opinion, this condition shall nonetheless be deemed to be satisfied with respect to Parent if Wilson Sonsini Goodrich & Rosati, Professional Corporation, renders such opinion to Parent. Parent

agrees to make such representations as may be requested by tax counsel in connection with the opinions referred to above and in Section 6.2(d); and

(e) The Company shall have redeemed or defeased all of the outstanding Convertible Notes.

ARTICLE VII

TERMINATION

SECTION 7.1 Termination. Notwithstanding anything herein to the contrary, this Agreement may be terminated and the transactions contemplated by this Agreement may be abandoned at any time prior to the Closing Date, whether before or after the Company and Parent have obtained stockholder approval:

(a) by the mutual written consent of the Company and Parent;

(b) by either the Company or Parent, if the Merger has not been consummated by May 31, 2000, or such other date, if any, as the Company and Parent shall agree upon; provided, that the party seeking to terminate this Agreement pursuant to this Section 7.1(b) shall not have breached in any material respect its obligations under this Agreement;

(c) by either the Company or Parent, if there shall be any law or regulation that makes consummation of the transactions contemplated by this Agreement illegal or if any judgment, injunction, order or decree enjoining Parent or the Company from consummating the transactions contemplated by this Agreement is entered and such judgment, injunction, order or decree shall have become final and nonappealable;

(d) by Parent, if (i) the Board of Directors of the Company shall have withdrawn or modified or amended in any respect adverse to Parent its

approval or recommendation of the Company Approval Matters, (ii) the Board of Directors of the Company shall have recommended to the stockholders of the Company any Acquisition Proposal or shall have resolved or announced an intention to do so, or (iii) a tender offer or exchange offer for 50% or more of the outstanding shares of the Company Common Stock is announced or commenced and, either (A) the Board of Directors of the Company recommends acceptance of such tender offer or exchange offer by its stockholders or (B) within ten business days of such commencement, the Board of Directors of the Company shall have failed to recommend against acceptance of such tender offer or exchange offer by its stockholders;

(e) by either the Company or Parent, if (i) the approval of the stockholders of the Company of the Company Approval Matters or (ii) the approval of the stockholders of Parent of the Parent Approval Matters shall not have been obtained at a duly held meeting of stockholders of the Company or Parent, respectively, or any adjournment thereof;

(f) by the Company, for the purpose of accepting a Superior Proposal, so long as the adoption of this Agreement and the approval of the Merger by the Company's stockholders at the Special Meeting shall not have been obtained prior to such termination;

(g) by the Company if (i) there shall have been a breach of any representations or warranties on the part of Parent set forth in this Agreement or if any representations or warranties of Parent shall have become untrue, such that the conditions set forth in Section 6.2(b) would be incapable of being satisfied by May 31, 2000, provided that the Company has not breached any of its obligations hereunder in any material respect; or (ii) there shall have been a breach by Parent of any of its covenants or agreements hereunder having, in the aggregate, a Parent Material Adverse Effect or materially adversely affecting (or materially delaying) the ability of Parent or the Company to consummate the Merger, and Parent has not cured such breach within thirty (30) business days after notice by the Company thereof, provided that the Company has not breached any of its obligations hereunder in any material respect; or

(h) by Parent if (i) there shall have been a breach of any representations or warranties on the part of the Company or any of its Subsidiaries set forth in this Agreement or if any representations or

warranties of the Company or any of its Subsidiaries shall have become untrue, such that the conditions set forth in Section 6.3(b) would be incapable of being satisfied by May 31, 2000, provided that Parent has not breached any of its obligations hereunder in any material respect; or (ii) there shall have been a breach by the Company or any of its Subsidiaries of one or more of its respective covenants or agreements hereunder having, in the aggregate, a Company Material Adverse Effect or materially adversely affecting (or materially delaying) the ability of Parent or the Company to consummate the Merger, and the Company has not cured such breach within thirty (30) business days after notice by Parent thereof, provided that Parent has not breached any of its obligations hereunder in any material respect.

The party desiring to terminate this Agreement shall give written notice of such termination to the other party.

SECTION 7.2 Effect of Termination. Except for any willful breach of this Agreement by any party hereto (which willful breach and liability therefor shall not be affected by the termination of this Agreement or the payment of any fee pursuant to Section 7.3 hereof), if this Agreement is terminated pursuant to Section 7.1 hereof, then this Agreement shall become void and of no effect with no liability on the part of any party hereto; provided, however that notwithstanding such termination the agreements contained in Sections 7.2, 7.3 and 8.7 hereof and the provision of Section 5.4 hereof shall survive the termination hereof.

SECTION 7.3 Fees.

(a) The Company agrees to pay Parent in immediately available funds by wire transfer an amount equal to $50,000,000 (the "TERMINATION FEE") if:

(i) this Agreement is terminated by Parent pursuant to Section 7.1(d)

hereof, other than a termination pursuant to Section 7.1(d)(i) either (A) after the occurrence of a Parent Material Adverse Effect or (B) in the event the representations and warranties of Parent were not true in all material respects at the time of the withdrawal, modification or amendment referred to in such section;

(ii) (A) this Agreement is terminated by Parent or the Company pursuant to Section 7.1(e)(i) hereof, (B) at the time of such failure to so approve the Company Approval Matters there shall exist an Acquisition Proposal with respect to the Company that has not been publicly withdrawn and (C) within twelve months after such termination, the Company shall enter into a definitive agreement with respect to any Acquisition Proposal or the transaction contemplated by any Acquisition Proposal (an "ACQUISITION TRANSACTION") relating to the Company shall be consummated; or

(iii) this Agreement is terminated by the Company pursuant to Section 7.1(f) hereof.

(b) Parent agrees to pay the Company in immediately available funds by wire transfer an amount equal to $50,000,000 if (A) this Agreement is terminated by Parent or the Company pursuant to Section 7.1(e)(ii) hereof, (B) at the time of such failure to so approve the Parent Approval Matters there shall exist an Acquisition Proposal with respect to Parent that has not been publicly withdrawn and (C) within twelve months after such termination, Parent shall enter into a definitive agreement with respect to any Acquisition Proposal or an Acquisition Transaction relating to Parent shall be consummated.

(c) The party required to pay a fee pursuant to this Section 7.3 (if all conditions thereto have been satisfied) shall pay such fee (i) prior to the termination of this Agreement by each party, (ii) not later than one business day after the termination of this Agreement by the other party or (iii) in the case of a fee payable pursuant to Section 7.3(a)(ii) or 7.3(b), at or prior to the consummation of the applicable Acquisition Transaction.

(d) Except as provided otherwise in this Section 9.3, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.1 Notices. All notices, requests, demands, waivers and other communications required or permitted to be given under this Agreement to any party hereunder shall be in writing and deemed given upon (a) personal delivery, (b) transmitter's confirmation of a receipt of a facsimile transmission, (c) confirmed delivery by a standard overnight carrier or when delivered by hand or (d) when mailed in the United States by certified or registered mail, postage prepaid, addressed at the following addresses (or at such other address for a party as shall be specified by notice given hereunder):

If to the Company, to:

C-Cube Microsystems Inc.
1778 McCarthy Boulevard
Milpitas, California 95035
Fax: (408) 490-8402
Attention: President

with a copy to:

Wilson Sonsini Goodrich & Rosati
Professional Corporation
650 Page Mill Road
Palo Alto, California 94304
Fax: (650) 493-6811
Attention: Larry Sonsini, Esq.
Steve Camahort, Esq.

If to Parent, to:

Harmonic Inc.
549 Baltic Way
Sunnyvale, California 94089
Fax: (408) 542-2516
Attention: President

with a copy to:

Gibson, Dunn & Crutcher LLP
One Montgomery Street
San Francisco, California 94104
Fax: (415) 986-5309
Attention: William Hudson, Esq.

SECTION 8.2 Survival of Representations and Warranties. Except as otherwise provided herein or in any document contemplated hereby, the representations and warranties contained herein and in any certificate or other writing delivered pursuant hereto shall not survive the Effective Time. All other covenants and agreements contained herein which by their terms are to be performed in whole or in part, or which prohibit actions, subsequent to the Effective Time, shall survive the Merger in accordance with their terms.

SECTION 8.3 Interpretation. References herein to the "knowledge" (and all variants and derivatives thereof) of a party shall mean the actual knowledge of the executive officers of such party. Whenever the words "include," "includes" or "including" are used in this Agreement they shall be deemed to be followed by the words "without limitation." As used in this Agreement, the term "affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under the Exchange Act.

The article and section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties hereto and shall not in any way affect the meaning or interpretation of this Agreement. Any matter disclosed pursuant to any Schedule of the Company Disclosure Schedule or the Parent Disclosure Schedule shall not be deemed to be an admission or representation as to the materiality of the item so disclosed.

SECTION 8.4 Amendments, Modification and Waiver. (a) Except as may otherwise be provided herein, any provision of this Agreement may be amended, modified or waived by the parties hereto, by action taken by or authorized by their respective Board of Directors, prior to the Closing Date if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by the Company and Parent or, in the case of a waiver, by the party against whom the waiver is to be effective; provided that after the adoption of this Agreement by the stockholders of the Company, no such amendment shall be made except as allowed under applicable law.

(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 8.5 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that neither the Company nor Parent may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other party hereto.

SECTION 8.6 Specific Performance. The parties acknowledge and agree that any breach of the terms of this Agreement would give rise to irreparable harm for which money damages would not be an adequate remedy and accordingly the parties agree that, in addition to any other remedies, each shall be entitled to enforce the terms of this Agreement by a decree of specific performance without the necessity of proving the inadequacy of money damages as a remedy.

SECTION 8.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware (regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof) as to all matters, including, but not limited to, matters of

validity, construction, effect, performance and remedies.

SECTION 8.8 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated herein are not affected in any manner materially adverse to any party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner.

SECTION 8.9 Third Party Beneficiaries. This Agreement is solely for the benefit of the Company and its successors and permitted assigns, with respect to the obligations of Parent under this Agreement, and for the benefit of Parent and its successors and permitted assigns, with respect to the obligations of the Company under this Agreement, and this Agreement shall not, except to the extent necessary to enforce the provisions of Article I and Section 5.6 hereof be deemed to confer upon or give to any other third party any remedy, claim, liability, reimbursement, cause of action or other right.

SECTION 8.10 Entire Agreement. This Agreement, including any exhibits or schedules hereto and the Confidentiality Agreement constitute the entire agreement among the parties hereto with respect to the subject matter hereof and supersedes all other prior agreements or understandings, both written and oral, between the parties or any of them with respect to the subject matter hereof.

SECTION 8.11 Counterparts; Effectiveness. This Agreement may be signed in any number of counterparts, each of which shall be deemed an original, with the same effect as if the signatures thereto

and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received counterparts hereof signed by all of the other parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized respective officers as of the date first written above.

HARMONIC INC.

By: /s/ ROBIN N. DICKSON

Name: Robin N. Dickson
Title: Chief Financial Officer

C-CUBE MICROSYSTEMS INC.

By: /s/ ALEXANDRE BALKANSKI

Name: Alexandre Balkanski
Title: Chief Executive Officer

SCHEDULE 1.5(A)

TERMS OF SEMI SPIN AND SEMI SALE

SEMI SPIN

- On the Separation Date (as defined in Schedule 1.5(b)), the Company will execute and deliver the following agreements to implement the principles of this Schedule 1.5(a): an Assignment and Assumption Agreement, an Employee Matters Agreement, a Tax Sharing Agreement (which shall be subject to the approval of Parent, which shall not be unreasonably withheld or delayed), a Master Confidentiality and Non-Disclosure Agreement, an Indemnification and Insurance Matters Agreement,

resignations of any appropriate employees, and such other agreements as the parties may agree are necessary or desirable.

- The Company will agree to offer any transition services necessary for a reasonable period and for reasonable compensation.

- The Company will use its reasonable best efforts with the reasonable cooperation of Parent to file a registration statement on the appropriate form with the SEC and to complete all other customary procedures affiliated with the public offering of securities with costs of such registration to be fully paid by the Company prior to the Effective Time.

- The Company will use its reasonable best efforts with the reasonable cooperation of Parent to prepare an information statement as required by law, file it with the SEC and complete all other customary procedures affiliated with such information statement and all other actions necessary or desirable in order to effect the distribution of the Semiconductor Business securities to the appropriate holders with costs to be fully paid by the Company prior to the Effective Time.

- The Tax Sharing Agreement will include, in addition to customary provisions regarding the allocation of responsibility for filing Tax Returns, paying Taxes, conducting Tax contests, and cooperating in Tax matters, provisions allocating the corporate Tax liability, if any, incurred as a direct result of the Semi Spin (and it shall be assumed solely for purposes of computing the amount of Semi Spin Taxes that 100% of Semi is being distributed to the shareholders of the Company, notwithstanding that a portion of the interests in Semi may be retained by the Company and transferred to Parent in the Merger) (the "SEMI SPIN TAXES") to Semi and provisions for establishing, prior to the Merger, a cash reserve to be used for the payment of such Taxes in a manner consistent with the principles set forth in this Schedule 1.5(a). For purposes of determining the amount of the Semi Spin Taxes that are based on net income, the value of Semi shall be equal to the total implied market capitalization of Semi determined by reference to the trading price of Semi on the date of distribution, unless the parties mutually agree in writing on an alternative value, and there shall be deducted from such value (without duplication): (i) the tax basis of the stock of Semi (or, if Semi is distributed in a transaction treated as an asset transfer for applicable income tax purposes, cash and other assets recognized as assets of the Semiconductor Business pursuant to this Schedule 1.5(a) and Schedule 1.5(b) (but only to the extent such cash andother assets are transferred to Semi, reduced by liabilities properly taken into account under applicable law in determining the "amount realized" from such distribution), (ii) capitalized expenses of the Company that both reduce the income tax liability of the Company and are attributable to the Semi Spin, (iii) the amount of any deductions accrued on or prior to the Closing Date attributable to the exercise of Company options after the date hereof and on or prior to the Closing Date (provided that deductions that reduce Semi Spin Taxes pursuant to this paragraph shall not also reduce other Company taxable income, and assuming for the purposes of this subsection that a "disqualifying disposition" occurs with respect to 80% of all Company options that are "incentive stock options" under Section 422 of the Code that are exercised on or prior to the Closing Date) and (iv) any other deductible items of the Company attributable to the Semi Spin. For purposes of this paragraph, expenses related to the disposition of Semi incurred or accrued by the end of the Closing Date shall not be treated as allocated to Semi's tax period beginning on the day after

Closing Date under Treas. Reg. Section 1.1502-76(b)(1)(ii)(B). The Tax Sharing Agreement shall provide for the Company to calculate the Semi Spin Taxes and submit the calculation to Parent for review no later than 20 days after the Semi Spin. In the event that Parent disagrees with the Company as to the amount of the Semi Spin Taxes, Parent shall notify the Company no later than 20 days after the Company submits its calculations of Semi Spin Taxes to Parent and the Company and Parent shall discuss the computation of the Semi Spin Taxes in a good faith effort to reach an agreement as to the amount of the Semi Spin Taxes. If the Company and Parent fail to reach an agreement by the day which is 60 days after the Semi Spin, either party shall be entitled to submit the matter to a mutually acceptable third-party arbitrator. If the parties are unable to

mutually agree upon an arbitrator within one week of a party's notification to the other party of its desire to arbitrate such a dispute, then each party shall have one week to select an arbitrator and such two arbitrators shall have one week to select a third arbitrator who shall have final authority to resolve such dispute within twenty days of such arbitrator's selection. The parties shall share equally in the fees and expenses of such arbitrators.

- The Tax Sharing Agreement shall also provide for the payment of additional amounts by Semi to Parent in the event that later events demonstrate that the amount of the Semi Spin Taxes is greater than originally calculated and it shall provide for the payment of additional amounts by Parent to Semi in the event that later events demonstrate that the amount of the Semi Spin Taxes is less than originally calculated, with such payments to be determined in a manner consistent with the principles set forth in Schedule 1.5(a). With respect to such additional amounts, the Tax Sharing Agreement shall include dispute resolution provisions comparable to those described in the preceding paragraph. The Tax Sharing Agreement shall clarify that similar additional amounts shall not be paid in respect of Pre-Semi Disposition Taxes (as defined below) not attributable to the Semiconductor Business.

SEMI SALE

- The Company and the Semi Purchaser will exchange customary covenants including to: execute and deliver any additional agreements as necessary; execute and deliver all necessary instruments of transfer, conveyance, assignment, etc.; enter into any necessary interim service level or other agreements; exchange information as necessary for judicial, regulatoryor administrative requirements; hold all information of the other party confidential; use reasonable efforts to cause the Semiconductor Business practice to continue business in the ordinary course; and use reasonable best efforts to obtain all necessary governmental approvals.

- The Company and, to the extent customary and appropriate in light of the form of the Semi Sale Purchase Price, the Semi Purchaser will provide customary representations and warranties such as: organization and qualification; no conflict, government consents; financial information; no undisclosed liabilities; receivables; suppliers; Y2K readiness; litigation; compliance with laws; absence of certain changes; permits and licenses; environmental matters; material contracts; intellectual property; real property; employee benefits matters and the like.

- Semi Purchaser will agree that either (i) the representations and warranties provided by the Company in connection with the Semi Sale do not survive after the consummation of such Semi Sale and no further indemnification or escrow relating to the breach of such representations or warranties survives or (ii) an amount to be determined by the Semi Purchaser will be escrowed to cover any and all liabilities arising from such representations and warranties.

- The Company shall not distribute or otherwise transfer any proceeds from the Semi Sale to the Company's security holders except in the manner contemplated by this Agreement.

GENERALLY APPLICABLE

- The agreement for the Semi Disposition will provide terms so that the Surviving Corporation shall not assume or be responsible for and shall be indemnified by a financially viable entity for any

Semiconductor Business Liability (as defined in Schedule 1.5(b)), including, but not limited to, the Semi Sale Taxes and obligations to make severance payments to employees of the Semiconductor Business.

- The Surviving Corporation will also not assume or be responsible for and shall be indemnified by a financially viable entity for any liability with respect to any severance payments and related liabilities arising out of any termination of non Continuing Employees.

- The Semi Disposition will include terms intended to maintain to the extent practicable the value of stock options currently held by the

Semiconductor Business employees including, without limitation, possible acceleration or additional grants of options.

- On or around the Separation Date, the Company will provide the Semiconductor Business with the Company's cash reserves excluding the sum of (i) the sixty million dollars ($60,000,000) due Parent, (ii) any amount necessary to pay all Taxes of the Company and its Subsidiaries accrued through the date of the Semi Disposition but not including Semi Sale Taxes or Semi Spin Taxes (the "Pre-Semi Disposition Taxes"), (iii) cash in an amount sufficient to pay the fees and expenses associated with the transactions contemplated by this Agreement, including, but not limited to, the fees and expenses of the Company's investment bankers, attorneys, accountants and other professional advisors, (iv) cash in an amount sufficient to pay the Semi Sale Taxes or the Semi Spin Taxes as the case may be, and (v) cash in an amount sufficient to make all severance payments to any employee of the Company who is not a Continuing Employee nor an employee of the Semiconductor Business (the "Retained Cash"). It shall be a condition to the Semi Disposition that the Company have cash reserves no less than the sum of the amount specified in clauses (i) through (v).

- Notwithstanding anything in this Agreement or Schedule 1.5 to the contrary, to the extent that the amount provided by the Company to the Semiconductor Business has been reduced on account of certain liabilities under clauses (ii) through (v) of the preceding paragraph, such liabilities shall not be treated as Semiconductor Business Liabilities.

SCHEDULE 1.5(B)

ASSETS/LIABILITIES OF THE SEMICONDUCTOR BUSINESS

1. SEMI ASSETS. Except as otherwise provided in any express agreement of the Company and Parent, the following assets (the "ASSETS") shall be recognized as assets of the Semiconductor Business and shall be sold or transferred pursuant to Section 1.5(a) of the Agreement:

(a) all assets reflected in the unaudited consolidated balance sheet (including notes thereto) of the Semiconductor Business as of September 30, 1999 attached hereto as Annex 1.5(b)-1 (the "BALANCE SHEET"), subject to any dispositions of such Assets subsequent to the date of such Balance Sheet;

(b) all assets that have been written off, expensed or fully depreciated that, had they not been written off, expensed or fully depreciated, would have been reflected in the Balance Sheet in accordance with the principles and accounting policies under which the Balance Sheet was prepared;

(c) all assets acquired by the Company or its Subsidiaries after the date of the Balance Sheet that would be reflected in the consolidated balance sheet of the Semiconductor Business as of the effective date and time of each transfer of property, assumption of liability, license, undertaking, or other agreement in connection with the Semi Disposition (the "SEPARATION DATE") if such consolidated balance sheet was prepared at the time of the Semi Disposition using the same principles and accounting policies under which the Balance Sheet was prepared;

(d) all assets that are used primarily by the Semiconductor Business at the Separation Date but are not reflected in the Balance Sheet due to mistake or unintentional omission;

(e) all claims or other rights of the Company or the Semiconductor Business that primarily relates to the Semiconductor Business, whenever arising, against any person or entity other than an officer, employee, director or consultant of the Semiconductor Business, if and to the extent that (i) such claim or right arises out of the events, acts or omissions occurring as of the Separation Date (based on then existing law) and (ii) the existence or scope of the obligation of such other person or entity as of the Separation Date was not acknowledged, fixed or determined in any material respect, due to a dispute or other uncertainty as of the Separation Date or as a result of the failure of such claim or other right

to have been discovered or asserted as of the Separation Date. A claim or right meeting the foregoing definition shall be considered an "SEMICONDUCTOR BUSINESS CONTINGENT GAIN" regardless of whether there was any action pending, threatened or contemplated as of the Separation Date with respect thereto. In the case of any claim or right a portion of which arises out of events, acts or omissions occurring prior to the Separation Date and a portion of which arises out of events, acts or omissions occurring on or after the Separation Date, only that portion that arises out of events, acts or omissions occurring prior to the Separation Date shall be considered a SemiconductorBusiness Contingent Gain. For purposes of the foregoing, a claim or right shall be deemed to have accrued as of the Separation Date if all the elements of the claim necessary for its assertion shall have occurred on or prior to the Separation Date, such that the claim or right, were it asserted in an action on or prior to the Separation Date, would not be dismissed by a court on ripeness or similar grounds. Notwithstanding the foregoing, none of (i) any insurance proceeds, (ii) any Excluded Assets (as defined below), (iii) any reversal of any litigation or other reserve, or (iv) any matters relating to Taxes which are governed by the Tax Sharing Agreement shall be deemed to be a Semiconductor Business Contingent Gain;

(f) all contracts in which the Company is a party or by which it or any of its assets is bound whether or not in writing, except for any such contract or agreement that is contemplated to be retained by the Company because it relates primarily to the DiviCom business including:

(i) all prepaid expenses, trade accounts and other accounts and notes receivables;

(ii) all rights under contracts or agreement, all claims or rights against any person or entity arising from the ownership of any Asset, all rights in connection with any bids or offers and all claims, choses in action or similar rights, whether accrued or contingent;

(iii) all rights under insurance policies and all rights in the nature of insurance, indemnification or contribution;

(iv) all licenses, permits, approvals and authorization which have been issued by any governmental authority; and

(v) interest rate, currency, commodity or other swap, collar, cap or other hedging or similar agreements or arrangements.

(g) all computers, desks, equipment (including equipment used for research and development) and other Assets used primarily by employees of the Company that will become employees of the Semiconductor Business in connection with the Semi Disposition;

(h) to the extent permitted by law and subject to any agreement regarding indemnification and/ or insurance matters, all rights of the Semiconductor Business under any of the Company's insurance policies;

(i) all assets that are expressly agreed by Parent and the Company to be Assets;

(j) all (a) accounts receivable and other rights to payment for goods or services sold, leased or otherwise provided in the conduct of the Semiconductor Business that, as of the Separation Date, are payable by a third party to the Company or any of the Company's subsidiaries, whether past due, due or to become due, including any interest, sales or use taxes, finance charges, late or returned check charges and other obligations of the accounts debtor withrespect thereto, and any proceeds of any of

the foregoing and (b) other miscellaneous Assets for which an adjustment is made in the Balance Sheet;

(k) the Company's rights in the trade and service marks and domain names incorporating or based on the name C-CUBE and any goodwill associated therewith; and

(i) cash or cash equivalents, bank accounts, lock boxes and other

deposit arrangements (other than the Retained Cash).

EXCLUDED ASSETS. The following assets shall be excluded from the pool of the Semiconductor Business' Assets (the "EXCLUDED ASSETS"):

(ii) the Company Registered Intellectual Property listed on the Disclosure Schedule; and

(iii) any Assets that are expressly agreed by Parent and the Company to be Excluded Assets.

2. THE SEMICONDUCTOR BUSINESS' LIABILITIES. For the purposes of this Agreement, "SEMICONDUCTOR BUSINESS LIABILITIES" shall mean (without duplication) the following Liabilities, except as otherwise provided for in any express agreement of the parties:

(a) all Liabilities reflected in the Balance Sheet, subject to any discharge of such Liabilities subsequent to the date of the Balance Sheet;

(b) all Liabilities of the Company or its Subsidiaries that arise after the date of the Balance Sheet that would be reflected in the consolidated balance sheet of the Semiconductor Business as of the Separation Date if such consolidated balance sheet was prepared using the same principles and accounting policies under which the Balance Sheet was prepared;

(c) all Liabilities that are related primarily to the Semiconductor Business at the Separation Date but are not reflected in the Balance Sheet due to mistake or unintentional omission;

(d) any Liability of the Company or the Semiconductor Business that primarily relates to the Semiconductor Business, whenever arising, to any person or entity other than an officer, director, employee or consultant of the Semiconductor Business, if and to the extent that (i) such Liability arises out of the events, acts or omissions occurring on or before the Separation Date and (ii) the existence or scope of the obligation of a member of the officer, director, employee or consultant of the Semiconductor Business as of the Separation Date with respect to such Liability was not acknowledged, fixed or determined in any material respect, due to a dispute or other uncertainty as of the Separation Date or as a result of the failure of such Liability to have been discovered or asserted as of the Separation Date (it being understood that the existence of a litigation or other reserve with respect to any Liability shall not be sufficient for such Liability to be considered acknowledged, fixed or determined) (the "SEMICONDUCTOR BUSINESS CONTINGENT LIABILITY"). In the case of any Liability a portion of which arises out of events, acts or omissions occurring prior to the Separation Date and a portion of which arises out of events, acts or omissions occurring on or after the Separation Date, only that portion that arises out of events, acts or omissions occurring prior to the Separation Date shall be considered a Semiconductor Business Contingent Liability. For purposes of the foregoing, a Liability shall be deemed to have arisen out of events, acts or omissions occurring prior to the Separation Date if all the elements necessary for the assertion of a claim with respect to such Liability shall have occurred on or prior to the Separation Date, such that the claim, were it asserted in an action on or prior to the Separation Date, would not be dismissed by a court on ripeness or similar grounds. For purposes of clarification of the foregoing, the parties agree that no Liability relating to, arising out of or resulting from any obligation of any person or entity to satisfy any obligation accrued under any employee stock option plan, stock purchase plan or the like as of the Separation Date, shall be deemed to be a Semiconductor Business Contingent Liability. For purposes of determining whether a claim relating to the Year 2000 problem is a Semiconductor Business Contingent Liability, claims relating to products shipped prior to the Separation Date shall be deemed to have arisen prior to the Separation Date.

(e) all Liabilities (other than Liabilities for Taxes), whether arising before, on or after the Separation Date, primarily relating to, arising out of or resulting from:

(i) the operation of the Semiconductor Business, as conducted at

any time prior to, on or after the Separation Date (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such person or entity's authority));

(ii) the operation of any business conducted by the Semiconductor Business at any time after the Separation Date (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such person or entity's authority)); or

(iii) any Semiconductor Business Assets;

(f) all Liabilities relating to, arising out of or resulting from any of the terminated, divested or discontinued businesses and operations listed or described on Annex 1.5(b)-3; and

(g) all Liabilities that are expressly agreed by Parent and the Company to be Semiconductor Business Liabilities, including fees and expenses of the Company incurred in connection with the Merger, and all agreements, obligations and Liabilities of the Semiconductor Business under the agreements governing the Semi Disposition.

(h) all (i) accounts payable and other obligations of payment for goods or services purchased, leased or otherwise received in the conduct of the Semiconductor Business that as of the Separation Date are payable to a third party by the Company or any of the Company's subsidiaries, whether past due, due or to become due, including any interest, sales or use taxes, finance charges, late or returned check charges and other obligations of the Company or any of the Company's Subsidiaries with respect thereto, and any obligations related to any of the foregoing and (ii) all employee compensation Liabilities relating to employees of the Semiconductor Business.

EXCLUDED LIABILITIES. The following Liabilities shall be excluded from the pool of the Semiconductor Business' Liabilities, (the "EXCLUDED LIABILITIES"):

(i) all Liabilities to the extent that (i) it is covered under the terms of the Company's insurance policies in effect prior to the Separation Date and (ii) the Semiconductor Business is not a named, insured under, or otherwise entitled to the benefits of, such insurance policies;

(ii) all Liabilities for Pre-Semi Disposition Taxes not attributable to the Semiconductor Business; and

(iii) all Liabilities that are expressly agreed by Parent and the Company to be Excluded Liabilities, and all agreements and obligations of the Company under the agreements governing the Semi Disposition.

ANNEX 1.5(b)-1

PRESENTATION (A)

PRO FORMA CONDENSED BALANCE SHEET
SEPTEMBER 30, 1999

ASSETS

	C-CUBE MICROSYSTEMS INC. HISTORICAL	PRO FORMA ADJUSTMENTS	SEMICONDUCTOR PRO FORMA AS ADJUSTED
Current assets:			
Cash, equivalents and short-term investments	$277,373	$(148,000)(1),(2),(3)	$129,373
Accounts receivable, net of allowances	61,046	(52,504)(1)	8,542
Inventories	12,373	(9,948)(1)	2,425
Deferred income taxes	11,723	(9,190)(1)(5)	2,533

Other current assets	14,914	(6,174)(1)	8,740
Total current assets	377,429	(225,816)	151,613
Property and equipment -- net	33,881	(14,063)(1)	19,818
Production capacity rights	5,164	--	5,164
Distribution rights -- net	1,359	--	1,359
Purchased technology -- net	5,139	(2,595)(1)	2,544
Other assets	1,995	(499)(1)	1,496
Total	$424,967	$(242,973)	$181,994
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 24,356	$ (11,592)(1)	$ 12,764
Accrued liabilities	31,195	9,385(1),(4)	40,580
Income taxes payable	12,162	(6,649)(1)	5,513
Deferred revenue	5,537	(5,537)(1)	--
Current portion of long-term obligations	368	(11)(1)	357
Total current liabilities	73,618	(14,404)	59,214
Long-term obligations	20,150	(48)(1)	20,102
Deferred income taxes	3,230	(2,545)(1)	685
Total liabilities	96,998	(16,997)	89,001
Minority interest in subsidiary	409	--	409
Stockholders' equity:			
Preferred stock	--	--	--
Common stock	270,932	254,000	524,932
Accumulated other comprehensive loss	(1,992)	27(1)	(1,965)
Retained earnings (deficit)	58,620	(480,003)(1),(2),(3) (4),(5)	(421,383)
Total stockholders' equity	327,560	(225,976)	101,584
Total	$424,967	$(242,973)	$181,994

Two balance sheets have been presented to give effect to a range of possible results. Presentation (A) shows the estimated effect assuming a $975 million valuation of the semiconductor business. Presentation (B) shows the effect assuming a $1.1 billion valuation of the semiconductor business. The Company estimates that each additional $100 million in valuation will reduce cash and retained earnings by approximately $40 million. The Company has debt financing available should the evaluation of the semiconductor business exceed $1.1 billion.

See notes to pro forma condensed balance sheet at F-55.

(A) Based on a $975 million valuation of the semiconductor business.

ANNEX 1.5(B)-1

PRESENTATION (B)

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 1999

ASSETS

	C-CUBE MICROSYSTEMS, INC. HISTORICAL	PRO FORMA ADJUSTMENTS	SEMICONDUCTOR PRO FORMA AS ADJUSTED
Current assets:			
Cash, cash equivalents and short-term investments	$277,373	$(233,000)(1)(2)(3)	$ 44,373
Accounts receivable, net of allowances	61,046	(52,504)(1)	8,542
Inventories	12,373	(9,948)(1)	2,425
Deferred income taxes	11,723	(9,190)(1)(5)	2,533
Other current assets	14,914	(6,174)(1)	8,740
Total current assets	377,429	(310,816)	66,613
Property and equipment -- net	33,881	(14,063)(1)	19,818
Production capacity rights	5,164	--	5,164
Distribution rights -- net	1,359	--	1,359
Purchased technology -- net	5,139	(2,595)(1)	2,544
Other assets	1,995	(499)(1)	1,496
Total	$424,967	$(327,973)	$ 96,994
LIABILITIES AND STOCKHOLDERS' EQUITY			

Current liabilities:			
Accounts payable	$ 24,356	$ (11,592)(1)	$ 12,764
Accrued liabilities	31,195	9,385(1)(4)	40,580
Income taxes payable	12,162	(6,649)(1)	5,513
Deferred revenue	5,537	(5,537)(1)	--
Current portion of long-term obligations	368	(11)(1)	357
Total current liabilities	73,618	(14,404)	59,214
Long-term obligations	20,150	(48)(1)	20,102
Deferred income taxes	3,230	(2,545)(1)	685
Total liabilities	96,998	(16,997)	80,001
Minority interest in subsidiary	409	--	409
Stockholders' equity:			
Preferred stock	--	--	--
Common stock	270,932	254,000(2)	524,932
Accumulated other comprehensive loss	(1,992)	27(1)	(1,965)
Retained earnings (deficit)	58,620	(565,003)(1)(2)(3)(4)(5)	(506,383)
Total stockholders' equity	327,560	(310,976)	16,584
Total	$424,967	$(327,973)	$ 96,994

(B) Based on a $1.1 billion valuation of the Semiconductor business.

APPENDIX B

OPINION OF WARBURG DILLON READ, FINANCIAL ADVISOR TO HARMONIC

October 26,1999

Board of Directors
Harmonic Inc.
549 Baltic Way
Sunnyvale, CA 94089

Dear Members of the Board:

We understand that Harmonic Inc. ("Harmonic" or the "Company") is considering a transaction whereby the Company will merge with C-Cube Microsystems Inc. ("C-Cube"). Pursuant to the terms of a draft Agreement and Plan of Merger and Reorganization (the "Merger Agreement"), C-Cube shall be merged with and into Harmonic, whereupon the separate existence of C-Cube shall cease, and the Company shall continue as the surviving corporation (the "Merger"). We also understand that it is a condition to each party's obligation to consummate the Merger that C-Cube's semiconductor business either be distributed in its entirety to the stockholders of C-Cube or be sold by C-Cube in its entirety to a purchaser. We understand, therefore, that C-Cube will consist solely of its digital video communications systems business ("DiviCom") upon consummation of the Merger. Pursuant to the terms of the Merger Agreement, each issued and outstanding share of the capital stock of C-Cube, par value of $0.001, will be exchanged for 0.543 shares of Common Stock, par value of $0.001, of the Company, subject to adjustment pursuant to the terms of the Merger Agreement (the "Exchange Ratio"). No Company Common Stock will be issued to holders of fractional shares of C-Cube Common Stock. The terms and conditions of the Transaction are more fully set forth in the Merger Agreement.

You have requested our opinion as to the fairness to the Company from a financial point of view of the Exchange Ratio in the Transaction.

Warburg Dillon Read LLC ("WDR") has acted as financial advisor to the Company in connection with the Transaction and will receive a fee upon the consummation thereof. In the past, WDR and/or its predecessors have provided investment banking services to the Company and received customary compensation for the rendering of such services. In the ordinary course of business, WDR, its successors and affiliates may trade securities of the Company or C-Cube for their own accounts and, accordingly, may at any time hold a long or short position in such securities.

Our opinion does not address the Company's underlying business decision to effect the Transaction or constitute a recommendation to any shareholder of the Company as to how such shareholder should vote with respect to the Transaction. At your direction, we have not been asked to, nor do we, offer any opinion as to the material terms of the Merger Agreement or the form of the Transaction. In rendering this opinion, we have assumed, with your consent, that the final

executed form of the Merger Agreement will not differ in any material respect from the draft that we have examined, and that C-Cube and the Company will comply with all the material terms of the Merger Agreement.

In arriving at our opinion, we have, among other things: (i) reviewed certain publicly available business and historical financial information relating to the Company, C-Cube and DiviCom, (ii) reviewed certain internal financial information and other data relating to the business and financial prospects of the Company, including estimates and financial forecasts prepared by management of the Company, that were provided to us by the Company and not publicly available, (iii) reviewed certain internal financial information and other data relating to the business and financial prospects of C-Cube and DiviCom, including estimates and financial forecasts prepared by the management of the Company and C-Cube and not publicly available, (iv) conducted discussions with members of the senior management of the Company, C-Cube and DiviCom, (v) reviewed publicly available financial and stock market data with respect to certain other companies in lines of business we believe to be generally comparable to those of DiviCom, (vi) compared the financial terms of the Transaction with the publicly available financial terms

of certain other transactions which we believe to be generally relevant, (vii) considered certain pro forma effects of the Transaction on the Company's financial statements and reviewed certain estimates of synergies furnished by Company management, (viii) reviewed drafts of the Merger Agreement, and (ix) conducted such other financial studies, analyses, and investigations, and considered such other information as we deemed necessary or appropriate.

In connection with our review, at your direction, we have not assumed any responsibility for independent verification for any of the information reviewed by us for the purpose of this opinion and have, at your direction, relied on its being complete and accurate in all material respects. In addition, at your direction, we have not made or received any independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of the Company, C-Cube or DiviCom, nor have we been furnished with any such evaluation or appraisal. Also, at your direction, we have assumed that C-Cube's semiconductor business will either be distributed in its entirety to the stockholders of C-Cube or be sold by C-Cube in its entirety to a purchaser, without continuing liability to the Company for the operations of the semiconductor business or the sale of such business as contemplated in the Merger Agreement. With respect to the financial forecasts, estimates, pro forma effects and calculations of synergies referred to above, we have assumed, at your direction, that they have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of each company as to the future performance of their respective companies. In addition, we have assumed with your approval that the future financial results referred to above will be achieved at the times and in the amounts projected by management. Our opinion is necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to us as of the date hereof.

Based upon and subject to the foregoing, it is our opinion that, as the date hereof, the Exchange Ratio is fair, from a financial point of view, to the Company.

Very truly yours,

WARBURG DILLON READ LLC

By: /s/ TOR BRAHAM

Mr. Tor Braham
Managing Director

By: /s/ JOHN RHINE

Mr. John Rhine
Executive Director

APPENDIX C

OPINION OF CREDIT SUISSE FIRST BOSTON CORPORATION,
FINANCIAL ADVISOR TO C-CUBE MICROSYSTEMS

October 27, 1999

Board of Directors
C-Cube Microsystems Inc.
1778 McCarthy Boulevard
Milpitas, California 95035
Members of the Board:

You have asked us to advise you with respect to the fairness to the holders of the common stock of C-Cube Microsystems Inc. ("C-Cube") from a financial point of view of the Exchange Ratio set forth in the Agreement and Plan of Merger and Reorganization, dated as of October 27, 1999 (the "Merger Agreement"), by and between C-Cube and Harmonic Inc. ("Harmonic"). The Merger Agreement provides for, among other things, the merger of C-Cube with and into Harmonic (the "Merger") pursuant to which each outstanding share of the common stock, par value $0.001 per share, of C-Cube (the "C-Cube Common Stock") will be converted into the right to receive 0.5427 (the "Exchange Ratio") of a share of the common stock, par value $0.001 per share, of Harmonic (the "Harmonic Common Stock"). The Merger Agreement further provides for the disposition of C-Cube's Semiconductor Business (as defined in the Merger Agreement) either by way of a distribution to holders of C-Cube Common Stock or a sale of the Semiconductor Business to a third-party (the "Semi Disposition" and together with the Merger, the "Transaction").

In arriving at our opinion, we have reviewed the Merger Agreement and certain publicly available business and financial information relating to C-Cube and Harmonic. We have also reviewed certain other information relating to C-Cube, after taking into effect the Semi Disposition, and Harmonic, including financial forecasts, provided to or discussed with us by C-Cube and Harmonic, and have met with the managements of C-Cube and Harmonic to discuss the businesses and prospects of C-Cube, after taking into effect the Semi Disposition, and Harmonic. We have also considered certain financial and stock market data of C-Cube and Harmonic, and we have compared those data with similar data for other publicly held companies in businesses we deemed similar to those of C-Cube and Harmonic. We have considered, to the extent publicly available, the financial terms of certain other business combinations and other transactions which have recently been effected. We also considered such other information, financial studies, analyses and investigations and financial, economic and market criteria which we deemed relevant.

In connection with our review, we have not assumed any responsibility for independent verification of any of the foregoing information and have relied on such information being complete and accurate in all material respects. With respect to the financial forecasts, we have been advised, and have assumed, that such forecasts have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of C-Cube and Harmonic as to the future financial performance of C-Cube, after taking into effect the Semi Disposition, and Harmonic and the potential synergies and strategic benefits (including the amount, timing and achievability thereof) anticipated to result from the Merger. We also have assumed, with your consent, that the Merger will be treated as a tax-free reorganization for federal income tax purposes and that the Semi Disposition will be effected prior to the consummation of the Merger. In addition, we have not been requested to make, and have not made, an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of C-Cube or Harmonic, nor have we been furnished with any such evaluations or appraisals. Our opinion is necessarily based upon information available to us, and financial, economic, market and other conditions as they exist and can be evaluated, on the date hereof. We are not expressing any opinion as to the actual value of the

Harmonic Common Stock when issued pursuant to the Merger or the prices at which the Harmonic Common Stock will trade subsequent to the Merger.

We have acted as financial advisor to C-Cube in connection with the Transaction and will receive a fee for such services, a significant portion of which is contingent upon the consummation of the Merger. In the ordinary course of business, Credit Suisse First Boston and its affiliates may actively trade the debt and equity securities of C-Cube and Harmonic for their own accounts and for the accounts of customers and, accordingly, may at any time hold long or short positions in such securities.

It is understood that this letter is for the information of the board of directors of C-Cube in connection with its evaluation of the Merger, does not address any other aspect of the Transaction, including the Semi Disposition, and does not constitute a recommendation to any stockholder as to how such stockholder should vote with respect to any matter relating to the Transaction. This letter is not to be quoted or referred to, in whole or in part, in any registration statement, prospectus or proxy statement, or in any other document used in connection with the offering or sale of securities, nor shall this letter be used for any other purposes, without our prior written consent.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the Exchange Ratio is fair to the holders of C-Cube Common Stock from a financial point of view.

Very truly yours,

CREDIT SUISSE FIRST BOSTON CORPORATION

APPENDIX D

CERTIFICATE OF AMENDMENT

OF THE

RESTATED CERTIFICATE OF INCORPORATION

OF

HARMONIC INC.

The undersigned, Anthony J. Ley, does hereby certify that:

1. He is the President of Harmonic Inc., a Delaware corporation (the "Corporation");

2. The Restated Certificate of Incorporation of the Corporation is hereby amended by striking out the first paragraph of Article IV thereof and substituting in lieu of said paragraph the following new paragraph:

"The Corporation is authorized to issue two classes of stock to be designated, respectively, Preferred Stock, par value $0.001 per share ("Preferred Stock"), and Common Stock, par value $0.001 per share ("Common Stock"). The total number of shares of Preferred Stock that the Corporation shall have authority to issue is 5,000,000. The total number of shares of Common Stock that the Corporation shall have authority to issue is 150,000,000."

3. The amendment of the Certificate of Incorporation herein certified has been duly adopted in accordance with the provisions of Sections 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment of the Restated Certificate of Incorporation to be signed by its President, on this day of , 2000.

HARMONIC INC.

By:

ANTHONY J. LEY
President and Chief Executive Officer

APPENDIX E

CONSOLIDATED FINANCIAL STATEMENTS OF DIVICOM BUSINESS
(AN OPERATING UNIT OF C-CUBE MICROSYSTEMS INC.)

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

[Deloitte & Touche LOGO]

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
C-Cube Microsystems Inc.:

We have audited the accompanying consolidated statements of net investment of the DiviCom business (an operating unit of C-Cube Microsystems Inc.) as of December 31, 1998 and September 30, 1999, and the related consolidated income statements, statements of changes in net investment and cash flows for the years ended December 31, 1997 and 1998 and the nine month period ended September 30, 1999. These financial statements are the responsibility of the DiviCom business' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the DiviCom business at December 31, 1998 and September 30, 1999, and the results of their operations and their cash flows for the years ended December 31, 1997 and 1998 and the nine month period ended September 30, 1999 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

San Jose, California
November 19, 1999
December 9, 1999
(as to Note 1)

DIVICOM BUSINESS (AN OPERATING UNIT OF C-CUBE MICROSYSTEMS INC.)

CONSOLIDATED STATEMENTS OF NET INVESTMENT

(IN THOUSANDS)

	DECEMBER 31, 1998	SEPTEMBER 30, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 15,044	$ 21,968
Short-term investments	24,838	11,932
Accounts receivable, net of allowances: 1998 -- $5,109; 1999 -- $4,309		
Billed	17,743	33,875
Unbilled	10,330	18,629
Total receivables	28,073	52,504
Inventories	7,850	9,948
Deferred income taxes	5,736	9,190
Other current assets	6,150	3,342
Total current assets	87,691	108,884
Property and equipment -- net	10,352	14,063
Purchased technology -- net	7,551	5,427
Other assets	--	499
Total	$105,594	$128,873
LIABILITIES AND NET INVESTMENT		
Current liabilities:		
Accounts payable	$ 9,305	$ 11,592
Accrued compensation and benefits	4,609	5,013
Other accrued liabilities	7,248	7,602
Income taxes payable	3,933	6,649
Deferred contract revenue	4,975	5,537
Current portion of deferred rent	--	11
Total current liabilities	30,070	36,404
Long-term deferred rent	18	48
Deferred income taxes	481	2,545
Total liabilities	30,569	38,997
Accumulated other comprehensive income (loss)	103	(27)
Net investment	74,922	89,903
Total	$105,594	$128,873

See notes to consolidated financial statements.

DIVICOM BUSINESS (AN OPERATING UNIT OF C-CUBE MICROSYSTEMS INC.)

CONSOLIDATED INCOME STATEMENTS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		NINE MONTHS ENDED SEPTEMBER 30,
	1997	1998	1999
Net revenue	$118,760	$142,715	$133,821
Costs and expenses:			
Cost of product revenue	59,965	75,088	67,852
Research and development	17,659	21,449	21,820
Selling, general and administrative	15,423	23,959	23,683
Total costs and expenses	93,047	120,496	113,355
Income from operations	25,713	22,219	20,466

Other income, net	826	1,751	967
Income before income taxes	26,539	23,970	21,433
Provision for income taxes	9,760	8,390	7,088
Net income	$ 16,779	$ 15,580	$ 14,345

See notes to consolidated financial statements.

DIVICOM BUSINESS (AN OPERATING UNIT OF C-CUBE MICROSYSTEMS INC.)

CONSOLIDATED STATEMENTS OF CHANGES IN NET INVESTMENT
(IN THOUSANDS)

	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	NET INVESTMENT	TOTAL COMPREHENSIVE INCOME
Balances, January 1, 1997	$ 14	$45,351	
Net income		16,779	$16,779
Accumulated translation adjustments	(61)		(61)
Comprehensive income			$16,718
Net transactions with Semiconductor Inc.		(1,671)	
Balances, December 31, 1997	(47)	60,459	
Net income		15,580	$15,580
Accumulated translation adjustments	90		90
Unrealized gain on investments	60		60
Comprehensive income			$15,730
Net transactions with Semiconductor Inc.		(1,117)	
Balances, December 31, 1998	103	74,922	
Net income		14,345	$14,345
Accumulated translation adjustments	(70)		(70)
Unrealized loss on investments	(60)		(60)
Comprehensive income			$14,215
Net transactions with Semiconductor Inc.		636	
Balances, September 30, 1999	$(27)	$89,903	

See notes to consolidated financial statements

DIVICOM BUSINESS (AN OPERATING UNIT OF C-CUBE MICROSYSTEMS INC.)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		NINE MONTHS ENDED SEPTEMBER 30,
	1997	1998	1999
Cash flows from operating activities:			
Net income	$16,779	$ 15,580	$ 14,345
Adjustments to reconcile net income to net cash provided			

by operating activities:			
Depreciation and amortization	3,698	3,849	4,740
Amortization of purchased technology	2,832	2,832	2,124
Deferred income taxes	3,921	(4,107)	(1,390)
Changes in assets and liabilities:			
Receivables	(2,900)	(6,052)	(24,431)
Inventories	(2,441)	(345)	(2,098)
Other current assets	2,590	(2,248)	2,808
Accounts payable	122	4,693	2,287
Income taxes payable	3,546	1,034	2,716
Deferred contract revenue	(2,815)	1,080	562
Accrued liabilities	4,963	1,706	799
Net cash provided by operating activities	30,295	18,022	2,462
Cash flows from investing activities:			
Sales and maturities of short-term investments	--	18,000	28,415
Purchases of short-term investments	--	(42,875)	(16,162)
Capital expenditures	(6,893)	(5,615)	(7,858)
Other assets	--	--	(499)
Net cash provided by (used in) investing activities	(6,893)	(30,490)	3,896
Cash flows from financing activities:			
Net transactions with Semiconductor Inc	(1,671)	(1,117)	636
Exchange rate impact on cash and equivalents	(60)	89	(70)
Net increase (decrease) in cash and equivalents	21,671	(13,496)	6,924
Cash and cash equivalents, beginning of period	6,869	28,540	15,044
Cash and cash equivalents, end of period	$28,540	$ 15,044	$ 21,968
Supplemental schedule of noncash investing and financing activities:			
Unrealized gain (loss) on investments	$ --	$ 60	$ (60)
Supplemental disclosure of cash flow information --			
Cash paid during the period for:			
Income taxes	$ 353	$ 713	$ 895

(See notes to consolidated financial statements)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. OVERVIEW AND BASIS OF PRESENTATION

The accompanying consolidated financial statements were prepared to present the consolidated net investment, income and cash flows of the DiviCom business ("DiviCom" or the "Company"), an operating unit of C-Cube Microsystems Inc. ("C-Cube"), to be sold to Harmonic Inc. ("Harmonic") pursuant to the Agreement and Plan of Merger and Reorganization by and between C-Cube Microsystems Inc. and Harmonic dated October 27, 1999 as amended and restated on December 9, 1999 (the "Agreement"). DiviCom designs, manufactures and sells products and systems that enable the transmission of digital video, audio and data over a variety of networks including satellite, wireless, fiber and cable.

Accruals for certain C-Cube corporate expenses, including legal, accounting, employee benefits, real estate, insurance services, information technology services, treasury and other C-Cube corporate and infrastructure costs have been allocated to DiviCom and to C-Cube's semiconductor operating unit ("C-Cube Semiconductor Inc.") per the spin-off described below. These allocations have been determined on bases that C-Cube considered to be a reasonable reflection of the utilization of services provided for the benefit received by those businesses. Although DiviCom believes the allocations and charges for such services to be reasonable, the costs of these services charged to DiviCom are not necessarily indicative of the costs that would have been incurred had DiviCom been a stand-alone entity. The Agreement also provides for all unvested options held by DiviCom employees to be substituted for options in Harmonic.

The Agreement specifies that Harmonic will acquire all of the outstanding common stock of C-Cube in exchange for common stock of Harmonic. In addition, the Agreement requires the disposition through sale or spin-off of C-Cube Semiconductor Inc. prior to closing. C-Cube announced a plan (the "Plan") to create and sell or spin-off a separate company, subsequently named C-Cube Semiconductor Inc., comprising C-Cube's semiconductor business, which designs

and distributes powerful, highly integrated, standards-based digital video compression and decompression semiconductors. The legal structure of this transaction is a sale or spin-off of the semiconductor business and a merger of C-Cube, which as restructured, will consist of the DiviCom business. The historical assets, revenue, profits and employees of C-Cube Semiconductor Inc. have been greater than those of DiviCom. The corporate management of C-Cube will remain employees of C-Cube Semiconductor Inc., and the C-Cube stockholders will receive common stock representing approximately 44% ownership interest in Harmonic in the merger. Therefore, for accounting purposes the merger is being treated as a sale of DiviCom's net investment and C-Cube Semiconductor Inc. is being treated as the continuing accounting entity. Accordingly, the consolidated statements of net investment present the net investment of DiviCom rather than common stock and retained earnings.

The merger is subject to certain regulatory approvals and approval by the stockholders of C-Cube and Harmonic.

The financial information included herein may not necessarily reflect the consolidated results of operations, financial position, changes in net investment and cash flows of the DiviCom business had the DiviCom business been a separate stand-alone entity during the periods presented.

NOTE 2. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Consolidation

DiviCom has operated as a subsidiary of C-Cube and has certain foreign sales subsidiaries. The consolidated financial statements include DiviCom and its wholly owned subsidiaries after elimination of intercompany accounts and transactions.

Cash and Cash Equivalents

All highly liquid debt instruments purchased with a remaining maturity of three months or less are classified as cash equivalents.

Short-term Investments

Management determines the classification of debt and equity securities at the time of purchase and reevaluates the classification at each balance sheet date. Short-term investments are classified as available-for-sale when the DiviCom business generally has the ability and intent to hold such securities to maturity, but, in certain circumstances, may potentially dispose of such securities prior to their maturity to implement management strategies. Securities available-for-sale are reported at fair value with unrealized gains and losses reported as a separate component of stockholders' equity. All available-for-sale securities are classified as current assets.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market. Cost is computed using standard costs which approximate actual cost on a first-in, first-out basis.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over estimated useful lives of three years. Leasehold improvements are amortized over the shorter of their estimated useful lives, generally three years, or the lease term.

Revenue Recognition and Accounts Receivable

Revenue from systems contracts is recognized based on performance of specific tasks with approval and acceptance by the customer. Completion of these tasks are natural milestones used in measuring the progress to completion of the project. Such tasks include design, assembly and configuration of equipment and system performance tests at factory and at customer sites. Losses, if any, are recorded when determinable. Unbilled receivables result from completion of tasks as described above in advance of billing schedules. Deferred revenue arises from billing schedules in advance of completion of tasks. It is anticipated that all

unbilled receivables from such contracts will be collected within one year.

Research and Development

Research and development expenses include costs and expenses associated with the development of the DiviCom business' design methodology and the design and development of new products, and are expensed as incurred.

Income Taxes

Income tax amounts result from application of Statement of Financial Accounting Standards ("SFAS") No. 109 as though DiviCom had operated as a separate company. Therefore, income taxes provide for recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the historical financial statement carrying amounts and the historical tax bases of assets and liabilities on a separate company basis. The deferred tax balances reflect the effects of such temporary differences related to the historical assets and liabilities of DiviCom. Income tax payable is estimated as if the DiviCom business filed tax returns on a stand-alone basis. The Company currently files a consolidated tax return with C-Cube.

Harmonic, C-Cube Microsystems Inc. and C-Cube Semiconductor Inc. will enter into an intercompany tax sharing agreement prior to the completion of the merger. Due to differences between filing on a consolidated basis versus individual basis, amounts on the actual tax returns could vary from the amounts in these financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenue and expenses as of the dates and for the periods presented. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Financial instruments include cash equivalents and short-term investments. Cash equivalents and short-term investments are stated at fair value based on quoted market prices. The estimated fair value of financial instruments at December 31, 1998 and September 30, 1999 was not materially different from the carrying values presented in the consolidated balance sheets.

Concentration of Credit Risk

Financial instruments which potentially subject the DiviCom business to concentrations of credit risk consist primarily of cash equivalents, short-term investments, accounts receivable and financial instruments used in hedging transactions. By policy, the DiviCom business places its investments only with financial institutions meeting its credit guidelines. Almost all of the DiviCom business accounts receivable are derived from sales to companies in the cable and satellite communications markets. The DiviCom business performs ongoing credit evaluations of its customers' financial condition and manages its exposure to losses from bad debts by limiting the amount of credit extended whenever deemed necessary and generally does not require collateral.

The DiviCom business entered into an accounts receivable sales program with a financial institution in September 1999 providing for the sale by the DiviCom business of a $3.6 million undivided interest in the DiviCom business trade accounts receivable. The program qualifies for sale treatment under SFAS No. 125 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." The sales were recorded at the estimated fair values of the receivables sold, reflecting discounts for the time value of money based on U.S. commercial paper rates and estimated loss provisions.

The DiviCom business is subject to credit risks related to sales made into Asia, where an economic crisis, which resulted in several countries sharply devaluing their currencies in 1998, is reducing the cash flows and the access to credit of some of the DiviCom business major customers.

Foreign Currency Translation

The functional currency of certain of the DiviCom business subsidiaries in foreign countries are in the local currencies of these respective countries. Accordingly, all assets and liabilities of these subsidiaries are translated at the current exchange rate at the end of the period and revenue and costs at average exchange rates in effect during the period. Gains and losses from foreign currency translation are recorded as a separate component of net investment.

Forward Exchange Contracts

In the normal course of business, the DiviCom business has exposure to foreign currency fluctuations arising from foreign currency purchases and intercompany sales, among other things. The DiviCom business enters into forward exchange contracts to neutralize the impact of foreign currency fluctuations on assets and liabilities. All foreign exchange contracts are designated as and effective as hedges. Gains and losses on forward exchange contracts are deferred and recognized in income when the related transactions being hedged are recognized. The costs of entering into such contracts are not material to the DiviCom business financial results. The fair value of exchange contracts is determined by obtaining quoted market prices of comparable contracts at the balance sheet date, adjusted by interpolation where necessary for maturity differences.

Prior to 1998, the DiviCom business held no foreign exchange contracts. At December 31, 1998, the DiviCom business had $4.2 million of outstanding foreign exchange contracts to sell British pounds, for which the estimated fair value was not significantly different. Unrealized gains (losses) on forward exchange contracts at December 31, 1998 were not material. At September 30, 1999, the DiviCom business had $3.8 million of outstanding foreign exchange contracts to sell British pounds and $0.2 million of outstanding foreign exchange contracts to sell French francs, for which the estimated fair value of these contracts was not significantly different. These contracts mature through October 29, 1999. Unrealized gains (losses) on these contracts at September 30, 1999 were not material. The DiviCom business risk in these contracts is the cost of replacing, at current market rates, these contracts in the event of default by the other party. These contracts are executed with credit worthy financial institutions and are denominated in the currency of major industrial nations.

Intangibles

The Company amortizes purchased technology over five years. The Company reviews intangibles and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of intangibles and other long-lived assets is measured by comparison of its carrying amount to future net cash flows the intangibles and other long-lived assets are expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the intangible or other long-lived assets exceeds its fair market value, as determined by discounted cash flows using a discount rate reflecting the Company's average cost of funds.

Stock-Based Compensation

The DiviCom business accounts for stock-based awards to employees using the intrinsic value method in accordance with Accounting Principles Board No. 25, "Accounting for Stock Issued to Employees."

Recently Issued Accounting Standards

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed for Internal Use." SOP 98-1 requires the capitalization of certain expenditures for software that is purchased or internally developed, once certain criteria are met. As required, the Company adopted SOP 98-1 in fiscal year 1999. At September 30, 1999, the Company had capitalized approximately $661,000 of costs. Capitalized costs represent external direct costs as well as direct payroll related costs incurred during the application development and integration stages of the project in accordance with the provisions of SOP 98-1. All costs incurred during the preliminary assessment of the project were expensed as incurred. When the software is placed into service such capitalized costs will be amortized over the estimated useful life of the

asset of three years.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Adoption of this statement is not expected to materially impact the DiviCom business consolidated financial position, results of operations or cash flows. The DiviCom business is required to adopt this statement in the first quarter of fiscal year 2001.

Contingencies

From time to time, DiviCom is involved in litigation or legal claims which arise in the ordinary course of business. There are no such matters pending that DiviCom expects to be material in relation to its business or financial condition.

NOTE 3. SHORT-TERM INVESTMENTS

Short-term investments include the following available-for-sale securities as of December 31, 1998 and September 30, 1999:

	AMORTIZED COST	MARKET VALUE	UNREALIZED HOLDING GAINS	UNREALIZED HOLDING LOSSES
		(IN THOUSANDS)		
1998:				
Commercial paper	$ 4,918	$ 4,918	$--	$--
Municipal bonds	19,860	19,920	60	--
Total short-term investments	$24,778	$24,838	$60	$--
1999:				
Commercial paper	$11,932	$11,932	$--	$--

The DiviCom business' holdings of commercial paper mature within one year. The DiviCom business realized no gains or losses on the sale of investments in the years ended December 31, 1997 or 1998 or the nine months ended September 30, 1999.

NOTE 4. INVENTORIES

Inventories consist of:

	DECEMBER 31, 1998	SEPTEMBER 30, 1999
	(IN THOUSANDS)	
Finished goods	$3,187	$6,981
Work-in-process	2,517	1,841
Raw materials	2,146	1,126
Total	$7,850	$9,948

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consist of:

	DECEMBER 31, 1998	SEPTEMBER 30, 1999
	(IN THOUSANDS)	
Machinery and equipment -- principally computers	$15,017	$ 22,527
Furniture and fixtures	1,069	1,124
Leasehold improvements	1,629	1,910
Total	17,715	25,561
Accumulated depreciation and amortization	(7,363)	(11,498)
Property and equipment -- net	$10,352	$ 14,063

NOTE 6. LEASE COMMITMENTS

The DiviCom business rents office and research facilities under operating lease agreements which expire through April 2005.

Future minimum operating lease commitments for years ending December 31 are as follows:

	OPERATING
	(IN THOUSANDS)
1999 (three months)	$ 493
2000	1,988
2001	1,482
2002	997
2003	1,017
2004	279
Thereafter	248
Total minimum lease payments	$6,504

Rent expense for operating leases was approximately $553,000, $1,613,000 and $1,664,000 for the years ended December 31, 1997 and 1998 and the nine month period ended September 30, 1999, respectively.

NOTE 7. EMPLOYEE BENEFIT PLANS

Employee Stock Option Plans

C-Cube's stock option plans (the "Plans") authorize the issuance of 31,639,838 shares of C-Cube $.001 par value common stock for the grant of incentive or nonstatutory stock options and the direct award or sale of shares to employees, directors, contractors and consultants. Under the Plans, options are generally granted at fair value at the date of grant. Such options become exercisable over periods of one to five years and expire up to 10 years from the grant date. Under the existing terms of the stock option plans, all C-Cube options held by DiviCom employees would be substituted for options of Harmonic upon consummation of the Agreement referred to in Note 1.

Option activity for DiviCom employees under the Plans was as follows:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, January 1, 1997 (239,873 exercisable at a weighted average price of $10.04).....	1,752,188	$ 34.39
Granted (weighted average fair value of $13.12)....	3,262,662	21.50
Exercised.....	(57,617)	(11.93)
Canceled.....	(2,296,495)	(33.60)
Outstanding, December 31, 1997 (437,284 exercisable at a weighted average price of $15.56).....	2,660,738	19.74
Granted (weighted average fair value of $11.97)....	1,516,160	18.83
Exercised.....	(202,257)	(15.81)
Canceled.....	(348,710)	(20.16)
Outstanding, December 31, 1998 (785,390 exercisable at a weighted average price of $18.87).....	3,625,931	19.54
Granted (weighted average fair value of $14.44)....	1,243,980	22.75
Exercised.....	(374,402)	(18.76)
Canceled.....	(249,595)	(20.27)
Outstanding, September 30, 1999.....	4,245,914	$ 20.51

Additional information regarding options outstanding for DiviCom employees as of September 30, 1999 is as follows:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
$ 0.22 - $14.81	132,430	7.76	$12.43	65,030	$ 9.96
14.88 - 18.50	572,753	8.69	17.32	98,163	17.32
18.56 - 19.56	1,259,715	9.05	18.95	198,530	18.85
19.63 - 19.94	1,455,823	7.16	19.93	514,192	19.94
20.00 - 27.50	423,291	8.87	24.24	64,259	24.39
27.56 - 39.63	401,902	9.46	30.72	23,213	30.57
$ 0.22 - $39.63	4,245,914	8.33	$20.51	963,387	$19.32

At September 30, 1999, C-Cube exceeded the total number of shares available for grant by 408,751 shares. C-Cube's 1994 Stock Option Plan has an automatic 4% refresh on December 31, 1999, which will cover any negative balance at that time.

Employee Stock Purchase Plan

C-Cube has an employee stock purchase plan, under which eligible employees may authorize payroll deductions of up to 10% of their compensation (as defined in the plan) to purchase C-Cube $.001 par value common stock at a price equal to 85% of the lower of the fair market values as of the beginning or the end of the offering period. There are 1,580,000 shares authorized under this plan. Stock issued to DiviCom employees under the plan was 34,000, 50,000 and 106,000 shares in the years ended December 31, 1997 and 1998 and the nine months ended September 30, 1999, at weighted average prices of $29.98, $18.45 and $17.53, respectively. The weighted average fair value of the 1997, 1998 and 1999 awards was $9.46, $7.32, and $7.43, respectively. At September 30, 1999, 855,095 shares of common stock were available for issuance under this plan. A liability of $291,000 representing amounts collected from

DiviCom employees, but not used to purchase shares is included in accounts payable at September 30, 1999.

401(k) Plan

C-Cube Microsystems Inc. has a 401(k) tax-deferred savings plan under which participants may contribute up to 20% of their compensation, subject to certain Internal Revenue Service limitations. The DiviCom business is not required to contribute and has not contributed to the plan to date.

Additional Stock Plan Information

As discussed in Note 2, the DiviCom business continues to account for its stock-based awards using the intrinsic value method in accordance with Accounting Principles Board No. 25, "Accounting for Stock Issued to Employees" and its related interpretations. Accordingly, no compensation expense has been recognized in the financial statements for employee stock arrangements which are granted with exercise prices equal to the fair market value at grant date.

SFAS No. 123, "Accounting for Stock-Based Compensation," requires the disclosure of pro forma net income and earnings per share had the DiviCom business adopted the fair value method as of the beginning of fiscal 1995. Under SFAS 123, the fair value of stock-based awards to employees is calculated through the use of option pricing models, even though such models were developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the DiviCom business' stock option awards. These models also require subjective assumptions, including future stock price volatility and expected time to exercise, which greatly affect the calculated values. The DiviCom business' calculations were made using the Black-Scholes option pricing model with the following weighted average assumptions: expected life, and 5.50 years in 1997, 5.60 years in 1998 and 5.50 years in the nine months ended September 30, 1999; stock volatility, 63% in 1997, 68% in 1998 and 68% in the nine months ended September 30, 1999; risk free interest rates, 6.1% in 1997, 5.2% in 1998 and 5.4% in the nine months ended September 30, 1999; and no dividends during the expected term. The DiviCom business' calculations are based on a single option valuation approach and forfeitures are recognized as they occur. If the computed fair values of the 1997, 1998, and 1999 awards had been amortized to expense over the vesting period of the awards, pro forma net income would have been $9.9 million in 1997, $8.7 million in 1998 and $8.0 million in the nine months ended September 30, 1999.

NOTE 8. COMPREHENSIVE INCOME

In the first quarter of 1998, the DiviCom business adopted SFAS No. 130, "Reporting Comprehensive Income," which requires an enterprise to report, by major components and as a single total, the change in net investments during the period from nonowner sources. SFAS 130 requires unrealized gains or losses on investments and foreign currency translation adjustments, which prior to adoption were reported separately in net investment, to be included in other comprehensive income; however, the adoption of this Statement had no impact on net income or net investment. The DiviCom business has presented its comprehensive income in the Consolidated Statement of Changes in Net Investment. Prior year amounts have been reclassified to conform to the requirements of SFAS 130.

The following are the components of accumulated other comprehensive income (loss):

	DECEMBER 31, 1998	SEPTEMBER 30, 1999
	(IN THOUSANDS)	
Unrealized holding gains arising during period.....	$ 60	$ --
Accumulated translation adjustments.....	43	(27)
Total.....	$103	$(27)

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NOTE 9. INCOME TAXES

The provision for income taxes is as follows:

	YEARS ENDED DECEMBER 31,		NINE MONTHS ENDED SEPTEMBER 30,
	1997	1998	1999
	(IN THOUSANDS)		
Current:			
Federal	$5,327	$12,706	$ 8,901
State	723	(198)	(442)
Foreign	(211)	(11)	19
Total	5,839	12,497	8,478
Deferred:			
Federal	2,538	(3,171)	(1,359)
State	1,335	(1,078)	(196)
Foreign	48	142	165
Total	3,921	(4,107)	(1,390)
Total	$9,760	$ 8,390	$ 7,088

The tax benefit associated with dispositions from employee stock plans reduced taxes currently payable by $239,000, $518,000 and $2,137,000, for the years ended December 31, 1997 and 1998 and the nine months ended September 30, 1999, respectively.

Income tax rates differ from the rates computed by applying the federal statutory income tax rate to income before taxes as follows:

	YEARS ENDED DECEMBER 31,		NINE MONTHS ENDED SEPTEMBER 30,
	1997	1998	1999
Tax expense computed at federal statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal effect	3.1	1.8	1.5
Tax credits	(1.7)	(1.7)	(1.8)
Foreign sales corporation	(2.0)	(2.2)	(2.5)
Other	2.4	2.1	0.9
Income tax rate	36.8%	35.0%	33.1%

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The components of the net deferred tax asset as of December 31, 1998 and September 30, 1999 were as follows:

	DECEMBER 31, 1998	SEPTEMBER 30, 1999
	(IN THOUSANDS)	

Deferred tax assets:		
Accruals and reserves recognized in different periods....	$ 6,764	$ 6,930
Deferred revenue.....	1,992	2,259
Tax basis depreciation.....	--	--
Total.....	8,756	9,189
Deferred tax liabilities:		
Purchased technology.....	(3,021)	(2,212)
Depreciation/other intangibles.....	(481)	(333)
Total.....	(3,502)	(2,545)
Net deferred tax assets.....	$ 5,254	$ 6,644

NOTE 10. RELATED PARTY INFORMATION

Beginning in 1998, C-Cube corporate expenses, including legal, accounting, employee benefits, real estate, insurance services, information technology services, treasury and other C-Cube corporate and infrastructure costs have been allocated as expenses to DiviCom and C-Cube Semiconductor Inc. The expense allocations have been determined on bases that C-Cube and those businesses considered to be a reasonable reflection of the utilization of services provided or the benefit received. The allocation methods include relative sales, headcount, square footage, transaction processing costs, adjusted operating expenses and others. Management believes the allocations and charges for such services to be a reasonable approximation of the costs that would have been incurred had DiviCom been a stand-alone entity. All allocated costs are to be assumed settled through intercompany accounts and are reflected in net investments payable to C-Cube Semiconductor Inc. Prior to 1998, the costs for most of the services and operations listed above were incurred separately and directly by DiviCom and Semiconductor Inc., and thus allocations from C-Cube were only made for shared executive management and accounting services.

Allocated costs included in the accompanying consolidated income statements are as follows:

	YEAR ENDED DECEMBER 31,		NINE MONTHS ENDED SEPTEMBER 30,
	1997	1998	1999
Costs of revenue.....	$ --	$ 4,112	$ 4,096
Research and development.....	--	3,531	3,816
Selling, general and administrative.....	571	3,942	5,414
	$571	$11,585	$13,326

C-Cube incurred certain costs on behalf of DiviCom and charged such costs to DiviCom each quarter through the intercompany account. The costs charged to DiviCom by C-Cube were generally for the allocated services described above and for income taxes paid on DiviCom's behalf. In addition C-Cube made a cash advance to DiviCom for operations in 1996 through the intercompany account. No interest was charged on intercompany balances.

DiviCom's intercompany payable to C-Cube as of December 31, 1998 and September 30, 1999 were as follows:

	DECEMBER 31, 1998	SEPTEMBER 30, 1999
	(IN THOUSANDS)	
Income taxes and other.....	$14,979	$22,615

Cash advance for operations	7,000	--
Total	$21,979	$22,615

DiviCom's average balances in the intercompany payable account for years ended December 31, 1997 and 1998 and the nine months ended September 30, 1999 were $23,827,000, $22,538,000 and $22,297,000, respectively. The activity in DiviCom's intercompany payable account for years ended December 31, 1997 and 1998 and the nine months ended September 30, 1999 was as follows:

	YEAR ENDED DECEMBER 31,		NINE MONTHS ENDED SEPTEMBER 30,
	1997	1998	1999
Beginning balance	$24,557	$ 23,096	$ 21,979
Intercompany invoices	5,539	10,358	11,947
Cash payments	(7,000)	(11,475)	(11,311)
Ending balance	$23,096	$ 21,979	$ 22,615

NOTE 11. SEGMENT INFORMATION, GEOGRAPHIC INFORMATION AND MAJOR CUSTOMERS

DiviCom operates in one reportable segment under SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information," which is the development and integration of products and systems that enable the transmission of digital video, audio and data over satellite, broadcast, cable and wireless networks. These products and services allow its customers to create "end-to-end" digital video systems. Substantially all of DiviCom's long-lived assets are located within North America.

Revenue is broken out geographically by the ship-to location of the customer. Revenue by geographical location is as follows:

	YEARS ENDED		NINE MONTHS ENDED SEPTEMBER 30,
	1997	1998	1999
U.S.	$ 85,954	$ 78,082	$ 77,200
Canada	7,149	16,793	10,798
Spain	8,757	1,792	1,127
United Kingdom	90	15,931	8,083
Other Europe	6,064	8,132	15,944
Philippines	--	8,686	7,511
China	503	118	4,280
Japan	2,024	4,128	3,188
Other Asia	3,381	2,531	1,381
Rest of World	4,838	6,522	4,309
Total	$118,760	$142,715	$133,821

During the year ended December 31, 1997, three customers accounted for 26%, 14% and 12% of the DiviCom business' revenue. During the year ended December 31, 1998, one customer accounted for 12% of the DiviCom business' revenue. During the nine months ended September 30, 1999, two customers accounted for 16% and 12% of the DiviCom business' revenue.

At December 31, 1998, one customer accounted for 19% of accounts receivable. At September 30, 1999, one customer accounted for 21% of accounts receivable.

NOTE 12. PURCHASE COMMITMENT

In the third quarter of 1999, the DiviCom business began integration of an Oracle ERP system. Costs incurred to date are included in property, plant and equipment for which depreciation will begin when the software is functional. At September 30, 1999, the remaining external purchase commitment related to this project was approximately $2,500,000.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's Board of Directors to grant, indemnification to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities (including reimbursement for expenses incurred) arising under the Securities Act. Article VI of the Company's Bylaws provides for the mandatory indemnification of its directors, officers, employees and other agents to the maximum extent permitted by Delaware General Corporation Law, and the Company has entered into agreements with its officers, directors and certain key employees implementing such indemnification.

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

EXHIBIT NUMBER	DESCRIPTION
2	Amended and Restated Agreement and Plan of Merger and Reorganization by and between C-Cube Microsystems Inc. and Harmonic Inc., dated as of October 27, 1999 (incorporated herein by reference to the Registrant's Current Report on Form 8-K dated November 1, 1999)
2.1	Second Amendment to Agreement and Plan of Merger and Reorganized, dated as of March 23, 2000
4	Form of Common Stock Certificate (incorporated herein by reference to the Registrant's Registration Statement on Form S-1 No. 33-90752)
5	Opinion of Gibson, Dunn & Crutcher LLP as to the legality of the securities being registered
8.1	Opinion of Gibson, Dunn & Crutcher LLP as to tax matters
8.2	Opinion of Wilson, Sonsini, Goodrich & Rosati, Professional Corporation as to tax matters
23.1	Consent of Deloitte & Touche LLP
23.2	Consent of PricewaterhouseCoopers LLP
23.3	Consent of Gibson, Dunn & Crutcher LLP (included in Exhibit 5.1)
23.4	Consent of Gibson, Dunn & Crutcher LLP (included in Exhibit 8.1)
23.5	Consent of Wilson, Sonsini, Goodrich & Rosati, Professional Corporation (included in Exhibit 8.2)
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99.2	Harmonic Inc. Proxy for Special Meeting of Stockholders
99.3	C-Cube Microsystems Inc. Proxy for Special Meeting of Stockholders
99.4	Form of Tax Sharing Agreement between C-Cube Microsystems Inc. and C-Cube Semiconductor Inc.
99.5	Form of Master Transitional Services Agreement between C-Cube Microsystems Inc. and C-Cube Semiconductor Inc.
99.6	Form of General Assignment and Assumption Agreement between

	C-Cube Microsystems Inc. and C-Cube Semiconductor Inc.
99.7	Form of Indemnification and Insurance Matters Agreement among C-Cube Microsystems Inc. and C-Cube Semiconductor Inc.
99.8	Form of Officers' and Directors' Indemnification Agreement
99.9	Form of Separation and Distribution Agreement between C-Cube Microsystems Inc. and C-Cube Semiconductor Inc.

EXHIBIT NUMBER	DESCRIPTION
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99.11	Consent of Warburg Dillon Read
99.12	Consent of Credit Suisse First Boston Corporation

+ Portions of this document have been omitted pursuant to a confidential treatment request filed with the Securities and Exchange Commission. Such portions have been provided separately to the Commission.

ITEM 22. UNDERTAKINGS.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof.

The undersigned registrant hereby undertakes to deliver or cause to be delivered with the prospectus, to each person to whom the prospectus is sent or given, the latest annual report, to security holders that is incorporated by reference in the prospectus and furnished pursuant to and meeting the requirements of Rule 14a-3 or Rule 14c-3 under the Securities Exchange Act of 1934; and, where interim financial information required to be presented by Article 3 of Regulation S-X is not set forth in the prospectus, to deliver, or cause to be delivered to each person to whom the prospectus is sent or given, the latest quarterly report that is specifically incorporated by reference in the prospectus to provide such interim financial information.

The undersigned registrant hereby undertakes as follows: that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

The registrant undertakes that every prospectus: (i) that is filed pursuant to the immediately preceding paragraph, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the

registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11, or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Sunnyvale, State of California, on March 23, 2000.

HARMONIC INC.

By /s/ ANTHONY J. LEY

Name: ANTHONY J. LEY
Title: President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Anthony J. Ley or Robin Dickson, or either of them, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all pre- and post-effective amendments to this Registration Statement, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	DATE
/s/ ANTHONY J. LEY	March 23, 2000

Anthony J. Ley President and Chief Executive Officer (Principal Executive Officer)	
/s/ ROBIN N. DICKSON	March 23, 2000
Robin N. Dickson Chief Financial Officer (Principal Financial and Accounting Officer)	
/s/ MOSHE NAZARATHY	March 23, 2000
Moshe Nazarathy Director	
/s/ E. FLOYD KVAMME	March 23, 2000
E. Floyd Kvamme Director	

SIGNATURE	DATE
/s/ DAVID A. LANE	March 23, 2000
David A. Lane Director	
/s/ BARRY D. LEMIEUX	March 23, 2000
Barry D. Lemieux Director	
/s/ MICHEL L. VAILLAUD	March 23, 2000
Michel L. Vaillaud Director	

INDEX TO EXHIBITS

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99.12	Consent of Credit Suisse First Boston Corporation

+ Portions of this document have been omitted pursuant to a confidential treatment request filed with the Securities and Exchange Commission. Such portions have been provided separately to the Commission.

EXHIBIT 2.1

SECOND AMENDMENT TO AGREEMENT AND PLAN OF MERGER AND REORGANIZATION

THIS SECOND AMENDMENT TO AGREEMENT AND PLAN OF MERGER AND REORGANIZATION (this "Amendment") is dated as of March 23, 2000, and is being entered into by and between C-CUBE MICROSYSTEMS INC., a Delaware corporation ("the "Company"), and HARMONIC INC., a Delaware corporation ("Parent").

R E C I T A L S

WHEREAS, the Company and Parent are parties to that certain Agreement and Plan of Merger and Reorganization dated as of October 27, 1999, which was subsequently amended and restated by the parties with the Amended and Restated Agreement and Plan of Merger and Reorganization, dated as of December 9, 1999 (the "Agreement");

WHEREAS, the parties hereto desire to enter into this Amendment to amend and restate Section 2.3(b) of the Agreement in its entirety;

WHEREAS, pursuant to Section 8.4 of the Agreement, the Agreement may be amended in writing and upon execution by the Company and Parent; and

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

Section 2.3(b) of the Agreement is hereby amended and restated in its entirety and is replaced by the following paragraph:

(b) The Board of Directors of the Surviving Corporation effective as of, and immediately following, the Effective Time shall consist of seven (7) members PROVIDED, FURTHER that the Board of Directors of Parent shall take all such action as may be necessary to cause to be appointed to the Board of Directors of the Surviving Corporation as of the Effective Time six (6) designees of Parent and one (1) designee of the Company, each of whom shall be nominated from the current directors of the Parent and the Company, designated in writing by the parties prior to the mailing of the Proxy Statement (defined in Section 5.3(c) hereof).

Except as modified herein, the Agreement is affirmed by the parties hereto in its entirety and shall remain in full force and effect. This Amendment may be executed in two or more counterparts, each of which shall be an original and all of which, taken together, shall be deemed to be one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Second Amendment to Agreement and Plan of Merger and Reorganization to be duly executed and delivered by their authorized representatives as of the date first written above.

HARMONIC INC.

By: /s/ ROBIN N. DICKSON

Name: Robin N. Dickson
Title: Chief Financial Officer

C-CUBE MICROSYSTEMS INC.

By: /s/ ALEXANDRE A. BALKANSKI

Name: Alexandre A. Balkanski
Title: Chief Executive Officer

EXHIBIT 5

March __, 2000

(650) 849-5300 C 41507-00001

Harmonic, Inc.
549 Baltic Way
Sunnyvale, CA 94089

RE: REGISTRATION STATEMENT ON FORM S-4 (REG. NO. 333-_____)

Gentlemen:

We have acted as counsel for Harmonic, Inc., a Delaware corporation (the "Company"), in connection with the merger (the "Merger") of C-Cube Microsystems, Inc. ("C-Cube Microsystems") into the Company after the proposed spin-off by C-Cube Microsystems of its semiconductor business, and the issuance and registration of shares of the Company's Common Stock, par value $.001 per share (the "Shares"), in connection with the Merger. The Company proposes to issue the Shares in exchange for shares of C-Cube Microsystems' Common Stock, par value $0.001 per share, as described in the above-referenced Registration Statement on Form S-4 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Act"). In connection therewith, we have examined, among other things, the Registration Statement, as well as the proceedings and other actions taken by the Company in connection with the authorization of the Shares and such other matters as we deemed necessary for purposes of rendering this opinion.

Based on the foregoing, and in reliance thereon, we are of the opinion that (i) the Shares have been duly authorized and (ii) upon issuance of the Shares in connection with the Merger as described in the Registration Statement and the Prospectus constituting a part thereof (the "Prospectus"), the Shares will be validly issued, fully paid and non-assessable.

The Company is a Delaware corporation. We are not admitted to practice in Delaware. However, we are familiar with the Delaware General Corporation Law and have made such review thereof as we consider necessary for the purpose of this opinion. Subject to the foregoing, this opinion is limited to the present laws of the State of Delaware and to the present federal laws of the United States of America.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to this firm under the heading "Legal Matters" contained in this Prospectus. In giving this consent, we do not admit that we are within the category of persons whose consent is required under Section 7 of the Act or the General Rules and Regulations of the Securities and Exchange Commission.

Very truly yours,

GIBSON, DUNN & CRUTCHER LLP

LC/SS/MBM

Exhibit 8.1

FORM OF OPINION OF GIBSON DUNN & CRUTCHER LLP

(213) 229-7000 C 41507-00001

Harmonic Inc.
549 Baltic Way
Sunnyvale, California 94089

Re: Registration Statement on Form S-4

Ladies and Gentlemen:

We have acted as counsel to Harmonic Inc., a Delaware corporation ("Harmonic"), in connection with the preparation and execution of the Amended and Restated Agreement and Plan of Merger and Reorganization (the "Merger Agreement"), dated as of December 9, 1999, by and between Harmonic and C-Cube Microsystems Inc., a Delaware corporation ("C-Cube"). Pursuant to the Merger Agreement, C-Cube will merge with and into Harmonic, with Harmonic surviving the merger (the "Merger"). The Merger and certain proposed transactions incident thereto are described in the Registration Statement on Form S-4 (the "Registration Statement") of Harmonic, which includes the Joint Proxy Statement/Prospectus/Information Statement of C-Cube and Harmonic ("Joint Proxy Statement"), and which is to be filed with the U.S. Securities and Exchange Commission under the Securities Act of 1933 on the date hereof.

You have requested our opinion regarding certain federal income tax consequences of the Merger. In connection with rendering this opinion, we have assumed and relied upon (without any independent investigation):

1. The truth and accuracy of the statements, covenants, representations and warranties contained in the Merger Agreement, in the representations received from Harmonic and C-Cube (the "Tax Representation Letters") that have been provided to us and that were issued in support of this opinion, and in the Registration Statement;

2. consummation of the Merger in accordance with the Merger Agreement, without any waiver, breach or amendment of any material provisions of the Merger Agreement, the effectiveness of the Merger under applicable state law, and the performance of all covenants contained in the Merger Agreement and the Tax Representation Letters without waiver or breach of any material provisions thereof;

3. the accuracy of any representation or statement made "to the knowledge of" or similarly qualified without such qualification, and as to all matters in which a person or entity is making a representation, that such person or entity is not a party to, does not have, or is not aware of, any plan, intention, understanding or agreement inconsistent with such representation, and there is no such plan, intention, understanding, or agreement inconsistent with such representation;

4. the reporting of the Merger as a reorganization, within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), by Harmonic in its federal income return; and

5. the authenticity of original documents (including signatures), conformity to the originals of documents submitted to us as copies, and due execution and delivery of all documents where due execution and delivery are prerequisites to effectiveness thereof.

Based upon the foregoing, the discussion contained in the Joint Proxy Statement under the caption "Material Federal Income Tax Consequences of the Merger," subject to the limitations and qualifications described therein and herein, is our opinion with respect to the material United States federal income

tax consequences generally applicable to the Merger.

This opinion represents our best judgment regarding the application of federal income tax laws under the Code, existing judicial decisions, administrative regulations and published rulings and procedures. Because this opinion is being delivered prior to the Effective Time of the Merger, it must be considered prospective and dependent on future events. Our opinion is not binding upon the Internal Revenue Service or the courts, and there is no assurance that the Internal Revenue Service will not successfully assert a contrary position. Furthermore, no assurance can be given that future legislative, judicial or administrative changes, on either a prospective or retroactive basis, would not adversely affect the accuracy of the conclusions stated herein. We undertake no responsibility to advise you of any new developments in the application or interpretation of the federal income tax laws. Furthermore, in the event any one of the statements, covenants, representations, warranties or assumptions upon which we have relied to issue this opinion is incorrect, our opinion might be adversely affected and may not be relied upon.

This opinion addresses only the matters described above, and does not address any other federal, state, local or foreign tax consequences that may result from the Merger or any other transaction undertaken in connection with the Merger.

This opinion is rendered only to you and is solely for your benefit in connection with filing the Registration Statement with the Securities and Exchange Commission. This opinion may not be relied upon for any other purpose or by any other person or entity, and may not be

furnished to, quoted to or by or relied upon by any other person or entity, without our prior written consent. We hereby consent to the use of this opinion as an exhibit to the Registration Statement and to the use of our name under the caption "Material Federal Income Tax Consequences" in the Joint Proxy Statement. In giving such consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, nor do we thereby admit that we are experts with respect to any part of such Registration Statement within the meaning of the term "experts" as used in the Securities Act of 1933, as amended.

Very truly yours,

Gibson, Dunn & Crutcher LLP

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EXHIBIT 8.2

[ERNST & YOUNG LLP LETTERHEAD]

March 21, 2000

Dr. Alexandre A. Balkanski
Chief Executive Officer
C-Cube Microsystems Inc.
1778 McCarthy Blvd.
Milpitas, CA 95035

Dear Dr. Balkanski:

You have requested our opinion as to certain U.S. federal income tax consequences to the shareholders of C-Cube Microsystems Inc. ("C-Cube" or "Distributing"), a Delaware corporation, (the "Shareholders") relating to the proposed distribution (the "Distribution") of the stock of C-Cube Semiconductor Inc. ("Semiconductor I" or "Controlled"), a Delaware corporation, by C-Cube, as described in the Documents (defined below).

In rendering these opinions, Ernst & Young LLP ("E&Y") has relied upon the following documents (together referred to as the "Documents") attached hereto:

1. The factual Statement of Facts and Representations, dated March __, 2000 provided by the managements of Distributing and of Controlled to E&Y (the "Statement of Facts and Representations"), including the factual descriptions therein of the transactions effected by the Development and Requirements Agreement, dated as of April 20, 1993, between C-Cube and DiviCom Inc., the Marketing Agreement dated as of November 17, 1994, between C-Cube and DiviCom, Inc., and the Joint Venture and Shareholders Agreement, dated as of April 20, 1993, between Eurodec, SAGEM International S.A., Tregor Electronique, C-Cube, Nolan Daines, and DiviCom Inc. (collectively, the "DiviCom Agreements");

2. The Amended and Restated Agreement and Plan of Merger and Reorganization By and Between C-Cube Microsystems, Inc., and Harmonic, Inc., ("Harmonic") dated as of Dec. 9, 1999 (the "Harmonic Merger Agreement");

3. The execution of the Master Separation and Distribution Agreement, the Assignment and Assumption Agreement, the Transitional Services Agreement, the Employee Matters Agreement, the Tax Sharing Agreement, the Master Confidential Disclosure Agreement, the Indemnification and Insurance Matters Agreement, and the Real Estate Matter Agreement (collectively, the "Separation Agreements") between Distributing and entities affiliated with Distributing, and Controlled and entities affiliated with Controlled, in substantially the form of the drafts current as of the date hereof.

2

4. The Thomson Agreement between Controlled and Thomson Multimedia S.A., an entity formed under the laws of France, dated as of February 10, 2000 (together with the Harmonic Merger Agreement and the Separation Agreements, the "Agreements").

You have advised us that the Documents provide a complete and accurate description of all relevant facts and circumstances surrounding the Distribution. E&Y has made no independent verification of any of the facts and representations set forth in the Documents and, therefore, has relied upon the completeness, truth and accuracy of the Documents for purposes of rendering this opinion. While E&Y has had discussions with management personnel of Distributing and Controlled and their affiliates in connection with rendering this opinion, (i) the substance of those discussions is in all material respects reflected in

the factual STATEMENT OF FACTS AND REPRESENTATIONS, (ii) the management personnel of Distributing have imparted no information materially additional to or inconsistent with that contained in the factual STATEMENT OF FACTS AND REPRESENTATIONS, (iii) E&Y has assumed that any information imparted in such discussions with management personnel is true, and has not made (and has at no time had any means of making) any independent verification of any information imparted in such discussions, and (iv) the issuance of this opinion shall not imply anything to the contrary of (i)-(iii) preceding. For purposes of rendering this opinion, E&Y has assumed that all representations or warranties (including representations as to future conduct, e.g. that no inconsistent filing or return position will be taken) qualified by "to the knowledge of," "belief" or "expect" or similar qualifications are true without any such qualification. Any inaccuracies in, omissions from, or modifications to the Documents may affect the conclusions stated herein, perhaps in an adverse manner.

OPINION

Based on the Documents, the facts as summarized therein, and the applicable law, and subject to the limitations and qualifications stated herein, it is our opinion that for U.S. federal income tax purposes:

1. Except with respect to any cash received in lieu of any fractional share, no gain or loss will be recognized to (and no amount will be included in the income of) the Shareholders on the receipt of the stock of Controlled in the Distribution (Section 355(a)).

2. The aggregate bases of the Distributing stock and of the Controlled stock in the hands of each Shareholder after the Distribution (including any fractional share interests to which such Shareholder is entitled) will equal the aggregate basis of the Distributing stock held by such Shareholder immediately before the Distribution, allocated between the Distributing and Controlled stock in proportion to the fair market value of each in accordance with Treas. Reg. Section 1.358-2(a)(2) (Sections 358(a)(1), (b)(2), and (c)).

3. The holding period of the Controlled stock received by each Shareholder will include the period during which such Shareholder has held the Distributing shares on which the Distribution is made (Section 1223(1)).

4. Any payments of cash in lieu of fractional shares of Controlled stock will be treated for federal income tax purposes as if the fractional shares were issued in the Distribution and then were redeemed by Controlled. The cash payments will be treated as having been received as a distribution in full payment in exchange for the shares treated as so redeemed, subject to the provisions of Section 302. If such cash payments are treated as payments in exchange for such fractional shares under Section 302, then, provided the fractional share interests are capital assets in the hands of the recipient shareholders, the gain or loss on such deemed exchanges will constitute capital gain or loss subject to the provisions and limitations of Subchapter P of Chapter 1 of the Code.

SCOPE OF OPINION

The scope of the opinion is expressly limited solely to the federal income tax consequences set forth in the section above entitled "Opinion." No opinion has been requested, no determination has been made, nor has any opinion been expressed on any other issues including, but not limited to, any state, foreign, consolidated return, employee benefit, or alternative minimum tax issues, or on the Section 306 or Section 382 (or any other Code section) consequences to the parties to this transaction. In addition, no opinion has been expressed regarding (i) the valuation of any assets or stock of Distributing or Controlled; (ii) the U.S. federal income tax consequences of the acquisition of Distributing by Harmonic; (iii) the U.S. federal income tax consequences of the "Internal Restructuring" (as defined in the Statement of Facts and

Representations) to occur prior to the Distribution; (iv) the U.S. federal income tax consequences of the exchange or conversion of any options, warrants or similar interests, (v) the tax treatment of shareholders who acquired their shares in compensatory transactions, who do not hold their shares as capital assets or who hold shares that are subject to constructive sale, straddle, heading, conversions or similar transactions, (vi) the federal income tax consequences of the Distribution or of the Harmonic Merger to Distributing or to Controlled or to Harmonic, or (vii) the federal income tax consequences of any other transactions or events that may take place subsequent to the Distribution. Our opinion relates solely to the tax consequences of the Distribution to the Shareholders under the federal income tax laws of the United States, and we express no opinion (and no opinion should be inferred) regarding the consequences of the Distribution to any other person or entity (including without limitation C-Cube, Harmonic, or Controlled) under the laws of any jurisdiction.

No opinion is expressed as to any transaction other than the Distribution as described in the Documents or as to any transaction whatsoever, including the Distribution, (i) if all of the transactions described in the Agreements are not consummated in accordance with the terms of the Agreements and without waiver or breach of any material provision thereof, (ii) if all the representations, warranties, statements and assumptions in the Documents upon which we rely are not true and accurate in all material respects at all relevant times, or (iii) if material transactions occur after the Distribution that are not described in the Documents. In addition, the above opinion is based on the information contained in the factual Statement of Facts and Representations, and assumes that the facts and representations contained therein could, in fact, be established in a court of law in accordance with the appropriate governing laws and burdens of proof. In the event any one of the statements, representations, warranties or assumptions upon which we rely to issue this opinion is

incorrect, our opinion might be adversely affected and may not be relied upon. If any of the certifications and representations contained in Statement of Facts and Representations ceases to be true at any time prior to the Distribution, Controlled or C-Cube as the case may be, shall deliver to E&Y a written statement to that effect.

The opinions and conclusions contained herein, as stated above, are based upon an analysis of the Internal Revenue Code as in effect on the date hereof, Treasury Regulations, current case law, and published IRS authorities. The foregoing, including future interpretations thereof, are subject to change, and such change may be retroactively effective. If so, the opinions and conclusions, as set forth above, may be affected and may not be relied upon. In addition, the above opinions are based on the information contained in the Documents. Any variation or differences in the Documents may affect the opinions and conclusions contained herein, perhaps in an adverse manner. E&Y has undertaken no obligation to update these opinions for changes in facts or law occurring subsequent to the date hereof. The opinions merely represent our interpretation of existing federal income tax law, and are not binding on the IRS or any court of law. You should also be aware that as to certain of our assessments contained therein, there are currently no rulings or cases on point. No assurance can be given that the IRS would not adopt a position contrary to our opinion and prevail in a court of law.

This opinion is being delivered to you solely for the benefit of Shareholders.

We hereby consent to the use of our name and the reference to this opinion (and its use as an exhibit) in the Form S-1 and S-4 to be filed with the Securities and Exchange Commission.

Respectfully submitted,

/s/ ERNST & YOUNG LLP

Ernst & Young LLP

Exhibit 23.1

INDEPENDENT AUDITOR'S CONSENT

We consent to the use of this Registration Statement of Harmonic Inc., on Form S-4 of our report dated November 19, 1999 (December 9, 1999 as to Note 1), on the consolidated financial statements of the DiviCom business (an operating unit of C-Cube Microsystems Inc.) appearing in the Joint Proxy Statement/ Prospectus/Information Statement, which is part of this Registration Statement. We also consent to the reference to us under the headings "Consolidated Historical Financial -- C-Cube/DiviCom" and "Experts" in the Joint Proxy Statement/Prospectus/Information Statement, which is part of this Registration Statement.

/s/ Deloitte & Touche LLP

San Jose, California
March 20, 2000

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in this Registration Statement on Form S-4 of Harmonic Inc. of our report dated January 20, 1999, except as to Note 14, which is as of March 15, 1999, and Note 5, which is as of October 14, 1999, relating to the financial statements appearing in Harmonic Inc.'s Annual Report on Form 10-K/3A for the year ended December 31, 1998. We also consent to the references to us under headings "Experts" and "Historical Financial Information" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

March 21, 2000

1
PROXY

HARMONIC INC.
549 BALTIC WAY, SUNNYVALE, CA 94089

PROXY FOR SPECIAL MEETING OF STOCKHOLDERS

April 24, 2000

The undersigned hereby constitutes and appoints Anthony Ley and Robin Dickson, or either of them, and each of them, the attorneys and proxies of the undersigned with full power of substitution to appear and to vote all of the shares of common stock of Harmonic Inc. held of record by the undersigned on February 25, 2000, at the Special Meeting of Stockholders of Harmonic Inc. to be held at The Westin Santa Clara, 5101 Great America Parkway, Santa Clara, Calif., on April 24, 2000, at 9:00 a.m. Pacific Time or at any adjournment or postponement thereof, as designated below:

(CONTINUED AND TO BE SIGNED ON REVERSE SIDE.)

FOLD AND DETACH HERE
YOUR VOTE IS IMPORTANT!

Mark, sign and date your proxy card and return it promptly in the enclosed envelope.

PLEASE VOTE

2

Please mark your votes as /X/ indicated in this example.

The Board of Directors of Harmonic Inc. recommends a vote FOR Proposal Nos. 1, 2 and 3. This Proxy will be voted as specified hereon. This Proxy will be voted FOR Proposal Nos. 1, 2 and 3 if no specification is made.

(1) To consider and vote upon a proposal to approve the Amended and Restated Agreement and Plan of Merger and Reorganization, dated as of December 9, 1999, by and between Harmonic Inc. and C-Cube Microsystems Inc., as amended, and an amendment to the certificate of incorporation to increase the authorized number of shares to 75 million.

FOR	AGAINST	ABSTAIN
/ /	/ /	/ /

(2) To consider and vote upon a proposal to amend Harmonic's certificate of incorporation to increase the authorized number of shares of Harmonic common stock from 50 million shares to 150 million shares. If approved, the amendment to the certificate of incorporation will take effect only if the merger is completed.

FOR	AGAINST	ABSTAIN
/ /	/ /	/ /

(3) To transact such other business as may properly come before the special meeting or any adjournment or postponement of the meeting.

FOR	AGAINST	ABSTAIN
/ /	/ /	/ /

Please sign exactly as your name(s) is (are) shown on the share certificate to which the Proxy applies. When shares are held by joint tenants, both should sign. When signing as an attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Signature(s)_____ Dated: _____, 2000

IMPORTANT: Please sign exactly as your name or names appear on this proxy, and when signing as an attorney, executor, administrator, trustee or guardian, give your full title as such. If the signatory is a corporation, sign the full corporate name by duly authorized officer, or if a partnership, sign in partnership name by authorized person.

FOLD AND DETACH HERE

YOUR VOTE IS IMPORTANT!

Mark, sign and date your proxy card and return it promptly in the enclosed envelope.

1

DETACH HERE

PROXY

C-CUBE MICROSYSTEMS INC.

PROXY FOR ANNUAL MEETING OF STOCKHOLDERS
SOLICITED BY THE BOARD OF DIRECTORS

The undersigned hereby appoints Alexandre A. Balkanski and Richard Foreman, and each of them, with full power of substitution, to represent the undersigned and to vote all of the shares of stock in C-Cube Microsystems Inc. (the "Company") which the undersigned is entitled to vote at the Annual Meeting of the Stockholders of the Company to be held at the Company located at 1778 McCarthy Blvd., Milpitas, California 95035 on _____, 2000 at 9:00 a.m. Pacific Time and at any adjournment thereof (1) as hereinafter specified upon the proposals listed on the reverse side and as more particularly described in the Registration Statement on Form S-4 dated _____, 2000 (the "Registration Statement"), receipt of which is hereby acknowledged, and (2) in their discretion, upon such other matters as may properly come before the meeting. The undersigned hereby acknowledges receipt of the Company's Registration Statement.

THE SHARES REPRESENTED HEREBY SHALL BE VOTED AS SPECIFIED. IF NO SPECIFICATION IS MADE, SUCH SHARES SHALL BE VOTED FOR PROPOSALS 1 AND 2.

SEE REVERSE SIDE

CONTINUED AND TO BE SIGNED ON REVERSE SIDE

2

DETACH HERE

PLEASE MARK
[X] VOTES AS IN
THIS EXAMPLE

A vote FOR the following proposals is recommended by the Board of Directors.

1. TO CONSIDER AND VOTE UPON A PROPOSAL TO APPROVE THE AMENDED AND RESTATED AGREEMENT AND PLAN OF MERGER AND REORGANIZATION, DATED AS OF DECEMBER 9, 1999, BY AND BETWEEN HARMONIC INC. AND C-CUBE MICROSYSTEMS, INC.

FOR	AGAINST	ABSTAIN
[ ]	[ ]	[ ]

2. TO TRANSACT SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE SPECIAL MEETING OR ANY ADJOURNMENT OR POSTPONEMENT OF THE MEETING.

FOR	AGAINST	ABSTAIN
[ ]	[ ]	[ ]

MARK HERE IF YOU PLAN TO ATTEND THE MEETING [ ]

MARK HERE FOR ADDRESS CHANGE AND NOTE AT LEFT [ ]

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON, YOU ARE URGED TO SIGN AND PROMPTLY MAIL THIS PROXY IN THE RETURN ENVELOPE SO THAT YOUR STOCK MAY BE REPRESENTED AT THE MEETING.

EXHIBIT 99.4

FORM OF
TAX SHARING AGREEMENT

This TAX SHARING AGREEMENT ("Agreement") is made effective as of _____, 2000 by and among C-Cube Microsystems Inc. ("C-Cube"), a Delaware corporation, on behalf of itself and the C-Cube Subgroup (as defined below), C-Cube Semiconductor Inc. ("Semiconductor"), a Delaware corporation, and Harmonic Inc., a Delaware corporation ("Harmonic"). Capitalized terms used and not otherwise defined herein shall have the meanings assigned to them in Section 1 below.

RECITALS

WHEREAS, C-Cube is the common parent corporation of an affiliated group of corporations (as defined in Section 1504(a) of the Code) which includes Semiconductor;

WHEREAS, C-Cube files Consolidated Group Returns on behalf of the Affiliated Group and C-Cube files or causes to be filed Combined Returns and other Returns on behalf of itself and its subsidiaries;

WHEREAS, as set forth in the Reorganization Agreement and the Separation Agreement, and subject to the terms and conditions thereof, C-Cube wishes to transfer and assign to Semiconductor substantially all of the assets and liabilities currently associated with the Semiconductor Business, including the stock, investments and similar interests currently held by C-Cube in certain subsidiaries and other entities that conduct such business (the "Separation");

WHEREAS, following the Separation and in connection with the merger of C-Cube and Harmonic (the "Merger"), C-Cube intends to distribute all of its shares of Semiconductor Common Stock, on a pro rata basis, to the holders of the common stock of C-Cube, subject to the terms and conditions of the Separation Agreement (the "Public Distribution");

WHEREAS, the Separation and Public Distribution are intended to cause the recognition of gain by C-Cube, and Semiconductor has agreed to bear the resulting tax liability; and

WHEREAS, as a result of the Public Distribution, Semiconductor and its domestic subsidiaries will cease to be members of the Affiliated Group, and the parties hereto have determined to enter into this Agreement, setting forth their agreement with respect to certain tax matters.

AGREEMENT

NOW THEREFORE, in consideration of the mutual covenants and promises contained herein, the parties agree as follows:

1. DEFINITIONS

All terms not defined in this Agreement shall have the meaning set forth in the Separation Agreement and the Reorganization Agreement.

"Adjustment" means an adjustment determined on an issue-by-issue or transaction-by-transaction basis, as appropriate, made or proposed with respect to any amount that previously formed the basis for the computation of an amount due hereunder, whether such adjustment arises as a result of a Tax Contest or otherwise.

"Affiliated Group" means the group of corporations including C-Cube as the common parent corporation and all other corporations which are eligible or required to be included in a Consolidated Group Return with C-Cube as the common parent corporation, which group shall include, for periods prior to the Public Distribution, Semiconductor and its subsidiaries that are so eligible.

"After-Tax Basis" in reference to an indemnity payment shall mean an

amount that, after (i) subtraction of the aggregate additional Taxes (if any) incurred or to be incurred by the party receiving the indemnity payment as a result of the receipt of a payment hereunder and (ii) addition of the tax benefit (if any) to the party receiving the indemnity payment on account of the Adjustment to which such payment relates, is equal to the amount of the Tax Adjustment. "After-Tax Basis" in reference to a benefit payment, including a refund, shall mean an amount that, after (i) addition of the aggregate additional Taxes (if any) incurred or to be incurred by the party making the benefit payment on account of the Tax benefit to which such benefit payment relates and (ii) subtraction of the Tax benefit (if any) to the party making the benefit payment as a result of the making of such payment, is equal to the amount of the Tax benefit. For purpose of determining such additional Taxes incurred or to be incurred and such Tax benefit, the following assumptions will be used: (a) in the case of any income Tax, the highest marginal Tax rate or, in the case of any other Tax, the highest applicable Tax rate, in each case in effect with respect to that Tax for the Taxable period or any portion of the Taxable period to which the indemnity payment or benefit payment relates; and (b) such determination shall be made without regard to whether any actual additional Taxes or Tax benefit will in fact be realized with respect to the Return to which such payment relates, due to tax attributes of a party (or lack thereof) unrelated to the item giving rise to such indemnity payment or benefit payment.

"Carryforward Tax Attribute" means a deductible or creditable consolidated Federal tax attribute or state or local tax attribute that can be carried forward from one tax period to subsequent tax periods, including, but not limited to, (i) a consolidated net operating loss, a consolidated net capital loss, a consolidated unused foreign investment credit, a consolidated unused foreign tax credit, or a consolidated excess charitable contribution, and (ii) the consolidated minimum tax credit, or other consolidated general business credits.

"C-Cube Separate Company Return" shall mean any Return of C-Cube or any direct or indirect subsidiary of C-Cube other than a Consolidated Group Return, a Combined Return, or a Semiconductor Separate Company Return.

"C-Cube Straddle Period Return" shall mean any Return with respect to a Straddle Period other than a Semiconductor Straddle Period Return.

"C-Cube Subgroup" means C-Cube and its present and future subsidiaries (other than Semiconductor and its present and future subsidiaries).

"C-Cube Tax Adjustment" shall mean, with respect to any Taxable period or portion of a Taxable period, and as computed separately with respect to each Tax, the net increase in each such Tax equal to the sum of all Tax Adjustments with respect to which a Final Determination has been made for each such Taxable period or portion of a Taxable period that are attributable to the income, assets and/or business of any member of the C-Cube Subgroup; provided, however, Semiconductor Tax Adjustment shall not be treated as, and shall be excluded from the definition of, C-Cube Tax Adjustment.

"C-Cube Tax Benefit" shall mean, with respect to any Taxable period or portion of a Taxable period, and as computed separately with respect to each Tax, the net decrease in each such Tax equal to the sum of all Tax Adjustments with respect to which a Final Determination has been made such Tax for each such Taxable period or portion of a Taxable period that are attributable to the income, assets and/or business of any member of the C-Cube Subgroup, the Semiconductor Subgroup, and/or the Semiconductor Business; provided, however, that any Semiconductor Tax Benefit shall not be a C-Cube Tax Benefit.

"Code" means the U.S. Internal Revenue Code of 1986, as amended.

"Combined Return" means the Return of state income or franchise Tax required to be filed by a group of corporations on a unitary basis as opposed to a separate company basis.

"Consolidated Group Return" means a consolidated federal income Tax Return filed pursuant to Section 1501 of the Code and the Regulations thereunder.

"Consolidated Period" means that period of time during which Semiconductor is a member of the Affiliated Group.

"Consolidated Return Year" means any taxable year or period with respect to which C-Cube is required to file a Consolidated Group Return as the common parent corporation.

"Distribution Date" means the date on which the Public Distribution occurs.

"Divicom" means DiviCom Inc., which was a wholly-owned subsidiary of C-Cube until it merged into C-Cube on January 28, 2000.

"Divicom Merger Taxes" means all Taxes incurred by Divicom or C-Cube prior to or upon the occurrence of the Merger that would not have been incurred but for the merger of Divicom into C-Cube. Such Taxes shall not be reduced by any amounts that could be mitigated by a restructuring of the ownership of all or any portion of the assets owned by Divicom prior to such merger.

"Final Determination" means (a) a decision, judgment, decree or other order by any court of competent jurisdiction, which has become final and is either no longer subject to appeal or for which

a determination not to appeal has been made; (b) a closing agreement made under Section 7121 of the Code or any comparable foreign, state, local, municipal or other Taxing statute; (c) a final disposition by any Taxing Authority of a claim for refund; or (d) any other written agreement or state of facts which results in an Adjustment becoming final and prohibits such Taxing Authority from seeking any further legal or administrative remedies with respect to an Adjustment.

"Group Refund Claim" means any claim filed by C-Cube on behalf of the Affiliated Group for a refund of federal income Taxes or on behalf of the Unitary Group for a refund of state income or franchise Taxes to the extent such claim is either (a) filed prior to the Distribution Date, or (b) filed in accordance with Section 2.5 or Section 5.

"Initial Stock Price" has the meaning set forth in the definition of A in Section 4.1(a) hereof.

"IRS" means the United States Internal Revenue Service.

"Mailing Date" has the meaning set forth in Section 4.1(a).

"Merger Date" means the date on which the Merger occurs.

"Pre-Semi Disposition Non-Semiconductor Tax Deficiency" means the sum of (i) the excess, if any, of Pre-Semi Disposition Non-Semiconductor Taxes (other than such Taxes that are attributable to an Adjustment) over the amount included in the Tax Offset Amount attributable to Pre-Semi Disposition Non-Semiconductor Taxes, and (ii) the amount of any Tax Adjustment attributable to any Pre-Semi Disposition Non-Semiconductor Taxes with respect to which there has been a Final Determination.

"Pre-Semi Disposition Non-Semiconductor Taxes" shall mean Taxes attributable to periods prior to the Distribution Date that are not Semi Spin Taxes and are not otherwise attributable to the Semiconductor Business; provided, however, that the term Pre-Semi Disposition Non-Semiconductor Taxes shall not include Divicom Merger Taxes.

"Pre-Semi Disposition Taxes" shall mean Taxes of C-Cube and its subsidiaries attributable to periods through the Distribution Date but not including (i) Semi Spin Taxes and (ii) except as provided in Section 6.3, Pre-Semi Disposition Non-Semiconductor Taxes (or any reduction or refund thereof) arising from an Adjustment. The parties agree that the Section 41 Credits shall not be taken into account as a credit in determining Pre-Semi Disposition Taxes, but rather shall be treated as provided in Section 5 hereof. Notwithstanding the foregoing, Pre-Semi Disposition Taxes shall also include all Divicom Merger Taxes.

"Public Distribution" has the meaning set forth in the recitals hereto.

"Regulations" means the Regulations issued by the Secretary of the Treasury interpreting the Code.

"Reorganization Agreement" means the Amended and Restated Agreement and Plan of Merger and Reorganization by and between C-Cube Microsystems Inc. and Harmonic Inc. dated as of December 9, 1999.

"Retained Cash" means cash retained by C-Cube pursuant to Sections 4.1(a) and 4.1(b) in order to pay Semi Spin Taxes and Pre-Semi Disposition Taxes, respectively.

"Return" means any return, report, form or similar statement or document (including, without limitation, any related or supporting information or schedule attached thereto and any information return, claim for, amended return and declaration of estimated Tax) that has been or is required to be filed with any Taxing Authority or that has been or is required to be furnished to any Taxing Authority in connection with the determination, assessment or collection of any Taxes or the administration of any laws, regulations or administrative requirements relating to any Taxes.

"Section 41 Credits" shall have the meaning set forth in Section 5 hereof.

"Semi Spin Taxes" shall mean the corporate Tax liability incurred as a direct result of the Semi Spin, and any Taxes incurred in any internal restructuring undertaken in connection with the Separation and the Public Distribution (including but not limited to all of the steps described the Separation Agreement and Ancillary Agreements thereto, and including all intercompany stock and asset transfers and related incorporations and issuances of stock undertaken in preparation for the Separation and the Public Distribution), and any Taxes and other amounts incurred by C-Cube, Semiconductor or their affiliates as a result of a claim by any person arising from the tax treatment of the Separation, the Public Distribution or any such internal restructuring. The parties agree that the Section 41 Credits shall not be taken into account as a credit in determining Semi Spin Taxes, but rather shall be treated as provided in Section 5 hereof.

"Semiconductor Business" shall have the meaning set forth in the Separation Agreement.

"Semiconductor Separate Company Return" shall mean any Return (including but not limited to a Semiconductor Straddle Period Return) with respect to a taxable period of any member of the Semiconductor Subgroup, other than any Consolidated Group Return or Combined Return.

"Semiconductor Straddle Period Return" shall mean any Return with respect to a Straddle Period that is also a taxable period of a member of the Semiconductor Subgroup or that relates principally to the Semiconductor Business, and that is not a Consolidated Group Return or a Combined Return.

"Semiconductor Subgroup" shall mean Semiconductor and its past, present and future subsidiaries.

"Semiconductor Tax Adjustment" shall mean, with respect to any Pre-Semi Disposition Tax or a Semi Spin Tax for any Taxable period or portion of a Taxable period, and as computed separately with respect to each Tax, the net increase in each such Tax equal to the sum of all Tax Adjustments pertaining to such Pre-Semi Disposition Tax and Semi Spin Tax with respect to which

a Final Determination has been made. In the event an Adjustment pertains to both a Semiconductor Tax Adjustment and a C-Cube Tax Adjustment, the parties shall equitably allocate such Tax Adjustment and treat it as a C-Cube Tax Adjustment

in part and a Semiconductor Tax Adjustment in part in a manner consistent with the intent of this Agreement. If any portion of the item giving rise to the Tax Adjustment can reasonably be allocated to each party based on such party's contribution to the underlying Adjustment, such portion shall be so allocated, and any portion that is not capable of being so allocated shall be allocated based on any reasonable method, provided that in the event of a dispute the dispute resolution provisions of Section 4.3 shall apply.

"Semiconductor Tax Benefit" shall mean, with respect to any Pre-Semi Disposition Tax or a Semi Spin Tax for any Taxable period or portion of a Taxable period, and as computed separately with respect to each Tax, the net decrease in each such Tax equal to the sum of all Tax Adjustments pertaining to such Tax (i) attributable to the income, assets and/or business of any member of the Semiconductor Subgroup or the Semiconductor Business and (ii) with respect to which a Final Determination has been made for each such Taxable period or portion of a Taxable period (including, but not limited to, periods prior to the Public Distribution). In the event a net decrease in Tax is attributable to both the Semiconductor Subgroup or the Semiconductor Business, on one hand, and to the C-Cube Subgroup, on the other hand, the parties shall equitably allocate such net decrease and treat it as a C-Cube Tax Benefit in part and a Semiconductor Tax Benefit in part in a manner consistent with the intent of this Agreement. If any portion of the item giving rise to the net decrease can reasonably be allocated to each party based on such party's contribution to the underlying Adjustment, such portion shall be so allocated, and any portion that is not capable of being so allocated shall be allocated based on any reasonable method, provided that in the event of a dispute the dispute resolution provisions of Section 4.3 shall apply.

"Separate Return Period" means that period of time following the Distribution Date during which Semiconductor (or any member of the Semiconductor Subgroup) is not a member of the Affiliated Group.

"Separation Agreement" means the Master Separation and Distribution Agreement, dated as of _____, 2000 by and among C-Cube, Semiconductor, and C-Cube Semiconductor II Inc.

"Straddle Period" shall mean any Taxable period that begins before and ends after the Distribution Date.

"Tax" (and, with correlative meanings, "Taxes" and "Taxable") means, without limitation, and as determined on a jurisdiction-by-jurisdiction basis, each foreign or U.S. federal, state, local or municipal income, alternative or add-on minimum, gross receipts, sales, use, ad valorem, transfer, franchise, profits, license, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, value added or any other tax, custom, tariff, impost, levy, duty, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or penalty, addition to tax or additional amount related thereto, imposed by any Taxing Authority.

"Tax Adjustment" shall mean the increase or decrease in Tax (which for the sake of clarity shall include all interest, penalties, additions to tax and additional amounts related thereto), using the assumptions set forth in the next sentence, resulting from an Adjustment. For purpose of determining such deemed increase or decrease in Tax, the following assumptions will be used: (a) in the case of any income Tax (or franchise tax based on income), the highest marginal Tax rate or, in the case of any other Tax, the highest applicable Tax rate, in each case in effect with respect to that Tax for the Taxable period or any portion of the Taxable period to which the adjustment relates; and (b) such determination shall be made without regard to whether any actual increase or decrease in such Tax will in fact be realized with respect to the Return to which such adjustment relates. Notwithstanding the foregoing sentence, a capital loss Tax Adjustment shall be considered to result in a decrease in Tax only when and to the extent such capital loss is utilized, and for this purpose a capital loss shall be deemed utilized only if it would be utilized after taking account of all other items of income, gain, loss, deduction or credit.

"Tax Contest" means any audit, examination, claim, suit, action or other proceeding relating to Taxes.

"Tax Offset Amount" shall have the meaning given in Section 3.2.

"Tax Retention Schedule" has the meaning set forth in Section 4.1(c).

"Taxing Authority" means any governmental authority or any subdivision, agency, commission or authority thereof, or any quasi-governmental or private body having jurisdiction over the assessment, determination, collection or other imposition of Taxes.

"Unitary Group" means the group of corporations having C-Cube as the common parent corporation that is eligible or required to be included in a Combined Return with C-Cube.

2. FILING OF CONSOLIDATED GROUP RETURNS

2.1 Consent to File. Semiconductor hereby consents, on its behalf and on behalf of every other member of the Semiconductor Subgroup, to the filing of Consolidated Group Returns by C-Cube on behalf of the Affiliated Group, for each Consolidated Return Year in which any member of the Semiconductor Subgroup is included, and to any applications for extensions of time to file such Returns which C-Cube in its sole judgment shall make to the IRS. Semiconductor hereby consents, on its behalf and on behalf of every other member of the Semiconductor Subgroup, to the filing of Combined Returns by C-Cube on behalf of the Unitary Group in which any member of the Semiconductor Subgroup is included, and to any applications for extensions of time to file such Returns which application C-Cube in its sole judgment shall make to the applicable Taxing Authorities.

2.2 Responsibility for Preparing and Filing Returns for Periods Commencing Prior to the Distribution Date. Semiconductor shall be entitled to prepare and shall be responsible for the preparation of all Consolidated Group Returns for the Affiliated Group, all Combined Returns for the Unitary Group, and all C-Cube Separate Company Returns and Semiconductor

Separate Company Returns for all the periods that commence prior to the Distribution Date (including C-Cube Straddle Period Returns and Semiconductor Straddle Period Returns), including but not limited to determining all Return positions and making Tax elections relating to such Returns. Semiconductor shall provide each such Return to C-Cube for its review at least 60 days prior to the due date, including extensions, for filing such Return. C-Cube shall have the right to review and approve those Returns provided that approval shall not be unreasonably withheld. All Returns described in this Section 2.2 shall be filed in accordance with the past practices consistently applied, provided that Semiconductor shall provide C-Cube with reasonable notice of actions needed to be taken by C-Cube in connection with such filing. Such Returns shall also be prepared in a manner consistent with the final computation of Semi Spin Taxes and Pre-Semi Disposition Taxes pursuant to Section 4.3. C-Cube and Semiconductor agree to cooperate in connection with the filing of all Returns described in this Section 2.2, including providing reasonably requested information and taking the actions necessary to file such Returns. Semiconductor shall give to C-Cube immediately upon request by C-Cube a copy of any Return that has been prepared by Semiconductor. Notwithstanding the foregoing, Returns claiming the Section 41 Credits shall be filed in accordance with Section 5.

2.3 Responsibility for Preparing and Filing Returns for Periods Commencing After the Distribution Date. C-Cube shall be responsible for the preparation and filing of C-Cube Separate Company Returns with respect to any member of the C-Cube Subgroup, all Consolidated Group Returns for members of the Affiliated Group, and all Combined Returns for the Unitary Group, in each case for all periods commencing on or after the Distribution Date. Semiconductor shall be responsible for the preparation and filing of Semiconductor Separate Company Returns with respect to any member of the Semiconductor Subgroup for all periods commencing on or after the Distribution Date. C-Cube shall provide to Semiconductor portions of the Returns that are prepared by it pursuant to this Section 2.3 and that relates to Taxes for which Semiconductor is or could be liable under this Agreement at least 60 days prior to the anticipated filing date of such Returns and Semiconductor shall have the right to approve those portions of the Returns, provided that approval may not be unreasonably withheld.

2.4 Further Action. Each of Semiconductor and C-Cube agrees, at

C-Cube's or Semiconductor's request, respectively, to furnish to the requesting party and/or any Taxing Authority upon reasonable request any and all necessary information (including but not limited to any Tax information relevant to periods prior to the Public Distribution) and to execute all reasonably requested elections and other documents which may be necessary or appropriate, in the reasonable judgment of Semiconductor or C-Cube, to evidence Semiconductor's or C-Cube's consent or to facilitate the preparing and filing of such Returns and applications for extension of time to file the Returns described in this Section 2. This obligation applies to Consolidated Group Returns and Combined Returns that include any member of the Semiconductor Subgroup even if such Return is filed after such member is no longer a member of the Affiliated Group or the Unitary Group.

2.5 Amended Returns. Semiconductor shall have the right to prepare and to cause C-Cube to file any amended Return or claim for refund prepared by Semiconductor relating to any Return or portion thereof that Semiconductor has the right to prepare under this Section 2, provided

that no such amended Return shall be filed unless Semiconductor has paid to C-Cube, on an After-Tax Basis, all costs (including Taxes and reasonable out-of-pocket costs) that will be incurred by C-Cube in connection with or as a result of the filing thereof; and, provided, further, that claims for refund of Section 41 Credits may only be filed in accordance with Section 5. C-Cube shall have the right to review and approve such amended Returns or claims for refund, if any, provided that approval may not be unreasonably withheld. C-Cube agrees to cooperate with Semiconductor in connection with the filing of any such amended Returns or claims for refund, including providing reasonably requested information and taking reasonably requested actions necessary to file such Returns or claims for refund. C-Cube shall not have the right to file any amended Return or claim for refund increasing the Taxes payable by Semiconductor under this Agreement without the consent of Semiconductor (not to be unreasonably withheld) or unless C-Cube reasonably determines that such Return or claim is required by law to be filed or necessary in order to avoid any material penalty amount with respect to which C-Cube is not indemnified by Semiconductor under this Agreement.

3. ALLOCATION AND PAYMENT OF LIABILITIES FOR TAXES

3.1 Payment Responsibility.

(a) Taxes for Which Semiconductor is Liable.

(i)Consolidated Group Returns, Combined Returns and C-Cube Separate Company Returns. Semiconductor shall be responsible for, and shall pay on a timely basis and indemnify and hold C-Cube harmless on an After-Tax Basis from and against, all Pre-Semi Disposition Taxes and all Semi Spin Taxes, and to the extent such amounts are required to be reflected in any Consolidated Group Return, Combined Return and C-Cube Separate Company Return, such amounts shall be paid to C-Cube no later than three days prior to the time C-Cube is required to pay such Taxes without penalty or interest.

(ii) Semiconductor Separate Company Returns. Semiconductor shall be responsible for, and shall pay on a timely basis and indemnify and hold C-Cube harmless on an After-Tax Basis from and against, all Taxes required to be reflected in any Semiconductor Separate Company Return or Semiconductor Straddle Period Return.

(iii) Allocation in the Case of C-Cube Straddle Period Return. For purposes of Section 3.1(a)(i), in the event of a C-Cube Separate Company Return that is a C-Cube Straddle Period Return, the amount of Taxes that will be treated as Pre-Semi Disposition Taxes will be determined as if the relevant taxable period ended on the close of the Distribution Date (except that Taxes imposed on a basis other than net or gross income, receipts, sales, payroll or the like shall be prorated on a daily basis).

(b) Taxes for Which C-Cube is Liable. Except as provided in Section 3.1(a), C-Cube shall be responsible for, and shall pay on a timely basis and indemnify and hold Semiconductor harmless on an After-Tax Basis, from and against, (i) all Taxes required to be

reflected in a C-Cube Separate Company Return, and (ii) except as provided in Section 6.3, Pre-Semi Disposition Non-Semiconductor Taxes attributable to an amended Return (other than an amended Return prepared by or at the request of Semiconductor) or to an Adjustment.

3.2 Credit for Amounts Retained/Deficiencies in Amounts Retained. Semiconductor's liability under Section 3.1(a) with respect to any Tax shall be treated as having been paid to the extent of the amount set forth with respect to such Tax on the Tax Retention Schedule and retained by C-Cube pursuant to Section 4 hereof ("Tax Offset Amounts").

3.3 Refunds. To the extent any Tax for which Semiconductor or C-Cube is liable pursuant to this Agreement or the Reorganization Agreement is subsequently refunded or credited to the other party by a Taxing Authority, other than as a result of or in connection with an Adjustment governed by Section 6, the receiving party shall reimburse the responsible party no later than three (3) days following the receipt of such refund of Tax or reduction in Tax otherwise payable, after subtracting the aggregate additional Taxes (if any) incurred or to be incurred by the party receiving the refund or credit as a result of the receipt of that refund or credit and any other amounts due from the other party pursuant to this Agreement. For purposes of this Section 3.3, C-Cube shall be treated as the party liable pursuant to this Agreement and the Reorganization Agreement for Pre-Semi Disposition Non-Semiconductor Taxes.

3.4 Separate Return Indemnity. C-Cube shall indemnify and hold Semiconductor and the Semiconductor Subgroup harmless on an After-Tax Basis for any Taxes of C-Cube or the C-Cube Subgroup attributable to any period (or portion thereof) following the Distribution Date (other than any such Taxes that are Pre-Semi Disposition Taxes or Semi Spin Taxes) and Semiconductor shall indemnify and hold C-Cube and the C-Cube Subgroup harmless on an After-Tax Basis for any Taxes relating to Semiconductor Separate Period Returns.

3.5 Interest. To the extent any amount is not paid by the due date set forth in this Agreement, interest shall accrue on such unpaid amount at a rate of [__] %.

4. RETENTION OF CASH BY C-CUBE; TAX LIABILITY CALCULATION.

4.1 Retention of Cash. Under the Reorganization Agreement, C-Cube is to retain cash sufficient to pay Semi Spin Taxes and Pre-Semi Disposition Taxes. This Section 4 sets forth the mechanisms for (i) determining the amount of the cash to be retained by C-Cube to pay such Taxes, and (ii) adjustments to such retained cash.

(a) Calculation of Amount Initially Retained to Pay Semi Spin Taxes ("T").

T = r (A- B - C - D + E) - F

Where:

r = C-Cube's estimated combined state and federal income tax rate. An initial good-faith written estimate of r shall be communicated to Harmonic by C-Cube no later than [10] days after the date on which the proxy materials relating to the Merger and Distribution have been mailed to Harmonic and C-Cube stockholders, as appropriate (the "Mailing Date"). Harmonic may comment up to [20] days after the Mailing Date (or, if later, 10 days following receipt of such written estimate from C-Cube), and C-Cube agrees to give careful consideration to Harmonic's comments. In the event of a disagreement between C-Cube and Harmonic, the provisions of Section 4.1(e) shall apply.

A = the total implied market capitalization of Semiconductor on the Distribution Date, which shall equal the number of shares of Semiconductor's

common stock to be distributed in the Public Distribution multiplied by the closing trading price of Semiconductor's common stock (which will be trading on a "when issued" basis) at 4:00 PM (the close of trading) on the third trading day before the Distribution Date; provided, however, that the closing trading price of the Semiconductor common stock on a date closer to the Distribution Date shall be used if practicable (the "Initial Stock Price").

B = the estimated tax basis of the Semiconductor stock immediately prior to the Public Distribution, which basis shall include, pursuant to Regulations Section 1.1502-32(b)(3)(iv)(D), an estimate of the Section 41 Credits to be received from C-Cube pursuant to Section 5. An initial good-faith estimate of the value of B shall be communicated to Harmonic by C-Cube no later than [10] days after the the Mailing Date. Harmonic may comment up to [20] days after the the Mailing Date (or, if later, 10 days following receipt of such written estimate from C-Cube), and C-Cube agrees to give careful consideration to Harmonic's comments. In the event of a disagreement between C-Cube and Harmonic, the provisions of Section 4.1(e) shall apply.

C = the estimated deductions attributable to the exercise of C-Cube compensatory stock options exercised on or after October 27, 1999, and on or before the record date for the Public Distribution (the "Exercise Period"), based on C-Cube's option exercise records and assuming that "disqualifying dispositions" occur with respect to 80% of all C-Cube stock acquired pursuant to the exercise of C-Cube options that are "incentive stock options" under Section 422 of the Code, and provided that no deductions that offset Pre-Semi Disposition Taxes shall be included in the calculation of C (it being the intention of the parties that such deductions shall not factor into the computations of Pre-Semi Disposition Taxes). To the extent that, as of the date of determination of C, there are actual disqualifying dispositions of shares of C-Cube stock that were acquired pursuant to the exercise of C-Cube "incentive stock options" during the Exercise Period, and C-Cube has knowledge of the actual amount realized from the disposition, the value of C shall be determined by using the actual sales price of the stock for purposes of applying Section 422(c)(2) of the Code. Except as provided in the immediately preceding sentence, the portion of the value of C attributable to the deemed disqualifying disposition of shares acquired pursuant to the exercise of incentive stock options shall be determined by assuming that the amount realized from the sale is equal to the fair market value of the stock received upon exercise. An initial good-faith written estimate of the value of C shall be communicated to Harmonic by C-Cube no later than [10] days after the Mailing Date.

Harmonic may comment up to [20] days after the Mailing Date (or, if later, 10 days following receipt of such written estimate from C-Cube), and C-Cube agrees to give careful consideration to Harmonic's comments. In the event of a disagreement between C-Cube and Harmonic, the provisions of Section 4.1(e) shall apply. C-Cube shall provide Harmonic with a revised written good-faith estimate of C no later than 5 PM, Pacific Time, on the date that is three (3) business days before the scheduled Distribution Date. Harmonic may comment up to 24 hours following receipt of such revised estimate, and C-Cube agrees to give careful consideration to Harmonic's comments. In the event of a disagreement between C-Cube and Harmonic, the provisions of Section 4.1(e) shall apply.

D = the estimated capitalized expenses, plus the estimated deductible expenses (other than those covered or included in B and C), attributable to the Separation and the Public Distribution that will reduce the amount of gain to be recognized by C-Cube as a result of the Public Distribution, and provided that no amounts that offset Pre-Semi Disposition Taxes shall be included in the calculation of D (it being the intention of the parties that such deductions shall not factor into the computation of Pre-Semi Disposition Taxes). An initial good-faith estimate of D shall be communicated to Harmonic by C-Cube no later than [10] days after the Mailing Date. Harmonic may comment up to [20] days after the Mailing Date (or, if later, 10 days following receipt of such estimate from C-Cube), and C-Cube agrees to give careful consideration to Harmonic's comments. In the event of a disagreement between C-Cube and Harmonic, the provisions of Section 4.1(e) shall apply.

E = the taxable income arising from transfers of assets and other transactions undertaken by C-Cube and its subsidiaries outside of the ordinary course of business of C-Cube prior to and in contemplation of the Public

Distribution, including all such amounts arising from the internal restructuring undertaken in connection with the Separation and Public Distribution but not including taxable income, if any, arising from the merger of Divicom into C-Cube, which taxable income, if any, shall be taken into account in determining Pre-Semi Disposition Taxes to the extent provided elsewhere in this Agreement. An initial good-faith estimate of E shall be communicated to Harmonic by C-Cube no later than [10] days after the Mailing Date. Harmonic may comment up to [20] days after the Mailing Date (or if later, 10 days following receipt of such estimate from C-Cube), and C-Cube agrees to give careful consideration to Harmonic's comments. In the event of a disagreement between C-Cube and Harmonic, the provisions of Section 4.1(e) shall apply.

F = any tax credits of the Affiliated Group attributable to periods (or portions of periods) prior to the Distribution Date (but not including Section 41 Credits covered in Section 5) and estimated tax payments paid by C-Cube prior to the Distribution Date which did not offset Pre-Semi Disposition Taxes (with such credits and estimated tax payments applied first to Pre-Semi Disposition Taxes). An initial estimate of F shall be communicated to Harmonic by C-Cube no later [10] days after the Mailing Date. Harmonic may comment up to [20] days after the Mailing Date (or, if later, 10 days following receipt of such estimate from C-Cube), and C-Cube agrees to give careful consideration to Harmonic's comments. In the event of a disagreement between C-Cube and Harmonic, the provisions of Section 4.1(e) shall apply.

(b) Calculation of Amount Retained to Pay Pre-Semi Disposition Taxes. C-Cube shall provide Harmonic with an initial good-faith written estimate of the Pre-Semi Disposition Taxes no later than [10] days after the Mailing Date. Harmonic may comment up to [20] days after the Mailing Date (or, if later, 10 days following receipt of such written estimate from C-Cube), and C-Cube agrees to give careful consideration to Harmonic's comments. In the event of a disagreement between C-Cube and Harmonic, the provisions of Section 4.1(e) shall apply.

(c) Pursuant to Section 2.2 of the Separation Agreement, C-Cube shall certify the amount of its cash reserve to Harmonic prior to the merger of C-Cube and Harmonic, which schedule shall include a breakdown of the amount retained for Pre-Semi Disposition Taxes, Semi Spin Taxes, and Pre-Semi Disposition Non-Semiconductor Taxes (in each case on a Tax-by-Tax basis) (the "Tax Retention Schedule").

(d) All interest earned by C-Cube on the Retained Cash from the Distribution Date to the date the underlying Taxes are paid or (if applicable) returned to Semiconductor, after subtraction of the aggregate additional Taxes incurred or to be incurred by C-Cube (if any) as a result of interest received or accrued with respect to the Retained Cash, shall be paid to Semiconductor.

(e) It is the intent of the parties that, at least 10 days prior to the scheduled Distribution Date, the parties shall have agreed on the amount of Retained Cash, including all amounts that are included in the computation of Retained Cash other than the Initial Stock Price but computed using a nonbinding estimate for the Initial Stock Price. If C-Cube and Harmonic fail to reach an agreement by such time, either party shall be entitled to submit the matter to a mutually acceptable arbitrator, provided that such arbitrator and its affiliates shall not have had C-Cube, Harmonic or any affiliate thereof as a client within two years of such time (and neither party reasonably objects to the independence of such arbitrator on other grounds). If C-Cube and Harmonic are unable to mutually agree upon an arbitrator within one week of a party's notification to the other party of its desire to arbitrate such a dispute, then each party shall select an arbitrator and such two arbitrators shall have one week to select a third arbitrator who shall have final authority to resolve such dispute within ten (10) days of such arbitrator's selection. C-Cube and Harmonic shall share equally in the fees and expenses of such arbitrators. The determination by such arbitrator shall be final and binding on the parties for purposes of applying this Section 4.1, absent fraud or manifest error. Pursuant to Section 3.2(e) of the Separation Agreement, the final determination of Retained Cash pursuant to this Section 4.1 shall be a condition to the Distribution.

4.2 Interim Recalculation of Taxes and True-Up.

(a) Semi Spin Taxes.

(i) No later than twenty (20) days after the Public Distribution, Semiconductor shall deliver to Harmonic a written recalculation of the Semi Spin Taxes using the equation described in Section 4.1 above, and submit the recalculation to weighted-average price Harmonic for review. In such recalculation, Semiconductor shall use the weighted average price of

Semiconductor stock on the date on which Semiconductor Stock first trades publicly (not including trading on a "when issued" basis), which the parties anticipate will be the trading date immediately following the Distribution Date, in lieu of the Initial Stock Price in the computation of A. In addition, Semiconductor shall use the actual tax rate for each jurisdiction in which C-Cube files a Return, actual tax basis, actual option deductions and actual other capitalized and deductible expenses , and other actual amounts, each to the extent available at such time, in calculating variables r, B, C, D, E and F, respectively, in lieu of the estimates set forth above. Notwithstanding the foregoing, in the event Semiconductor does not deliver such recalculation to Harmonic within such time period, Harmonic shall have the right, but not the obligation, to prepare such calculations and deliver the same to Semiconductor, in which case references to Harmonic and Semiconductor in clause (ii) below shall be read to refer to Semiconductor and Harmonic, respectively.

(ii) In the event that Harmonic disagrees with Semiconductor as to the recalculation of the Semi Spin Taxes as provided in (i), Harmonic shall notify Semiconductor no more than 20 days after Semiconductor submits its recalculation to Harmonic. Semiconductor and Harmonic shall then discuss the computation of the Semi Spin Taxes in a good faith effort to reach an agreement as to the amount of the Semi Spin Taxes.

(iii) If Semiconductor and Harmonic fail to reach an agreement by the day which is 60 days after the Distribution Date, either party shall be entitled to submit the matter to a mutually acceptable third-party arbitrator. If the parties are unable to mutually agree upon an arbitrator within one week of a party's notification to the other party of its desire to arbitrate such a dispute, then each party shall have one week to select an arbitrator and such two arbitrators shall have one week to select a third arbitrator who shall have final authority to resolve such dispute within twenty (20) days of such arbitrator's selection. Semiconductor and Harmonic shall share equally in the fees and expenses of such arbitrators.

(iv) If the recalculated Semi Spin Taxes (after completion of any discussion or arbitration regarding said recalculation) exceed the related Tax Offset Amounts, Semiconductor shall pay Harmonic such excess within three (3) days of the completion of any discussion or arbitration regarding said recalculation. If the recalculated Semi Spin Taxes (after completion of any discussion or arbitration regarding said recalculation) are less than the related Tax Offset Amounts, Harmonic shall pay Semiconductor such difference within three (3) days of the completion of any discussion or arbitration regarding said recalculation. Any such payments shall be reflected appropriately on the Tax Retention Schedule.

(b) Basis Adjustment. Unless otherwise determined by the third-party arbitrator in accordance with this Section 4.2, or unless otherwise required pursuant to the terms of any Final Determination, payments made by Harmonic to Semiconductor under this Section 4.2 shall be treated as an increase in the basis of Semiconductor stock, for purposes of calculating Semi Spin Taxes. Payments made by Semiconductor to Harmonic under this Section 4.2 shall be treated as a decrease in the basis of Semiconductor stock for purposes of calculating Semi Spin Taxes.

4.3 Recalculation of Semi Spin Taxes and Pre-Semi Disposition Taxes.

(a) In connection with the preparation of the Returns for which it is responsible under Sections 2.2 and 2.3 hereof, Semiconductor shall prepare a final calculation of Semi Spin Taxes and Pre-Semi Disposition Taxes, based on

actual figures available for such taxable periods. Semiconductor shall submit such written calculation to Harmonic no later than sixty (60) days prior to filing the relevant Return with respect to the Tax involved, provided that failure to deliver such calculation by such time shall not affect Semiconductor's liability hereunder (but shall be taken into account in determining whether Semiconductor owes any interest or penalties). Notwithstanding the foregoing, in the event Semiconductor does not deliver such final calculation to Harmonic within such time period, Harmonic shall have the right, but not the obligation, to prepare such calculations and deliver the same to Semiconductor, in which case references to Harmonic and Semiconductor in subSection (b) below shall be read refer to Semiconductor and Harmonic, respectively.

(b) Harmonic shall have twenty (20) days after receiving such written calculation to review the calculation. In the event that Harmonic disagrees with Semiconductor as to the amount of the Semi Spin Taxes or Pre-Semi Disposition Taxes to which such calculation relates, Harmonic shall notify Semiconductor no more than 20 days after Semiconductor submits such recalculation to Harmonic. Semiconductor and Harmonic shall then discuss the computation of the Semi Spin Taxes and Pre-Semi Disposition Taxes in a good faith effort to reach an agreement as to the amount of the Semi Spin Taxes and Pre-Semi Disposition Taxes.

(c) If Semiconductor and Harmonic fail to reach an agreement by the day which is 60 days after the date Semiconductor provided its calculations to Harmonic, either party shall be entitled to submit the matter to a mutually acceptable third-party arbitrator. If the parties are unable to mutually agree upon an arbitrator within one week of a party's notification to the other party of its desire to arbitrate such a dispute, then each party shall have one week to select an arbitrator and such two arbitrators shall have one week to select a third arbitrator who shall have final authority to resolve such dispute within twenty (20) days of such arbitrator's selection. Semiconductor and Harmonic shall share equally in the fees and expenses of such arbitrators.

(d) If the recalculated Semi Spin Taxes and Pre-Semi Disposition Taxes (after completion of any discussion or arbitration regarding said recalculation) exceed the related Tax Offset Amounts (adjusted for amounts paid pursuant to Sections 3.1(a) and 4.2), Semiconductor shall pay Harmonic such excess within three (3) days of the completion of any discussion or arbitration regarding said recalculation. If the recalculated Semi Spin Taxes and Pre-Semi Disposition Taxes (after completion of any discussion or arbitration regarding said recalculation) are less than the related Tax Offset Amounts (adjusted for amounts paid pursuant to Sections 3.1(a) and 4.2), Harmonic shall pay Semiconductor such difference within three (3) days of the completion of any discussion or arbitration regarding said recalculation.

(e) Basis Adjustment. Unless otherwise determined by the third-party arbitrator in accordance with this Section 4.3, or unless otherwise required pursuant to the terms of any Final Determination, payments made by Harmonic to Semiconductor under this Section 4.3 shall be treated as an increase in the basis of Semiconductor stock, for purposes of calculating Semi Spin

Taxes. Unless otherwise required pursuant to the terms of any Final Determination, payments made by Semiconductor to Harmonic under this Section 4.3 shall be treated as a decrease in the basis of Semiconductor stock for purposes of calculating Semi Spin Taxes.

4.4 Liability for the Divicom Merger Taxes. The liability for state and local Taxes of Harmonic or the C-Cube Subgroup that would not have been incurred but for the merger of Divicom into C-Cube shall be allocated by the mutual agreement of the parties in accordance with Schedule 4.4, provided, however, that the liability for the Divicom Merger Taxes shall be allocated as provided elsewhere in this Agreement. Nothing in this Section 4 shall be deemed to limit a party's liability under Section 3 or Section 6 hereof.

5. SECTION 41 RESEARCH CREDITS

In accordance with Section 502 of the Ticket to Work and Work Incentives Improvement Act of 1999, Semiconductor shall prepare and submit to C-Cube U.S.

Federal Income Tax Returns on or after October 1, 2000, which Returns will reflect claims for refund of all Section 41 research credits attributable to the period commencing on July 1, 1999, and ending on the Distribution Date (the "Section 41 Credits"). Harmonic shall review such Returns and have the right to approve such Returns, provided that approval may not be unreasonably withheld. If Harmonic approves of such Returns, Harmonic shall file such Returns within a reasonable period after receiving such Returns from Semiconductor (but in no event earlier than October 1, 2000). In the event of a disagreement regarding such Returns, procedures similar to those described in Section 4.3(c) shall apply. C-Cube shall pay to Semiconductor the portion of the refund of such credits actually received to the extent such credits are attributable to the period commencing on July 1, 1999, and ending on the Distribution Date, less any Pre-Semi Disposition Non-Semiconductor Tax Deficiency.

6. DISPUTES WITH TAXING AUTHORITIES

6.1 Tax Contests.

(a) Subject to Section 6.1(b), in the event of a Tax Contest concerning the amount of any Tax liability for which Semiconductor is or could be liable pursuant to this Agreement or refund due to or in respect of such Tax liability (including but not limited to the Semi Spin Taxes), C-Cube hereby expressly grants to Semiconductor the authority to act on behalf of C-Cube and the Affiliated Group in matters related to such Tax liability. Subject to Section 6.1(b), the parties hereby expressly appoint (subject to the consent of the relevant Taxing Authority) Semiconductor to act as agent for the Affiliated Group in any Tax Contest related to such Tax liability. Following receipt from Harmonic of notice of the existence of such a Tax Contest and subject to Section 6.1(b), Semiconductor shall have the responsibility with respect to any such Tax Contest and shall handle such Tax Contest in a prudent and diligent manner; provided, however, that

Harmonic shall be given copies of all correspondence with the relevant Taxing Authority promptly upon receipt or transmission of such correspondence, and shall receive reasonable advance notice of and opportunity to participate in, at its sole cost and expense, all meetings and proceedings pertaining to such Tax Contest, and shall be consulted prior to the making or accepting (tentatively or otherwise) of any offers to settle such Tax Contest. No decision to pursue, settle, or appeal any Tax Contest, Group Refund Claim or other claim for refund of Tax related shall be made by Semiconductor without the prior written approval of C-Cube, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, until such time as C-Cube receives notice that the Taxing Authority intends to raise issues with respect to which Semiconductor could have liability hereunder, C-Cube shall be entitled to deal directly with such Taxing Authority. Semiconductor and C-Cube shall each bear their own costs (including attorneys and accountants fees) in carrying out their responsibilities under this Section 6.1(a).

(b) Semiconductor shall, as a condition to exercising its authority under Section 6.1(a) above, acknowledge in a writing reasonably satisfactory to C-Cube its obligation to indemnify C-Cube on an After-Tax Basis for any Tax liability arising from such Tax Contest and for which Semiconductor is liable under this Agreement. Harmonic shall have the right to assume the defense of any Tax Contest described in Section 6.1(a) in the event it reasonably determines that cause exists for doing so, and Semiconductor shall reimburse Harmonic for all reasonable out of pocket costs in assuming such defense. Cause shall be deemed to exist if (i) Harmonic reasonably determines that its interests would be jeopardized by a failure of Semiconductor to adequately defend a Tax Contest in a prudent and diligent manner (including by failure to make the acknowledgment in the first sentence of this Section 6.1(b)), (ii) Harmonic gives written notice of its determination, and (iii) Semiconductor fails to act within 10 days of such notice to cure the defect cited by Harmonic in such notice; provided, however, that clauses (ii) and (iii) shall not apply if and to the extent that Harmonic reasonably determines that providing such notice and awaiting Semiconductor's response would materially jeopardize Harmonic's interests. In the event Harmonic has assumed the defense of a Tax Contest for cause, Semiconductor shall reassume the defense of such Tax Contest upon providing proof reasonably satisfactory to Harmonic that it shall adequately defend such Tax Contest and payment to Harmonic of all reasonable

costs incurred in assuming such defense and defending such Tax Contest in the interim; provided, however, that Semiconductor shall be given no more than one opportunity to reassume the defense of any Tax Contest during any twelve-month period.

6.2 Agreement to Cooperate. Each of C-Cube and Semiconductor agrees to cooperate and cause their affiliates to cooperate fully and in a timely manner in connection with the preparation of Returns, the pursuit of any Group Refund Claim or other claim for refund of Taxes or the conduct of any Tax Contest. The parties will bear their own expenses in connection with such cooperation except as otherwise provided herein. This agreement to cooperate extends beyond the date after which Semiconductor is no longer a member of the Affiliated Group.

6.3 Adjustments.

(a) In the event there is a C-Cube Tax Adjustment, Semiconductor Tax Adjustment, C-Cube Tax Benefit, or Semiconductor Tax Benefit:

(i)Semiconductor shall be liable for, and shall indemnify and hold the C-Cube Subgroup harmless on an After-Tax Basis, against any and all Semiconductor Tax Adjustments (and any reasonable fees and other out-of-pocket costs incurred by C-Cube in connection with such Semiconductor Tax Adjustments);

(ii) Subject to Section 6.3(d), Semiconductor shall be entitled to any Semiconductor Tax Benefits on an After-Tax Basis;

(iii) Subject to Section 6.3(d), C-Cube shall be liable for, and shall indemnify and hold Semiconductor harmless, on an After-Tax Basis against any and all C-Cube Tax Adjustments (and any reasonable fees and other out-of pocket costs incurred by Semiconductor in connection with such Semiconductor Tax Adjustments); and

(iv) C-Cube shall be entitled to receive on an After-Tax Basis the amount of any C-Cube Tax Benefits.

(b) C-Cube and Semiconductor shall share the amount of any Tax Adjustment if, and to the extent, each party is liable for and/or has an obligation to make, or has the right to receive, as the case may be, an indemnity payment, or other payment with respect to such Tax Adjustment under Section 6.3(a), in proportion to the amounts of the underlying Adjustments giving rise to such Tax Adjustment attributable to the C-Cube Subgroup (excluding for this purpose the Semiconductor Business) and the Semiconductor Subgroup (including for this purpose the Semiconductor Business), respectively.

(c) Indemnity payments required by Section 6.3(a) and 6.3(b) shall be paid within 30 days of the date of such Final Determination provided that all payments shall include interest at the statutory underpayment rate (if applicable) through the date of payment by the party obligated hereunder. Each party shall provide the other with prompt written notice of each such Final Determination.

(d) Notwithstanding anything herein to the contrary, C-Cube shall have the right to receive from Semiconductor on an After-Tax Basis the amount of any Section 41 Credits theretofore paid to Semi in accordance with Section 5 hereof to the extent of any Pre-Semi Disposition Non-Semiconductor Tax Deficiency, regardless of whether such deficiency arises from an Adjustment. Such amount shall be paid to C-Cube no later than five (5) days following notice from C-Cube that such Pre-Semi Disposition Non-Semiconductor Tax Deficiency has been paid or incurred. Any amount not paid by Semi when due shall bear interest at the rate provided in Section 3.5.

6.4 State Sales Tax Responsibilities. Schedule A hereto sets forth a list of states to which C-Cube has made commitments relating to sales taxes, including but not limited to commitments to register to do business, and the nature of such commitments with each of those states. Harmonic shall assume C-Cube's responsibilities and commitments in connection with

ongoing discussions with state sales tax authorities to the extent set forth on Schedule A, subject to Semiconductor's obligations to indemnify C-Cube hereunder for all Pre-Semi Disposition Taxes and Semi Spin Taxes. Harmonic agrees to register to do business in those states where C-Cube has committed to register to do business, as set forth on Schedule A.

7. TAX ATTRIBUTE CARRYOVERS

7.1 Carryforward Tax Attributes. C-Cube and Semiconductor shall reasonably cooperate to allocate Carryover Tax Attributes among the members of the C-Cube Subgroup and the Semiconductor Subgroup in a manner that enables such members to succeed to such attributes attributable to C-Cube (other than the Semiconductor Business) and the Semiconductor Business, respectively; provided, however, that any such attribute that may not be so allocated under applicable law shall remain the property of the member entitled to such attribute under applicable law, and there shall be no obligation of such member or its affiliates to compensate any other member for the use of such Carryforward Tax Attribute.

7.2 Carryback Items from Separate Return Tax Periods. With respect to carrybacks of Semiconductor or net operating losses, net capital losses, unused tax credits and other deductible or creditable Tax attributes to a Consolidated Period from a Separate Return Period which would be permitted under the Code and the Regulations (or state law or state regulations), Semiconductor shall make an irrevocable election under Regulations Section 1.1502-21(b)(3)(i) (or comparable state law or state regulations), to relinquish any carryback period which would include the Consolidated Period. In cases where Semiconductor cannot relinquish the carryback period (other than by reason of Semiconductor failing to make such irrevocable election) or, if the parties otherwise agree, C-Cube shall cooperate with Semiconductor in seeking Tax refunds from the appropriate Taxing Authority, at Semiconductor's expense, and Semiconductor shall be entitled to such refund on an After-Tax Basis, including interest paid by the Taxing Authority in connection with such refund, less any reasonable out of pocket costs incurred by C-Cube in connection with such refund; provided however, that Semiconductor shall indemnify and hold C-Cube harmless from and against any and all collateral Tax consequences resulting from or caused by the carryback of deductible or creditable Tax attributes by Semiconductor from a Separate Return Period to a Consolidated Period, including but not limited to, Tax attributes of C-Cube that expire unused (including Tax attributes that expire during a Tax period subsequent to the Tax period during which the Semiconductor Tax attribute carried back was generated or taxes paid that are no longer available for refund) and which would have been used but for Semiconductor's carryback. The amount of such indemnity shall be limited to the actual Tax benefits to which C-Cube would have been entitled in the absence of the carryback of the deductible or creditable Tax attribute of Semiconductor, plus interest at the rate of [__] % from the date any additional tax cost or lost benefit was incurred by C-Cube. Semiconductor shall have the right to review the collateral Tax consequences being indemnified. The amount of the refund due to Semiconductor from C-Cube shall be reduced and offset by the amount of the indemnification, if any, to which C-Cube is entitled.

8. RECORDS

8.1 Retention by C-Cube. C-Cube shall, until the end of the applicable statute of limitations for each Tax year (giving effect to any extensions thereof), retain all material, including but not limited to, returns, supporting schedules, workpapers, correspondence, and other documents relating to the Affiliated Group and the Unitary Group in which any member of the Semiconductor Subgroup was a member, to the extent such materials are in C-Cube's possession and transferred to Harmonic in the Merger, and shall make such items available to Semiconductor for inspection or copying (at Semiconductor's expense) during C-Cube's regular business hours.

8.2 Retention by Semiconductor. Semiconductor shall, until the end of the applicable statute of limitations for each Tax year (giving effect to any

extensions thereof), retain all material, supporting schedules, workpapers, correspondence, and other documents relating to the Affiliated Group and any Unitary Group and shall make such items available to C-Cube for inspection or copying (at C-Cube's expense) during Semiconductor's regular business hours.

9. TERM AND TERMINATION

9.1 Term. This Agreement shall be effective as of the date hereof and shall apply to and govern all subsequent Taxable periods, unless the parties hereto each agree in writing to terminate this Agreement. Notwithstanding any such termination, this Agreement shall continue in effect with respect to any payment due from one party to the other with respect to any Taxable period occurring prior to the effective date of the termination of this Agreement.

10. MISCELLANEOUS

10.1 Except as otherwise provided in this Agreement, in no event shall any member of the C-Cube Group or the Semiconductor Group be liable to any other member of the C-Cube Group or the Semiconductor Group for any special, consequential, indirect, incidental or punitive damages or lost profits, however caused and on any theory of liability (including negligence) arising in any way out of this Agreement, whether or not such party has been advised of the possibility of such damages.

10.2 Entire Agreement. This Agreement, the Restated Merger Agreement, the other Ancillary Agreements and the Exhibits and Schedules referenced or attached hereto and thereto, constitute the entire agreement between the parties with respect to the subject matter hereof and shall supersede all prior written and oral and all contemporaneous oral agreements and understandings with respect to the subject matter hereof. In the event any provision of any agreement conflicts with a provision of the Restated Merger Agreement or any other Ancillary Agreement, this Agreement will govern.

10.3 Governing Law. This Agreement shall be governed and construed and enforced in accordance with the laws of the State of Delaware as to all matters regardless of the laws that might otherwise govern under the principles of conflicts of laws applicable thereto.

10.4 Assignment; Binding Upon Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective legal

representatives and successors, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement. This Agreement may not be assigned by any party hereto. Any member corporation which leaves the Affiliated Group shall be bound by this Agreement.

10.5 Severability. If any term or other provision of this Agreement is determined by a nonappealable decision by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible.

10.6 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.

10.7 Failure or Indulgence Not Waiver; Remedies Cumulative. No failure or delay on the part of either party hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein, nor shall any single or partial exercise of any such right preclude other or

further exercise thereof or of any other right. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

10.8 Amendment and Waivers. No change or amendment will be made to this Agreement and no waiver will be made under this Agreement except by an instrument in writing signed on behalf of each of the parties to such agreement.

10.9 Expenses. Unless otherwise provided, all fees and expenses incurred in connection with this Agreement will be paid by the party incurring such fees or expenses.

10.10 Dispute Resolution. In the event of any dispute arising under this Agreement, the dispute resolution procedure provided for such dispute in this Agreement, if any, shall control. If no dispute resolution procedure is provided for such dispute, the dispute resolution provisions of Section 4.6 of the Separation Agreement shall control.

10.11 Notices. Any notice, demand, offer, request or other communication required or permitted to be given by either party pursuant to the terms of this Agreement shall be in writing and shall be deemed effectively given the earlier of (i) when received, (ii) when delivered personally, (iii) one (1) business day after being delivered by facsimile (with receipt of appropriate confirmation), (iv) one (1) business day after being deposited with an overnight courier service or (v) four (4) days after being deposited in the U.S. mail, First Class with postage prepaid, and

addressed to the attention of the party's General Counsel at the address of its principal executive office or such other address as a party may request by notifying the other in writing.

10.12 Construction of Agreement. A reference to a Section will mean a Section in this Agreement unless otherwise explicitly set forth. The titles and headings herein are for reference purposes only and will not in any manner limit the construction of this Agreement which will be considered as a whole.

10.13 Jurisdiction and Venue. The parties hereto irrevocably consent to and agree that any litigation or other dispute resolution proceeding among the parties relating to this Agreement will take place in Santa Clara County, California. The parties hereby irrevocably consent to the personal jurisdiction or and the venue in the state and federal court within such county.

10.14 Further Assurances. Each party agrees to cooperate fully with the other parties and to execute such further instruments, documents and agreements and to give such further written assurances as may be reasonably requested by any other party to evidence and reflect the transactions contemplated hereby and to carry into effect the intents and purposes of this Agreement.

10.15 Intention of the Parties. It is the intention of the parties that Semiconductor shall make C-Cube whole, on an After-Tax Basis, for (i) any Pre-Semi Disposition Taxes, (ii) Semi Spin Taxes, (iii) any increase in those Taxes as a result of Adjustments, except for any Adjustments with respect to Pre-Semi Disposition Non-Semiconductor Taxes (other than as provided in Section 6.3). It is also the intention of the parties to avoid double payment, double-crediting or other double-counting of any items (including items set forth in Section 4) which would result in an inequitable and unintended benefit to one party or parties to the detriment of the other party or parties. The parties agree that the provisions of this Agreement shall be interpreted in accordance with the intent stated in this paragraph, and if there are other issues not addressed by this Agreement, the parties agree to pay to each other such other amounts as are consistent with the intent stated in this paragraph.

10.16 References to and Obligations of C-Cube. The parties agree that Semiconductor shall indemnify and hold Harmonic harmless from and against any breach of this Agreement by C-Cube prior to the Merger (or after the Merger if such breach is a result of actions or inaction of C-Cube or Semiconductor prior to the Merger), and that following the Merger, references in this Agreement shall be deemed where appropriate, including where consistent with

Semiconductor's obligation to indemnify C-Cube as specified in this Agreement, to constitute references to Harmonic as the successor to C-Cube.

10.17 Semiconductor Authorization. Semiconductor hereby represents and warrants that it has received the necessary authorization to execute this Agreement on behalf of itself and its subsidiaries, including all members of the Semiconductor Subgroup.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers.

C-CUBE MICROSYSTEMS INC.
ON ITS OWN BEHALF AND ON BEHALF THE
C-CUBE SUBGROUP

By: _____
Name: _____
Title: _____

C-CUBE SEMICONDUCTOR INC.

By: _____
Name: _____
Title: _____

HAROMONIC INC.

By: _____
Name: _____
Title: _____

SCHEDULE 4.4

SCHEDULE A TO TAX SHARING AGREEMENT
BY AND AMONG C-CUBE, SEMICONDUCTOR, AND HARMONIC

STATE/LOCALITY	SALES TAX REGISTRATION REQUIREMENTS	AGREEMENTS RELATING TO SALES TAXES (NONE UNLESS NOTED)
Arizona	Registration required in all listed states.	Negotiated agreement with respect to past taxes with commitment to file returns for 8-year future period.
California		
Colorado		
Colorado (Boulder)		
Florida		Negotiated agreement with respect to past taxes with commitment to file returns for 8-year future period.
Georgia		Negotiated agreement with respect to past taxes with indefinite commitment to file future returns.
Hawaii		Negotiated agreement with respect to past

	taxes with commitment to file returns for 8-year future period.
Illinois	Negotiated agreement with respect to past taxes with indefinite commitment to file future returns.
Louisiana	
Maryland	Negotiated agreement with respect to past taxes with commitment to file returns for 8-year future period.
Massachusetts	Negotiated agreement with respect to past taxes with commitment to file returns for 8-year future period.
Minnesota	
Nevada	
New Jersey	
New Mexico	
New York	Negotiated agreement with respect to past taxes with indefinite commitment to file future returns.
North Carolina	Negotiated agreement with respect to past taxes with commitment to file returns for 8-year future period.
Pennsylvania	Negotiated agreement with respect to past taxes with indefinite commitment to file future returns.
Rhode Island	
Texas	Negotiated agreement with respect to past taxes with commitment to file returns for 8-year future period.
Virginia	
Washington	
Wyoming	Verbal commitment to file in the future.

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EXHIBIT 99.5

FORM OF

MASTER TRANSITIONAL SERVICES AGREEMENT

BETWEEN

C-CUBE MICROSYSTEMS INC.

AND

C-CUBE SEMICONDUCTOR INC.

_____ ____, 2000

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MASTER TRANSITIONAL SERVICES AGREEMENT

This Master Transitional Services Agreement (this "Agreement") is effective as of _____, 2000 (the "Effective Date"), by and between C-Cube Microsystems Inc., a Delaware corporation ("C-Cube"), and C-Cube Semiconductor Inc., a Delaware corporation ("Semiconductor").

RECITALS

WHEREAS, C-Cube by certain other instruments of even date herewith transfers or will transfer to Semiconductor effective as of the Separation Date, substantially all of the business and assets of the Semiconductor Business owned by C-Cube in accordance with the Master Separation and Distribution Agreement dated as of _____ ___, 2000 between the C-Cube and Semiconductor (the "Separation and Distribution Agreement").

WHEREAS, C-Cube has entered into an Amended and Restated Agreement and Plan of Merger and Reorganization, dated as of December 9, 1999 (the "Merger Agreement"), with Harmonic Inc. ("Harmonic") pursuant to which, subsequent to the sale or distribution by C-Cube of Semiconductor, C-Cube will merge with and into Harmonic (the "Merger").

WHEREAS, for a limited period of time following the Separation Date and for the sole purpose of ensuring the orderly and effective separation of C-Cube and Semiconductor, (i) Semiconductor desires to receive from C-Cube certain services of the type performed by the business constituting C-Cube prior to the Separation Date or which service require assets or employees of C-Cube, and (ii) C-Cube desires to receive from Semiconductor certain services that were performed by the business constituting Semiconductor prior to the Separation Date or which service require assets or employees of Semiconductor.

NOW, THEREFORE, in consideration of the foregoing and the covenants and agreements set forth below, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

For the purpose of this Agreement, the following capitalized terms shall have the following meanings:

1.1 "Additional Services" shall have the meaning set forth in Section 3.5.

1.2 "Ancillary Agreements" shall have the meaning set forth in the Separation and Distribution Agreement.

1.3 "Distribution Date" shall have the meaning set forth in the Separation and Distribution Agreement.

1.4 "Documentation" shall mean the manuals and other documentation provided by the Providing Party to the Receiving Party in connection with the Services, including any items listed and described in the relevant Transition Service Schedule hereto.

1.5 "Expiration Date" shall have the meaning set forth in Article 4.

1.6 "Impracticable" shall have the meaning set forth in Section 3.3.

1.7 "Master Confidential Disclosure Agreement" shall mean that certain Master Confidential Disclosure Agreement by and between Semiconductor and C-Cube dated of even date hereof.

1.8 "Party" means either: (i) Semiconductor or (ii) C-Cube and, following the Merger, Harmonic Inc., as the case may be.

1.9 "Providing Party" shall mean the Party providing a Service hereunder as identified in the relevant Transition Service Schedule.

1.10 "Receiving Party" shall mean the Party receiving a Service hereunder as identified in the relevant Transition Service Schedule.

1.11 "Separation and Distribution Agreement" shall mean that certain

Master Separation and Distribution Agreement by and between Semiconductor and C-Cube dated of even date hereof.

1.12 "Separation Date" shall have the meaning set forth in the Separation and Distribution Agreement.

1.13 "Service(s)" shall have the meaning set forth in Section 3.1.

1.14 "Software Deliverable" shall mean a software program(s) and other materials as defined in Section 11.1 provided by a Providing Party to the Receiving Party and listed and described in the relevant Transition Service Schedule.

1.15 "Subsidiary" shall have the meaning set forth in the Separation and Distribution Agreement.

1.16 "Transition Service Schedule" shall have the meaning set forth in Section 2.2.

ARTICLE 2

TRANSITION SERVICE SCHEDULES

2.1 Services. This Agreement will govern the transitional services as requested by either Party and provided to such Party by the other Party, the details of which are set forth in the Transition Service Schedules attached to this Agreement, or otherwise agreed to in writing by the Parties.

2.2 Schedules. Each Service shall be covered by this Agreement upon execution of a Transition Service Schedule in the form attached hereto as Exhibit A (each transition service

schedule, a "Transition Service Schedule"). For each Service, the Parties shall set forth in the Transition Service Schedule, among other things, the time period during which the Service will be provided if different from the term of this Agreement determined pursuant to ARTICLE 4 hereof, a summary of the Service to be provided; a description of the Service; and the estimated charge, if any, for the Service and any other terms applicable thereto. Notwithstanding the foregoing the Parties acknowledge and agree that it may not be practicable to describe each Service in detail and that, therefore, a Service, when generally agreed upon by the Parties will be provided and paid for in accordance with the applicable terms of this Agreement even where such Service is not described in detail in a Schedule.

ARTICLE 3

SERVICES

3.1 Services Generally. Except as otherwise provided herein, for the term determined pursuant to ARTICLE 4 hereof, each Party shall provide or cause to be provided to the other the service(s) described in the Transition Service Schedule(s) attached hereto. Executed Transition Service Schedules are attached hereto as Exhibits B-1, B-2, etc. The service(s) described on a single Transition Service Schedule shall be referred to herein as a "Service." Collectively, the services described on all the Transition Service Schedules (including Additional Services) shall be referred to herein as "Services."

3.2 Service Limitations. Except as provided in a Transition Service Schedule for a specific Service: (i) neither Party shall be required to provide the Services except to the extent and only at the locations such Services are being provided by the business constituting the Party prior to the Separation Date or the performance of such service requires assets that will be owned by such Party following the Separation Date; and (ii) the Services will be available only for purposes of conducting the business of the Receiving Party substantially in the manner it was conducted, or proposed to be conducted by the business constituting such Party prior to the Separation Date.

3.3 Impracticability. Neither Party shall be required to provide any Service to the extent the performance of such Service becomes "Impracticable" as

a result of a cause or causes outside the reasonable control of such Party including unfeasible technological requirements, or to the extent the performance of such Services would require such Party to violate any applicable laws, rules or regulations or would result in the breach of any confidentiality or non-disclosure obligations, software license or other applicable contract.

3.4 Additional Resources. Except as provided in a Transition Service Schedule for a specific Service, in providing the Services, neither Party shall be obligated to: (i) hire any additional employees; (ii) maintain the employment of any specific employee; (iii) purchase, lease or license any additional equipment or software; (iv) pay any costs related to the transfer or conversion of the other Party's data; or (v) engage any alternate supplier of Services. Unless otherwise specified in the relevant Transition Services Schedule, Providing Party shall not be required to

purchase or deliver to the Receiving Party additional equipment or materials required to perform the relevant Service, unless the Receiving Party shall reimburse the Providing Party for such equipment or materials in accordance with ARTICLE 5.

3.5 Additional Services. From time to time after the Effective Date, the Parties may identify and mutually agree upon additional services that one party will provide to the other Party in accordance with the terms of this Agreement (the "Additional Services"). Accordingly, the Parties may execute additional Transition Service Schedules for such Additional Services pursuant to ARTICLE 2. Except as set forth in Section 3.6, the Parties may agree in writing on Additional Services during the term of this Agreement.

3.6 Obligations As To Additional Services. Except as set forth in the next sentence, a Party shall perform, at a charge determined using the principles for determining fees under Section 5.1, any Additional Service that: (a) was provided by the business constituting such Party immediately prior to the Separation Date and that was inadvertently or unintentionally omitted from the list of Services and is based on the use of assets owned by a Party as a result of the Separation Date, or (b) is essential to effectuate an orderly transition under the Separation and Distribution Agreement, unless such performance would significantly disrupt the Providing Party's operations or materially increase the scope of its responsibility under this Agreement. If Providing Party reasonably believes the performance of Additional Services required under subparagraphs (a) or (b) would significantly disrupt its operations or materially increase the scope of its responsibility under this Agreement, the Parties shall negotiate in good faith to establish terms under which such Additional Services may be provided, provided, however, a Providing Party shall not be obligated to provide such Additional Services if, following good faith negotiation, the Parties are unable to reach agreement on such terms.

ARTICLE 4

TERM

The term of this Agreement shall commence on the Effective Date and shall remain in effect until two (2) years after the Effective Date (the "Expiration Date"), unless earlier terminated under ARTICLE 7. This Agreement may be extended by the Parties in writing, either in whole or with respect to one or more of the Services; provided, however, that such extension shall only apply to the specific Services for which the Agreement was extended. The Parties shall be deemed to have extended this Agreement with respect to a specific Service if the Transition Service Schedule for such Service specifies a completion date beyond the aforementioned Expiration Date. The Parties may agree on an earlier expiration date respecting a specific Service by specifying such date on the Transition Service Schedule for that Service. Services shall be provided up to and including the date set forth in the applicable Transition Service Schedule, subject to earlier termination as provided herein.

ARTICLE 5

COMPENSATION

5.1 Charges for Services. A Party shall pay to the other Party the charges, if any, set forth on the Transition Service Schedules for each of the Services listed therein as adjusted, from time to time, in accordance with the process and procedures established under Section 5.4 and Section 5.5 hereof. Such fees shall include the direct costs of providing the Services, as determined using the process described in such Transition Service Schedule, and indirect costs of providing the Services plus ten percent (10%), unless specifically indicated otherwise on a Transition Service Schedule. However, if the term of this Agreement is extended beyond the Expiration Date as defined in ARTICLE 4, a Party receiving Services will reimburse the Party proving such Service such costs plus fifteen percent (15%) for the Services unless the Transition Service Schedule for such Service indicates it is to extend beyond the Expiration Date. The Parties also intend for charges to be easy to administer and justify and, therefore, they hereby acknowledge it may be counterproductive to try to recover de minimus cost, charge or expense. The Parties shall use good faith efforts to discuss any situation in which the actual charge for a Service is reasonably expected to exceed the estimated charge, if any, set forth on a Transition Service Schedule for a particular Service; provided, however, that the incurrence of charges in excess of any such estimate on such Transition Service Schedule shall not justify stopping the provision of, or payment for, Services under this Agreement.

5.2 Payment Terms. A Providing Party shall invoice the Receiving Party monthly for all charges pursuant to this Agreement. Such invoices shall be accompanied by reasonable documentation or other reasonable explanation supporting such charges. Invoices shall be due and payable within thirty (30) days after receipt. Late payments shall bear interest at the lesser of 12% or the maximum rate allowed by law. A Party owing the greater amount in any payment period may pay to the other the net amount by which its payment exceeds the payment due to it for such period.

5.3 Performance Under Ancillary Agreements. Notwithstanding anything to the contrary contained herein, neither Party shall be charged under this Agreement for any obligations that are specifically required to be performed under the Separation and Distribution Agreement or any other Ancillary Agreement and any such other obligations shall be performed and charged for (if applicable) in accordance with the terms of the Separation and Distribution Agreement or such other Ancillary Agreement.

5.4 Error Correction; True-Ups; Accounting. The Parties shall reasonably agree on a process and procedure for conducting internal audits and making adjustments to charges as a result of the movement of employees and functions between Parties, the discovery of errors or omissions in charges, as well as a true-up of amounts owed. In no event shall such processes and procedures extend beyond 180 days after completion of a Service.

5.5 Pricing Adjustments. In the event of a tax audit adjustment relating to the pricing of any or all Services provided pursuant to this Agreement in which it is determined by a taxing authority that any of the charges, individually or in combination, did not result in an arm's-length payment, as determined under internationally accepted arm's-length standards, then the Parties, including any subcontractor providing Services hereunder, may agree to make corresponding adjustments to the charges in question for such period to the extent necessary to achieve arm's-

length pricing. Any adjustment made pursuant to this Section 5.5 shall be reflected in the Parties' legal books and records, and the resulting underpayment or overpayment shall create, respectively, an obligation to be paid in the manner specified in Section 5.2, or shall create a credit against amounts owed under this Agreement.

ARTICLE 6

GENERAL OBLIGATIONS; STANDARD OF CARE

6.1 Performance Metrics. Subject to Sections 3.3 and 3.4 and any other terms and conditions of this Agreement, each Party shall maintain sufficient resources to perform its obligations hereunder. Specific performance metrics for a specific Service may be set forth in the corresponding Transition Service Schedule. Where none is set forth, a Providing Party shall use reasonable efforts to provide Services in accordance with the policies, procedures and practices in effect before the Separation Date and shall exercise the same care and skill as it exercises in performing similar services for itself. The Receiving Party shall provide sufficient resources and timely decisions, approvals and acceptances in order that the Providing Party may accomplish its obligations hereunder in a timely manner.

6.2 Disclaimer Of Warranties. NEITHER PARTY MAKES ANY WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, INCLUDING BUT NOT LIMITED TO THE IMPLIED WARRANTIES OF MERCHANTABILITY, BUSINESS CONTINUITY OR FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO THE SERVICES, SOFTWARE OR OTHER DELIVERABLES WHICH MAY BE PROVIDED BY IT HEREUNDER.

6.3 Transitional Nature Of Services; Changes. The Parties acknowledge the transitional nature of the Services and that the Providing Party may make changes from time to time in the manner of performing such Services if such Party is making similar changes in performing similar services for itself provided that the Providing Party furnishes to the Receiving Party reasonable advanced written notice regarding such changes.

6.4 Responsibility For Errors; Delays. The Providing Party's sole responsibility to the Receiving Party with respect to Services are as follows:

(a) for errors or omissions in Services, shall be to furnish correct information, payment and/or adjustment in the Services, at no additional cost or expense; provided, the Receiving Party must promptly advise the Providing Party of any such error or omission of which it becomes aware after having used reasonable efforts to detect any such errors or omissions in accordance with the standard of care set forth in Section 6.1; and

(b) for failure to deliver any Service because of Impracticability, shall be to use reasonable efforts, subject to Section 3.3, to make the Services available and/or to resume performing the Services as promptly as reasonably practicable.

6.5 Good Faith Cooperation; Consents. The Parties will use good faith efforts to cooperate with each other in all matters relating to the provision and receipt of Services. Such cooperation shall include exchanging information, performing true-ups and adjustments, and obtaining all third party consents, licenses, sublicenses or approvals necessary to permit each Party to perform its obligations hereunder (including, rights to use third party software needed for the performance of Services). Unless otherwise provided in the relevant Transition Services Schedule, the costs of obtaining such third party consents, licenses, sublicenses or approvals shall be borne by the Receiving Party for the relevant Services. The Parties will maintain in accordance with their standard document retention procedures, documentation supporting the information relevant to cost calculations contained in the Transition Service Schedules and cooperate with each other in making such information available as needed in the event of a tax audit, whether in the United States or any other country.

6.6 Alternatives. If a Party reasonably believes it is unable to provide a Service because of a failure to obtain necessary consents, licenses, sublicenses or approvals pursuant to Section 6.5 or because of Impracticability, the Parties shall cooperate to determine the best alternative approach. Until such alternative approach is found or the problem otherwise resolved to the satisfaction of the Parties, the Providing Party shall use reasonable efforts, subject to Section 3.3 and Section 3.4, to continue providing the Service. To the extent an agreed upon alternative approach requires payment above and beyond that which is included in the Providing Party's charge for the Service in question, the Parties shall share equally in making any such payment unless they otherwise agree in writing.

ARTICLE 7

TERMINATION

7.1 Termination. A Receiving Party may terminate this Agreement, either with respect to all or with respect to any one or more of the Services provided to it hereunder, for any reason or for no reason, at any time upon sixty (60) days prior written notice to the Providing Party. In addition, subject to the provisions of ARTICLE 15, either Party may terminate this Agreement with respect to a specific Service if the other Party materially breaches a material provision with regard to that particular Service and does not cure such breach (or does not take reasonable steps required under the circumstances to cure such breach going forward) within sixty (60) days after being given written notice of such breach; provided, however, that the Party against whom the breach is alleged may request that the Parties engage in a dispute resolution negotiation as specified in ARTICLE 15 below prior to termination for breach.

7.2 Survival. Those Sections of this Agreement that, by their nature, are intended to survive termination will survive in accordance with their terms. Notwithstanding the foregoing, in the event of any termination with respect to one or more, but less than all Services, this Agreement shall continue in full force and effect with respect to any Services not terminated hereby.

7.3 User IDs, Passwords. The Parties shall use good faith efforts at the termination or expiration of this Agreement or any specific Service hereto to ensure that all applicable user IDs and passwords are canceled.

ARTICLE 8

RELATIONSHIP BETWEEN THE PARTIES

The relationship between the Parties established under this Agreement is that of independent contractors and neither Party is an employee, agent, partner, or joint venturer of or with the other. Each Providing Party will be solely responsible for any employment-related taxes, insurance premiums or other employment benefits respecting the performance of Services under this Agreement by its own personnel. Each Receiving Party agrees to grant to the Providing Party's personnel reasonable access to sites, systems and information (subject to the provisions of confidentiality stated below) as necessary for the Providing Party to perform its obligations hereunder. Each Party's personnel shall agree to obey any and all security regulations and other published policies of the other Party relevant to the provision or receipt of the Services.

ARTICLE 9

SUBCONTRACTORS

Except for food services or related services, a Providing Party may not engage a subcontractor to perform all or any portion of its duties under this Agreement without the consent of the Receiving Party; provided further, that any such subcontractor agrees in writing to be bound by confidentiality obligations at least as protective as the terms of this Agreement regarding confidentiality, and provided further that the Providing Party remains responsible for the performance of such subcontractor. As used in this Agreement, "subcontractor" will mean any individual, partnership, corporation, firm, association, unincorporated organization, joint venture, trust or other entity engaged to perform hereunder.

ARTICLE 10

INTELLECTUAL PROPERTY

10.1 Allocation Of Rights By Ancillary Agreements. This Agreement and the performance of this Agreement will not affect the ownership of any intellectual property rights allocated in the Ancillary Agreements.

10.2 Existing Ownership Rights Unaffected. Neither Party will gain, by virtue of this Agreement, any rights of ownership of copyrights, patents, trade secrets, trademarks or any other intellectual property rights owned by the

other.

ARTICLE 11

SOFTWARE LICENSE

11.1 Software Deliverable/License. Unless otherwise agreed by the Parties under the Ancillary Agreements or any separate license or technology agreement, if a Providing Party supplies or makes available to the Receiving Party a deliverable that in whole or in part consists of software, firmware, or other computer code (a "Software Deliverable") as indicated in a Transition Service Schedule, such Software Deliverables will be supplied in object code form only and will be subject to the terms of this ARTICLE 11. In the event that such Software Deliverables are licensed to the Providing Party by third parties, the Receiving Party agrees to be bound by any different or additional conditions that are required by such third parties and are communicated in writing to it.

11.2 License To Software. Subject to the terms and conditions of this Agreement, the Providing Party hereby grants to the Receiving Party, under the Providing Party's intellectual property rights in and to a Software Deliverable, a non-exclusive, nontransferable worldwide license to (a) use and display the Software Deliverable in object code only for its own internal information processing services and computing needs, and to make sufficient copies as necessary for such use, and (b) use the Documentation in connection with the permitted use of the Software Deliverable and make sufficient copies as necessary for such use; provided, however, that the foregoing license shall (i) be limited solely to the use by the Receiving Party of the Software Deliverable to the extent necessary for the Receiving Party to obtain the benefit of the relevant Service, and (ii) expire and terminate upon the termination of the relevant Service term.

11.3 Restrictions. Neither Receiving Party shall itself, or through any Subsidiary, affiliate, agent or third party: (a) sell, lease, license or sublicense the Software Deliverable; (b) decompile, disassemble, or reverse engineer the Software Deliverable, in whole or in part, except to the extent such restriction is prohibited by applicable law; (c) allow access to the Software any user other than its employees; (d) use the Software Deliverable to provide processing services to third parties; (e) otherwise use the Software Deliverable on a "service bureau" basis; or (f) provide, disclose, divulge or make available to, or permit use of the Software Deliverable by any third party without the Providing Party's prior written consent.

11.4 Copyright Notices. Neither Party shall remove any copyright notices, proprietary markings, trademarks or trade names from the other Party's software or documentation.

11.5 As-Is Warranty. THE SOFTWARE DELIVERABLE AND ANY OTHER MATERIALS PROVIDED HEREUNDER ARE LICENSED OR PROVIDED ON AN "AS-IS" BASIS ONLY, WITHOUT ANY EXPRESS WARRANTIES OF ANY KIND.

11.6 Implied Warranty Disclaimer. NEITHER PARTY MAKES ANY WARRANTIES WHATSOEVER, EITHER EXPRESS OR IMPLIED, REGARDING THE SOFTWARE DELIVERABLE OR ANY OTHER MATERIAL PROVIDED BY IT HEREUNDER INCLUDING

AS TO THE MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE WITH RESPECT OT SUCH SOFTWARE DELIVERABLE OR OTHER MATERIALS.

11.7 No Other Obligations. NEITHER PARTY ASSUMES ANY RESPONSIBILITY OR OBLIGATIONS WHATEVER, OTHER THAN THE RESPONSIBILITIES AND OBLIGATIONS EXPRESSLY SET FORTH IN THIS AGREEMENT OR A SEPARATE WRITTEN AGREEMENT BETWEEN THE PARTIES.

ARTICLE 12

CONFIDENTIALITY

The terms of the Master Confidential Disclosure Agreement between the Parties shall apply to any Confidential Information (as defined therein) which is the subject matter of this Agreement.

ARTICLE 13

LIMITATION OF LIABILITY

NEITHER PARTY WILL BE LIABLE TO THE OTHER FOR ANY LOST PROFITS, LOSS OF DATA, LOSS OF USE, COST OF COVER, BUSINESS INTERRUPTION OR OTHER SPECIAL, INCIDENTAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES, HOWEVER CAUSED, UNDER ANY THEORY OF LIABILITY, ARISING FROM THE PERFORMANCE OR NON PERFORMANCE OF, OR OTHERWISE RELATING TO, THIS AGREEMENT.

ARTICLE 14

FORCE MAJEURE

Each party will be excused for any failure or delay in performing any of its obligations under this Agreement, other than the obligations to make payments pursuant to ARTICLE 5 hereof for services rendered, if such failure or delay is caused by any act of God or the public enemy, any accident, explosion, fire, storm, earthquake, flood, or any other circumstance or event beyond the reasonable control of such party.

ARTICLE 15

DISPUTE RESOLUTION

15.1 Use Of Dispute Resolution. Except as otherwise set forth in the Ancillary Agreements, resolution of any and all disputes arising from or in connection with this Agreement, whether based on contract, tort, or otherwise (collectively, "Disputes"), shall be exclusively governed by and settled in accordance with the provisions of this Article 15.

15.2 Negotiation. The Parties shall make a good faith attempt to resolve any Dispute arising out of or relating to this Agreement through negotiation. Within thirty (30) days after notice of a Dispute is given by either Party to the other Party, each Party shall select a negotiating team comprised of vice president level employees of such party and shall meet within thirty (30) days after the end of the first thirty (30) day negotiating period to attempt to resolve the matter. During the course of negotiations under this Section 15.2, all reasonable requests made by one Party to the other for information, including requests for copies of relevant documents, will be honored. The specific format for such negotiations will be left to the discretion of the designated negotiating teams but may include the preparation of agreed upon statements of fact or written statements of position furnished to the other Party.

15.3 Non-Binding Mediation. In the event that any Dispute arising out of or related to this Agreement is not settled by the Parties within fifteen (15) days after the first meeting of the negotiating teams under Section 15.2, the Parties will attempt in good faith to resolve such Dispute by non-binding mediation in accordance with the American Arbitration Association Commercial Mediation Rules. The mediation shall be held within thirty (30) days of the end of such fifteen (15) day negotiation period of the negotiating teams. Except as provided below in Section 15.4, no litigation for the resolution of such dispute may be commenced until the parties try in good faith to settle the dispute by such mediation in accordance with such rules and either Party has concluded in good faith that amicable resolution through continued mediation of the matter does not appear likely. The costs of mediation shall be shared equally by the Parties to the mediation. Any settlement reached by mediation shall be recorded in writing, signed by the Parties, and shall be binding on them.

15.4 Proceedings. Nothing herein, however, shall prohibit either Party from initiating litigation or other judicial or administrative proceedings if such Party would be substantially harmed by a failure to act during the time

that such good faith efforts are being made to resolve the Dispute through negotiation or mediation. In the event that litigation is commenced under this Section 15.4, the Parties agree to continue to attempt to resolve any Dispute according to the terms of Sections 15.2 and 15.3 during the course of such litigation proceedings under this Section 15.4.

15.5 Pay And Dispute. Except as provided herein or in any Ancillary Agreement, in the event of any dispute regarding payment of a third-party invoice (subject to standard verification of receipt of products or services), the party named in a third party's invoice must make timely payment to such third party, even if the party named in the invoice desires to pursue the dispute resolution procedures outlined in this Section 15.1. If the Party that paid the invoice is found pursuant to this Section 15.1 to not be responsible for such payment, such paying party shall be entitled to reimbursement, with interest accrued in accordance with Section 5.2.

15.6 Continuity Of Service And Performance. Unless otherwise agreed in writing, the parties will continue to provide service and honor all other commitments under this Agreement and each Ancillary Agreement during the course of dispute resolution pursuant to the provisions of this ARTICLE 15 with respect to all matters not subject to such dispute, controversy or claim.

ARTICLE 16

MISCELLANEOUS

16.1 Entire Agreement. This Agreement, the Merger Agreement, the other Ancillary Agreements and the Exhibits and Schedules referenced or attached hereto and thereto, constitute the entire agreement between the Parties with respect to the subject matter hereof and shall supersede all prior written and oral and all contemporaneous oral agreements and understandings with respect to the subject matter hereof.

16.2 Governing Law. This Agreement shall be governed and construed and enforced in accordance with the laws of the State of Delaware as to all matters regardless of the laws that might otherwise govern under the principles of conflicts of laws applicable thereto.

16.3 Termination. This Agreement may be terminated at any time before the Distribution Date by mutual consent of C-Cube and Semiconductor. In the event of termination pursuant to this Section, neither Party shall have any liability of any kind to the other Party.

16.4 Notices. Any notice, demand, offer, request or other communication required or permitted to be given by either Party pursuant to the terms of this Agreement shall be in writing and shall be deemed effectively given the earlier of (i) when received, (ii) when delivered personally, (iii) one (1) business day after being delivered by facsimile (with receipt of appropriate confirmation), (iv) one (1) business day after being deposited with an overnight courier service or (v) four (4) days after being deposited in the U.S. mail, First Class with postage prepaid, and addressed to the attention of the Party's General Counsel at the address of its principal executive office or such other address as a Party may request by notifying the other in writing.

16.5 Binding Effect; Assignment. This Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective legal representatives and successors, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement. This Agreement may not be assigned by any Party hereto without written consent of the other party, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, the Parties acknowledge and agree that in connection with the Merger, this Agreement shall be assigned to and assumed by Harmonic.

16.6 Severability. If any term or other provision of this Agreement or the Schedules or Exhibits attached hereto is determined by a non-appealable decision by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full

force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible.

16.7 Failure Or Indulgence Not Waiver; Remedies Cumulative. No failure or delay on the part of either Party hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. All rights and remedies existing under this Agreement or the Schedules or Exhibits attached hereto are cumulative to, and not exclusive of, any rights or remedies otherwise available.

16.8 Amendment. No change or amendment will be made to this Agreement except by an instrument in writing signed on behalf of each of the Parties to such agreement.

16.9 Authority. Each of the Parties hereto represents to the other that (a) it has the corporate or other requisite power and authority to execute, deliver and perform this Agreement, (b) the execution, delivery and performance of this Agreement by it have been duly authorized by all necessary corporate or other actions, (c) it has duly and validly executed and delivered this Agreement, and (d) this Agreement is a legal, valid and binding obligation, enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equity principles.

16.10 Interpretation. The headings contained in this Agreement, in any Exhibit or Schedule hereto and in the table of contents to this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Any capitalized term used in any Schedule or Exhibit but not otherwise defined therein, shall have the meaning assigned to such term in this Agreement. When a reference is made in this Agreement to an Article or a Section, Exhibit or Schedule, such reference shall be to an Article or Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated.

16.11 Conflicting Agreements. In the event of conflict between this Agreement and any Ancillary Agreement or other agreement executed in connection herewith, the provisions of such other agreement shall prevail.

16.12 Counterparts. This Agreement, including the Schedules and Exhibits hereto and the other documents referred to herein, may be executed in counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.

C-CUBE SEMICONDUCTOR INC.

By: _____

Title: _____

C-CUBE MICROSYSTEMS INC.

By: _____

Title: _____ .

EXHIBIT A

FORM TRANSITION SERVICE SCHEDULE TO MASTER TRANSITIONAL SERVICES AGREEMENT

SERVICE PROVIDER: _____

SERVICE RECIPIENT:
---

1. TRANSITION SERVICE SCHEDULE #:_____ (To be inserted by responsible individual or department.)

2. FUNCTIONAL AREA:_____

3. START/END DATE: The Services start on the Effective Date of the Master Transitional Services Agreement and end on _____ unless otherwise indicated below.

   Indicate below if other start/end date:

   START DATE:_____

   END DATE:_____

   If Start and End dates vary by service and/or country, please indicate in Section 5 below.

4. SUMMARY OF SERVICES (Describe the service to be provided in appropriate detail.

SERVICE NAME	DESCRIPTION

5. LIST OF SERVICES TO BE PROVIDED PER COUNTRY AND SITE: (List all the services to be provided at each site. Enter Start Date and End Date if different than Section 3 above.)

COUNTRY	SITE	SERVICE(S)	START DATE	END DATE

6. PERFORMANCE PARAMETERS/SERVICE LEVEL: (State minimum performance expected from each service, if applicable.):

7. ESTIMATED TOTAL COMPENSATION:_____

8. DESCRIBE COST METHODOLOGY AND COST DRIVERS AFFECTING ESTIMATED TOTAL COMPENSATION (Describe on an individual service basis if necessary):

9. DESCRIBE THE PROCESS BY WHICH THE COST OF SERVICES WILL BE ADJUSTED IN THE INSTANCE OF AN INCREASE/REDUCTION IN THE SERVICES PROVIDED: (Describe on an individual service basis if necessary.)

10. SOFTWARE: Will software be used or included with the Services to be provided under this Transition Service Schedule:

    ____ Yes ____ No

    If yes, will source code be provided: ____ Yes ____ No

    List software to be provided:

Software Application	Number of Licenses to be Provided

Upon execution of this Transition Service Schedule by both parties, this Transition Service Schedule is hereby deemed incorporated into and made part of that certain Master Transitional Services Agreement.

C-CUBE SEMICONDUCTOR INC.

By: _____

Title: _____

C-CUBE MICROSYSTEMS INC.

By: _____

Title: _____ .

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EXHIBIT 99.6

FORM OF
GENERAL ASSIGNMENT AND ASSUMPTION AGREEMENT

AMONG

C-CUBE MICROSYSTEMS INC.,

C-CUBE SEMICONDUCTOR INC.

AND

C-CUBE SEMICONDUCTOR II INC.

_____ ____, 2000

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SCHEDULES

GENERAL ASSIGNMENT AND ASSUMPTION AGREEMENT

This General Assignment and Assumption Agreement (this "AGREEMENT") is entered into on _____ ___, 2000 by and among C-Cube Microsystems Inc., a Delaware corporation ("C-CUBE"), C-Cube Semiconductor Inc., a Delaware corporation ("SEMICONDUCTOR I"), and C-Cube Semiconductor II Inc., a Delaware corporation ("SEMICONDUCTOR II"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in ARTICLE IV hereof.

RECITALS

WHEREAS, C-Cube hereby and by certain other instruments of even date herewith transfers or will transfer to Semiconductor I and Semiconductor II effective as of the Separation Date, substantially all of the business and assets of the Semiconductor Business owned by C-Cube in accordance with the Master Separation and Distribution Agreement dated as of _____ ___, 2000 between the parties (the "SEPARATION AGREEMENT"). It is the intent of the parties hereto, by this Agreement and the other agreements and instruments provided for in the Separation Agreement, that C-Cube and its Subsidiaries convey to Semiconductor I and Semiconductor II and their Subsidiaries substantially all of the business and assets of the Semiconductor Business;

WHEREAS, it is further intended between the parties that Semiconductor I and Semiconductor II assume certain of the liabilities related to the Semiconductor Business, as provided in this Agreement, the Separation Agreement or the other agreements and instruments provided for in the Separation Agreement;

WHEREAS, C-Cube has entered into the Agreement and Plan of Merger and Reorganization, dated as of October 27, 1999 (the "MERGER AGREEMENT"), with Harmonic Inc. ("HARMONIC") pursuant to which, subsequent to the sale or distribution of C-Cube of Semiconductor, C-Cube will merge with and into Harmonic (the "MERGER").

WHEREAS, C-Cube and Harmonic entered into an Amended and Restated Agreement and Plan of Merger and Reorganization dated as of December 9, 1999 (the "RESTATED MERGER AGREEMENT");

NOW, THEREFORE, in consideration of the foregoing and the covenants and agreements set forth below, the parties hereto agree as follows:

ARTICLE I

CONTRIBUTION AND ASSUMPTION

SECTION 1.1 CONTRIBUTION OF ASSETS AND ASSUMPTION OF LIABILITIES.

(a) Transfer of Assets. (i) Effective on the Separation Date, C-Cube hereby assigns, transfers, conveys and delivers to Semiconductor II, and agrees to cause its applicable Subsidiaries

to assign, transfer, convey and deliver to Semiconductor II's applicable Subsidiaries, and Semiconductor II hereby accepts from C-Cube, and agrees to cause its applicable Subsidiaries to accept from C-Cube's applicable Subsidiaries, all of C-Cube's and its applicable Subsidiaries' respective right, title and interest in all Semiconductor Assets except for those Semiconductor Assets set forth on Schedule 1.1(a) hereto; provided, however, that any Semiconductor Assets that are specifically assigned or transferred pursuant to another Ancillary Agreement shall not be assigned or transferred pursuant to this Section 1.1(a).

(ii) Effective on the Separation Date, C-Cube hereby assigns, transfers, conveys and delivers to Semiconductor I, and agrees to cause its applicable Subsidiaries to assign, transfer, convey and deliver to Semiconductor I's applicable Subsidiaries, and Semiconductor I hereby accepts from C-Cube, and agrees to cause its applicable Subsidiaries to accept from C-Cube's applicable Subsidiaries, all of C-Cube's and its applicable Subsidiaries' respective right, title and interest in all Semiconductor Assets listed on Schedule 1.1(a) hereto.

(b) Assumption of Liabilities. (i) Effective on the Separation Date, Semiconductor II hereby assumes and agrees faithfully to perform and fulfill, all the Semiconductor Liabilities held by C-Cube in accordance with their respective terms, and agrees to cause its applicable Subsidiaries to assume, perform and fulfill all the Semiconductor Liabilities held by its Subsidiaries, in accordance with their respective terms except for with respect to those Semiconductor Liabilities set forth on Schedule 1.1(b) hereto.

(i) Effective on the Separation Date, Semiconductor I hereby assumes and agrees faithfully to perform and fulfill, all the Semiconductor Liabilities listed on Schedule 1.1(b) hereto held by C-Cube in accordance with

their respective terms, and agrees to cause its applicable Subsidiaries to assume, perform and fulfill all the Semiconductor Liabilities listed on Schedule 1.1(b) held by its Subsidiaries, in accordance with their respective terms.

(c) Misallocated Assets and Liabilities. In the event that at any time or from time to time (whether prior to, on or after the Separation Date), any party hereto (or any member of such party's respective Group), shall receive or otherwise possess any Asset or Liability that is misallocated to any other Person pursuant to this Agreement or any Ancillary Agreement, such party shall promptly transfer, or cause to be transferred, such Asset or Liability to the Person so entitled thereto. Prior to any such transfer, the Person receiving or possessing such Asset shall hold such Asset or Liability in trust for any such other Person.

SECTION 1.2 SEMICONDUCTOR ASSETS.

(a) Included Assets. For purposes of this Agreement, "SEMICONDUCTOR ASSETS" shall mean (without duplication) the following Assets, except as otherwise provided for in any Ancillary Agreement or other express agreement of the parties:

(i) all assets reflected in the unaudited consolidated balance sheet (including notes thereto) of the Semiconductor Business as of September 30, 1999 attached hereto as

Annex 1.2(a) (the "BALANCE SHEET"), subject to any dispositions of such Assets subsequent to the date of such Balance Sheet;

(ii) all assets that have been written off, expensed or fully depreciated that, had they not been written off, expensed or fully depreciated, would have been reflected in the Balance Sheet in accordance with the principles and accounting policies under which the Balance Sheet was prepared;

(iii) all assets acquired by C-Cube or its Subsidiaries after the date of the Balance Sheet that would be reflected in the consolidated balance sheet of the Semiconductor Business as of the Separation Date if such consolidated balance sheet was prepared at the time of the Semi Disposition using the same principles and accounting policies under which the Balance Sheet was prepared;

(iv) all assets that are used primarily by the Semiconductor Business at the Separation Date but are not reflected in the Balance Sheet due to mistake or unintentional omission;

(v) all claims or other rights of C-Cube or the Semiconductor Business that primarily relate to the Semiconductor Business, whenever arising, against any Person or entity other than an officer, employee, director or consultant of the Semiconductor Business, if and to the extent that (i) such claim or right arises out of the events, acts or omissions occurring on or before the Separation Date (based on then existing law) and (ii) the existence or scope of the obligation of such other Person or entity as of the Separation Date was not acknowledged, fixed or determined in any material respect, due to a dispute or other uncertainty as of the Separation Date or as a result of the failure of such claim or other right to have been discovered or asserted as of the Separation Date. A claim or right meeting the foregoing definition shall be considered an "SEMICONDUCTOR CONTINGENT GAIN" regardless of whether there was any action pending, threatened or contemplated as of the Separation Date with respect thereto. In the case of any claim or right, a portion of which arises out of events, acts or omissions occurring prior to the Separation Date and a portion of which arises out of events, acts or omissions occurring on or after the Separation Date, only that portion that arises out of events, acts or omissions occurring prior to the Separation Date, shall be considered a Semiconductor Contingent Gain. For purposes of the foregoing a claim or right shall be deemed to have accrued as of the Separation Date if all the elements of the claim necessary for its assertion shall have occurred on or prior to the Separation Date, would not be dismissed by a court on ripeness or similar grounds. Notwithstanding the foregoing, none of (i) any insurance proceeds, (ii) any Excluded Assets (as defined below), (iii) any reversal of any litigation or other reserve, or (iv) any matters relating to Taxes which are governed by the

Tax Sharing Agreement shall be deemed to be a Semiconductor Contingent Gain;

(vi) all contracts in which C-Cube is a party or by which it or any of its assets is bound whether or not in writing, except for any such contract or agreement that is contemplated to be retained by C-Cube because it relates primarily to the DiviCom Business including:

(1) all prepaid expenses, trade accounts and other accounts and notes receivables;

(2) all rights under contracts or agreement, all claims or rights against any person or entity arising from the ownership of any Asset, all rights in connection with any bids or offers and all claims, choices in action or similar rights, whether accrued or contingent;

(3) all rights under insurance policies and rights in the nature of insurance, indemnification or contribution;

(4) all licenses, permits, approvals and authorization which have been issued by any governmental authority; and

(5) interest rate, currency, commodity or other swap, collar, cap or other hedging or similar agreements or arrangements.

(vii) all computers, desks, equipment (including equipment used for research and development) and other Assets used primarily by employees of C-Cube that will become employees of the Semiconductor Business;

(viii) to the extent permitted by law and subject to any agreement regarding indemnification and/or insurance matters, all rights of the Semiconductor Business under any of C-Cube's insurance policies;

(ix) all (a) accounts receivable and other rights to payment for goods or services sold, leased or otherwise provided in the conduct of the Semiconductor Business that, as of the Separation Date, are payable by a third party to C-Cube or any of C-Cube's subsidiaries, whether past due, due or to become due, including any interest, sales or use taxes, finance charges, late or returned check charges and other obligations of the accounts debtor with respect thereto, and any proceeds of any of the foregoing and (b) other miscellaneous Assets for which an adjustment is made in the Balance Sheet;

(x) C-Cube's rights in the trade and service marks and domain names incorporating or based on the name C-CUBE and any goodwill associated therewith;

(xi) All Intellectual Property owned or transferable by C-Cube or the Semiconductor Business that arises out of the activities of, or that is primarily related to, the Semiconductor Business, including all Intellectual Property listed on Schedule 1.2(a)(xi) (all of the foregoing, "SEMICONDUCTOR INTELLECTUAL PROPERTY"), and all rights to sue for, recover and retain any damages from any third party's infringement of any such Intellectual Property rights; and

(xii) cash or cash equivalents, bank accounts, lock boxes and other deposit arrangements (other than the Retained Cash).

(xiii) all outstanding shares in subsidiaries conducting Semiconductor Business owned directly by C-Cube Microsystems Inc. including shares in:

(1) C-Cube Microsystems International Ltd., a company organized under the laws of Bermuda;

(2) C-Cube U.S. Inc., a company organized in Delaware;

(3) C-Cube Japan, Inc., a company organized in Japan and assets owned by these subsidiaries;

(4) C-Cube Technology Limited, a company organized under the laws of Bermuda; and

(5) Media Computer Technologies, Inc., a California corporation.

(b) Excluded Assets. For the purposes of this Agreement, "EXCLUDED ASSETS" shall mean:

C-Cube Registered Intellectual Property listed on the Company Disclosure Schedule (as defined in the Merger Agreement.)

SECTION 1.3 SEMICONDUCTOR LIABILITIES.

(a) Included Liabilities. For the purposes of this Agreement, "SEMICONDUCTOR LIABILITIES" shall mean (without duplication) the following Liabilities, except as otherwise provided for in any Ancillary Agreement or other express agreement of the parties:

(i) all Liabilities reflected in the Balance Sheet, subject to any discharge of such Liabilities subsequent to the date of the Balance Sheet;

(ii) all Liabilities of C-Cube or its Subsidiaries that arise after the date of the Balance Sheet that would be reflected in the consolidated balance sheet of the Semiconductor Business as of the Separation Date if such consolidated balance sheet was prepared using the same principles and accounting policies under which the Balance Sheet was prepared;

(iii) all Liabilities that are related primarily to the Semiconductor Business at the Separation Date but are not reflected in the Balance Sheet due to mistake or unintentional omission;

(iv) any Liability of C-Cube or the Semiconductor Business that primarily related to the Semiconductor Business, whenever arising, to any Person or entity other than an officer, director, employee or consultant of the Semiconductor Business, if and to the extent that (i) such Liability arises out of the events, acts or omissions occurring on or before the Separation Date and (ii) the existence or scope of the obligation to such Person or entity as of the Separation Date with respect to such Liability was not acknowledged, fixed or determined in any material respect, due to a dispute or other uncertainty as of the Separation Date or as a result of the failure of such Liability to have been discovered or asserted as of the Separation Date (it being understood that the existence of a litigation or other reserve with respect to any Liability shall not be sufficient for such Liability to be considered acknowledged, fixed or determined) (each, a "SEMICONDUCTOR CONTINGENT

LIABILITY"). In the case of any Liability, a portion of which arises out of events, acts or omissions occurring prior to the Separation Date and a portion of which arises out of events, acts or omissions occurring on or after the Separation Date, only that portion that arises out of events, acts or omissions occurring prior to the Separation Date shall be considered a Semiconductor Contingent Liability. For purposes of the foregoing, a Liability shall be deemed to have arisen out of events, acts or omissions occurring prior to the Separation Date if all the elements necessary for the assertion of a claim with respect to such Liability shall have occurred on or prior to the Separation Date, such that the claim, were it asserted in an action on or prior to the Separation Date, would not be dismissed by a court on ripeness or similar grounds. For purposes of clarification of the foregoing, the parties agree that no Liability relating to, arising out of or resulting from any obligation of any person or entity to satisfy any obligation accrued under any employee stock option plan, stock purchase plan or the like as of the Separation Date, shall be deemed to be a Semiconductor Contingent Liability. For purposes of determining whether a claim relating to the Year 2000 problem is a Semiconductor Contingent Liability, claims relating to products shipped prior to the Separation Date shall be deemed to have arisen prior to the Separation Date.

(v) all Liabilities (other than Liabilities for Taxes), whether arising before on or after the Separation Date, primarily relating to, arising out of or resulting from:

(1) the operation of the Semiconductor Business, as conducted at any time prior to, on or after the Separation Date (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such Person or entity's authority));

(2) the operation of any business conducted by the Semiconductor Business at any time after the Separation Date (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such person or entity's authority)); or

(3) any Semiconductor Assets;

(vi) all fees and expenses of C-Cube incurred in connection with the Merger and the spin-off transaction;

(vii) all accounts payable and other obligations of payment for goods or services purchased, leased or otherwise received in the conduct of the Semiconductor Business that as of the Separation Date are payable to a third party by C-Cube or any of C-Cube's subsidiaries, whether past due, due or to become due, including any interest, sales or use taxes, finance charges, late or returned check charges and other obligations of C-Cube or any of C-Cube's Subsidiaries with respect thereto, and any obligations related to any of the foregoing;

(viii) all employee compensation Liabilities relating to employees of the Semiconductor Business other than Continuing Employees; and

(ix) all severance payments and related Liabilities arising out of any termination of non-Continuing Employees (as defined in the Merger Agreement).

Notwithstanding anything in this Agreement, the Merger Agreement or the Ancillary Agreements to the contrary, to the extent that the amount provided by C-Cube to the Semiconductor Business has been reduced on account of certain liabilities set forth in clauses (i) through (v) of the definition of "Retained Cash," such liabilities shall not constitute Semiconductor Liabilities.

Notwithstanding the foregoing, the Semiconductor Liabilities shall not include the Excluded Liabilities referred to in SECTION 1.3(b) below.

(b) Excluded Liabilities. For the purposes of this Agreement, "EXCLUDED LIABILITIES" shall mean:

(i) all Liabilities to the extent that (i) it is covered under the terms of C-Cube's insurance policies in effect prior to the Separation Date and (ii) the Semiconductor Business is not a named, insured under, or otherwise entitled to the benefits of, such insurance policies;

(ii) all Liabilities for Pre-Semi Disposition Taxes not attributable to the Semiconductor Business; and

(iii) all agreements and obligations of C-Cube under the agreements governing the Distribution.

SECTION 1.4 METHODS OF TRANSFER AND ASSUMPTION.

(a) Terms of Other Ancillary Agreements Govern. The parties shall enter into the other Ancillary Agreements, on or about the date of this Agreement. To the extent that the transfer of any Semiconductor Asset or the assumption of any Semiconductor Liability is expressly provided for by the terms of any other Ancillary Agreement, the terms of such other Ancillary Agreement

shall effect, and determine the manner of, the transfer or assumption. It is the intent of the parties that pursuant to SECTIONS 1.1, 1.2 and 1.3, the transfer and assumption of all other Semiconductor Assets and Semiconductor Liabilities shall be made effective as of the Separation Date.

(b) Mistaken Assignments and Assumptions. In addition to those transfers and assumptions accurately identified and designated by the parties to take place but which the parties are not able to effect prior to the Separation Date, there may exist (i) Assets that the parties discover were, contrary to the agreements between the parties, by mistake or omission, transferred to Semiconductor I or Semiconductor II or any of their Subsidiaries or retained by C-Cube or (ii) Liabilities that the parties discover were, contrary to the agreements between the parties, by mistake or omission, assumed by Semiconductor I or Semiconductor II or any of their Subsidiaries or not assumed by Semiconductor I or Semiconductor II or any of their Subsidiaries. The parties shall

cooperate in good faith to effect the transfer or re-transfer of such Assets, and/or the assumption or re-assumption of such Liabilities, to or by the appropriate party and shall not use the determination that remedial actions need to be taken to alter the original intent of the parties hereto with respect to the Assets to be transferred to or Liabilities to be assumed by Semiconductor I or Semiconductor II or any of their Subsidiaries. Each party shall reimburse the other or make other financial adjustments (e.g., without limitation, cash reserves) or other adjustments to remedy any mistakes or omissions relating to any of the Assets transferred hereby or any of the Liabilities assumed hereby.

(c) Transfer of Assets and Liabilities Not Included in Semiconductor Assets and Semiconductor Liabilities. In the event the parties discover Assets and Liabilities that relate primarily to the Semiconductor Business but do not constitute Semiconductor Assets under SECTION 1.2 or Semiconductor Liabilities under SECTION 1.3, the parties shall cooperate in good faith to effect the transfer of such Assets at book value, or the assumption of such Liabilities, to Semiconductor I or Semiconductor II or any of their Subsidiaries, as applicable, and shall not use the determination of remedial actions contemplated in the Separation Agreement to alter the original intent of the parties hereto with respect to the Assets to be transferred to or Liabilities to be assumed by Semiconductor I or Semiconductor II or any of their Subsidiaries, as applicable. Each party shall reimburse the other or make other financial adjustments (e.g., without limitation, cash reserves) or other adjustments to remedy any mistakes or omissions relating to any of the Assets transferred hereby or any of the Liabilities assumed hereby.

(d) Documents Relating to Other Transfers of Assets and Assumption of Liabilities. In furtherance of the assignment, transfer and conveyance of Semiconductor Assets and the assumption of Semiconductor Liabilities set forth in SECTIONS 1.4(a), (b) and (c) and certain Ancillary Agreements, simultaneously with the execution and delivery hereof or as promptly as practicable thereafter, (i) C-Cube shall execute and deliver such bills of sale, stock powers, certificates of title, assignments of contracts and other instruments of transfer, conveyance and assignment as and to the extent necessary to evidence the transfer, conveyance and assignment of all of C-Cube's and its Subsidiaries' right, title and interest in and to the Semiconductor Assets to Semiconductor I or Semiconductor II or any of their Subsidiaries, as applicable, and (ii) Semiconductor I or Semiconductor II or any of their Subsidiaries, as applicable, shall execute and deliver, to C-Cube and its Subsidiaries such bills of sale, stock powers, certificates of title, assumptions of contracts and other instruments of assumption as and to the extent necessary to evidence the valid and effective assumption of the Semiconductor Liabilities by Semiconductor I or Semiconductor II or any of their Subsidiaries, as applicable.

SECTION 1.5 GOVERNMENTAL APPROVALS AND CONSENTS.

(a) Transfer In Violation of Laws. If and to the extent that the valid, complete and perfected transfer assignment or novation to the Semiconductor Group of any Semiconductor Assets and Semiconductor Liabilities (or from the Semiconductor Group of any Non-Semiconductor Assets) would be a violation of applicable laws or require any Consent or Governmental Approval in connection with the Separation or the Distribution, then, unless C-Cube shall

otherwise determine, the transfer, assignment or novation to or from the Semiconductor Group,

as the case may be, of such Semiconductor Assets or Non-Semiconductor Assets, respectively, shall be automatically deemed deferred and any such purported transfer, assignment or novation shall be null and void until such time as all legal impediments are removed and/or such Consents or Governmental Approvals have been obtained. Notwithstanding the foregoing, such Asset shall still be considered a Semiconductor Asset for purposes of determining whether any Liability is a Semiconductor Liability; provided, however, that if such covenants or Governmental Approvals have not been obtained within six months of the Distribution Date, the parties will use their reasonable commercial efforts to achieve an alternative solution in accordance with the parties' intentions.

(b) Transfers Not Consummated Prior to Separation Date. If the transfer, assignment or novation of any Assets intended to be transferred or assigned hereunder is not consummated prior to or on the Separation Date, whether as a result of the provisions of SECTION 1.5(a) or for any other reason, then the Person retaining such Asset shall thereafter hold such Asset for the use and benefit, insofar as reasonably possible, of the Person entitled thereto (at the expense of the Person entitled thereto). In addition, the Person retaining such Asset shall take such other actions as may be reasonably requested by the Person to whom such Asset is to be transferred in order to place such Person, insofar as reasonably possible, in the same position as if such Asset had been transferred as contemplated hereby and so that all the benefits and burdens relating to such Semiconductor Assets (or such Non-Semiconductor Assets, as the case may be), including possession, use, risk of loss, potential for gain, and dominion, control and command over such Assets, are to inure from and after the Separation Date to the Semiconductor Group (or the C-Cube Group, as the case may be). If and when the Consents and/or Governmental Approvals, the absence of which caused the deferral of transfer of any Asset pursuant to SECTION 1.5(a), are obtained, the transfer of the applicable Asset shall be effected in accordance with the terms of this Agreement and/or the applicable Ancillary Agreement.

(c) Expenses. The Person retaining an Asset due to the deferral of the transfer of such Asset shall not be obligated, in connection with the foregoing, to expend any money unless the necessary funds are advanced by the Person entitled to the Asset, other than reasonable out-of-pocket expenses, attorneys' fees and recording or similar fees, all of which shall be promptly reimbursed by the Person entitled to such Asset.

SECTION 1.6 NONRECURRING COSTS AND EXPENSES. Notwithstanding anything herein to the contrary, any nonrecurring costs and expenses incurred by the parties hereto to effect the transactions contemplated hereby which are not allocated pursuant to the terms of the Separation Agreement, this Agreement or any other Ancillary Agreement shall be the responsibility of the party which incurs such costs and expenses.

SECTION 1.7 NOVATION OF ASSUMED SEMICONDUCTOR LIABILITIES.

(a) Reasonable Commercial Efforts. Each of C-Cube, and Semiconductor I or Semiconductor II or any of their Subsidiaries, as applicable, at the request of the other, shall use their reasonable commercial efforts to obtain, or to cause to be obtained, any consent, substitution, approval or amendment required to novate (including with respect to any federal government

contract) or assign all rights and obligations under agreements, leases, licenses and other obligations or Liabilities of any nature whatsoever that constitute Semiconductor Liabilities or to obtain in writing the unconditional release of all parties to such arrangements other than any member of the Semiconductor Group, so that, in any such case, Semiconductor I or Semiconductor II or any of their Subsidiaries, as applicable, will be solely responsible for

such Liabilities; provided, however, that none of C-Cube, Semiconductor I, Semiconductor II or any of their Subsidiaries shall be obligated to pay any consideration therefor to any third party from whom such consents, approvals, substitutions and amendments are requested.

(b) Inability to Obtain Novation. If C-Cube, Semiconductor I or Semiconductor II or any of their Subsidiaries, as applicable, is unable to obtain, or to cause to be obtained, any such required consent, approval, release, substitution or amendment, the applicable member of the C-Cube Group shall continue to be bound by such agreements, leases, licenses and other obligations and, unless not permitted by law or the terms thereof (except to the extent expressly set forth in this Agreement, the Separation Agreement or any other Ancillary Agreement), Semiconductor I or Semiconductor II or any of their Subsidiaries, as applicable, shall, as agent or subcontractor for C-Cube or such other Person, as the case may be, pay, perform and discharge fully, or cause to be paid, transferred or discharged all the obligations or other Liabilities of C-Cube or such other Person, as the case may be, thereunder from and after the date hereof. C-Cube shall, without further consideration, pay and remit, or cause to be paid or remitted, to Semiconductor I or Semiconductor II or any of their Subsidiaries, as applicable, or its appropriate Subsidiary promptly all money, rights and other consideration received by it or any member of its respective Group in respect of such performance (unless any such consideration is an Excluded Asset). If and when any such consent, approval, release, substitution or amendment shall be obtained or such agreement, lease, license or other rights or obligations shall otherwise become assignable or able to be novated, C-Cube shall thereafter assign, or cause to be assigned, all its rights, obligations and other Liabilities thereunder or any rights or obligations of any member of its respective Group to Semiconductor I or Semiconductor II or any of their Subsidiaries, as applicable, without payment of further consideration and Semiconductor I or Semiconductor II or any of their Subsidiaries, as applicable, shall, without the payment of any further consideration, assume such rights and obligations.

ARTICLE II

INTELLECTUAL PROPERTY LICENSES

SECTION 2.1 LICENSE TO C-CUBE.

(a) Grant. To the extent any of the Semiconductor Intellectual Property is necessary for, or would be infringed by, the operation of the DiviCom Business as such business is operated as of or prior to the Separation Date, subject to all limitations set forth herein Semiconductor I and Semiconductor II or any of their Subsidiaries hereby grant to C-Cube, to the extent of

Semiconductor I and Semiconductor II's or any of their Subsidiaries' rights in such Semiconductor Intellectual Property and without any representation or warranty of any kind, a worldwide, perpetual, irrevocable, non-exclusive, license to continue to operate the DiviCom Business in substantially the same manner such business was conducted as of or prior to the Separation Date.

(b) Limitations. All rights and licenses to the Semiconductor Intellectual Property not expressly granted to C-Cube in Section 2.1(a) or in a written agreement between the parties are reserved to Semiconductor I or Semiconductor II or any of their Subsidiaries, as applicable. Without limiting the foregoing, C-Cube shall not have any right or license under the foregoing and is not granted any license hereunder to (i) make or have made any semiconductor device, and (ii) [_____].

(c) No Technology Transfer. Nothing set forth in Section 2.1(a) shall obligate Semiconductor I or Semiconductor II or any of their Subsidiaries, as applicable, to transfer or disclose to C-Cube any Intellectual Property including any know how, software, or other materials.

SECTION 2.2 LICENSE TO SEMICONDUCTOR.

(a) Grant. To the extent any of the Excluded Assets or any other assets retained by C-Cube include any Intellectual Property that is necessary for or would be infringed by the operation of the Semiconductor Business as such business was conducted as of or prior to the Separation Date, subject to all limitations set forth herein C-Cube hereby grants to Semiconductor I or Semiconductor II or any of their Subsidiaries, as applicable, to the extent of C-Cube's rights in such Intellectual Property and without any representation or warranty of any kind, a worldwide, perpetual, irrevocable, non-exclusive license to continue to operate the Semiconductor Business in substantially the same manner such business was conducted as of or prior to the Separation Date.

(b) Limitations. All rights and licenses to the Intellectual Property of C-Cube not expressly granted to Semiconductor I or Semiconductor II or any of their Subsidiaries, as applicable, in Section 2.2(a) or in a written agreement between the parties are reserved to C-Cube.

(c) No Technology Transfer. Nothing set forth in Section 2.2(a) shall obligate C-Cube to transfer to or disclose to Semiconductor I or Semiconductor II or any of their Subsidiaries, as applicable, any Intellectual Property including any know how, software, or other materials.

SECTION 2.3 TRANSFERS AND SUBLICENSE. The licenses granted to each party in this ARTICLE II may neither: (i) be assigned or transferred by the licensed party except in connection with the sale or merger of such party or the sale of substantially all of the assets of such party, nor (ii) licensed by such licensed party except in connection with the granting by such party of a license of substantial other Intellectual Property of such party.]

ARTICLE III

LITIGATION

SECTION 3.1 ALLOCATION.

(a) Litigation to Be Transferred to Semiconductor II. Notwithstanding any contrary provisions in the provisions of the Indemnification and Insurance Matters Agreement, on the Separation Date, the responsibilities for management of the litigation identified in SECTION 3.1(a) of a litigation disclosure letter (the "LITIGATION DISCLOSURE LETTER"), which will be delivered by C-Cube to Semiconductor II or any of its Subsidiaries on the Separation Date, shall be transferred in their entirety from C-Cube and its Subsidiaries to Semiconductor II or any of its Subsidiaries and its Subsidiaries. As of the Separation Date and thereafter, Semiconductor II or any of its Subsidiaries shall manage the defense of this litigation and shall cause its applicable Subsidiaries to do the same. C-Cube and its Subsidiaries must first obtain the prior consent of Semiconductor II or any of its Subsidiaries or its applicable Subsidiary for any action taken subsequent to the Separation Date in connection with the litigation identified in the Litigation Disclosure Letter, which consent cannot be unreasonably withheld or delayed. All other matters relating to such litigation, including but not limited to indemnification for such claims, shall be governed by the provisions of the Indemnification and Insurance Matters Agreement.

(b) LITIGATION to be Defended by C-Cube at Semiconductor II's Expense. Notwithstanding any contrary provisions in the Indemnification and Insurance Matters Agreement, C-Cube shall defend, and shall cause its applicable Subsidiaries to defend, the litigation identified in SECTION 3.1(b) of the Litigation Disclosure Letter. All other matters relating to such litigation, including but not limited to indemnification for such claims, shall be governed by the provisions of the Indemnification and Insurance Matters Agreement.

(c) All Other Litigation. All other litigation outstanding at the Separation Date not included in the Litigation Disclosure Letter shall remain with C-Cube, and Semiconductor II, or any of its Subsidiaries shall have no liability in connection with, or responsibility for defending, such litigation.

SECTION 3.2 COOPERATION. C-Cube and Semiconductor I and their respective Subsidiaries shall cooperate with each other in the defense of any litigation

covered under this ARTICLE III and afford to each other reasonable access upon reasonable advance notice to witnesses and information (other than information protected from disclosure by applicable privileges) that is reasonably required to defend this litigation as set forth in SECTION 4.4 of the Separation Agreement. The foregoing agreement to cooperate includes, but is not limited to, an obligation to provide access to qualified assistance to provide information, witnesses and documents to respond to discovery requests in specific lawsuits. In such cases, cooperation shall be timely so that the party responding to discovery may meet all court-imposed deadlines. The party requesting information shall reimburse the party providing information consistent with the terms of SECTION 4.4 of the Separation Agreement. The obligations set forth in this paragraph are more clearly defined in SECTION 4.4 of the Separation Agreement, to which reference is hereby made.

ARTICLE IV

MISCELLANEOUS

SECTION 4.1 ENTIRE AGREEMENT. This Agreement, the Restated Merger Agreement, the Master Separation Agreement, the other Ancillary Agreements and the Exhibits and Schedules referenced or attached hereto and thereto, constitutes the entire agreement between the parties with respect to the subject matter hereof and shall supersede all prior written and oral and all contemporaneous oral agreements and understandings with respect to the subject matter hereof. In the event any provision of any agreement conflicts with a provision of the Restated Merger Agreement, the Restated Merger Agreement will govern.

SECTION 4.2 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware as to all matters regardless of the laws that might otherwise govern under principles of conflicts of laws applicable thereto.

SECTION 4.3 NOTICES. Any notice, demand, offer, request or other communication required or permitted to be given by either party pursuant to the terms of this Agreement shall be in writing and shall be deemed effectively given the earlier of (i) when received, (ii) when delivered personally, (iii) one (1) business day after being delivered by facsimile (with receipt of appropriate confirmation), (iv) one (1) business day after being deposited with an overnight courier service or (v) four (4) days after being deposited in the US mail, First Class with postage prepaid, and addressed to the attention of the party's General Counsel at the address of its principal executive office or such other address as a party may request by notifying the other in writing.

SECTION 4.4 PARTIES IN INTEREST. This Agreement, including the Schedules and Exhibits hereto, and the other documents referred to herein, shall be binding upon and inure solely to the benefit of each party hereto and their legal representatives and successors, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

SECTION 4.5 COUNTERPARTS. This Agreement, including the Schedules and Exhibits hereto, and the other documents referred to herein, may be executed in counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.

SECTION 4.6 ASSIGNMENT. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective legal representatives and successors. This Agreement may not be assigned by any party hereto. Notwithstanding the foregoing, each party (or its permitted successive assignees or transferees hereunder) may assign or transfer this Agreement as a whole without consent to a Person that succeeds to all or substantially all of the business or assets of such party. Without limiting the foregoing, this Agreement will be binding upon and inure to the benefit of the parties and their permitted successors and assigns.

SECTION 4.7 SEVERABILITY. If any term or other provision of this Agreement or the Schedules or Exhibits attached hereto is determined by a nonappealable decision by a court,

administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible.

SECTION 4.8 FAILURE OR INDULGENCE NOT WAIVER; REMEDIES CUMULATIVE. No failure or delay on the part of any party hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. All rights and remedies existing under this Agreement or the Schedules or Exhibits attached hereto are cumulative to, and not exclusive of, any rights or remedies otherwise available.

SECTION 4.9 AMENDMENT. No change or amendment will be made to this Agreement except by an instrument in writing signed on behalf of each of the parties to such agreement.

SECTION 4.10 AUTHORITY. Each of the parties hereto represents to the other that (a) it has the corporate or other requisite power and authority to execute, deliver and perform this Agreement, (b) the execution, delivery and performance of this Agreement by it have been duly authorized by all necessary corporate or other action, (c) it has duly and validly executed and delivered this Agreement, and (d) this Agreement is a legal, valid and binding obligation, enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equity principles.

SECTION 4.11 INTERPRETATION. The headings contained in this Agreement, in any Exhibit or Schedule hereto and in the table of contents to this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Any capitalized term used in any Schedule or Exhibit but not otherwise defined therein, shall have the meaning assigned to such term in this Agreement. When a reference is made in this Agreement to an Article or a Section, Exhibit or Schedule, such reference shall be to an Article or Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated.

SECTION 4.12 CONFLICTING AGREEMENTS. In the event of conflict between this Agreement and any other Ancillary Agreement or other agreement executed in connection herewith, the provisions of Ancillary Agreement and such other agreement shall prevail.

ARTICLE V

DEFINITIONS

SECTION 5.1 ACTION. "ACTION" means any demand, action, suit, countersuit, arbitration, inquiry, proceeding or investigation by or before any federal, state, local, foreign or international governmental authority or any arbitration or mediation tribunal.

SECTION 5.2 AFFILIATED COMPANY. "AFFILIATED COMPANY" means, with respect to C-Cube, any entity in which C-Cube holds a 50% or less ownership interest and that is listed on SCHEDULE 6.1(a) to the Separation Agreement and, with respect to Semiconductor I or Semiconductor II, any entity in which Semiconductor I or

Semiconductor II holds a 50% or less ownership interest and that is listed on SCHEDULE 6.1(b) to the Separation Agreement. SCHEDULES 6.1(a) and 6.1(b) may be amended from time to time after the date hereof upon mutual written consent of the parties.

SECTION 5.3 ANCILLARY AGREEMENT. "ANCILLARY AGREEMENT" has the meaning set forth in SECTION 2.1 of the Separation Agreement.

SECTION 5.4 ASSETS. "ASSETS" means assets, properties and rights (including goodwill), wherever located (including in the possession of vendors or other third parties or elsewhere), whether real, personal or mixed, tangible, intangible or contingent, in each case whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of any Person, including the following:

(i) all accounting and other books, records and files whether in paper, microfilm, microfiche, computer tape or disc, magnetic tape or any other form;

(ii) all apparatus, computers and other electronic data processing equipment, fixtures, machinery, equipment, furniture, office equipment, automobiles, trucks, aircraft, rolling stock, vessels, motor vehicles and other transportation equipment, special and general tools, test devices, prototypes and models and other tangible personal property;

(iii) all inventories of materials, parts, raw materials, supplies, work-in-process and finished goods and products;

(iv) all interests in real property of whatever nature, including easements, whether as owner, mortgagee or holder of a Security Interest, lessor, sublessor, lessee, sublessee or otherwise;

(v) all interests in any capital stock or other equity interests of any Subsidiary or any other Person; all bonds, notes, debentures or other securities issued by any Subsidiary or any other Person; all loans, advances or other extensions of credit or capital contributions to any Subsidiary or any other Person; and all other investments in securities of any Person;

(vi) all license agreements, leases of personal property, open purchase orders for raw materials, supplies, parts or services, unfilled orders for the manufacture and sale of products and other contracts, agreements or commitments;

(vii) all deposits, letters of credit and performance and surety bonds;

(viii) all written technical information, data, specifications, research and development information, engineering drawings, operating and maintenance manuals, and materials and analyses prepared by consultants and other third parties;

(ix) all Intellectual Property and licenses from third Persons granting the right to use any Intellectual Property;

(x) all computer applications, programs and other software, including operating software, network software, firmware, middleware, design software, design tools, systems documentation and instructions;

(xi) all cost information, sales and pricing data, customer prospect lists, supplier records, customer and supplier lists, customer and vendor data, correspondence and lists, product literature, artwork, design, development and manufacturing files, vendor and customer drawings, formulations and specifications, quality records and reports and other books, records, studies, surveys, reports, plans and documents;

(xii) all prepaid expenses, trade accounts and other accounts and notes receivables;

(xiii) all rights under contracts or agreements, all claims or rights against any Person arising from the ownership of any Asset, all rights in connection with any bids or offers and all claims, choses in action or similar rights, whether accrued or contingent;

(xiv) all rights under insurance policies and all rights in the nature of insurance, indemnification or contribution;

(xv) all licenses (including radio and similar licenses), permits, approvals and authorizations which have been issued by any Governmental Authority;

(xvi) cash or cash equivalents, bank accounts, lock boxes and other deposit arrangements; and

(xvii) interest rate, currency, commodity or other swap, collar, cap or other hedging or similar agreements or arrangements.

SECTION 5.5 C-CUBE GROUP. "C-CUBE GROUP" means C-Cube, each Subsidiary and Affiliated Company of C-Cube (other than any member of the Semiconductor Group) immediately after the Separation Date and each Person that becomes a Subsidiary or Affiliate Company of C-Cube after the Separation Date.

SECTION 5.6 CONSENTS. "CONSENTS" means any consents, waivers or approvals from, or notification requirements to, any third parties.

SECTION 5.7 CONTRACTS. "CONTRACTS" means any contract, agreement, lease, license, sales order, purchase order, instrument or other commitment that is binding on any Person or any part of its property under applicable law.

SECTION 5.8 DISTRIBUTION. "DISTRIBUTION" means C-Cube's pro rata distribution to the holders of its common stock, $0.001 par value of all of the shares of Semiconductor I common stock owned by C-Cube.

SECTION 5.9 DIVICOM BUSINESS. "DIVICOM BUSINESS" means any business of C-Cube other than the Semiconductor Business.

SECTION 5.10 DISTRIBUTION DATE. "DISTRIBUTION DATE" has the meaning set forth in SECTION 3.1 of the Separation Agreement.

SECTION 5.11 ENVIRONMENTAL ACTIONS. "ENVIRONMENTAL ACTIONS" has the meaning set forth in SECTION 4.11 of the Indemnification and Insurance Matters Agreement.

SECTION 5.12 EXCLUDED ASSETS. "EXCLUDED ASSETS" has the meaning set forth in SECTION 1.2(b) of this Agreement.

SECTION 5.13 EXCLUDED LIABILITIES. "EXCLUDED LIABILITIES" has the meaning set forth in SECTION 1.3(b) of this Agreement.

SECTION 5.14 GOVERNMENTAL APPROVALS. "GOVERNMENTAL APPROVALS" means any notices, reports or other filings to be made, or any consents, registrations, approvals, permits or authorizations to be obtained from, any Governmental Authority.

SECTION 5.15 GOVERNMENTAL AUTHORITY. "GOVERNMENTAL AUTHORITY" means any federal, state, local, foreign or international court, government, department, commission, board, bureau, agency, official or other regulatory, administrative or governmental authority.

SECTION 5.16 INDEMNIFICATION AND INSURANCE MATTERS AGREEMENT. "INDEMNIFICATION AND INSURANCE MATTERS AGREEMENT" means the Indemnification and Insurance Matters Agreement attached as Exhibit I to the Separation Agreement.

SECTION 5.17 INSURANCE POLICIES. "INSURANCE POLICIES" means insurance policies pursuant to which a Person makes a true risk transfer to an insurer.

SECTION 5.18 INSURED SEMICONDUCTOR LIABILITY. "INSURED SEMICONDUCTOR LIABILITY" means any Semiconductor Liability to the extent that (i) it is

covered under the terms of C-Cube's Insurance Policies in effect prior to the Distribution Date and (ii) Semiconductor is not a named insured under, or otherwise entitled to the benefits of, such Insurance Policies.

SECTION 5.19 INTELLECTUAL PROPERTY. "INTELLECTUAL PROPERTY" means all domestic and foreign patents and patent applications, together with any continuations, continuations-in-part or divisional applications thereof, and all patents issuing thereon (including reissues, renewals and re-examinations of the foregoing); design patents, invention disclosures; mask works; copyrights, and copyright applications and registrations; Web addresses, trademarks, service marks, trade names, and trade dress, in each case together with any applications and registrations therefor and all appurtenant goodwill relating thereto; trade secrets, commercial and technical information, know-how, proprietary or confidential information, including engineering, production and other designs, notebooks, processes, drawings, specifications, formulae, and technology; computer and electronic data processing programs and software (object and source code), data bases and documentation thereof; inventions (whether patented or not); utility models; registered designs, certificates of invention and all other intellectual property under the laws of any country throughout the world.

SECTION 5.20 LIABILITIES. "LIABILITIES" means all debts, liabilities, guarantees, assurances, commitments and obligations, whether fixed, contingent or absolute, asserted or unasserted, matured or unmatured, liquidated or unliquidated, accrued or not accrued, known or unknown, due or to become due, whenever or however arising (including, without limitation, whether arising out of any Contract or tort based on negligence or strict liability) and whether or not the same would be required by generally accepted principles and accounting policies to be reflected in financial statements or disclosed in the notes thereto.

SECTION 5.21 LITIGATION DISCLOSURE LETTER. "LITIGATION DISCLOSURE LETTER" has the meaning set forth in SECTION 3.1(a) of this Agreement.

SECTION 5.22 PERSON. "PERSON" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

SECTION 5.23 RETAINED CASH. "RETAINED CASH" has the meaning set forth in the Separation Agreement.

SECTION 5.24 RETAINED PAYABLES. "RETAINED PAYABLES" means (i) all accounts payable and other obligations of payment for goods or services purchased, leased or otherwise received in the conduct of the Semiconductor Business that as of the Separation Date are payable to a third Person by C-Cube or any of C-Cube's Subsidiaries, whether past due, due or to become due, including any interest, sales or use taxes, finance charges, late or returned check charges and other obligations of C-Cube or any of C-Cube's Subsidiaries with respect thereto, and any obligations related to any of the foregoing and (ii) all employee compensation Liabilities and other miscellaneous Liabilities for which an adjustment is made in the Semiconductor Pro Forma Balance Sheet.

SECTION 5.25 RETAINED RECEIVABLES. "RETAINED RECEIVABLES" means (i) all accounts receivable and other rights to payment for goods or services sold, leased or otherwise provided in the conduct of the Semiconductor Business that as of the Separation Date are payable by a third Person to C-Cube or any of C-Cube's Subsidiaries, whether past due, due or to become due, including any interest, sales or use taxes, finance charges, late or returned check charges and other obligations of

the account debtor with respect thereto, and any proceeds of any of the foregoing and (ii) all other miscellaneous Assets for which an adjustment is made in the Semiconductor Pro Forma Balance Sheet.

SECTION 5.26 SECURITY INTEREST. "SECURITY INTEREST" means any mortgage, security interest, pledge, lien, charge, claim, option, right to acquire, voting or other restriction, right-of-way, covenant, condition, easement, encroachment, restriction on transfer, or other encumbrance of any nature whatsoever.

SECTION 5.27 SEMICONDUCTOR ASSETS. "SEMICONDUCTOR ASSETS" has the meaning set forth in SECTION 1.2 of this Agreement.

SECTION 5.28 SEMICONDUCTOR PRO FORMA BALANCE SHEET. "SEMICONDUCTOR PRO FORMA BALANCE SHEET" means the unaudited condensed consolidated balance sheet as set forth in C-Cube Semiconductor's Registration Statement on Form 10, filed on December 29, 1999, as amended.

SECTION 5.29 SEMICONDUCTOR BUSINESS. "SEMICONDUCTOR BUSINESS" means the business and operations of C-Cube defined as the Semiconductor Business in the Restated Merger Agreement.

SECTION 5.30 SEMICONDUCTOR CONTINGENT GAIN. "SEMICONDUCTOR CONTINGENT GAIN" has the meaning set forth in SECTION 1.2 of this Agreement.

SECTION 5.31 SEMICONDUCTOR CONTINGENT LIABILITY. "SEMICONDUCTOR CONTINGENT LIABILITY" has the meaning set forth in SECTION 1.3 of this Agreement.

SECTION 5.32 SEMICONDUCTOR CONTRACTS. "SEMICONDUCTOR CONTRACTS" means the following contracts and agreements to which C-Cube is a party or by which it or any of its Assets is bound, whether or not in writing, except for any such contract or agreement that is contemplated to be retained by C-Cube or any member of the C-Cube Group pursuant to any provision of this Agreement or any other Ancillary Agreement:

(i) any contract or agreement entered into in the name of, or expressly on behalf of, any division or business unit of Semiconductor I or Semiconductor II or any of their Subsidiaries;

(ii) any contract or agreement that relates primarily to the Semiconductor Business;

(iii) any contracts or agreements related to the computers, desks, equipment and other Assets used or managed primarily by employees of C-Cube that will become employees of Semiconductor I or Semiconductor II or any of their Subsidiaries in connection with the Separation;

(iv) any contract or agreement that is otherwise expressly contemplated pursuant to this Agreement, the Separation Agreement or any of the other Ancillary Agreements to be assigned to Semiconductor I or Semiconductor II or any of their Subsidiaries; and

(v) any guarantee, indemnity, representation, warranty or other Liability of any member of the Semiconductor Group or the C-Cube Group in respect of any other Semiconductor Contract, any Semiconductor Liability or the Semiconductor Business (including guarantees of financing incurred by customers or other third parties in connection with purchases of products or services from the Semiconductor Business).

SECTION 5.33 SEMICONDUCTOR GROUP. "SEMICONDUCTOR GROUP" means Semiconductor I, Semiconductor II, each Subsidiary and Affiliated Company of Semiconductor immediately after the Separation Date and each Person that becomes a Subsidiary or Affiliate Company of Semiconductor after the Separation Date.

SECTION 5.34 SEMICONDUCTOR INTELLECTUAL PROPERTY. "SEMICONDUCTOR INTELLECTUAL PROPERTY" has the meaning set forth in SECTION 1.2 of this Agreement.

SECTION 5.35 SEMICONDUCTOR LIABILITIES. "SEMICONDUCTOR LIABILITIES" has the meaning set forth in SECTION 1.3 of this Agreement.

SECTION 5.36 SEPARATION. "SEPARATION" means the transfer and contribution from C-Cube to Semiconductor, and Semiconductor's receipt and

assumption of, directly or indirectly, substantially all of the Assets and Liabilities currently associated with the Semiconductor Business and the stock, investments or similar interests currently held by C-Cube in subsidiaries and other entities that conduct such business.

SECTION 5.37 SEPARATION AGREEMENT. "SEPARATION AGREEMENT" means the Master Separation and Distribution Agreement dated as of _____ ___, 2000, of which this is an Exhibit thereto.

SECTION 5.38 SEPARATION DATE. "SEPARATION DATE" means the effective date and time of each transfer of property, assumption of liability, license, undertaking, or agreement in connection with the Separation, which shall be 12:01 a.m., Pacific Time, _____ ___, 2000, or such date as may be fixed by the Board of Directors of C-Cube.

SECTION 5.39 SUBSIDIARY. "SUBSIDIARY" means with respect to any specified Person, any corporation, any limited liability company, any partnership or other legal entity of which such Person or its Subsidiaries owns, directly or indirectly, more than 50% of the stock or other equity interest entitled to vote on the election of the members of the board of directors or similar governing body. Unless context otherwise requires, reference to C-Cube and its Subsidiaries shall not include the subsidiaries of C-Cube that will be transferred to Semiconductor after giving effect to the Separation and those Subsidiaries will be treated as Subsidiaries of Semiconductor I or Semiconductor II, as applicable.

SECTION 5.40 TAXES. "TAXES" has the meaning set forth in the Tax Sharing Agreement.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, each of the parties has caused the General Assignment and Assumption Agreement to be executed on its behalf by its officers thereunto duly authorized on the day and year first above written.

C-CUBE MICROSYSTEMS INC.

By: _____

Name: _____

Title: _____

C-CUBE SEMICONDUCTOR INC.

By: _____

Name: _____

Title: _____

C-CUBE SEMICONDUCTOR II INC.

By: _____

Name: _____

Title: _____

[SIGNATURE PAGE TO GENERAL ASSIGNMENT AND ASSUMPTION AGREEMENT]

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SCHEDULE 1.1(a)

ASSETS TO BE TRANSFERRED TO SEMICONDUCTOR I
(ASSETS RELATED TO THE SEMICONDUCTOR BUSINESS SALE AND MARKETING DIVISION)
AND THE STOCK OF C-CUBE U.S. INC.

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SCHEDULE 1.1(b)

LIABILITIES TO BE TRANSFERRED TO SEMICONDUCTOR I
(LIABILITIES RELATED TO THE SEMICONDUCTOR BUSINESS SALES AND MARKETING DIVISION)

EXHIBIT 99.7

FORM OF

INDEMNIFICATION AND INSURANCE MATTERS AGREEMENT

AMONG

C-CUBE MICROSYSTEMS INC.,

C-CUBE SEMICONDUCTOR INC.

AND

C-CUBE SEMICONDUCTOR II INC.

_____, 2000

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INDEMNIFICATION AND INSURANCE MATTERS AGREEMENT

This Indemnification and Insurance Matters Agreement (this "AGREEMENT") is entered into on _____, 2000 among C-Cube Microsystems Inc., a Delaware corporation ("C-CUBE"), and C-Cube Semiconductor Inc., a Delaware corporation ("SEMICONDUCTOR I "), and C-Cube Semiconductor II Inc., a Delaware corporation ("SEMICONDUCTOR II"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the ARTICLE IV below.

RECITALS

[INSERT RECITALS]

NOW, THEREFORE, in consideration of the foregoing and the covenants and agreements set forth below, the parties hereto agree as follows:

ARTICLE I.

MUTUAL RELEASES; INDEMNIFICATION

SECTION 1.1. RELEASE OF PRE-CLOSING CLAIMS.

(a) Semiconductor Release. Except as provided in SECTION 1.1(c), effective as of the Separation Date, Semiconductor I does hereby, for itself and as agent for each member of the Semiconductor Group (which includes Semiconductor II), remise, release and forever discharge the C-Cube Indemnitees from any and all Liabilities whatsoever, whether at law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Separation Date, including in connection with the transactions and all other activities to implement any of the Separation, the Merger and the Distribution.

(b) C-Cube Release. Except as provided in SECTION 1.1(c), effective as of the Separation Date, C-Cube does hereby, for itself and as agent for each member of the C-Cube Group, remise, release and forever discharge the Semiconductor Indemnitees from any and all Liabilities whatsoever, whether at law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Separation Date, including in connection with the transactions and all other activities to implement any of the Separation, the Merger and the Distribution.

(c) No Impairment. Nothing contained in SECTION 1.1(a) or (b) shall impair any right of any Person to enforce the Separation Agreement or any Ancillary Agreement (including this Agreement), in each case in accordance with its terms.

(d) No Actions as to Released Claims. Semiconductor I agrees, for itself and as agent for each member of the Semiconductor Group, not to make any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against C-Cube or any member of the C-Cube Group, or any other Person released pursuant to SECTION 1.1(a), with respect to any Liabilities released pursuant to SECTION 1.1(a). C-Cube agrees, for itself and as agent for each member of the C-Cube Group, not to make any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against Semiconductor I or any member of the Semiconductor Group, or any other Person released pursuant to SECTION 1.1(b), with respect to any Liabilities released pursuant to SECTION 1.1(b).

(e) Further Instruments. At any time, at the request of any other party, each party shall cause each member of its respective Group to execute and deliver releases reflecting the provisions hereof.

SECTION 1.2. INDEMNIFICATION BY SEMICONDUCTOR I. Except as otherwise provided in this Agreement, Semiconductor I shall, for itself and as agent for each member of the Semiconductor Group, indemnify, defend (or, where applicable, pay the defense costs for) and hold harmless the C-Cube Indemnitees from and against any and all Liabilities that any third party seeks to impose upon the C-Cube Indemnitees, or which are imposed upon the C-Cube Indemnitees, and that relate to, arise out of or result from any of the following items (without duplication):

(i) the Semiconductor Business, any Semiconductor Liability or any Semiconductor Contract; and

(ii) any breach by Semiconductor I or any member of the Semiconductor Group of the Separation Agreement or any of the Ancillary Agreements (including this Agreement).

In the event that any member of the Semiconductor Group makes a payment to the C-Cube Indemnitees hereunder, and any of the C-Cube Indemnitees subsequently diminishes the Liability on account of which such payment was made, either directly or through a third-party recovery, C-Cube will promptly repay (or will procure a C-Cube Indemnitee to promptly repay) such member of the Semiconductor Group the amount by which the payment made by such member of the Semiconductor Group exceeds the actual cost of the associated indemnified Liability.

SECTION 1.3. INDEMNIFICATION BY C-CUBE. Except as otherwise provided in this Agreement, C-Cube shall, for itself and as agent for each member of the

C-Cube Group, indemnify, defend (or, where applicable, pay the defense costs for) and hold harmless the Semiconductor Indemnitees from and against any and all Liabilities that any third party seeks to impose upon the Semiconductor Indemnitees, or which are imposed upon the Semiconductor Indemnitees, and that relate to, arise out of or result from any of the following items (without duplication):

(i) the DiviCom Business or any Liability of the C-Cube Group other than the Semiconductor Liabilities including, without limitation, the Excluded Liabilities; and

(ii) any breach by C-Cube or any member of the C-Cube Group of the Separation Agreement or any of the Ancillary Agreements (including this Agreement).

In the event that any member of the C-Cube Group makes a payment to the Semiconductor Indemnitees hereunder, and any of the Semiconductor Indemnitees subsequently diminishes the Liability on account of which such payment was made, either directly or through a third-party recovery, Semiconductor I will promptly repay (or will procure a Semiconductor Indemnitee to promptly repay) such member of the C-Cube Group the amount by which the payment made by such member of the C-Cube Group exceeds the actual cost of the indemnified Liability. This SECTION 1.3 shall not apply to any Liability indemnified under SECTION 1.4.

SECTION 1.4. INDEMNIFICATION WITH RESPECT TO ENVIRONMENTAL ACTIONS AND CONDITIONS.

(a) Indemnification by Semiconductor I. Semiconductor I shall, for itself and as agent for each member of the Semiconductor Group, indemnify, defend and hold harmless the C-Cube Indemnitees from and against any and all Environmental Actions relating to, arising out of or resulting from Environmental Conditions (i) arising out of operations occurring on and after the Separation Date at any of the Semiconductor Facilities, or (ii) on any of the Semiconductor Facilities arising from an event causing contamination that first occurs on or after the Separation Date (including any Release of Hazardous Materials occurring after the Separation Date that migrates to any of the Semiconductor Facilities), except to the extent that such Environmental Conditions arise out of the operations of the C-Cube Group on and after the Separation Date.

(b) Indemnification by C-Cube. C-Cube shall, for itself and as agent for each member of the C-Cube Group, indemnify, defend and hold harmless the Semiconductor Indemnitees from and against any and all Environmental Actions relating to, arising out of or resulting from any of the following items:

(i) Environmental Conditions (x) existing on, under, about or in the vicinity of any of the Semiconductor Facilities prior to the Separation Date, or (y) arising out of operations occurring on or before the Separation Date at any of the Semiconductor Facilities;

(ii) Except as arising out of the operations of the Semiconductor Group on and after the Separation Date, Environmental Conditions on, under, about or arising out of operations occurring at any time, whether before or after the Separation Date, at any of the C-Cube Facilities; and

(iii) Pre-Separation Third Party Site Liabilities.

(c) Agreement Regarding Payments to Indemnitee. In the event an Indemnifying Party makes any payment to or on behalf of an Indemnitee with respect to an Environmental Action for which the Indemnifying Party is obligated to indemnify under this SECTION 1.4, and the Indemnitee subsequently receives any payment from a third party on account of the same financial obligation covered by the payment made by the Indemnifying Party for that Environmental Action or otherwise diminishes the financial obligation, the Indemnitee will promptly pay the Indemnifying Party the

amount by which the payment made by the Indemnifying Party, exceeds the actual cost of the financial obligation.

SECTION 1.5. PROCEDURES FOR DEFENSE, SETTLEMENT AND INDEMNIFICATION OF THIRD PARTY CLAIMS.

(a) Notice of Claims. If a C-Cube Indemnitee or a Semiconductor Indemnitee (as applicable) (an "INDEMNITEE") shall receive notice or otherwise learn of the assertion by a Person (including any Governmental Authority) who is not a member of the C-Cube Group or the Semiconductor Group of any claim or of the commencement by any such Person of any Action (collectively, a "THIRD PARTY CLAIM") with respect to which a party (an "INDEMNIFYING PARTY") may be obligated to provide indemnification to such Indemnitee pursuant to SECTION 1.2 or 1.3, or any other section of the Separation Agreement or any Ancillary Agreement (including this Agreement), C-Cube and Semiconductor I (as applicable) will ensure that such Indemnitee shall give such Indemnifying Party written notice thereof within 30 days after becoming aware of such Third Party Claim. Any such notice shall describe the Third Party Claim in reasonable detail. Notwithstanding the foregoing, the delay or failure of any Indemnitee or other Person to give notice as provided in this SECTION 1.4(a) shall not relieve the related Indemnifying Party of its obligations under this ARTICLE I, except to the extent that such Indemnifying Party is actually and substantially prejudiced by such delay or failure to give notice.

(b) Defense By Indemnifying Party. An Indemnifying Party will manage the defense of and (unless the Indemnifying Party has specified any reservations or exceptions to the obligation to manage the defense or to indemnify that have been referred to, but not resolved by, the Claims Committee) may settle or compromise any Third Party Claim. Within 30 days after the receipt of notice from an Indemnitee in accordance with SECTION 1.4(a) (or sooner, if the nature of such Third Party Claim so requires), the Indemnifying Party shall notify the Indemnitee that the Indemnifying Party will assume responsibility for managing the defense of such Third Party Claim, which notice shall specify any reservations or exceptions.

(c) Defense By Indemnitee. If an Indemnifying Party fails to assume responsibility for managing the defense of a Third Party Claim, or fails to notify an Indemnitee that it will assume responsibility as provided in SECTION 1.4(b), such Indemnitee may manage the defense of such Third Party Claim; provided, however, that the Indemnifying Party shall reimburse all such costs and expenses in the event it is ultimately determined that the Indemnifying Party is obligated to indemnify the Indemnitee with respect to such Third Party Claim.

(d) No Settlement By Indemnitee Without Consent. Unless the Indemnifying Party has failed to manage the defense of the Third Party Claim in accordance with the terms of this Agreement, no Indemnitee may settle or compromise any Third Party Claim without the consent of the Indemnifying Party.

(e) No Consent to Certain Judgments or Settlements Without Consent. Notwithstanding SECTION 1.4(b) above, no party shall consent to entry of any judgment or enter into any settlement of a Third Party Claim without the consent of the other party (such consent not to be unreasonably

withheld) if the effect of such judgment or settlement is to (A) permit any injunction, declaratory judgment, other order or other nonmonetary relief to be entered, directly or indirectly, against the other party or (B) affect the other party in a material fashion due to the allocation of Liabilities and related indemnities set forth in the Separation Agreement, this Agreement or any other Ancillary Agreement.

SECTION 1.6. ADDITIONAL MATTERS.

(a) Cooperation in Defense and Settlement. With respect to any Third Party Claim that implicates both Semiconductor I and C-Cube in a material fashion due to the allocation of Liabilities, responsibilities for management of defense and related indemnities set forth in the Separation Agreement, this

Agreement or any of the Ancillary Agreements, the parties agree to cooperate fully and maintain a joint defense (in a manner that will preserve the attorney-client privilege with respect thereto) so as to minimize such Liabilities and defense costs associated therewith. The party that is not responsible for managing the defense of such Third Party Claims shall, upon reasonable request, be consulted with respect to significant matters relating thereto and may, if necessary or helpful, associate counsel to assist in the defense of such claims.

(b) Substitution. In the event of an Action in which the Indemnifying Party is not a named defendant, if either the Indemnitee or the Indemnifying Party shall so request, the parties shall endeavor to substitute the Indemnifying Party for the named defendant. If such substitution or addition cannot be achieved for any reason or is not requested, the rights and obligations of the parties regarding indemnification and the management of the defense of claims as set forth in this ARTICLE I shall not be altered.

(c) Subrogation. In the event of payment by or on behalf of any Indemnifying Party to or on behalf of any Indemnitee in connection with any Third Party Claim, such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnitee, in whole or in part based upon whether the Indemnifying Party has paid all or only part of the Indemnitee's Liability, as to any events or circumstances in respect of which such Indemnitee may have any right, defense or claim relating to such Third Party Claim against any claimant or plaintiff asserting such Third Party Claim or against any other person. Such Indemnitee shall cooperate with such Indemnifying Party in a reasonable manner, and at the cost and expense of such Indemnifying Party, in prosecuting any subrogated right, defense or claim.

(d) Not Applicable to Taxes. This Agreement shall not apply to Taxes (which are covered by the Tax Sharing Agreement).

SECTION 1.7. SURVIVAL OF INDEMNITIES. Subject to SECTION 3.7, the rights and obligations of the members of the C-Cube Group and the Semiconductor Group under this ARTICLE I shall survive the sale or other transfer by any party of any Semiconductor Assets or businesses or the assignment by it of any Liabilities or the sale by any member of the C-Cube Group or the Semiconductor Group of the capital stock or other equity interests of any Subsidiary to any Person.

ARTICLE II.

INSURANCE MATTERS

SECTION 2.1. COOPERATION AND AGREEMENT NOT TO RELEASE CARRIERS. Each of C-Cube and Semiconductor I will share such information as is reasonably necessary in order to permit the other to manage and conduct its insurance matters in an orderly fashion. Each of C-Cube and Semiconductor I, at the request of the other, shall cooperate with and use commercially reasonable efforts to assist the other in recoveries for claims made under any insurance policy for the benefit of any insured party, and neither C-Cube nor Semiconductor I, nor any of their Subsidiaries, shall take any action which would intentionally jeopardize or otherwise interfere with either party's ability to collect any proceeds payable pursuant to any insurance policy. Except as otherwise contemplated by the Separation Agreement, this Agreement or any Ancillary Agreement, after the Separation Date, neither C-Cube nor Semiconductor I shall (and shall ensure that no member of their respective Groups shall), without the consent of the other, provide any insurance carrier with a release, or amend, modify or waive any rights under any such policy or agreement, if such release, amendment, modification or waiver would adversely affect any rights or potential rights of any member of the other Group thereunder. However, nothing in this SECTION 2.1 shall (A) preclude any member of any Group from presenting any claim or from exhausting any policy limit, (B) require any member of any Group to pay any premium or other amount or to incur any Liability or (C) require any member of any Group to renew, extend or continue any policy in force.

SECTION 2.2. SEMICONDUCTOR I AND SEMICONDUCTOR II INSURANCE COVERAGE. From and after the Distribution Date, Semiconductor I and Semiconductor II, and Semiconductor I and Semiconductor II alone, shall be responsible for obtaining

and maintaining insurance programs for their risk of loss and such insurance arrangements shall be separate and apart from C-Cube's insurance programs. Notwithstanding the foregoing, C-Cube, upon the request of Semiconductor I or Semiconductor II, shall use all commercially reasonable efforts to assist Semiconductor I or Semiconductor II in the transition to their own separate insurance programs from and after the Distribution Date, and shall provide Semiconductor I or Semiconductor II with any information that is in the possession of C-Cube and is reasonably available and necessary to either obtain insurance coverages for Semiconductor I or Semiconductor II or to assist Semiconductor I or Semiconductor II in preventing unintended self-insurance, in whatever form.

SECTION 2.3. RESPONSIBILITIES FOR SELF-INSURED OBLIGATIONS. Semiconductor I or Semiconductor II will reimburse C-Cube for all amounts necessary to exhaust or otherwise satisfy all applicable self-insured retentions, amounts for fronted policies, deductibles and retrospective premium adjustments and similar amounts not covered by Insurance Policies in connection with Semiconductor Liabilities and Insured Semiconductor Liabilities.

SECTION 2.4. PROCEDURES WITH RESPECT TO INSURED SEMICONDUCTOR LIABILITIES.

(a) Reimbursement. Semiconductor I or Semiconductor II, as applicable, will reimburse C-Cube for all amounts incurred to pursue insurance recoveries from Insurance Policies for Insured Semiconductor Liabilities.

(b) Management of Claims. The defense of claims, suits or actions giving rise to potential or actual Insured Semiconductor Liabilities will be managed (in conjunction with C-Cube's insurers, as appropriate) by the party that would have had responsibility for managing such claims, suits or actions had such Insured Semiconductor Liabilities been Semiconductor Liabilities.

SECTION 2.5. COOPERATION. C-Cube and Semiconductor I and Semiconductor II will cooperate with each other in all respects, and they shall execute any additional documents which are reasonably necessary, to effectuate the provisions of this ARTICLE II.

SECTION 2.6. NO ASSIGNMENT OR WAIVER. This Agreement shall not be considered as an attempted assignment of any policy of insurance or as a contract of insurance and shall not be construed to waive any right or remedy of any member of the C-Cube Group in respect of any Insurance Policy or any other contract or policy of insurance.

SECTION 2.7. NO RESTRICTIONS. Nothing in this Agreement shall be deemed to restrict any member of the Semiconductor Group from acquiring at its own expense any other insurance policy in respect of any Liabilities or covering any period.

SECTION 2.8. FURTHER AGREEMENTS. The Parties acknowledge that they intend to allocate financial obligations without violating any laws regarding insurance, self-insurance or other financial responsibility. If it is determined that any action undertake pursuant to the Separation Agreement, this Agreement or any Ancillary Agreement is violative of any insurance, self-insurance or related financial responsibility law or regulation, the parties agree to work together to do whatever is necessary to comply with such law or regulation while trying to accomplish, as much as possible, the allocation of financial obligations as intended in the Separation Agreement, this Agreement and any Ancillary Agreement.

SECTION 2.9. MATTERS GOVERNED BY EMPLOYEE MATTERS AGREEMENT. This ARTICLE II shall not apply to any insurance policies that are the subject of the Employee Matters Agreement.

ARTICLE III.

MISCELLANEOUS

SECTION 3.1. ENTIRE AGREEMENT. This Agreement, the Master Separation Agreement, the other Ancillary Agreements and the Exhibits and Schedules attached hereto and thereto, constitutes the entire agreement between the

parties with respect to the subject matter hereof and shall supersede all prior written and oral and all contemporaneous oral agreements and understandings with respect to the subject matter hereof.

SECTION 3.2. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware as to all matters regardless of the laws that might otherwise govern under principles of conflicts of laws applicable thereto.

SECTION 3.3. NOTICES. Any notice, demand, offer, request or other communication required or permitted to be given by either party pursuant to the terms of this Agreement shall be in writing and shall be deemed effectively given the earlier of (i) when received, (ii) when delivered personally, (iii) one (1) business day after being delivered by facsimile (with receipt of appropriate confirmation), (iv) one (1) business day after being deposited with an overnight courier service or (v) four (4) days after being deposited in the U.S. mail, First Class with postage prepaid, and addressed to the attention of the party's General Counsel at the address of its principal executive office or such other address as a party may request by notifying the other in writing.

SECTION 3.4. PARTIES IN INTEREST. This Agreement, including the Schedules and Exhibits hereto, and the other documents referred to herein, shall be binding upon C-Cube, C-Cube's Subsidiaries, Semiconductor I and Semiconductor II and their Subsidiaries and inure solely to the benefit of the Semiconductor Indemnitees and the C-Cube Indemnitees and their respective permitted assigns, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

SECTION 3.5. OTHER AGREEMENTS EVIDENCING INDEMNIFICATION OBLIGATIONS. C-Cube hereby agrees to execute, for the benefit of any Semiconductor Indemnitee, such documents as may be reasonably requested by such Semiconductor Indemnitee, evidencing C-Cube's agreement that the indemnification obligations of C-Cube set forth in this Agreement inure to the benefit of and are enforceable by such Semiconductor Indemnitee. Semiconductor I hereby agrees to execute, for the benefit of any C-Cube Indemnitee, such documents as may be reasonably requested by such C-Cube Indemnitee, evidencing Semiconductor I's agreement that the indemnification obligations of Semiconductor I's set forth in this Agreement inure to the benefit of and are enforceable by such C-Cube Indemnitee.

SECTION 3.6. COUNTERPARTS. This Agreement, including the Schedules and Exhibits hereto, and the other documents referred to herein, may be executed in counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.

SECTION 3.7. ASSIGNMENT. The rights and obligations in this Agreement may not be assigned or delegated by any party hereto, in whole or in part, without the express prior written consent of the other party hereto.

SECTION 3.8. SEVERABILITY. If any term or other provision of this Agreement or the Schedules or Exhibits attached hereto is determined by a nonappealable decision by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible.

SECTION 3.9. FAILURE OR INDULGENCE NOT WAIVER. No failure or delay on the part of either party hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right.

SECTION 3.10. AMENDMENT. No change or amendment will be made to this Agreement except by an instrument in writing signed on behalf of each of the parties to this Agreement.

SECTION 3.11. AUTHORITY. Each of the parties hereto represents to the other that (a) it has the corporate or other requisite power and authority to execute, deliver and perform this Agreement, (b) the execution, delivery and performance of this Agreement by it have been duly authorized by all necessary corporate or other action, (c) it has duly and validly executed and delivered this Agreement, and (d) this Agreement is a legal, valid and binding obligation, enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equity principles.

SECTION 3.12. INTERPRETATION. The headings contained in this Agreement, in any Exhibit or Schedule hereto and in the table or contents to this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Any capitalized term used in any Schedule or Exhibit but not otherwise defined therein, shall have the meaning assigned to such term in this Agreement. When a reference is made in this Agreement to an Article or a Section, Exhibit or Schedule, such reference shall be to an Article or Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated.

ARTICLE IV.

DEFINITIONS

SECTION 4.1. ACTION. "ACTION" means any demand, action, suit, countersuit, arbitration, inquiry, proceeding or investigation by or before any federal, state, local, foreign or international governmental authority or any arbitration or mediation tribunal.

SECTION 4.2. AFFILIATED COMPANY. "AFFILIATED COMPANY" means, with respect to C-Cube, any entity in which C-Cube holds a 50% or less ownership interest that is listed on SCHEDULE 6.1(a) to the Separation Agreement and, with respect to Semiconductor I and Semiconductor II, any entity in which Semiconductor I or Semiconductor II holds a 50% or less ownership interest and that is listed on SCHEDULE 6.1(b) to the Separation Agreement. SCHEDULES 6.1(a) and 6.1(b) may be amended from time to time after the date hereof upon mutual written consent of the parties.

SECTION 4.3. ASSIGNMENT AGREEMENT. "ASSIGNMENT AGREEMENT" means the General Assignment and Assumption Agreement attached as EXHIBIT C to the Separation Agreement.

SECTION 4.4. C-CUBE FACILITIES. "C-CUBE FACILITIES" means all of the real property and improvements thereon owned or occupied at any time on or before the Separation Date by C-Cube,

whether for the DiviCom Business or the Semiconductor Business, excluding the Semiconductor I or Semiconductor II Facilities.

SECTION 4.5. C-CUBE GROUP. "C-CUBE GROUP" means C-Cube, each Subsidiary and Affiliated Company of C-Cube (other than any member of the Semiconductor Group) immediately after the Separation Date and each Person that becomes a Subsidiary or Affiliate Company of C-Cube after the Separation Date.

SECTION 4.6. C-CUBE INDEMNITEES. "C-CUBE INDEMNITEES" means C-Cube, each member of the C-Cube Group and each of their respective directors, officers and employees.

SECTION 4.7. EMPLOYEE MATTERS AGREEMENT. "EMPLOYEE MATTERS AGREEMENT" means the Employee Matters Agreement attached as EXHIBIT E to the Separation Agreement.

SECTION 4.8. ENVIRONMENTAL ACTIONS. "ENVIRONMENTAL ACTIONS" means any notice, claim, act, cause of action, order, decree or investigation by any third party (including, without limitation, any Governmental Authority) alleging potential liability (including potential liability for investigatory costs, cleanup costs, governmental response costs, natural resources damages, damage to flora or fauna caused by Environmental Conditions, real property damages, personal injuries or penalties) arising out of, based on or resulting from the Release of any Hazardous Materials. "Environmental Actions" shall not include any personal injury claim made by any employee of the Semiconductor Group or the C-Cube Group arising during the course or scope of the employment of such employee for the C-Cube Group or for the Semiconductor Group.

SECTION 4.9. ENVIRONMENTAL CONDITIONS. "ENVIRONMENTAL CONDITIONS" means the presence in the environment, including the soil, groundwater, surface water or ambient air, of any Hazardous Material at a level which requires investigation or remediation (including, without limitation, investigation, study, health or risk assessment, monitoring, removal, treatment or transport) under any Environmental Laws.

SECTION 4.10. ENVIRONMENTAL LAWS. "ENVIRONMENTAL LAWS" means all laws and regulations of any Governmental Authority with jurisdiction that relate to the protection of the environment (including ambient air, surface water, ground water, land surface or subsurface strata) including laws and regulations relating to the Release of Hazardous Materials, or otherwise relating to the treatment, storage, disposal, transport or handling of Hazardous Materials, or to the exposure of any individual to a Release of Hazardous Materials.

SECTION 4.11. GOVERNMENTAL AUTHORITY. "GOVERNMENTAL AUTHORITY" means any federal, state, local, foreign or international court, government, department, commission, board, bureau, agency, official or other regulatory, administrative or governmental authority.

SECTION 4.12. HAZARDOUS MATERIALS. "HAZARDOUS MATERIALS" means chemicals, pollutants, contaminants, wastes, toxic substances, radioactive and biological materials, hazardous substances, petroleum and petroleum products or any fraction thereof.

SECTION 4.13. INDEMNITEE. "INDEMNITEE" has the meaning set forth in SECTION 1.5(a) hereof.

SECTION 4.14. INSURANCE POLICIES. "INSURANCE POLICIES" means insurance policies pursuant to which a Person makes a true risk transfer to an insurer.

SECTION 4.15. INSURANCE PROCEEDS. "INSURANCE PROCEEDS" means those monies:

(a) received by an insured from an insurance carrier; or

(b) paid by an insurance carrier on behalf of the insured;

from Insurance Policies.

SECTION 4.16. INSURED SEMICONDUCTOR LIABILITY. "INSURED SEMICONDUCTOR LIABILITY" means any Semiconductor Liability to the extent that (i) it is covered under the terms of C-Cube's Insurance Policies in effect prior to the Distribution Date and (ii) Semiconductor is not a named insured under, or otherwise entitled to the benefits of, such Insurance Policies.

SECTION 4.17. LIABILITIES. "LIABILITIES" has the meaning set forth in the Assignment Agreement.

SECTION 4.18. PERSON. "PERSON" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

SECTION 4.19. PRIME RATE. "PRIME RATE" means the prime rate as published in the Wall Street Journal on the date of determination.

SECTION 4.20. RELATED SEMICONDUCTOR CONTINGENT LIABILITIES. "RELATED SEMICONDUCTOR CONTINGENT LIABILITIES" means any set or group of Semiconductor Contingent Liabilities arising from any single Action (including any group of Actions that are consolidated as a single Action and any Action or Actions certified as a class action) or any Action that is brought or threatened to be brought as a class action and that is settled.

SECTION 4.21. RELEASE. "RELEASE" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into the indoor or outdoor environment, including, without limitation, the movement of Hazardous Materials through ambient air, soil, surface water, groundwater, wetlands, land or subsurface strata.

SECTION 4.22. "RETAINED LIABILITIES". "Retained Liabilities" has the meaning set forth in the Assignment Agreement.

SECTION 4.23. SEMICONDUCTOR ASSETS. "SEMICONDUCTOR ASSETS" has the meaning set forth in SECTION 1.2 of the Assignment Agreement.

SECTION 4.24. SEMICONDUCTOR BUSINESS. "SEMICONDUCTOR BUSINESS" means the business and operations of C-Cube defined as the Semiconductor Business in the Restated Merger Agreement.

SECTION 4.25. SEMICONDUCTOR CONTINGENT LIABILITY. "SEMICONDUCTOR CONTINGENT LIABILITY" has the meaning set forth in the Assignment Agreement.

SECTION 4.26. SEMICONDUCTOR CONTRACTS. "SEMICONDUCTOR CONTRACTS" has the meaning set forth in SECTION [4.8] of the Assignment Agreement.

SECTION 4.27. SEMICONDUCTOR GROUP. "SEMICONDUCTOR GROUP" means Semiconductor I, Semiconductor II, each Subsidiary and Affiliated Company of Semiconductor I or Semiconductor II immediately after the Separation Date and each Person that becomes a Subsidiary or Affiliate Company of Semiconductor I or Semiconductor II after the Separation Date.

SECTION 4.28. SEMICONDUCTOR INDEMNITEES. "SEMICONDUCTOR INDEMNITEES" means Semiconductor I, Semiconductor II, each member of the Semiconductor Group and each of their respective directors, officers and employees.

SECTION 4.29. SEMICONDUCTOR LIABILITIES. "SEMICONDUCTOR LIABILITIES" has the meaning set forth in the Assignment Agreement.

SECTION 4.30. SEPARATION. "SEPARATION" means the transfer and contribution from C-Cube to Semiconductor I and Semiconductor II, and Semiconductor I and Semiconductor II's receipt and assumption of, directly or indirectly, substantially all of the Assets and Liabilities currently associated with the Semiconductor Business and the stock, investments or similar interests currently held by C-Cube in subsidiaries and other entities that conduct such business.

SECTION 4.31. SEPARATION AGREEMENT. "SEPARATION AGREEMENT" means the Master Separation and Distribution Agreement dated as of _____, 2000, of which this is an Exhibit thereto.

SECTION 4.32. SEPARATION DATE. "SEPARATION DATE" means 12:01 a.m., Pacific Time, _____, 2000, or such date as may be fixed by the Board of Directors of C-Cube.

SECTION 4.33. SUBSIDIARY. "SUBSIDIARY" means with respect to any specified Person, any corporation, any limited liability company, any partnership or other legal entity of which such Person or its Subsidiaries owns, directly or indirectly, more than 50% of the stock or other equity interest entitled to vote on the election of the members of the board of directors or similar governing body. Unless context otherwise requires, reference to C-Cube and its Subsidiaries shall not include the subsidiaries of C-Cube that will be

transferred to Semiconductor I or Semiconductor II after giving effect to the Separation.

SECTION 4.34. TAX SHARING AGREEMENT. "TAX SHARING AGREEMENT" means the Tax Sharing Agreement, attached as EXHIBIT F to the Separation Agreement.

SECTION 4.35. TAXES. "TAXES" has the meaning set forth in the Tax Sharing Agreement.

SECTION 4.36. THIRD PARTY CLAIM. "THIRD PARTY CLAIM" has the meaning set forth in SECTION 1.5(a) of this Agreement.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, each of the parties has caused this Indemnification and Insurance Matters Agreement to be executed on its behalf by its officers thereunto duly authorized on the day and year first above written.

C-CUBE MICROSYSTEMS INC.

By: _____

Name: _____

Title: _____

C-CUBE SEMICONDUCTOR INC.

By: _____

Name: _____

Title: _____

C-CUBE SEMICONDUCTOR II INC.

By: _____

Name: _____

Title: _____

EXHIBIT 99.8

C-CUBE SEMICONDUCTOR INC.

INDEMNIFICATION AGREEMENT

This Indemnification Agreement ("AGREEMENT") is effective as of _____, 2000, by and between C-Cube Semiconductor Inc., a Delaware corporation (the "COMPANY"), and _____ ("INDEMNITEE").

WHEREAS, the Company desires to attract and retain the services of highly qualified individuals, such as Indemnitee, to serve the Company and its related entities;

WHEREAS, in order to induce Indemnitee to continue to provide services to the Company, the Company wishes to provide for the indemnification of, and the advancement of expenses to, Indemnitee to the maximum extent permitted by law;

WHEREAS, the Company and Indemnitee recognize the continued difficulty in obtaining liability insurance for the Company's directors, officers, employees, agents and fiduciaries, the significant increases in the cost of such insurance and the general reductions in the coverage of such insurance;

WHEREAS, the Company and Indemnitee further recognize the substantial increase in corporate litigation in general, subjecting directors, officers, employees, agents and fiduciaries to expensive litigation risks at the same time as the availability and coverage of liability insurance has been severely limited; and

WHEREAS, in view of the considerations set forth above, the Company desires that Indemnitee shall be indemnified and advanced expenses by the Company as set forth herein;

NOW, THEREFORE, the Company and Indemnitee hereby agree as set forth below.

1. Certain Definitions.

(a) "CHANGE IN CONTROL" shall mean, and shall be deemed to have occurred if, on or after the date of this Agreement, (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company acting in such capacity or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, becomes the "beneficial owner" (as defined

in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing more than 50% of the total voting power represented by the Company's then outstanding Voting Securities (as defined below), (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of related transactions) all or substantially all of the Company's assets.

(b) "CLAIM" shall mean with respect to a Covered Event (as defined below): any threatened, pending or completed action, suit, proceeding or alternative dispute resolution mechanism, or any hearing, inquiry or investigation that Indemnitee in good faith believes might lead to the institution of any such action, suit, proceeding or alternative dispute resolution mechanism, whether civil, criminal, administrative, investigative or other.

(c) References to the "COMPANY" shall include, in addition to C-Cube Semiconductor Inc., any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger to which C-Cube Semiconductor Inc. (or any of its wholly owned subsidiaries) is a party which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees, agents or fiduciaries, so that if Indemnitee is or was a director, officer, employee, agent or fiduciary of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

(d) "COVERED EVENT" shall mean any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee, agent or fiduciary of the Company, or any subsidiary of the Company, or is or was serving at the request of the Company as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action or inaction on the part of Indemnitee while serving in such capacity.

(e) "EXPENSES" shall mean any and all expenses (including attorneys' fees and all other costs, expenses and obligations incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, to be a witness in or to participate in, any action, suit, proceeding, alternative dispute resolution mechanism, hearing, inquiry or investigation), judgments, fines, penalties and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld), actually and reasonably incurred, of any Claim and any federal, state, local or foreign taxes imposed on the Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement.

(f) "EXPENSE ADVANCE" shall mean a payment to Indemnitee pursuant to Section 3 of Expenses in advance of the settlement of or final judgement in any action, suit, proceeding or alternative dispute resolution mechanism, hearing, inquiry or investigation which constitutes a Claim.

(g) "INDEPENDENT LEGAL COUNSEL" shall mean an attorney or firm of attorneys, selected in accordance with the provisions of Section 2(d) hereof, who shall not have otherwise performed services for the Company or Indemnitee within the last three years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnity agreements).

(h) References to "OTHER ENTERPRISES" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on Indemnitee with respect to an employee benefit plan; and references to "SERVING AT THE REQUEST OF THE COMPANY" shall include any service as a director, officer, employee, agent or fiduciary of the Company which imposes duties on, or involves services by, such director, officer, employee, agent or fiduciary with respect to an employee benefit plan, its participants or its beneficiaries; and if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan, Indemnitee shall be deemed to have acted in a manner "NOT OPPOSED TO THE BEST INTERESTS OF THE COMPANY" as referred to in this Agreement.

(i) "REVIEWING PARTY" shall mean, subject to the provisions of Section 2(d), any person or body appointed by the Board of Directors in accordance with applicable law to review the Company's obligations hereunder and under applicable law, which may include a member or members of the Company's Board of

Directors, Independent Legal Counsel or any other person or body not a party to the particular Claim for which Indemnitee is seeking indemnification.

(j) "SECTION" refers to a section of this Agreement unless otherwise indicated.

(k) "VOTING SECURITIES" shall mean any securities of the Company that vote generally in the election of directors.

2. Indemnification.

(a) Indemnification of Expenses. Subject to the provisions of Section 2(b) below, the Company shall indemnify Indemnitee for Expenses to the fullest extent permitted by law if Indemnitee was or is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, any Claim (whether by reason of or arising in part out of a Covered Event), including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses.

(b) Review of Indemnification Obligations. Notwithstanding anything else to the contrary in this Section 2, in the event any Reviewing Party shall have determined (in a written opinion, in any case in which Independent Legal Counsel is the Reviewing Party) that Indemnitee is not entitled to be indemnified hereunder under applicable law, (i) the Company shall have no further obligation under Section 2(a) or contribution obligations under Section 2(f) to make any payments to Indemnitee not made prior to such determination by such Reviewing Party, and (ii) the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all Expenses theretofore paid in indemnifying Indemnitee; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee is entitled to be indemnified hereunder under applicable law, any determination made by any Reviewing Party that Indemnitee is not entitled to be indemnified hereunder under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expenses theretofore paid in indemnifying Indemnitee until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). Indemnitee's obligation to reimburse the Company for any Expenses shall be unsecured and no interest shall be charged thereon.

(c) Indemnitee Rights on Unfavorable Determination; Binding Effect. If any Reviewing Party determines that Indemnitee substantively is not entitled to be indemnified hereunder in whole or in part under applicable law, Indemnitee shall have the right to commence litigation seeking an initial determination by the court or challenging any such determination by such Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and, subject to the provisions of Section 15, the Company hereby consents to service of process and to appear in any such proceeding. Absent such litigation, any determination by any Reviewing Party shall be conclusive and binding on the Company and Indemnitee.

(d) Selection of Reviewing Party; Change in Control. If there has not been a Change in Control, any Reviewing Party shall be selected by the Board of Directors, and if there has been such a Change in Control (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control), any Reviewing Party with respect to all matters thereafter arising concerning the rights of Indemnitee to indemnification of Expenses under this Agreement or any other agreement or under

the Company's certificate of incorporation or bylaws as now or hereafter in effect, or under any other applicable law, if desired by Indemnitee, shall be Independent Legal Counsel selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent Indemnitee would be entitled to be indemnified hereunder under applicable law and the Company agrees to abide by such opinion.

The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to indemnify fully such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto. Notwithstanding any other provision of this Agreement, the Company shall not be required to pay Expenses of more than one Independent Legal Counsel in connection with all matters concerning a single Indemnitee, and such Independent Legal Counsel shall be the Independent Legal Counsel for any or all other Indemnitees unless (i) the Company otherwise determines or (ii) any Indemnitee shall provide a written statement setting forth in detail a reasonable objection to such Independent Legal Counsel representing other Indemnitees.

(e) Mandatory Payment of Expenses. Notwithstanding any other provision of this Agreement other than Section 10 hereof, to the extent that Indemnitee has been successful on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, in defense of any Claim, Indemnitee shall be indemnified against all Expenses incurred by Indemnitee in connection therewith.

(f) Contribution. If the indemnification provided for in Section 2(a) above for any reason is held by a court of competent jurisdiction to be unavailable to an Indemnitee in respect of any losses, claims, damages, expenses or liabilities referred to therein, then the Company, in lieu of indemnifying Indemnitee thereunder, shall contribute to the amount paid or payable by Indemnitee as a result of such losses, claims, damages, expenses or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and Indemnitee, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and Indemnitee in connection with the action or inaction which resulted in such losses, claims, damages, expenses or liabilities, as well as any other relevant equitable considerations. In connection with the registration of the Company's securities, the relative benefits received by the Company and Indemnitee shall be deemed to be in the same respective proportions that the net proceeds from the offering (before deducting expenses) received by the Company and the Indemnitee, in each case as set forth in the table on the cover page of the applicable prospectus, bear to the aggregate public offering price of the securities so offered. The relative fault of the Company and Indemnitee shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or Indemnitee and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and Indemnitee agree that it would not be just and equitable if contribution pursuant to this Section 2(f) were determined by pro rata or per capita allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. In connection with the registration of the Company's securities, in no event shall an Indemnitee be required to contribute any amount under this Section 2(f) in excess of the lesser of (i) that proportion of the total of such losses, claims, damages or liabilities indemnified against equal to the proportion of the total securities sold under such registration statement which is being sold by Indemnitee or (ii) the proceeds received by Indemnitee from its sale of securities under such registration statement. No person found guilty of fraudulent misrepresentation (within the meaning of Section 10(f) of the Securities Act) shall be entitled to contribution from any person who was not found guilty of such fraudulent misrepresentation.

3. Expense Advances.

(a) Obligation to Make Expense Advances. The Company shall make Expense Advances to Indemnitee upon receipt of a written undertaking by or on behalf of the Indemnitee to repay such amounts if it shall ultimately be determined that the Indemnitee is not entitled to be indemnified therefor by the Company.

(b) Form of Undertaking. Any written undertaking by the Indemnitee to repay any Expense Advances hereunder shall be unsecured and no interest shall be charged thereon.

(c) Determination of Reasonable Expense Advances. The parties agree that for the purposes of any Expense Advance for which Indemnitee has made written demand to the Company in accordance with this Agreement, all Expenses included in such Expense Advance that are certified by affidavit of Indemnitee's counsel as being reasonable shall be presumed conclusively to be reasonable.

4. Procedures for Indemnification and Expense Advances.

(a) Timing of Payments. All payments of Expenses (including without limitation Expense Advances) by the Company to the Indemnitee pursuant to this Agreement shall be made to the fullest extent permitted by law as soon as practicable after written demand by Indemnitee therefor is presented to the Company, but in no event later than forty-five (45) business days after such written demand by Indemnitee is presented to the Company, except in the case of Expense Advances, which shall be made no later than twenty (20) business days after such written demand by Indemnitee is presented to the Company.

(b) Notice/Cooperation by Indemnitee. Indemnitee shall, as a condition precedent to Indemnitee's right to be indemnified or Indemnitee's right to receive Expense Advances under this Agreement, give the Company notice in writing as soon as practicable of any Claim made against Indemnitee for which indemnification will or could be sought under this Agreement. Notice to the

Company shall be directed to the Chief Executive Officer of the Company at the address shown on the signature page of this Agreement (or such other address as the Company shall designate in writing to Indemnitee). In addition, Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power.

(c) No Presumptions; Burden of Proof. For purposes of this Agreement, the termination of any Claim by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by this Agreement or applicable law. In addition, neither the failure of any Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by any Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under this Agreement or applicable law, shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief. In connection with any determination by any Reviewing Party or otherwise as to whether the Indemnitee is entitled to be indemnified hereunder, the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

(d) Notice to Insurers. If, at the time of the receipt by the Company of a notice of a Claim pursuant to Section 4(b) hereof, the Company has liability insurance in effect which may cover such Claim, the Company shall give prompt notice of the commencement of such Claim to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Claim in accordance with the terms of such policies.

(e) Selection of Counsel. In the event the Company shall be obligated hereunder to provide indemnification for or make any Expense Advances with respect to the Expenses of any Claim, the Company, if appropriate, shall be entitled to assume the defense of such Claim with counsel approved by Indemnitee (which approval shall not be unreasonably withheld) upon the delivery to Indemnitee of written notice of the Company's election to do so. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees or expenses of separate counsel subsequently employed by or on behalf of Indemnitee with respect to the same Claim; provided, however, that (i) Indemnitee shall have the right to employ Indemnitee's separate counsel in any such Claim at Indemnitee's expense and (ii) if (A) the employment of separate counsel by Indemnitee has been previously authorized by the Company,

(B) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense, or (C) the Company shall not continue to retain such counsel to

defend such Claim, then the fees and expenses of Indemnitee's separate counsel shall be Expenses for which Indemnitee may receive indemnification or Expense Advances hereunder.

5. Additional Indemnification Rights; Nonexclusivity.

(a) Scope. The Company hereby agrees to indemnify the Indemnitee to the fullest extent permitted by law, notwithstanding that such indemnification is not specifically authorized by the other provisions of this Agreement, the Company's certificate of incorporation, the Company's bylaws or by statute. In the event of any change after the date of this Agreement in any applicable law, statute or rule which expands the right of a Delaware corporation to indemnify a member of its board of directors or an officer, employee, agent or fiduciary, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits afforded by such change. In the event of any change in any applicable law, statute or rule which narrows the right of a Delaware corporation to indemnify a member of its board of directors or an officer, employee, agent or fiduciary, such change, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder except as set forth in Section 10(a) hereof.

(b) Nonexclusivity. The indemnification and the payment of Expense Advances provided by this Agreement shall be in addition to any rights to which Indemnitee may be entitled under the Company's certificate of incorporation, its bylaws, any other agreement, any vote of stockholders or disinterested directors, the General Corporation Law of the State of Delaware, or otherwise. The indemnification and the payment of Expense Advances provided under this Agreement shall continue as to Indemnitee for any action taken or not taken while serving in an indemnified capacity even though subsequent thereto Indemnitee may have ceased to serve in such capacity.

6. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, provision of the Company's certificate of incorporation, bylaws or otherwise) of the amounts otherwise payable hereunder.

7. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Expenses incurred in connection with any Claim, but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such Expenses to which Indemnitee is entitled.

8. Mutual Acknowledgment. Both the Company and Indemnitee acknowledge that in certain instances, federal law or applicable public policy may prohibit the Company from indemnifying its directors, officers, employees, agents or fiduciaries under this Agreement or otherwise. Indemnitee understands and acknowledges that the Company has undertaken or may be required in

the future to undertake with the Securities and Exchange Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

9. Liability Insurance. To the extent the Company maintains liability insurance applicable to directors, officers, employees, agents or fiduciaries, Indemnitee shall be covered by such policies in such a manner as to provide Indemnitee the same rights and benefits as are provided to the most favorably insured of the Company's directors, if Indemnitee is a director; or of the Company's officers, if Indemnitee is not a director of the Company but is an officer; or of the Company's key employees, agents or fiduciaries, if Indemnitee is not an officer or director but is a key employee, agent or fiduciary.

10. Exceptions. Notwithstanding any other provision of this Agreement, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) Excluded Action or Omissions. To indemnify Indemnitee for Expenses resulting from acts, omissions or transactions for which Indemnitee is prohibited from receiving indemnification under this Agreement or applicable law; provided, however, that notwithstanding any limitation set forth in this Section 10(a) regarding the Company's obligation to provide indemnification, Indemnitee shall be entitled under Section 3 to receive Expense Advances hereunder with respect to any such Claim unless and until a court having jurisdiction over the Claim shall have made a final judicial determination (as to which all rights of appeal therefrom have been exhausted or lapsed) that Indemnitee has engaged in acts, omissions or transactions for which Indemnitee is prohibited from receiving indemnification under this Agreement or applicable law.

(b) Claims Initiated by Indemnitee. To indemnify or make Expense Advances to Indemnitee with respect to Claims initiated or brought voluntarily by Indemnitee and not by way of defense, counterclaim or cross claim, except (i) with respect to actions or proceedings brought to establish or enforce a right to indemnification under this Agreement or any other agreement or insurance policy or under the Company's certificate of incorporation or bylaws now or hereafter in effect relating to Claims for Covered Events, (ii) in specific cases if the Board of Directors has approved the initiation or bringing of such Claim, or (iii) as otherwise required under Section 145 of the Delaware General Corporation Law (relating to indemnification of officers, directors, employees and agents; and insurance), regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification or insurance recovery, as the case may be.

(c) Lack of Good Faith. To indemnify Indemnitee for any Expenses incurred by the Indemnitee with respect to any action instituted (i) by Indemnitee to enforce or interpret this Agreement, if a court having jurisdiction over such action determines as provided in Section 13 that each of the material assertions made by the Indemnitee as a basis for such action was not made in good faith or was frivolous, or (ii) by or in the name of the Company to enforce or interpret this Agreement, if a court having jurisdiction over such action determines as provided in Section 13 that

each of the material defenses asserted by Indemnitee in such action was made in bad faith or was frivolous.

(d) Claims Under Section 16(b). To indemnify Indemnitee for expenses and the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended, or any similar successor statute; provided, however, that notwithstanding any limitation set forth in this Section 10(d) regarding the Company's obligation to provide indemnification, Indemnitee shall be entitled under Section 3 to receive Expense Advances hereunder with respect to any such Claim unless and until a court having jurisdiction over the Claim shall have made a final judicial determination (as to which all rights of appeal therefrom have been exhausted or lapsed) that Indemnitee has violated said statute.

11. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

12. Binding Effect; Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), spouses, heirs and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect, and whether by purchase, merger, consolidation or otherwise) to all, substantially all, or a substantial part, of the business or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as a director, officer,

employee, agent or fiduciary (as applicable) of the Company or of any other enterprise at the Company's request.

13. Expenses Incurred in Action Relating to Enforcement or Interpretation. In the event that any action is instituted by Indemnitee under this Agreement or under any liability insurance policies maintained by the Company to enforce or interpret any of the terms hereof or thereof, Indemnitee shall be entitled to be indemnified for all Expenses incurred by Indemnitee with respect to such action (including without limitation attorneys' fees), regardless of whether Indemnitee is ultimately successful in such action, unless as a part of such action a court having jurisdiction over such action makes a final judicial determination (as to which all rights of appeal therefrom have been exhausted or lapsed) that each of the material assertions made by Indemnitee as a basis for such action was not made in good faith or was frivolous; provided, however, that until such final judicial determination is made, Indemnitee shall be entitled under Section 3 to receive payment of Expense Advances hereunder with respect to such action. In the event of an action instituted by or in the name of the Company under this Agreement to enforce or interpret any of the terms of this Agreement, Indemnitee shall be entitled to be indemnified for all Expenses incurred by Indemnitee in defense of such action (including without limitation costs and expenses incurred with respect to

Indemnitee's counterclaims and cross-claims made in such action), unless as a part of such action a court having jurisdiction over such action makes a final judicial determination (as to which all rights of appeal therefrom have been exhausted or lapsed) that each of the material defenses asserted by Indemnitee in such action was made in bad faith or was frivolous; provided, however, that until such final judicial determination is made, Indemnitee shall be entitled under Section 3 to receive payment of Expense Advances hereunder with respect to such action.

14. Notice. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed duly given (i) if delivered by hand and signed for by the party addressed, on the date of such delivery, or (ii) if mailed by domestic certified or registered mail with postage prepaid, on the third business day after the date postmarked. Addresses for notice to either party are as shown on the signature page of this Agreement or as subsequently modified by written notice.

15. Consent to Jurisdiction. The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the courts of the State of Delaware for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be commenced, prosecuted and continued only in the Court of Chancery of the State of Delaware in and for New Castle County, which shall be the exclusive and only proper forum for adjudicating such a claim.

16. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law. Furthermore, to the fullest extent possible, the provisions of this Agreement (including without limitation each portion of this Agreement containing any provision held to be invalid, void or otherwise unenforceable, that is not itself invalid, void or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

17. Choice of Law. This Agreement, and all rights, remedies, liabilities, powers and duties of the parties to this Agreement, shall be governed by and construed in accordance with the laws of the State of Delaware without regard to principles of conflicts of laws.

18. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

19. Amendment and Termination. No amendment, modification, termination or

cancellation of this Agreement shall be effective unless it is in writing signed by both the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed to be or shall constitute a waiver of any other provisions hereof (whether or not similar), nor shall such waiver

constitute a continuing waiver.

20. Integration and Entire Agreement. This Agreement sets forth the entire understanding between the parties hereto and supersedes and merges all previous written and oral negotiations, commitments, understandings and agreements relating to the subject matter hereof between the parties hereto.

21. No Construction as Employment Agreement. Nothing contained in this Agreement shall be construed as giving Indemnitee any right to be retained in the employ of the Company or any of its subsidiaries or affiliated entities.

[The remainder of this page was intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Indemnification Agreement as of the date first above written.

C-Cube Semiconductor Inc.

By:

Name:

Title:

Address:
C-Cube Semiconductor Inc.
1778 McCarthy Boulevard
Milpitas, California 95035

AGREED TO AND ACCEPTED BY:

INDEMNITEE

(Signature)

(Name)

[Fill in Address Above]

EXHIBIT 99.9

FORM OF

MASTER SEPARATION AND DISTRIBUTION AGREEMENT

AMONG

C-CUBE MICROSYSTEMS INC.,

C-CUBE SEMICONDUCTOR INC.

AND

C-CUBE SEMICONDUCTOR II INC.

EFFECTIVE AS OF

_____ ____, 2000

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MASTER SEPARATION AND DISTRIBUTION AGREEMENT

This Master Separation and Distribution Agreement (this "AGREEMENT") is entered into as of _____ ___, 2000, by and among C-Cube Microsystems Inc., a Delaware corporation ("C-CUBE"), C-Cube Semiconductor Inc., a Delaware corporation ("SEMICONDUCTOR I"), and C-Cube Semiconductor II Inc., a Delaware corporation ("SEMICONDUCTOR II"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in Article VI hereof.

RECITALS

WHEREAS, C-Cube has entered into the Agreement and Plan of Merger and Reorganization, dated as of October 27, 1999 (the "MERGER AGREEMENT"), with Harmonic Inc. ("HARMONIC") pursuant to which C-Cube will merge with and into Harmonic (the "MERGER"), contingent on the sale or distribution by C-Cube of the Semiconductor Business;

WHEREAS, C-Cube and Harmonic entered into an Amended and Restated Agreement and Plan of Merger and Reorganization dated as of December 9, 1999 (the "RESTATED MERGER AGREEMENT");

WHEREAS, the Boards of Directors of C-Cube, Semiconductor I and Semiconductor II have each determined that, if the Merger receives all required approvals, it would be appropriate and desirable for C-Cube to contribute and transfer to Semiconductor I and Semiconductor II, and for Semiconductor to receive and assume, directly or indirectly, substantially all of the assets and liabilities currently associated with the Semiconductor Business, including the stock, investments or similar interests currently held by C-Cube in subsidiaries and other entities that conduct such business (the "SEPARATION");

WHEREAS, C-Cube currently contemplates that, following the transfer and assumption of such assets and liabilities to Semiconductor I and Semiconductor II and immediately prior to and in connection with the Merger, C-Cube will distribute to the holders of its common stock, $0.01 par value, by means of a pro rata distribution, all of the shares of Semiconductor I common stock owned by C-Cube (the "DISTRIBUTION");

WHEREAS, C-Cube and Semiconductor I intend the Distribution to qualify as a distribution tax-free to stockholders under Section 355(a) of the Code, although C-Cube and Semiconductor I anticipate that C-Cube will incur corporate tax in connection with the Distribution; and

WHEREAS, the parties intend in this Agreement, including the Exhibits and Schedules hereto, to set forth the principal arrangements between them regarding the separation of the Semiconductor Business.

NOW, THEREFORE, in consideration of the foregoing and the covenants and agreements set forth below, the parties hereto agree as follows:

ARTICLE I

SEPARATION

SECTION 1.1 SEPARATION DATE. Unless otherwise provided in this Agreement, or in any agreement to be executed in connection with this Agreement, the effective time and date of each transfer of property, assumption of liability, license, undertaking, or agreement in connection with the Separation shall be 12:01 a.m., Pacific Time, _____ ___, 2000 or such other date as may be fixed by the Board of Directors of C-Cube (the "SEPARATION DATE").

SECTION 1.2 CLOSING OF TRANSACTIONS. Unless otherwise provided herein, the closing of the transactions contemplated in ARTICLE II shall occur by the lodging of each of the executed instruments of transfer, assumptions of liability, undertakings, agreements, instruments or other documents executed or to be executed with Wilson Sonsini Goodrich & Rosati, Professional Corporation ("WSGR"), 650 Page Mill Road, Palo Alto, California 94304, to be held in escrow for delivery as provided in SECTION 1.3 of this Agreement.

SECTION 1.3 EXCHANGE OF SECRETARY'S CERTIFICATES. Upon receipt of a certificate of the Secretary or an Assistant Secretary of C-Cube in the form attached to this Agreement as Exhibit A, WSGR shall deliver to Semiconductor I and Semiconductor II on behalf of C-Cube all of the items required to be delivered by C-Cube hereunder pursuant to SECTION 2.1 of this Agreement and each such item shall be deemed to be delivered to Semiconductor I and Semiconductor II as of the Separation Date upon delivery of such certificate. Upon receipt of a certificate of the Secretary or an Assistant Secretary of Semiconductor I and Semiconductor II in the form attached to this Agreement as EXHIBIT B, WSGR shall deliver to C-Cube on behalf of Semiconductor I and Semiconductor II all of the items required to be delivered by Semiconductor I and Semiconductor II hereunder and each such item shall be deemed to be delivered to C-Cube as of the Separation Date upon receipt of such certificate.

ARTICLE II

DOCUMENTS AND ITEMS TO BE DELIVERED ON THE SEPARATION DATE

SECTION 2.1 DOCUMENTS TO BE DELIVERED BY C-CUBE. (a) On the Separation Date, C-Cube will deliver, or will cause its appropriate Subsidiaries to deliver, to Semiconductor I and Semiconductor II all of the following items and agreements (collectively, together with all agreements and documents contemplated by such agreements, the "ANCILLARY AGREEMENTS"):

(b) A duly executed General Assignment and Assumption Agreement (the "ASSIGNMENT AGREEMENT") substantially in the form attached hereto as EXHIBIT C;

(c) Certificates representing the stock and/or investments in the Subsidiaries and other holdings of C-Cube set forth on SCHEDULE 2.1(B) with duly executed stock powers in the form proper for transfer;

(d) A duly executed Transitional Services Agreement substantially in the form attached hereto as EXHIBIT D;

(e) A duly executed Employee Matters Agreement substantially in the form attached hereto as EXHIBIT E;

(f) A duly executed Tax Sharing Agreement substantially in the form attached hereto as EXHIBIT F;

(g) A duly executed Master Confidential Disclosure Agreement substantially in the form attached hereto as EXHIBIT G;

(h) A duly executed Indemnification and Insurance Matters Agreement substantially in the form attached hereto as EXHIBIT H;

(i) A duly executed Real Estate Matters Agreement substantially in the form attached hereto as EXHIBIT I;

(j) Resignations of each person who is an officer or director of any member of C-Cube or its Subsidiaries, immediately prior to the Separation Date, and who will be employees of Semiconductor I or Semiconductor II or any of their Subsidiaries from and after the Separation Date; and

(k) Such other agreements, documents or instruments as the parties may agree are necessary or desirable in order to achieve the purposes hereof, including, without limitation, all service level agreements entered into in accordance with SECTION 4.3 and those documents referred to in SECTION 4.4.

SECTION 2.2 RETENTION OF CASH RESERVES. (a) On or around the Separation Date, C-Cube will provide to Semiconductor I all cash of C-Cube and its Subsidiaries other than the following amounts (collectively, the "Retained Cash"), the sum of (i) sixty million dollars ($60,000,000), (ii) cash in an amount reasonably estimated to be sufficient to pay all Taxes of C-Cube and its Subsidiaries accrued through the Distribution Date but not including, as determined pursuant to the Tax Sharing Agreement, Semi Spin Taxes (the "Pre-Semi Disposition Taxes"), (iii) cash in an amount sufficient to pay the fees and expenses associated with the transactions contemplated by the Merger Agreement, including, but not limited to, the fees and expenses of C-Cube's investment bankers, attorneys, accountants and other professional advisors, (iv) cash in an amount reasonably estimated to be sufficient to pay the Semi Spin Taxes, as determined pursuant to the Tax Sharing Agreement, and (v) cash in an amount sufficient to make all severance payments to any employee of C-Cube who is not a Continuing Employee nor an employee of the Semiconductor Business, it being understood that any cash retained under this paragraph in excess of the actual amounts required to be

paid will be included in C-Cube's basis in Semiconductor I or the Semiconductor Business assets for purposes of calculating the Semi Spin Taxes.

(b) The amount of cash retained under Sections 2.2(a)(ii) and (iv) shall be subject to adjustment pursuant to Sections 4.2 and 4.3 of the Tax Sharing Agreement. For purposes of calculating the Semi Spin Taxes, any such adjustment shall be treated as an adjustment to C-Cube's basis in the stock of Semiconductor I in accordance with Sections 4.2(b) or 4.3(e) of the Tax Sharing Agreement.

(c) Prior to the Distribution, C-Cube shall certify the amount of the Retained Cash to Harmonic, which schedule shall include a breakdown of the amount retained for Pre-Semi Disposition Taxes and Semi Spin Taxes (in each case on a Tax-by-Tax basis).

SECTION 2.3 DOCUMENTS TO BE DELIVERED BY SEMICONDUCTOR I AND SEMICONDUCTOR II. As of the Separation Date, Semiconductor I and Semiconductor II will or will cause their appropriate Subsidiaries to deliver to C-Cube all of the following:

(a) In each case where Semiconductor I or Semiconductor II or any of their subsidiaries is a party to any agreement or instrument referred to in SECTION 2.1, a duly executed counterpart of such agreement or instrument; and

(b) Resignations of each person who is an officer or director of C-Cube, or any of its Subsidiaries, immediately prior to the Separation Date, and who will be employees of Semiconductor I or Semiconductor II or any of their Subsidiaries from and after the Separation Date.

ARTICLE III

THE DISTRIBUTION

SECTION 3.1 THE DISTRIBUTION.

(a) Delivery of Shares for Distribution. Subject to SECTION 3.4 hereof, on or prior to the date the Distribution is effective (the "DISTRIBUTION DATE"), C-Cube will deliver to the distribution agent (the "DISTRIBUTION AGENT") to be appointed by C-Cube to distribute to the stockholders of C-Cube the shares of common stock of Semiconductor I held by C-Cube pursuant to the Distribution for the benefit of holders of record of common stock of C-Cube on the Record Date, a single stock certificate, endorsed by C-Cube in blank, representing all of the outstanding shares of common stock of Semiconductor I then owned by C-Cube, and shall cause the transfer agent for the shares of common stock of C-Cube to instruct the Distribution Agent to distribute on the Distribution Date the appropriate number of such shares of common stock of Semiconductor I to each such holder or designated transferee or transferees of such holder.

(b) Shares Received. Subject to SECTIONS 3.4 and 3.5, each holder of common stock of C-Cube on the Record Date (or such holder's designated transferee or transferees) will be entitled to receive in the Distribution a number of shares of common stock of Semiconductor I equal

to the number of shares of common stock of C-Cube held by such holder on the Record Date multiplied by a fraction the numerator of which is the number of shares of common stock of Semiconductor I beneficially owned by C-Cube on the Record Date and the denominator of which is the number of shares of common stock of C-Cube outstanding on the Record Date.

(c) Obligation to Provide Information. Semiconductor I and C-Cube, as the case may be, will provide to the Distribution Agent all share certificates and any information required in order to complete the Distribution on the basis specified above.

SECTION 3.2 ACTIONS PRIOR TO THE DISTRIBUTION.

(a) Transfer of Semiconductor II Stock. C-Cube will, (i) before the Separation, cause Semiconductor II to issue all outstanding shares of Non-Voting Series A Preferred Stock to WSGR in exchange for legal and other related services, and (ii) after the Separation, will transfer all outstanding shares of Common Stock of Semiconductor II to Semiconductor I.

(b) Information Statement. C-Cube and Semiconductor I shall prepare and mail, prior to the Distribution Date, to the holders of common stock of C-Cube, such information concerning the Semiconductor Business and the Distribution and such other matters as C-Cube shall reasonably determine are necessary and as may be required by law. C-Cube and Semiconductor I will prepare, and Semiconductor I will, to the extent required under applicable law, file with the Securities and Exchange Commission (the "COMMISSION") any such documentation which C-Cube and Semiconductor I determine is necessary or desirable to effectuate the Distribution, and C-Cube and Semiconductor I shall each use its reasonable commercial efforts to obtain all necessary approvals from the Commission with respect thereto as soon as practicable.

(c) Blue Sky. C-Cube, Semiconductor I and Semiconductor II shall take and shall cause any of their Subsidiaries to take all such actions as may be necessary or appropriate under the securities or blue sky laws of the United States (and any comparable laws under any foreign jurisdiction) in connection with the Distribution.

(d) NYSE or Nasdaq Listing. Semiconductor I shall prepare and file, and shall use its reasonable commercial efforts to have approved, an application for the listing of the common stock of Semiconductor I to be distributed in the Distribution on the New York Stock Exchange (the "NYSE") or the Nasdaq National Market (the "NASDAQ"), subject to official notice of distribution.

(e) Retained Cash. The amount of case required to be retained by C-Cube pursuant to Section 2.2(a) hereof shall have been retained.

(f) Conditions. C-Cube, Semiconductor I and Semiconductor II shall take and shall cause any of their Subsidiaries to take all reasonable steps necessary and appropriate to cause the conditions set forth in SECTION 3.4 to be satisfied and to effect the Distribution on the Distribution Date.

SECTION 3.3 SOLE DISCRETION OF C-CUBE. C-Cube shall, in its sole and absolute discretion, determine the date of the consummation of the Distribution and all terms of the Distribution, including, without limitation, the form, structure and terms of any transaction(s) and/or offering(s) to effect the Distribution and the timing of and conditions to the consummation of the Distribution. In addition, C-Cube may at any time and from time to time until the completion of the Distribution modify or change the terms of the Distribution, including, without limitation, by accelerating or delaying the timing of the consummation of all or part of the Distribution. Semiconductor I and Semiconductor II shall cooperate with C-Cube in all respects to accomplish the Distribution and shall, at C-Cube's direction, promptly take any and all actions necessary or desirable to effect the Distribution, including, without limitation, the registration under the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT") of the common stock of Semiconductor I on an appropriate registration form or forms to be designated by C-Cube. C-Cube shall select any financial printer, solicitation and/or exchange agent and outside counsel for C-Cube; provided, however, that nothing herein shall prohibit Semiconductor I from engaging (at its own expense) its own financial, legal, accounting and other advisors in connection with the Distribution.

SECTION 3.4 CONDITIONS TO DISTRIBUTION. The following are conditions to the consummation of the Distribution. The conditions are for the sole benefit of C-Cube and shall not give rise to or create any duty on the part of C-Cube or the C-Cube Board of Directors to waive or not waive any such condition.

(a) Government Approvals. Any material governmental approvals and consents necessary to consummate the Distribution shall have been obtained and be in full force and effect;

(b) No Legal Restraints. No order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Distribution shall be in effect and no other event outside the control of C-Cube shall have occurred or failed to occur that prevents the consummation of the Distribution; and

(c) Transfer of Semiconductor II Stock. The transfer of all outstanding shares of Common Stock of Semiconductor II to Semiconductor I shall have been effected.

SECTION 3.5 FRACTIONAL SHARES. As soon as practicable after the Distribution Date, C-Cube shall direct the Distribution Agent to determine the number of whole shares and fractional shares of common stock of Semiconductor I allocable to each holder of record or beneficial owner of common stock of C-Cube as of the Record Date, to aggregate all such fractional shares and sell the whole shares obtained thereby at the direction of C-Cube, in open market transactions, at then prevailing trading prices, and to cause to be distributed to each such holder or for the benefit of each such beneficial owner to which a fractional share shall be allocable such holder's or owner's ratable share of the proceeds of such sale, after making appropriate deductions of the amount required to be

withheld for federal income tax purposes and after deducting an amount equal to all brokerage charges, commissions and transfer taxes attributed to such sale. C-Cube and the Distribution Agent shall use their reasonable commercial efforts to aggregate the shares of common stock of C-Cube that may be held by any beneficial owner thereof through more than one account in determining the fractional share allocable to such beneficial owner.

ARTICLE IV

COVENANTS AND OTHER MATTERS

SECTION 4.1 OTHER AGREEMENTS. In addition to the specific agreements, documents and instruments annexed to this Agreement, C-Cube and Semiconductor I agree to execute or cause to be executed by the appropriate parties and deliver, as appropriate, such other agreements, instruments and other documents as may be

necessary or desirable in order to effect the purposes of this Agreement and the Ancillary Agreements.

SECTION 4.2 FURTHER INSTRUMENTS. At the request of Semiconductor I or Semiconductor II and without further consideration, C-Cube will execute and deliver, and will cause its applicable Subsidiaries to execute and deliver, to Semiconductor I or Semiconductor II or any of their Subsidiaries such other instruments of transfer, conveyance, assignment, substitution and confirmation and take such action as Semiconductor I or Semiconductor II may reasonably deem necessary or desirable in order to more effectively transfer, convey and assign to Semiconductor I or Semiconductor II or any of their Subsidiaries and confirm Semiconductor I's, Semiconductor II's and their Subsidiaries' title to all of the assets, rights and other things of value contemplated to be transferred to Semiconductor I or Semiconductor II or any of their Subsidiaries pursuant to this Agreement, the Ancillary Agreements, and any documents referred to therein, to put Semiconductor I or Semiconductor II or any of their Subsidiaries in actual possession and operating control thereof and to permit Semiconductor I or Semiconductor II or any of their Subsidiaries to exercise all rights with respect thereto (including, without limitation, rights under contracts and other arrangements as to which the consent of any third party to the transfer thereof shall not have previously been obtained). At the request of C-Cube and without further consideration, Semiconductor I and Semiconductor II will execute and deliver, and will cause their applicable Subsidiaries to execute and deliver, to C-Cube and its Subsidiaries all instruments, assumptions, novations, undertakings, substitutions or other documents and take such other action as C-Cube may reasonably deem necessary or desirable in order to have Semiconductor I and Semiconductor II fully and unconditionally assume and discharge the liabilities contemplated to be assumed by Semiconductor I, Semiconductor II or any of their Subsidiaries under this Agreement or any document in connection herewith and to relieve the C-Cube or any of its Subsidiaries of any liability or obligation with respect thereto and evidence the same to third parties. None of C-Cube, Semiconductor I or Semiconductor II shall be obligated, in connection with the foregoing, to expend money other than reasonable out-of-pocket expenses, attorneys' fees and recording or similar fees. If any additional fees arise for any reason, such fees shall be the responsibility of Semiconductor I. Furthermore, each party, at the request of another party hereto, shall execute and deliver such other

instruments and do and perform such other acts and things as may be necessary or desirable for effecting completely the consummation of the transactions contemplated hereby.

SECTION 4.3 TRANSITIONAL SERVICES AGREEMENT. C-Cube and Semiconductor I and Semiconductor II will enter into a Transitional Services Agreement covering the provisions of various transitional services, including telecommunications, networks, enterprise applications and other services by Semiconductor I or Semiconductor II to C-Cube or, in certain circumstances, vice versa. The Transitional Services Agreement will generally provide for a term of two (2) years.

SECTION 4.4 AGREEMENT FOR EXCHANGE OF INFORMATION. Each of C-Cube, Semiconductor I and Semiconductor II, for itself and on behalf of its Subsidiaries, agrees to provide, or cause to be provided, to each other, at any time before or after the Distribution Date, as soon as reasonably practicable after written request therefor, any Information in the possession or under the control of such party that the requesting party reasonably needs (i) to comply with reporting, disclosure, filing or other requirements imposed on the requesting party (including under applicable securities laws) by a Governmental Authority having jurisdiction over the requesting party, (ii) for use in any other judicial, regulatory, administrative or other proceeding or in order to satisfy audit, accounting, claims, regulatory, litigation or other similar requirements, (iii) to comply with its obligations under this Agreement or any Ancillary Agreement or (iv) in connection with the ongoing businesses of C-Cube, Semiconductor I or Semiconductor II, as the case may be; provided, however, that in the event that any party determines that any such provision of Information could be commercially detrimental, violate any law or agreement, or waive any attorney-client privilege, the parties shall take all reasonable measures to permit the compliance with such obligations in a manner that avoids any such harm or consequence.

(a) Internal Accounting Controls; Financial Information. After the Separation Date, (i) each party shall maintain in effect at its own cost and expense adequate systems and controls for its business to the extent necessary to enable the other party to satisfy its reporting, accounting, audit and other obligations, and (ii) each party shall provide, or cause to be provided, to the other party and its Subsidiaries in such form as such requesting party shall request, at no charge to the requesting party, all financial and other data and information as the requesting party determines necessary or advisable in order to prepare its financial statements and reports or filings with any Governmental Authority.

(b) Ownership of Information. Any Information owned by a party that is provided to a requesting party pursuant to this SECTION 4.4 shall be deemed to remain the property of the providing party. Unless specifically set forth herein, nothing contained in this Agreement shall be construed as granting or conferring rights of license or otherwise in any such Information.

(c) Record Retention. (i) To facilitate the possible exchange of Information pursuant to this SECTION 4.4 and other provisions of this Agreement after the Distribution Date, each party agrees to use its reasonable commercial efforts to retain all Information in their respective possession or control on the Distribution Date. However, except as set forth in the Tax Sharing Agreement, at any time after the Distribution Date, each party may amend their respective record retention policies at such party's discretion; provided, however, that if a party desires to effect the amendment within

three (3) years after the Distribution Date, the amending party must give thirty (30) days prior written notice of such change in the policy to the other party to this Agreement.

(ii) No party will destroy, or permit any of its Subsidiaries to destroy, any Information that exists on the Separation Date (other than Information that is permitted to be destroyed under the current record retention policy of such party) without first using its reasonable commercial efforts to notify the other party of the proposed destruction and giving the other party the opportunity to take possession of such Information prior to such destruction.

(d) Limitation of Liability. No party shall have any liability to any other party in the event that any Information exchanged or provided pursuant to this Section is found to be inaccurate, in the absence of willful misconduct by the party providing such Information. No party shall have any liability to any other party if any Information is destroyed or lost after reasonable commercial efforts by such party to comply with the provisions of SECTION 4.4(C).

(e) Other Agreements Providing For Exchange of Information. The rights and obligations granted under this SECTION 4.4 are subject to any specific limitations, qualifications or additional provisions on the sharing, exchange or confidential treatment of Information set forth in this Agreement and any Ancillary Agreement.

(f) Production of Witnesses; Records; Cooperation. After the Distribution Date, except in the case of a legal or other proceeding by one party against another party (which shall be governed by such discovery rules as may be applicable under SECTION 4.8 or otherwise), each party hereto shall use its reasonable commercial efforts to make available to each other party, upon written request, the former, current and future directors, officers, employees, other personnel and agents of such party as witnesses and any books, records or other documents within its control or which it otherwise has the ability to make available, to the extent that any such person (giving consideration to business demands of such directors, officers, employees, other personnel and agents) or books, records or other documents may reasonably be required in connection with any legal, administrative or other proceeding in which the requesting party may from time to time be involved, regardless of whether such legal, administrative or other proceeding is a matter with respect to which indemnification may be sought hereunder. The requesting party shall bear all costs and expenses in connection therewith.

SECTION 4.5 PAYMENT OF EXPENSES. Except as otherwise provided in this Agreement, the Ancillary Agreements or any other agreement between the parties relating to the Separation or the Distribution, all costs and expenses of the parties hereto in connection with the Distribution and certain costs and expenses of the parties hereto in connection with the Separation shall be paid by Semiconductor I or Semiconductor II.

SECTION 4.6 DISPUTE RESOLUTION. Except as otherwise set forth in the Ancillary Agreements, resolution of any and all disputes arising from or in connection with this Agreement, whether based on contract, tort, or otherwise (collectively, "DISPUTES"), shall be exclusively governed by and settled in accordance with the provisions of this SECTION 4.7.

(a) Negotiation. The parties shall make a good faith attempt to resolve any Dispute arising out of or relating to this Agreement through negotiation. Within thirty (30) days after notice of a Dispute is given by either party to the other party, each party shall select a negotiating team comprised of vice president level employees of such party and shall meet within thirty (30) days after the end of the first thirty (30) day negotiating period to attempt to resolve the matter. During the course of negotiations under this SECTION 4.7(A), all reasonable requests made by one party to the other for information, including requests for copies of relevant documents, will be honored. The specific format for such negotiations will be left to the discretion of the designated negotiating teams but may include the preparation of agreed upon statements of fact or written statements of position furnished to the other party.

(b) Non-Binding Mediation. In the event that any Dispute arising out of or related to this Agreement is not settled by the parties within fifteen (15) days after the first meeting of the negotiating teams under SECTION 4.7(A), the parties will attempt in good faith to resolve such Dispute by non-binding mediation in accordance with the American Arbitration Association Commercial Mediation Rules. The mediation shall be held within thirty (30) days of the end of such fifteen (15) day negotiation period of the negotiating teams. Except as provided below in SECTION 4.7(C), no litigation for the resolution of such dispute may be commenced until the parties try in good faith to settle the dispute by such mediation in accordance with such rules and either party has concluded in good faith that amicable resolution through continued mediation of the matter does not appear likely. The costs of mediation shall be shared equally by the parties to the mediation. Any settlement reached by mediation shall be recorded in writing, signed by the parties, and shall be binding on them.

(c) Proceedings. Nothing herein, however, shall prohibit either party from initiating litigation or other judicial or administrative proceedings if such party would be substantially harmed by a failure to act during the time that such good faith efforts are being made to resolve the Dispute through negotiation or mediation. In the event that litigation is commenced under this SECTION 4.7(C), the parties agree to continue to attempt to resolve any Dispute according to the terms of SECTIONS 4.7(A) and 4.7(B) during the course of such litigation proceedings under this SECTION 4.7(C).

(d) Pay and Dispute. Except as provided herein or in any Ancillary Agreement, in the event of any dispute regarding payment of a third-party invoice (subject to standard verification of receipt of products or services), the party named in a third party's invoice must make timely payment to such third party, even if the party named in the invoice desires to pursue the dispute resolution procedures outlined in this SECTION 4.7. If the party that paid the invoice is found pursuant to this SECTION 4.7 to not be responsible for such payment, such paying party shall be entitled to reimbursement, with interest accrued at a compound annual rate of the Prime Rate plus 2%, from the party found responsible for such payment.

SECTION 4.7 GOVERNMENTAL APPROVALS. To the extent that the Separation requires any Governmental Approvals, the parties will use their reasonable commercial efforts to obtain any such Governmental Approvals.

SECTION 4.8 COOPERATION IN OBTAINING NEW AGREEMENTS. Each of C-Cube, Semiconductor I and Semiconductor II understand that, prior to the Separation Date, all parties have derived benefits under certain agreements amongst themselves and third parties, which agreements are not being assigned to C-Cube, Semiconductor I or Semiconductor II in connection with the Separation. Upon the request of C-Cube, Semiconductor I or Semiconductor II, the other party agrees to make introductions to appropriate personnel at such third parties, and agrees to provide reasonable assistance to the other party at its own expense, so that the other party may obtain agreements from such third parties under substantially equivalent terms and conditions, including financial terms and conditions, that apply to it. Such assistance may include, but is not limited to, requesting and encouraging such third parties to enter into such agreements. All parties also understand that there are certain agreements between themselves and third parties, which agreements are being assigned to the other party in connection with the Separation but which may require the consent of the applicable third party. Upon request, one party agrees to assist the other party in seeking and obtaining the consent of such third parties to such assignment. The parties expect that the activities contemplated by this Section will be substantially completed by the Distribution Date, but in no event will either party have any obligations hereunder after the first anniversary of the Distribution Date.

SECTION 4.9 PROPERTY DAMAGE TO SEMICONDUCTOR ASSETS PRIOR TO THE SEPARATION DATE. In the event of any property damage to any Semiconductor Assets prior to the Separation Date, C-Cube shall repair or otherwise address such damage in the ordinary course of business consistent with past practices; provided, however, that nothing in this clause shall restrict C-Cube from disposing of any Assets in the ordinary course of business consistent with past practices.

ARTICLE V

MISCELLANEOUS

SECTION 5.1 LIMITATION OF LIABILITY. IN NO EVENT SHALL C-CUBE OR ANY OF ITS SUBSIDIARIES OR SEMICONDUCTOR I, SEMICONDUCTOR II OR ANY OF THEIR SUBSIDIARIES BE LIABLE TO C-CUBE OR ANY OF ITS SUBSIDIARIES OR SEMICONDUCTOR I, SEMICONDUCTOR II OR ANY OF THEIR SUBSIDIARIES FOR ANY SPECIAL, CONSEQUENTIAL, INDIRECT, INCIDENTAL OR PUNITIVE DAMAGES OR LOST PROFITS, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY (INCLUDING NEGLIGENCE) ARISING IN ANY WAY OUT OF THIS AGREEMENT, WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, EXCEPT AS OTHERWISE PROVIDED IN THIS AGREEMENT, THE RESTATED MERGER AGREEMENT, THE ANCILLARY AGREEMENTS, AND THE EXHIBITS AND SCHEDULES REFERENCED OR ATTACHED HERETO OR THERETO; PROVIDED, HOWEVER, THAT THE FOREGOING LIMITATIONS SHALL NOT LIMIT EACH PARTY'S INDEMNIFICATION OBLIGATIONS FOR LIABILITIES TO THIRD PARTIES AS SET FORTH IN THE INDEMNIFICATION AND INSURANCE MATTERS AGREEMENT.

SECTION 5.2 ENTIRE AGREEMENT. This Agreement, the Restated Merger Agreement, the other Ancillary Agreements and the Exhibits and Schedules referenced or attached hereto and thereto, constitute the entire agreement between the parties with respect to the subject matter hereof and shall supersede all prior written and oral and all contemporaneous oral agreements and understandings with respect to the subject matter hereof. In the event any provision of any agreement conflicts with a provision of the Restated Merger Agreement, the Restated Merger Agreement will govern.

SECTION 5.3 GOVERNING LAW. This Agreement shall be governed and construed and enforced in accordance with the laws of the State of Delaware as to all matters regardless of the laws that might otherwise govern under the principles of conflicts of laws applicable thereto.

SECTION 5.4 TERMINATION. This Agreement may be terminated at any time before the Distribution Date by mutual consent of C-Cube, Semiconductor I and Semiconductor II and in any event, shall terminate three years after the date first referenced above. In the event of termination pursuant to this Section, no

party shall have any liability of any kind to the other party.

SECTION 5.5 NOTICES. Any notice, demand, offer, request or other communication required or permitted to be given by either party pursuant to the terms of this Agreement shall be in writing and shall be deemed effectively given the earlier of (i) when received, (ii) when delivered personally, (iii) one (1) business day after being delivered by facsimile (with receipt of appropriate confirmation), (iv) one (1) business day after being deposited with an overnight courier service or (v) four (4) days after being deposited in the U.S. mail, First Class with postage prepaid, and addressed to the attention of the party's General Counsel at the address of its principal executive office or such other address as a party may request by notifying the other in writing.

SECTION 5.6 COUNTERPARTS. This Agreement, including the Schedules and Exhibits hereto and the other documents referred to herein, may be executed in counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.

SECTION 5.7 BINDING EFFECT; ASSIGNMENT. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective legal representatives and successors, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement. This Agreement may not be assigned by any party hereto. This Agreement may be enforced separately by C-Cube, Semiconductor I, Semiconductor II and any of their Subsidiaries.

SECTION 5.8 SEVERABILITY. If any term or other provision of this Agreement or the Schedules or Exhibits attached hereto is determined by a nonappealable decision by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties

as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible.

SECTION 5.9 FAILURE OR INDULGENCE NOT WAIVER; REMEDIES CUMULATIVE. No failure or delay on the part of either party hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. All rights and remedies existing under this Agreement or the Schedules or Exhibits attached hereto are cumulative to, and not exclusive of, any rights or remedies otherwise available.

SECTION 5.10 AMENDMENT. No change or amendment will be made to this Agreement except by an instrument in writing signed on behalf of each of the parties to such agreement.

SECTION 5.11 AUTHORITY. Each of the parties hereto represents to the other that (a) it has the corporate or other requisite power and authority to execute, deliver and perform this Agreement, (b) the execution, delivery and performance of this Agreement by it have been duly authorized by all necessary corporate or other actions, (c) it has duly and validly executed and delivered this Agreement, and (d) this Agreement is a legal, valid and binding obligation, enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equity principles.

SECTION 5.12 INTERPRETATION. The headings contained in this Agreement, in any Exhibit or Schedule hereto and in the table of contents to this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Any capitalized term used in any Schedule or Exhibit but not otherwise defined therein, shall have the meaning assigned to such term in this Agreement. When a reference is made in this Agreement to an

Article or a Section, Exhibit or Schedule, such reference shall be to an Article or Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated.

SECTION 5.13 CONFLICTING AGREEMENTS. In the event of conflict between this Agreement and any Ancillary Agreement or other agreement executed in connection herewith, the provisions of such other agreement shall prevail.

ARTICLE VI

DEFINITIONS

SECTION 6.1 AFFILIATED COMPANY. "AFFILIATED COMPANY" means, with respect to C-Cube, any entity in which C-Cube holds a 50% or less ownership interest and that is listed on SCHEDULE 6.1(A) hereto and, with respect to Semiconductor I and II, any entity in which Semiconductor I and II holds a 50% or less ownership interest and that is listed on SCHEDULE 6.1(B) hereto. SCHEDULES 6.1(A) and 6.1(B) may be amended from time to time after the date hereof upon mutual written consent of the parties.

SECTION 6.2 ANCILLARY AGREEMENTS. "ANCILLARY AGREEMENTS" has the meaning set forth in SECTION 2.1 hereof.

SECTION 6.3 ASSIGNMENT AGREEMENT. "ASSIGNMENT AGREEMENT" has the meaning set forth in SECTION 2.1(A) hereof.

SECTION 6.4 BUSINESS DAY. "BUSINESS DAY" means a day other than a Saturday, a Sunday or a day on which banking institutions located in the State of California are authorized or obligated by law or executive order to close.

SECTION 6.5 CODE. "CODE" means the Internal Revenue Code of 1986, as amended from time to time.

SECTION 6.6 COMMISSION. "COMMISSION" means the Securities and Exchange Commission.

SECTION 6.7 DISPUTES. "Disputes" has the meaning set forth in Section 4.6 hereof.

SECTION 6.8 DISTRIBUTION. "Distribution" has the meaning set forth in the Recitals hereof.

SECTION 6.9 DISTRIBUTION AGENT. "Distribution Agent" has the meaning set forth in Section 3.1 hereof.

SECTION 6.10 DISTRIBUTION DATE. "Distribution Date" has the meaning set forth in Section 3.1 hereof.

SECTION 6.11 EXCHANGE ACT. "EXCHANGE ACT" means the Securities and Exchange Act of 1934, as amended.

SECTION 6.12 GOVERNMENTAL APPROVALS. "GOVERNMENTAL APPROVALS" means any notices, reports or other filings to be made, or any consents, registrations, approvals, permits or authorizations to be obtained from, any Governmental Authority.

SECTION 6.13 GOVERNMENTAL AUTHORITY. "GOVERNMENTAL AUTHORITY" shall mean any federal, state, local, foreign or international court, government, department, commission, board, bureau, agency, official or other regulatory, administrative or governmental authority.

SECTION 6.14 INFORMATION. "Information" means information, whether or not patentable or copyrightable, in written, oral, electronic or other tangible or intangible forms, stored in any medium, including studies, reports, records, books, contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other software, marketing plans, customer names, communications by or to attorneys (including attorney-client privileged

communications), memos and other materials prepared by

attorneys or under their direction (including attorney work product), and other technical, financial, employee or business information or data.

SECTION 6.15 NASDAQ. "Nasdaq" means the Nasdaq National Market.

SECTION 6.16 NYSE. "NYSE" means the New York Stock Exchange.

SECTION 6.17 PERSON. "PERSON" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

SECTION 6.18 PRIME RATE. "PRIME RATE" means the prime rate as published in the Wall Street Journal on the date of determination.

SECTION 6.19 RECORD DATE. "RECORD DATE" means the close of business on the date to be determined by the Board of Directors of C-Cube as the record date for determining the stockholders of C-Cube entitled to receive shares of common stock of Semiconductor in the Distribution.

SECTION 6.20 SEMI SPIN TAXES. "SEMI SPIN TAXES" has the meaning set forth in ARTICLE I of the Tax Sharing Agreement.

SECTION 6.21 SEMICONDUCTOR ASSETS. "SEMICONDUCTOR ASSETS" has the meaning set forth in SECTION 1.2 of the Assignment Agreement.

SECTION 6.22 SEMICONDUCTOR BUSINESS. "SEMICONDUCTOR BUSINESS" means the business and operations of C-Cube defined as the Semiconductor Business in the Restated Merger Agreement.

SECTION 6.23 SEMICONDUCTOR PRO FORMA BALANCE SHEET. "SEMICONDUCTOR PRO FORMA BALANCE SHEET" means the unaudited pro forma condensed consolidated balance sheet as set forth in C-Cube Semiconductor I's Registration Statement on Form 10, filed on December 29, 1999, as amended.

SECTION 6.24 SEPARATION. "Separation" has the meaning set forth in the Recitals hereof.

SECTION 6.25 SEPARATION DATE. "Separation Date" has the meaning set forth in Section 1.1 hereof.

SECTION 6.26 SUBSIDIARY. "SUBSIDIARY" means with respect to any specified Person, any corporation, any limited liability company, any partnership or other legal entity of which such Person or its Subsidiaries owns, directly or indirectly, more than 50% of the stock or other equity interest entitled to vote on the election of the members of the board of directors or similar governing body. Unless context otherwise requires, reference to C-Cube and its Subsidiaries shall not include the subsidiaries of C-Cube that will be transferred to Semiconductor I or Semiconductor II after

giving effect to the Separation, and those subsidiaries will be treated as Subsidiaries of Semiconductor I and Semiconductor II, as applicable.

SECTION 6.27 WSGR. "WSGR" means Wilson Sonsini Goodrich & Rosati, Professional Corporation.

WHEREFORE, the parties have signed this Master Separation and Distribution Agreement effective as of the date first set forth above.

C-CUBE MICROSYSTEMS INC.

By: _____

Name: _____

Title: _____

C-CUBE SEMICONDUCTOR INC.

By: _____

Name: _____

Title: _____

C-CUBE SEMICONDUCTOR II INC.

By: _____

Name: _____

Title: _____

SCHEDULE 2.1(b)

SUBSIDIARIES AND OTHER HOLDINGS OF C-CUBE TO BE TRANSFERRED TO SEMICONDUCTOR I OR SEMICONDUCTOR II

C-Cube Microsystems International Ltd.
C-Cube U.S. Inc.
C-Cube Japan, Inc.
C-Cube Technology Limited
Media Computer Technologies, Inc.

EXHIBIT A

C-CUBE SECRETARY'S CERTIFICATE

EXHIBIT B

SEMICONDUCTOR I AND SEMICONDUCTOR II SECRETARY CERTIFICATE

Exhibit 99.10

SUPPLY, LICENSE, AND DEVELOPMENT AGREEMENT

This Supply, License, And Development Agreement (this "Agreement"), dated as of October 27, 1999, is made by and between C-Cube Microsystems Inc., a Delaware corporation ("CCC") having its principal office at 1778 McCarthy Blvd., Milpitas, California 95035, and Harmonic Inc., a Delaware corporation ("HHH") having its principal office at 549 Baltic Way, Sunnyvale, California 94083. CCC and HHH are sometimes referred to in this Agreement, individually, as a "Party" and, collectively, as the "Parties."

RECITALS

A. CCC and HHH are Parties to that certain Agreement and Plan of Merger And Reorganization dated as of October 27, 1999 (the "Merger Agreement"). The Merger Agreement contemplates that the Semiconductor Business (as defined in the Merger Agreement) of CCC will be disposed of by CCC pursuant to Section 1.5 thereof and CCC will merge into HHH pursuant to Section 1.1 thereof.

B. The Merger Agreement contemplates that CCC and HHH will, effective as of the Effective Time (as defined in the Merger Agreement), enter into a supply, license, and development agreement relating to certain versions of CCC's existing E4 silicon component products and associated software and [***] silicon component product currently under development by CCC on the following terms and conditions.

AGREEMENT

NOW THEREFORE, in consideration of and conditioned on the Recitals set forth above and incorporated in this Agreement, the covenants stated herein, and for other good and valuable consideration, the receipt and sufficiency of which the Parties hereby acknowledge, the Parties hereby agree as follows:

Section 1

Definitions

Except as otherwise set forth herein, capitalized terms used in this Agreement shall have the same meanings ascribed to them in the Merger Agreement. In addition to the terms defined above and elsewhere in this Agreement, the following terms shall have the meaning set forth below:

1.1 "AUTHORIZED END-USER AGREEMENT" means a written software license agreement with an end user of any Object Code software distributed by a Party pursuant to a license granted by the other Party hereunder containing such customary terms and conditions as the Parties may mutually agree in writing prior to the Effective Time.

1.2 "BROADCAST APPLICATIONS" means, with reference to a CCC semiconductor and software products, use of such product in any real-time video encoding or transrating infrastructure applications serving satellite DTH, video contribution, video distribution, digital

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*** Portions of this document have been omitted pursuant to a confidential treatment request filed with the Securities and Exchange Commission. Such portions have been provided separately to the Commission.

terrestrial broadcast, cable, wireless cable (including without limitation MMDS and LMDS), telephone company, Internet streaming, and institutional markets, such as government, education, and private industry, any where in the world, excluding consumer device applications.

1.3 "CCC E4 MICROCODE" means the following microcode now or hereafter owned or Controlled by CCC for the E4 Component Product: [***] together with any and all Error Corrections, updates, upgrades, enhancements and new releases thereof that are developed during the term of this Agreement and owned or Controlled by CCC.

1.4 [***] means the following microcode now or hereafter owned or Controlled by CCC for the [***] together with any and all Error Corrections, updates, upgrades, enhancements and new releases thereof that are developed during the term of this Agreement and owned or Controlled by CCC.

1.5 "CCC E4 TOOLS" means the following software development tools relating to the E4 Component Product that are now or hereafter owned or Controlled by CCC: the E4 [***] including all documentation relation thereto, together with any and all Error Corrections, updates, upgrades, enhancements and new releases that are developed during the term of this Agreement and owned or Controlled by CCC.

1.6 [***] means the following software development tools relating to the [***] that are now or hereafter owned or Controlled by CCC: the [***] including all documentation relation thereto, together with any and all Error Corrections, updates, upgrades, enhancements and new releases thereof that are developed during the term of this Agreement and owned or Controlled by CCC.

1.7 "CCC LICENSED SOFTWARE" means the CCC E4 Microcode, the [***], the CCC E4 Tools, the [***] and the [***].

1.8 "COMPONENT PRODUCTS" means the E4 Component Product and, when fully developed and available for commercial sale hereunder, the [***].

1.9 "CONTROL" means, with reference to software or other technology not owned by a referenced Party, the right of such Party to grant rights and sublicenses with respect thereto to the other Party without violating any obligation owing by such Party to a third-Party; provided that, if a payment of royalties or other consideration to such third Party is required in connection with the exercise by such other Party of such rights, such software and other technology shall be deemed not to be Controlled by such Party unless such other Party agrees in writing to be responsible for all such royalties and consideration payable to such third Party.

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1.10 "DIVICOM" means the Divicom Division of CCC, as it existed prior to the Effective Time.

1.11 "E4 DOCUMENTATION" means all paper and electronic documents in the possession or under the control of CCC concerning E4 Component Product architecture, chip microcode interfaces, microcode tools, microcode tracks, and product roadmaps relating to the E4 Component Product.

1.12 [***] means all paper and electronic documents concerning the [***] architecture, hardware, and microcode that are useful in developing [***], including without limitation architectural specifications, user manuals, documentation of tools, and microcode roadmaps, but excluding without limitation [***].

1.13 "E4 COMPONENT PRODUCT" means CCC's E4 semiconductor component product, comprised of the following versions: DVxpert and DVxpert2.

1.14 [***] means [***] under development by CCC that represents the [***] and is generally referred to as [***], the current specifications of which are set forth in Exhibit B hereto.

1.15 "ENGINEERING CHANGES" means any change to any Component Product, including any related microcode, related production processes, or the composition of bill of materials or material sources which could affect the performance, reliability, safety, serviceability, appearance, dimensions, or tolerances thereof.

1.16 "ERROR" means failure of any microcode or other software to conform to the applicable then-current specification for such software.

1.17 "ERROR CORRECTION" means either a modification or addition that eliminates or works around an Error in microcode or other software so as to cause such software to comply with the then-current specification for such software.

1.18 "HHH E4 MICROCODE" means the microcode modules owned or Controlled by HHH relating to the E4 Component Product [***] together with any and all Error Corrections, updates, upgrades, enhancements and new releases thereof that are developed during the term of this Agreement and owned or Controlled by HHH.

1.19 [***] means the [***] now or hereafter owned or Controlled by HHH for use with the [***] for the purpose of [***] together with any and all Error Corrections, updates, upgrades,

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enhancements and new releases thereof that are developed during the term of this Agreement and owned or Controlled by HHH.

1.20 "HHH TOOLS" means the [***] of HHH, together with any and all Error Corrections, updates, upgrades, enhancements and new releases thereof that are developed during the term of this Agreement and owned or Controlled by HHH.

1.21 "HHH LICENSED SOFTWARE" means the HHH E4 Microcode, the [***], and the HHH Tools.

1.22 "INTELLECTUAL PROPERTY RIGHTS" means intellectual property rights arising from or in respect of the following, whether protected, created or arising under the laws of the United States or any other jurisdiction: (1) fictional business names, trade names, trademarks and service marks (whether registered or unregistered, including without limitation any applications for registration of any of the foregoing), logos, Internet domain names, trade dress rights and general intangibles of a like nature, together with the goodwill associated with any of the foregoing; (2) Patents; (3) copyrights and registrations and applications therefor and mask work rights; and (4) Trade Secrets.

1.23 "MAJOR ENGINEERING CHANGE" means an Engineering Change that, if made, will require HHH to redesign or reconfigure the system, component or other product into or with which such Component Product is being integrated or bundled.

1.24 [***], together with any and all Error Corrections, updates, upgrades, enhancements and new releases thereof that are developed during the term of this Agreement and owned or Controlled by CCC.

1.25 "MINOR ENGINEERING CHANGE" means an Engineering Change that is not a Major Engineering Change.

1.26 "OBJECT CODE" means computer programming code, substantially or entirely in binary form, which is intended to be directly executable by a computer after appropriate processing, but without the intervening steps of compilation or assembly.

1.27 "PATENTS" means all classes or types of patents, utility models and design patents (including without limitation, originals, divisionals, continuations, continuations-in-part, extensions, and reissues), and applications for these classes or types of patent rights in all countries of the world.

1.28 "PERSON" means an individual, corporation, partnership, association, limited liability company, trust, estate or other similar business entity or organization, including a governmental authority.

1.29 "SOURCE CODE" means computer instructions in human readable, non-executable format from which Object Code can be produced by

compilation, interpretation, and/or assembly, including without limitation build environments and development

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environments, programming annotations and commentary designed to explain the general intent and purpose of such instructions

1.30 "STANDARD COST" means the cost of a product calculated using Divicom's current method of determining cost.

1.31 "TRADE SECRETS" means know-how, inventions, discoveries, concepts, ideas, methods, processes, designs, formulae, technical data, drawings, specifications, data bases, and other proprietary and confidential information, including without limitation customer lists, in each case excluding any rights in respect of any of the foregoing comprise or are protected by copyrights, mask work rights, issued patents, or published patent applications.

Section 2

E4 Component Product and Development Tools

2.1 GRANT OF LICENSE TO HHH: Subject to the terms and conditions of this Agreement, CCC grants to HHH an irrevocable, perpetual, royalty-free, fully-paid, worldwide, non-exclusive license under CCC's Intellectual Property Rights:

a. to use, copy and modify and otherwise prepare derivative works based on (i) the CCC E4 Microcode in Source Code form and (ii) the [***] in Source Code form;

b. to use and copy the CCC E4 Tools [***] in Object Code form and to use, copy and modify and otherwise prepare derivative works based on the [***] in Source Code form;

c. to use, copy, publicly display, perform, distribute, sell, offer to sell and import the CCC E4 Microcode and any derivatives thereof, in Object Code form , subject to a requirement that such Object Code shall be sublicensed by HHH or its licensees to end user customers pursuant to an Authorized End-user Agreement;

d. to sublicense any of the rights granted above in subparagraph (c), as and to the extent necessary to permit any distributor, OEM, systems integrator or other third Party reseller to resell, integrate or other otherwise distribute any products in which any CCC E4 Microcode or derivatives thereof, in Object Code form, are embedded; and

e. to use, copy and modify and otherwise prepare derivative works based on the E4 Documentation.

2.2 GRANT OF LICENSE TO CCC: Subject to the terms and conditions of this Agreement, HHH grants to CCC an irrevocable, perpetual, royalty-free, fully-paid, worldwide, non-exclusive license under HHH's Intellectual Property Rights:

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a. to use, copy and modify and otherwise prepare derivative works based on the HHH E4 Microcode in Source Code form and the HHH Tools in Source Code form;

b. to use, copy, publicly display, perform, distribute, sell, offer to sell and import the HHH E4 Microcode, and any derivatives thereof, in Object Code form, subject to a requirement that such Object Code shall be sublicensed by CCC or its licensees to end user customers pursuant to an Authorized End-user Agreement; and

c. to sublicense any of the rights granted above in subparagraph (c), as and to the extent necessary to permit any distributor, OEM, systems integrator or other third Party reseller to resell, integrate or other otherwise distribute any products in which any HHH E4 Microcode, or derivatives thereof are embedded, in Object Code form.

2.3 RESTRICTIONS:

a. Notwithstanding any other provision of this Agreement, HHH and its licensees shall not distribute any CCC E4 Microcode in any form for use with any semiconductor component other than a Component Product.

b. Notwithstanding any other provision of this Agreement, (i) HHH shall not distribute or otherwise make available to any third party [***] in any form without the prior written consent of CCC, which consent shall not be unreasonably withheld; and (ii) CCC shall not distribute or otherwise make available to any third party any HHH Tool in any form without the prior written consent of HHH, which consent shall not be unreasonably withheld.

c. Notwithstanding any other provision of this Agreement, [***] (it being agreed and understood that an express restriction to the foregoing effect [***].

2.4 CONSULTATION: Subject to the terms and conditions of this Agreement, CCC shall give HHH reasonable ongoing access to CCC's development engineers for consultation on microcode development for the E4 Component Product by HHH and for consultation on

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in-progress future work by HHH relating to the E4 Component Product. Likewise, subject to the terms and conditions of this Agreement, HHH shall give CCC reasonable ongoing access to HHH's development engineers for consultation on microcode development for the E4 Component Product by CCC and for consultation on in-progress future work by CCC relating to the E4 Component Product.

2.5 OWNERSHIP OF DERIVATIVE WORKS: As between HHH and CCC, HHH shall own and retain all rights, including without limitation all Intellectual Property Rights, in and to all modifications and derivatives of the CCC Licensed Software made by or for HHH, subject to CCC's ownership of the CCC Licensed Software (including all Intellectual Property Rights therein). As between HHH and CCC, CCC shall own and retain all rights, including without limitation all Intellectual Property Rights, in and to all modifications and derivatives of the HHH Licensed Software made by or for CCC, subject to HHH's ownership of the HHH Licensed Software (including all Intellectual Property Rights therein).

2.6 BUG FIXES, ENHANCEMENTS, ETC.: Notwithstanding any other provision of this Agreement, but subject to the limited warranty obligations of CCC in Section 7.1.2 and HHH in Section 7.4.2, nothing herein obligates CCC or HHH to prepare or make any Error Corrections, updates, upgrades, enhancements and new releases with respect to any of the software licensed by such Party under Section 2.1 or 2.2, as the case may be (it

being agreed and acknowledged that such Party's obligation, subject to Sections 7.1.2 and 7.4.2, is limited to licensing any Error Corrections, updates, upgrades, enhancements and new releases that such Party, in its discretion, determines to make). Without limiting the generality of the foregoing, nothing shall obligate either Party to undertake additional efforts or otherwise assist the other Party with the integration of any such new updates, upgrades, enhancements and new releases of such Party with any software licensed by such Party that has been modified by the other Party.

2.7 CC E4 TOOLS: The Parties acknowledge and agree that certain of the CCC E4 Tools licensed by CCC under Section 2.2(b) [***]. The Parties agree to cooperate and use their respective best efforts to ensure that the license of such E4 Development Tools by CCC under Section 2.2(b) can be validly granted by CCC, [***], and with any additional license fee or expense that may be incurred in connection therewith minimized to the extent possible.

2.8 E4 DOCUMENTATION: Notwithstanding any other provision of this Agreement, HHH shall not be provided with online access to the E4 Documentation if CCC determines that to do so would create security and access issues; provided that, if and to the extent HHH is not given such online access, CCC shall be responsible for ensuring that HHH receives on a timely basis up-to-date versions of modified versions of any electronic documents that that are available online within CCC's internal computer network.

Section 3

*** Portions of this document have been omitted pursuant to a confidential treatment request filed with the Securities and Exchange Commission. Such portions have been provided separately to the Commission.

[***]

3.1 OWNERSHIP OF EXISTING MICROCODE: The Parties acknowledge and agree that Divicom and CCC jointly developed [***] microcode, including without limitation [***]. Subject to the terms and conditions of this Agreement, HHH and CCC hereby agree that, as between the Parties, [***], including without limitation all Intellectual Property Rights therein or thereto, and [***], including without limitation all Intellectual Property Rights therein or thereto.

3.2 GRANT OF LICENSE TO CCC: Subject to the terms and conditions of this Agreement, HHH grants to CCC a royalty-free, worldwide, non-exclusive license under HHH's Intellectual Property Rights:

a. to use, copy, publicly display, perform, distribute, sell, offer to sell and import the [***] in Object Code form, subject to a requirement that such Object Code shall be sublicensed by CCC or its licensees to end user customers pursuant to an Authorized End-user Agreement; and

b. to sublicense any of the rights granted above in subparagraph (a), as and to the extent necessary to permit any distributor, OEM, systems integrator or other third Party reseller to resell, integrate or other otherwise distribute any of products in which any [***], or derivatives thereof are embedded, in Object Code form.

3.3. RESTRICTIONS:

A Notwithstanding any other provision of this Agreement, in no event [***], which consent shall not be unreasonably withheld.

B. Notwithstanding any other provision of this Agreement, in no event [***], which consent shall not be unreasonably withheld.

C. CCC agrees and acknowledges that, notwithstanding any other provision of this Agreement, CCC shall not make available to

any third party the [***] developed jointly by HHH and JVC.

3.4 [***]

*** Portions of this document have been omitted pursuant to a confidential treatment request filed with the Securities and Exchange Commission. Such portions have been provided separately to the Commission.

3.5 CUSTOMER SUPPORT: CCC shall have sole responsibility for supporting all of its own customers with respect to [***].

3.6 BUG REPORTS; PROVISION OF BUG FIXES: CCC shall periodically provide HHH a report listing all reported bugs in the [***] and indicating whether those bugs have been fixed. CCC shall provide such a report at least once per yearly quarter. HHH shall periodically provide CCC a report listing all reported bugs in the [***] and the [***] and indicating whether those bugs have been fixed. HHH shall provide such a report at least once per yearly quarter. Notwithstanding the foregoing, nothing herein obligates CCC or HHH to prepare or make any bug fixes with respect to any [***].

3.7 DOCUMENTATION: CCC shall provide to HHH all relevant engineering and technical documents relating to the [***] and shall regularly update such documents in a timely fashion. HHH shall provide to CCC all relevant engineering and technical documents relating to the [***] and shall regularly update such documents in a timely fashion.

Section 4

The [***]

4.1 DEVELOPMENT OF [***]: CCC is currently developing the [***]. CCC shall use commercially reasonable efforts to continue and complete development of the [***] in accordance with the following schedule: [***]. In consideration of the development of the [***] by CCC hereunder, [***]. If CCC determines that it will be unable to meet the schedule set forth in Section 4.2 of this Agreement, CCC will promptly give written notice to HHH. CCC shall have no liability to HHH if such schedule is not met by CCC, so long as CCC shall have continued to exercise commercially reasonable efforts to meet such schedule prior to giving of such notice. CCC has the right to cease development of the [***] effective upon written notice to HHH (a "Development Discontinuation Notice") if CCC, in its sole discretion, determines for any reason not to continue and complete the development of the [***]. If for any reason CCC shall not have commenced volume production of the [***], HHH may elect to treat

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CCC as though CCC had given a Development Discontinuation Notice, and if HHH so elects, CCC will be deemed to have given a Development Discontinuation Notice on such date for purposes hereof.

4.2 DISCONTINUATION OF [***]: Effective upon CCC giving or being deemed to have given HHH a Development Discontinuation Notice (the occurrence of such event being referred to as the [***]), the restriction set forth in Section 4.5(a) shall no longer be applicable with respect to the [***] and CCC and HHH shall negotiate in good faith additional, [***] Intellectual Property Rights, all of which terms shall be set forth in a definitive license agreement that CCC and HHH shall use their respective good faith best efforts to negotiate and enter into promptly after the occurrence of an [***].

4.3 GRANT OF LICENSE TO HHH: Subject to the terms and conditions of this

Agreement, CCC grants to HHH an irrevocable, perpetual, royalty-free, fully-paid, worldwide, non-exclusive license under CCC's Intellectual Property Rights:

a. to use, copy and modify and otherwise prepare derivative works based on the [***] in Source Code form;

b. to use, copy, publicly display, perform, distribute, sell, offer to sell and import the [***] and any derivatives thereof, in Object Code form, subject to a requirement that such Object Code shall be sublicensed by HHH to its end user customers pursuant to an Authorized End-User Agreement;

c. to sublicense any of the rights granted above in subparagraph (b), as and to the extent necessary to permit any distributor, OEM, systems integrator or other third Party reseller to resell, integrate or other otherwise distribute any of products in which any [***], or derivatives thereof are embedded, in Object Code form; and

d. to use, copy and modify and otherwise prepare derivative works based on the [***].

4.4 GRANT OF LICENSE TO CCC: Subject to the terms and conditions of this Agreement, HHH grants to CCC an irrevocable, perpetual, royalty-free, fully-paid, worldwide, non-exclusive license under HHH's Intellectual Property Rights:

a. to use, copy and modify and otherwise prepare derivative works based on the [***] in Source Code form;

b. to use, copy, publicly display, perform, distribute, sell, offer to sell and import the [***], and any derivatives thereof, in Object Code form, subject to a requirement that such Object Code shall be sublicensed by CCC to its end user customers pursuant to an Authorized End-user Agreement; and

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c. to sublicense any of the rights granted above in subparagraph (b), as and to the extent necessary to permit any distributor, OEM, systems integrator or other third Party reseller to resell, integrate or other otherwise distribute any of products in which any [***], or derivatives thereof are embedded, in Object Code form.

4.5 RESTRICTIONS:

a. Notwithstanding any other provision of this Agreement, but subject to Section 4.2, HHH and its licensees shall not distribute any [***] in any form for use with any semiconductor component other than a Component Product.

b. Notwithstanding any other provision of this Agreement, [***] (it being agreed and understood that an express restriction to the foregoing effect [***].

4.6 ACCESS TO DEVELOPMENT MATERIALS: Subject to the terms and conditions of this Agreement, CCC shall give HHH full and ongoing access to the [***]; and give HHH reasonable ongoing access to CCC's development engineers for consultation on microcode development for the [***] by HHH and for consultation on in-progress work by HHH relating to the [***]. Subject to the terms and conditions of this Agreement, HHH shall give CCC full and ongoing access to the [***]; and give CCC reasonable ongoing access to HHH's development engineers for consultation on

microcode development for the [***] by CCC and for consultation on in-progress work by HHH relating to the [***].

4.7 OWNERSHIP OF DERIVATIVE WORKS: As between HHH and CCC, HHH shall own and retain all rights, including without limitation Intellectual Property Rights, in and to all modifications and derivatives of the [***] made by HHH, subject to CCC's ownership of the [***] (including all Intellectual Property Rights therein). As between HHH and CCC, CCC shall own and retain all rights, including without limitation Intellectual Property Rights, in and to all modifications and derivatives of the [***] made by CCC; subject to HHH's ownership of the [***] (including all Intellectual Property Rights therein).

4.8 UPDATES: CCC shall provide HHH with updates on the [***] and updates on the [***].

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4.9 [***]: HHH agrees that [***]. The one microcode track shall be mutually chosen by HHH and CCC at a later date. If [***], HHH shall provide a mutually agreeable substitute employee selected by HHH and CCC. HHH also [***]. The one microcode track shall be mutually chosen by HHH and CCC at a later date. In addition, HHH agrees to [***], HHH shall provide a mutually agreeable substitute employee selected by HHH and CCC.

4.10 RESTRICTION ON HIRING EMPLOYEES: CCC shall not solicit the employment of any employees of HHH who have worked directly with CCC in connection with the activities contemplated by this Agreement for a one year period following the last date on which the HHH employee so worked directly with CCC, except with HHH's express, written permission. HHH shall not solicit the employment of any employee of CCC who has worked directly with HHH in connection with the activities contemplated by this Agreement for a one year period following the last date on which the CCC employee so worked directly with HHH, except with CCC's express, written permission.

4.11 BUG FIXES, ENHANCEMENTS, ETC.: Notwithstanding any other provision of this Agreement, but subject to the limited warranty obligations of CCC in Section 7.1.2 and HHH in Section 7.4.2, nothing herein obligates CCC or HHH to prepare or make any Error Corrections, updates, upgrades, enhancements and new releases with respect to any of the software licensed by such Party under Section 4.3 or 4.4, as the case may be (it being agreed and acknowledged that such Party's obligation, subject to Sections 7.1.2 and 7.4.2, is limited to licensing any Error Corrections, updates, upgrades, enhancements and new releases that such Party, in its discretion, determines to make). Without limiting the generality of the foregoing, nothing shall obligate either Party to undertake additional efforts or otherwise assist the other Party with the integration of any such new updates, upgrades, enhancements and new releases of such Party with any software licensed by such Party that has been modified by the other Party.

4.12 [***]: Notwithstanding any other provision of this Agreement, HHH shall not be provided with online access to the [***] if CCC determines that to do so would create security and access issues; provided that, if and to the extent HHH is not given such online access, CCC shall be responsible for ensuring that HHH receives on a timely basis up-to-date versions of modified versions of any electronic documents that that are available online within CCC's internal computer network.

Section 5

Supply Agreement

*** Portions of this document have been omitted pursuant to a confidential treatment request filed with the Securities and Exchange Commission. Such portions have been provided separately to the Commission.

5.1 SUPPLY AND PURCHASE: Subject to the terms and conditions of this Agreement, HHH shall purchase from CCC, and CCC shall sell and deliver to HHH, Component Products in accordance with the terms of this Section 5.

5.2 PRICES AND TAXES: Except as set forth in Section 5.3, HHH shall pay the [***] for Component Parts. Quoted prices are valid for purchase orders placed within [***] unless a different time period is indicated in writing on a CCC quotation. If prices are based upon HHH's purchase of specified quantities or delivery dates for Component Products and HHH does not purchase Component Products in such quantities or changes delivery dates, CCC shall determine and HHH shall pay to CCC an appropriate per unit price adjustment. Taxes are not included in prices and will be invoiced, if applicable, as a separate item.

5.3 [***]: HHH shall pay the prices specified in Exhibit A for the Component Products; provided that in no event shall [***].

5.4 PAYMENT:

(a) HHH warrants to CCC that it is financially solvent on the date on which it places an order and expects to be solvent on the date of receipt of shipment.

(b) HHH shall pay all invoices per the terms stated on the invoice. CCC reserves the right to terminate or modify terms of credit payments when, in CCC's sole discretion, CCC believes that payment may be at risk.

(c) Interest shall accrue daily on sums not paid within [***] after the date of invoice at the lesser of a monthly rate of [***] or the [***].

5.5 DELIVERY AND SHIPMENT:

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(a) Delivery shall be Ex-works CCC's point of shipment. Title and risk of loss shall pass to HHH and Component Products shall be deemed accepted upon delivery to a common carrier at CCC's point of shipment, the carrier acting as HHH's agent. HHH shall pay all transportation and insurance charges. The HHH may specify a carrier acceptable to CCC (acceptance will not unreasonably be withheld). In the absence of specific instructions by HHH, the carrier will be selected by CCC.

(b) Any delivery dates provided by CCC to the HHH are best estimates only. CCC reserves the right to make deliveries in installments which shall not relieve HHH of its obligation to accept and pay for remaining deliveries.

(c) CCC reserves the right to make shipments at any time up to [***] days prior to the requested delivery date and HHH shall not reject tendered Component Products for the sole reason of such early delivery. Claims for shipment shortage shall be deemed waived unless presented to CCC in writing or by electronic transmission within [***] of delivery.

5.6 SOFTWARE LICENSE AND SOFTWARE OWNERSHIP: Subject to Sections 2.1, 2.5, 3.1, 4.3, and 4.7 of this Agreement, CCC shall retain all right, title

and ownership of any CCC Licensed Software provided to HHH or its end users.

5.7 NO OTHER LICENSE: The Component Products are offered for sale and are sold by CCC subject to the condition that such sale does not convey any license, expressly or by implication, to manufacture, reverse engineer, duplicate or otherwise copy or reproduce any of the Component Products or CCC Licensed Software without CCC's express written permission.

5.8 RESTRICTED USE: CCC's Component Products may produce a reduction or loss of data and therefore are not sold for use in medical equipment, avionics, nuclear application, or any other high risk applications where malfunctions or loss of data could directly or indirectly result in personal injury. HHH agrees not to allow the use of CCC's Component Products in such applications and HHH agrees to indemnify CCC and to hold CCC harmless against any liability to CCC arising out of HHH's breach of such agreement.

5.9 CANCELLATION AND RESCHEDULES:

(a) No cancellation or reschedule of any portion of an order is permitted within [***] of the scheduled shipment of that portion of the order.

(b) In the event that HHH cancels any order more than [***] but fewer than [***] prior to the scheduled delivery date for such order, HHH shall pay to CCC a restocking/cancellation fee equal to [***] of the purchase price for the Component Products subject to such order.

(c) Component Products that have been developed for or shippable to a single customer shall be considered custom products. "Single customer" shall include the customer and all its subsidiary or parent corporations, and any divisions of

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such entities. Custom Component Products may not be canceled or rescheduled within [***] of the scheduled shipment date.

(d) CCC shall not be liable for any delay or failure to perform due to any cause beyond its control. In the case of a delay for any reason whatsoever, the delivery schedule shall be considered extended by a period of time equal to the time lost. In the event CCC is unable to wholly or partially perform because of any cause beyond its control, CCC may terminate the order without liability to HHH.

(e) If HHH terminates individual orders in whole or in part because of CCC's failure to deliver, HHH's sole remedy shall be to cancel the undelivered quantity of any individual order.

5.10 GOVERNING TERMS: Nothing contained in a purchase order or form for acceptance, confirmation or acknowledgment of purchase orders shall in any way modify the terms of purchase set forth herein or add any additional terms or conditions, unless the Parties indicate in writing their mutual agreement and intent to modify the terms of this

5.11 ENGINEERING CHANGES BY CCC: If CCC makes any Major Engineering Change to any Component Product, it will give written notice thereof to HHH in which it will supply a written description of the expected effect of the Engineering Change on such Component Product. Any notice of a Major Engineering Change shall be deemed to be an EOL Notice with respect to such Component Product, with the effect that HHH shall have the end-of-life purchase rights granted in Section 5.15. CCC will use commercially reasonable efforts to give HHH prompt notice of any Minor Engineering Changes.

5.12 DELIVERY DATES: CCC will make commercially reasonable efforts to deliver in accordance with these dates. CCC will give written notice to HHH if CCC determines that constraints have arisen that it make it likely that delivery of a particular shipment of Component Products will be significantly delayed.

5.13 FIRST ARTICLE ACCEPTANCE: Upon receipt of the first shipment of any particular Component Product, HHH has [***] to inspect the shipment and accept it ("Inspection Period"). If no written notice is received by CCC within [***] of receipt of the first shipment, HHH will have indicated that they have accepted such Component Product as is, and confirmed delivery of future shipments for the Component Products as is, and that the Component Products have passed the first article acceptance. During the Inspection Period, HHH will notify CCC in writing of any product deficiencies it finds. CCC will then promptly correct the Component Product deficiencies so identified by HHH. If CCC has not corrected the Component Product deficiencies within [***] after first notice to it by HHH, HHH may return such Component Product(s) (or portion thereof). CCC will promptly refund HHH all amounts paid for such Component Products.

5.14 COMPONENT PRODUCT SHORTAGES: Subject to compliance with applicable laws, in the event of Component Product shortages, for any reason whatsoever, CCC shall use

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commercially reasonable efforts to meet all of HHH's requirements for Component Products.

5.15 DISCONTINUATION OF COMPONENT PRODUCT: In the event that CCC determines to discontinue any Component Product, CCC shall give written notice of such determination to HHH (an "EOL Notice") and offer at such time to HHH an end-of-life right to purchase (the "EOL Purchase Right") such discontinued Component Product (a "Discontinued Component Product") on the following terms and conditions of this Section 5.15. The EOL Purchase Right shall consist of the right of HHH to order over a period of up to [***] from the date of the EOL Notice (the "EOL Period"), for delivery up to [***] from the date of order, such additional quantity of Discontinued Component Products as HHH may desire to purchase.

5.16 [***]: CCC agrees that [***] in such reasonable quantities as HHH may request and at reasonable and customary prices. [***].

5.17 [***]: HHH agrees that [***].

Section 6

Term and Termination

6.1 TERM: The term of this Agreement shall be five (5) years beginning on the Effective Date, which term shall be automatically renewed at the end of such initial term on the anniversary date of the Effective Date for additional one (1) year renewal terms, unless terminated by either Party in writing at least ninety days (90) before the end of the initial term or any renewal date.

6.2 TERMINATION: CCC may terminate this Agreement if HHH fails to pay for any Component Products in accordance with the terms of this Agreement, or if HHH fails to comply with any material term or condition of this Agreement, in either case within [***] of written notice of such failure from CCC unless such failure is cured within such [***] period or, if such failure is not reasonably curable within such period and does not involve a failure to pay for any Component Products, HHH is using diligent efforts to cure such failure; provided that CCC in any event may terminate this Agreement if for any reason any such curable failure to comply has not been cured within [***] of such written

notice of failure. Additionally, CCC may terminate this Agreement for cause immediately if HHH (a) files or has filed against it a petition in bankruptcy, (b) has a receiver appointed to handle its assets or affairs, or (c) makes or attempts to make an assignment for benefit of creditors. HHH may terminate this Agreement if CCC fails to comply with any material term or condition of this Agreement within [***] of written notice of such failure from HHH unless such failure is

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cured within such [***] period or, if not reasonably curable within such period, CCC is using diligent efforts to cure such failure; provided that HHH in any event may terminate this Agreement if for any reason any such curable failure to comply has not been cured within [***] of such written notice of failure. Either Party's rights to terminate are in addition to any other rights that Party may have.

6.3 EFFECT OF TERMINATION OR EXPIRATION: Regardless of termination or expiration of this Agreement, HHH shall pay for all Component Products delivered or shipped and other then pending non-cancelable orders in accordance with Exhibit A and any other amounts due hereunder.

Section 7
Warranties and Indemnification

7.1 WARRANTIES BY CCC:

7.1.1 Intellectual Property Rights. CCC represents and warrants that it has the corporate power and authority required to enter into this Agreement and perform its obligations hereunder and that, to its knowledge, no claims, actions or proceedings have been brought alleging that the E4 Component Product nor any technology to be incorporated in the E4 Component Product, including without limitation CCC E4 Microcode, infringe any third party copyright or patent or incorporates any misappropriated trade secrets of any third party.

7.1.2 Performance of CCC Microcode. Effective upon delivery of CCC [***] or [***] to HHH that has been commercially released by CCC in production form, and for a period of [***], or in the case of the CCC E4 Microcode, the CCC E4 Tools and the [***] from the Effective Date (such [***] being referred to as the CCC Software Warranty Period), CCC warrants that such CCC Licensed Software will perform substantially in accordance with the published specifications in effect at the time of shipment to HHH and will be free of any virus, worm or other malicious code or any time limiting codes, authorization strings, timers, lockouts or other means of disabling the use thereof (collectively, "Disabling or Contaminated Code"). During the CCC Software Warranty Period, CCC shall, upon written request of HHH, make reasonable efforts to correct any reproducible Errors in the such CCC Licensed Software which cause it not to perform substantially in accordance with its specifications and documentation and to eliminate any Disabling or Contaminated Code.

7.1.3 PERFORMANCE OF COMPONENT PRODUCTS

(a) CCC warrants to HHH that the Component Products (other than microcode) will be free from defects in materials and workmanship and will comply with the applicable CCC specifications in effect at the time of shipment to HHH in all material respects for a period of [***] from shipment (the "Warranty Period"), and that any associated microcode will substantially conform during the

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Warranty Period to the applicable CCC specifications in effect at the time of shipment to HHH. This limited warranty does not cover the results of accidents, abuse, neglect, improper testing, vandalism, acts of God, use contrary to specifications or instructions, or repair or modification by anyone other than CCC or CCC's authorized agents. CCC SHALL HAVE NO OBLIGATION UNDER THIS WARRANTY AND MAKES NO REPRESENTATION AS TO PRODUCTS WHICH HAVE BEEN MODIFIED BY HHH OR HHH'S CUSTOMERS.

(b) If the Component Product does not conform to the foregoing warranties, HHH may, at its own risk and expense, return the allegedly defective Component Product directly to CCC during the Warranty Period. HHH must first notify CCC in writing of the alleged defect and request a return material authorization ("RMA") number. Returned materials shall comply with CCC's RMA policy, a copy of which is available to HHH upon request. Within [***] of its receipt of the RMA number, HHH may ship the allegedly defective Component Product directly to CCC, and shall include a notation of the RMA number, sufficient information to identify the original purchase order and a brief statement explaining the alleged defect. Any Component Products returned to CCC without an authorized RMA number may be returned to HHH, freight collect. Upon receipt of the Component Product, CCC, at its option, will repair or replace the Component Product and ship the repaired or replaced Component Product to HHH at CCC's expense and risk, or refund the purchase price. If CCC determines that any returned Component Product fully conforms to the applicable specifications for that Component Product, CCC will return the Component Product to HHH at HHH's expense and risk, along with a written statement setting forth the basis for CCC's conclusion that the returned Component Product was not defective, and HHH agrees to pay CCC's reasonable costs of handling and testing. The right to return Component Products is extended only to HHH, and CCC will not accept returns directly from HHH's customers or users of HHH's products. The right to return Component Products shall not apply to any modified Component Products.

7.1.4 Exceptions. The provisions of this Section 7.1 shall not apply to any Error or defect CCC reasonably substantiates was caused by (a) any modifications to the CCC Licensed Software or Component Product made by HHH; (b) operation of the CCC Licensed Software or Component Product with any software, hardware or other equipment not provided by CCC; or (c) misuse of the CCC Licensed Software or Component Product.

7.1.5 Disclaimer of Warranties. EXCEPT AS EXPRESSLY PROVIDED IN THIS SECTION 7.1, THE CCC LICENSED SOFTWARE AND COMPONENT PRODUCTS ARE BEING PROVIDED "AS IS" AND CCC MAKES NO, AND CCC EXPRESSLY DISCLAIMS ALL, OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT WITH REGARD TO ANY SOFTWARE, PRODUCT,

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SERVICE OR RELATED MATERIALS PROVIDED UNDER THIS AGREEMENT.

7.2 INDEMNIFICATION: Except as expressly limited below, CCC agrees to indemnify HHH, hold HHH harmless, and defend HHH and its officers,

directors, agents, and employees, at CCC's expense, from any and all third party claims resulting from any alleged infringement of patents or copyrights, or the misuse of third party trade secrets by the CCC Licensed Software or Component provided under this Agreement and used with in the scope of this Agreement, provided HHH gives CCC prompt notice of any such claims and authorizes CCC to settle or defend such claims and assists CCC in so doing (at CCC's expense) upon request by CCC. Should HHH be enjoined from selling or using the CCC Licensed Software as a result of such claim, CCC will use best efforts to either, at its sole option, (1) procure for HHH the right to use or sell the CCC Licensed Software; (2) modify the CCC Licensed Software so that it becomes non-infringing, while continuing to meet the applicable published specifications in effect at the time of shipment; or (3) upon return of the CCC Licensed Software to CCC, provide to HHH a non-infringing substitute meeting the functional specifications of the CCC Licensed Software. Should HHH be enjoined from selling or using the any Component Product as a result of such claim, CCC will, at its sole option, either (1) procure for HHH the right to use or sell the Component Product; (2) modify the Component Product so that it becomes non-infringing, while continuing to meet the applicable published specifications in effect at the time of shipment; (3) upon return of the Component Product to CCC, provide to HHH a non-infringing substitute meeting the functional specifications of the Component Product; or (4) authorize the return of the Component Product to CCC and, upon receipt thereof, return to HHH the cost of the Component Product.

THIS INDEMNITY SHALL NOT COVER ANY CLAIM:

(i) for patent infringement based upon any combination of the CCC Licensed Software or any Component Product with any other product or products, whether or not supplied by CCC;

(ii) for infringement of any proprietary rights arising in whole or in part from changes made to the CCC Licensed Software or Component Product by HHH or from any aspect of the CCC Licensed Software or Component Product that was designed by or requested by HHH on a custom basis;

(iii) against HHH, or any claim against CCC by HHH, where (1) the use of a Component Product is not a use specified for the Component Product in CCC's documentation and (2) such claim is based upon contributory infringement or inducement of infringement either by HHH or by CCC; and

(iv) for the infringement of any proprietary rights of a third party arising out of CCC's compliance with any technical or commercial standards adopted by international organizations or consortia such as the International Standards Organization, the International Electrotechnical Commission, the International Telecommunications Union, or any other industry standards, some of which are proprietary to third

parties, including, without limitation, JPEG, MPEG, VIDEO CD, DVD, Dolby, DTS, Macrovision, and/or H.261. HHH shall be solely responsible for obtaining all necessary licenses under such proprietary rights.

HHH shall indemnify CCC and shall hold CCC harmless from and defend CCC against any claims of infringement against CCC of the kind enumerated in Sections 7(a) (i) and (ii) above. HHH shall pay all costs including attorneys' fees and damages finally awarded in any suit asserting any such claim provided that: (1) HHH is notified promptly in writing by CCC of the claim or suit and (2) at HHH's request, HHH is given control of the suit and CCC provides all requested reasonable assistance (at HHH's expense).

7.3 REMEDIES: The provision of corrections or replacements by CCC pursuant to Sections 7.1.2 and 7.1.3 of this Agreement shall be HHH's sole and exclusive remedy with respect to any breach of the warranty set forth in Section 7.1.2 or 7.1.3.

7.4 WARRANTIES AND REPRESENTATIONS BY HHH:

7.4.1 Intellectual Property Rights. HHH represents and warrants that it has the corporate power and authority required to enter into this Agreement and perform its obligations hereunder and that, to its knowledge, no claims, actions or proceedings have been brought alleging that the HHH E4 Microcode infringes any third party copyright or patent or incorporates any misappropriated trade secrets of any third party.

7.4.2 Performance of HHH Microcode. For a period of [***] after the Effective Date (the HHH Warranty Period"), HHH warrants that HHH Licensed Software that has been generally released in production form will perform substantially in accordance with the published specifications in effect on the Effective Date and will be free of any Disabling or Contaminated Code. During the HHH Warranty Period, HHH shall, upon written request of CCC, make reasonable efforts to correct any reproducible Errors in the such HHH Licensed Software which cause it not to perform substantially in accordance with its specifications or eliminate the Disabling or Contaminated Code.

7.4.3 Exceptions. The provisions of this Section 7.4 shall not apply to any Error or defect HHH reasonably demonstrates was caused by (a) any modifications to the HHH Licensed Software made by CCC; (b) operation of the HHH Licensed Software with any software, hardware or other equipment not provided by HHH; or (c) misuse of the HHH Licensed Software.

7.4.4 Disclaimer of Warranties. EXCEPT AS EXPRESSLY PROVIDED IN THIS SECTION 7.4, THE HHH LICENSED SOFTWARE IS BEING PROVIDED "AS IS" AND HHH MAKES NO, AND HHH HEREBY DISCLAIMS ALL, OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT WITH REGARD TO

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ANY SOFTWARE, PRODUCT, SERVICE OR RELATED MATERIALS PROVIDED UNDER THIS AGREEMENT.

7.5 INDEMNIFICATION: Except as expressly limited below, HHH agrees to indemnify CCC, hold CCC harmless, and defend CCC and its officers, directors, agents, and employees, at HHH's expense, from any and all third party claims resulting from any alleged infringement of patents or copyrights, or the misuse of third party trade secrets by the HHH Licensed Software provided under this Agreement and used with in the scope of this Agreement, provided CCC gives HHH prompt notice of any such claims and authorizes HHH to settle or defend such claims and assists HHH in so doing (at HHH's expense) upon request by HHH. Should CCC be enjoined from selling or using the HHH Licensed Software as a result of such claim, HHH will use reasonable efforts to either, at its sole option, (1) procure for CCC the right to use or sell the HHH Licensed Software; (2) modify the HHH Licensed Software so that it becomes non-infringing; or (3) upon return of the HHH Licensed Software to HHH, provide to CCC a non-infringing substitute meeting the functional specifications of the HHH Licensed Software.

THIS INDEMNITY SHALL NOT COVER ANY CLAIM:

(i) for patent infringement based upon any combination of the HHH Licensed Software with any other product or products, whether or not supplied by HHH;

(ii) for infringement of any proprietary rights arising in whole or in part from changes made to the HHH Licensed Software by CCC or from any aspect of the HHH Licensed Software that was designed by or requested by CCC on a custom basis;

(iii) against CCC, or any claim against HHH by CCC, where such claim is based upon contributory infringement or inducement of infringement either by CCC or by HHH;

(iv) for patent infringement claims against CCC brought by a third party as a counterclaim in a litigation first instigated by CCC against the third party; and

(v) for the infringement of any proprietary rights of a third party arising out of HHH's compliance with any technical or commercial standards adopted by international organizations or consortia such as the International Standards Organization, the International Electrotechnical Commission, the International Telecommunications Union, or any other industry standards, some of which are proprietary to third parties, including, without limitation, JPEG, MPEG, VIDEO CD, DVD, Dolby, DTS, Macrovision, and/or H.261. CCC shall be solely responsible for obtaining all necessary licenses under such proprietary rights.

CCC shall indemnify HHH and shall hold HHH harmless from and defend HHH against any claims of infringement against HHH of the kind enumerated in Sections 7(a) (i) and (ii) above. HHH shall pay all costs including attorneys' fees and damages finally awarded in any suit asserting any such claim provided that: (1) CCC is notified promptly in writing by HHH of the claim or suit and (2) at CCC's request, CCC is given control of the suit and HHH provides all requested reasonable assistance (at CCC's expense).

7.6 REMEDIES: The provision of corrections or replacements by HHH pursuant to Sections 7.4.2 shall be CCC's sole and exclusive remedy with respect to any breach of the warranty set forth in Section 7.4.2.

7.7 LIMITATION OF LIABILITY: LIABILITY ARISING UNDER THIS AGREEMENT OTHER THAN FOR BREACH OF ANY OF THE CONFIDENTIALITY OBLIGATIONS OF SECTION 8 SHALL BE LIMITED TO DIRECT, OBJECTIVELY MEASURABLE DAMAGES AND NO PARTY SHALL HAVE ANY LIABILITY FOR ANY INDIRECT OR SPECULATIVE DAMAGES (INCLUDING, WITHOUT LIMITING THE FOREGOING, CONSEQUENTIAL, INCIDENTAL AND SPECIAL DAMAGES), INCLUDING, BUT NOT LIMITED TO, LOSS OF USE, BUSINESS INTERRUPTIONS, AND LOSS OF PROFITS, IRRESPECTIVE OF WHETHER THE PARTY HAS ADVANCE NOTICE OF THE POSSIBILITY OF ANY SUCH DAMAGES. NOTWITHSTANDING THE FOREGOING, THE TOTAL LIABILITY OF EITHER PARTY TO THE OTHER WITH RESPECT TO ANY CLAIM ASSERTED AGAINST SUCH PARTY BY THE OTHER PARTY UNDER THIS AGREEMENT, EXCLUDING (i) HHH'S LIABILITY TO CCC FOR PAYMENT OF THE PURCHASE PRICE OF ANY COMPONENT PRODUCTS PURCHASED BY HHH HEREUNDER, (ii) ANY LIABILITY OF EITHER PARTY FOR BREACH OF ANY OF THE CONFIDENTIALITY OBLIGATIONS OF SECTION 8 AND (iii) ANY INDEMNIFICATION LIABILITY OF A PARTY UNDER SECTION 7.2, 7.5 OR 7.8, SHALL NOT EXCEED THE AGGREGATE AMOUNT HAVING ACTUALLY BEEN PAID BY HHH TO CCC UNDER SECTION 5 OF THIS AGREEMENT FOR THE PRODUCTS TO WHICH THE CLAIM RELATES. THE PARTIES ACKNOWLEDGE THAT THESE LIMITATIONS ON POTENTIAL LIABILITIES WERE AN ESSENTIAL ELEMENT IN SETTING CONSIDERATION UNDER THIS AGREEMENT.

7.8 COMPONENT PRODUCT LIABILITY:

7.8.1 Indemnification by HHH. In the event that CCC is named in a personal injury or product liability suit arising out of use of the Component Products by HHH under this Agreement, HHH will defend or settle such suit to the extent the claims asserted in such suit arise from (a) CCC's compliance with HHH's designs, specifications, or instruction, (b) modification of the Component Products by a Party other than CCC after delivery by CCC made without the prior written consent of CCC, or (c) the use of the Component Products, or any part thereof, in combination with any other product. In addition, HHH will pay all damages and costs finally awarded against CCC in any such suit, but HHH will not be responsible for any costs, expenses, or compromise incurred or made by CCC without HHH's prior written consent, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, in no

event will HHH have any responsibility under this Section 7.8.1 in respect of claims that are proximately caused by the willful misconduct or gross negligence of CCC.

7.8.2 Indemnification by CCC. In the event that HHH is named in a personal injury or product liability suit arising out of use of the Component Products furnished by

CCC under this Agreement standing alone and not in combination with any HHH Component Product or other product, and such suit is not a suit as to which HHH is obligated to defend and indemnify CCC pursuant to Section 7.8.1, CCC will defend or settle such suit and will pay all damages and costs finally awarded against HHH in such suit, but CCC will not be responsible for any costs, expenses, or compromise incurred or made by HHH without CCC's prior written consent, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, in no event will CCC have any responsibility under this Section 7.8.2 in respect of claims that are proximately caused by the willful misconduct or gross negligence of HHH.

Section 8

Confidentiality

8.1 CONFIDENTIALLY OBLIGATIONS: Either party (the "Disclosing Party") may from time to time disclose Confidential Information to the other party (the "Recipient"). "Confidential Information" is all nonpublic information concerning the business, technology, internal structure and strategies of the Disclosing Party which is conveyed to the Recipient orally or in tangible form and is either marked as "confidential" or which do due to the circumstances surrounding its disclosure, such information would be reasonably construed as "confidential". During the term of this Agreement and for a period of [***] thereafter, Recipient will keep in confidence and trust and will not disclose or disseminate, or permit any employee, agent or other person working under Recipient's direction to disclose or disseminate, the existence, source, content or substance of any Confidential Information to any other person. Recipient shall use Confidential Information of the Disclosing Party only as necessary for the performance of this Agreement. Recipient will employ at least the same methods and degree of care, but no less than a reasonable degree of care, to prevent disclosure of the Confidential Information as Recipient employs with respect to its own confidential trade secrets and proprietary information. Recipient's employees and independent contractors will be given access to the Confidential Information only on a need-to-know basis, and only if they have executed a form of non-disclosure agreement with Recipient which imposes a duty to maintain the confidentiality of information identified or described as confidential by Recipient and after Recipient has expressly informed them of the confidential nature of the Confidential Information.

8.2 PERMITTED DISCLOSURES. The commitments in this Article 8 will not impose any obligations on Recipient with respect to any portion of the received information which: (i) is now generally known or available or which, hereafter through no act or failure to act on the part of Recipient, becomes generally known or available; (ii) is rightfully known to Recipient at the time of receiving such information; (iii) is furnished to Recipient by a third party without restriction on disclosure and without Recipient having actual notice or reason to know that the third party lacks authority to so furnish the information; (iv) is independently developed by Recipient or is of general application which may be retained in the unaided memory of an individual; or (v) is required to be disclosed by operation of

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law or by an instrumentality of the government, including but not limited to any court, tribunal or administrative agency.

8.3 CONFIDENTIALITY OF AGREEMENT: The existence, terms, and conditions of this Agreement are confidential and neither Party may make any disclosures regarding this Agreement without the express prior written consent of the other, with the following exceptions:

a. subject to Section 8.4 below, as otherwise may be required by law or legal process, to legal and financial advisors in their capacity of advising a Party in such matters; or

b. in confidence to its legal counsel, accountants, banks and financing sources and their advisors solely in connection with complying with financial transactions.

8.4 COMPELLED DISCLOSURE: In the event that any Party hereto receives a request to disclose all or any part of any confidential information under the terms of a subpoena, order, civil investigative demand or similar process issued by a court of competent jurisdiction or by another Governmental Authority, such Party agrees to: (i) promptly notify the Party to whom such confidential information relates of the existence, terms and circumstances surrounding such request, (ii) consult with such Party to whom the information relates on the advisability of taking legally available steps to resist or narrow such request and (iii) if disclosure of such information is required, furnish only that portion of the confidential information that, in the opinion of counsel to the Party who has received the request, such Party is legally compelled to disclose and advise the Party to whom such confidential information relates as far in advance of such disclosure as possible so that such Party to whom the confidential information relates may seek an appropriate protective order or other reliable assurance that confidential treatment will be accorded such confidential information. In any event, the Party who receives the request shall not oppose actions by the Party to whom the confidential information relates to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded such confidential information.

8.5 THIRD-PARTY DISCLOSURE: Each Party agrees that, to the extent it is permitted to disclose Confidential Information to a Third-party or Affiliate (other than a Party), it shall do so pursuant to a written non-disclosure agreement containing terms at least as protective of Confidential Information as those set forth in this Agreement.

8.6 REMEDIES: Unauthorized use by a Receiving Party of the Disclosing Party's Confidential Information will result in irreparable harm to the Disclosing Party. Therefore, if a Party breaches any of its obligations with respect to confidentiality and unauthorized use of Confidential Information hereunder, the Disclosing Party, in addition to any rights and remedies it may have, shall be entitled to seek equitable, including injunctive, relief to protect its Confidential Information.

Section 9

Miscellaneous Terms

9.1 CONFLICTS: In the event of a conflict between this Agreement and any other document related to the subject matter of this Agreement, or the body of this Agreement and any of the Exhibits to this Agreement, the terms of this Agreement, or the body of this Agreement as the case may be, shall govern.

9.2 FORCE MAJEURE: No Party will be liable for any failure to perform due to unforeseen circumstances or causes beyond its reasonable control, including, but not limited to, acts of God, war, riot, embargoes, acts of civil or military authorities, fire, flood, accident or strikes. In

the event of force majeure, time for delivery or other performance will be extended for a period equal to the duration of the delay caused thereby.

9.3 EXPORT: No Party shall export, either directly or indirectly, any Component Products or system incorporating such Component Products, in whole or in part, without first obtaining any required license or other approval from the U. S. Department of Commerce or any other agency or department of the United States Government. In the event any Component Products are exported from the United States or re-exported from a foreign destination by HHH, its distributors or end users, HHH shall ensure that the distribution and export/re-export of the Component Product is in compliance with all laws, regulations, orders, or other restrictions of the U.S. Export Administration Regulations. HHH agrees that neither it nor any of its subsidiaries will export/re-export any technical data, process, product, or service, directly or indirectly, to any country for which the United States government or any agency thereof requires an export license, other governmental approval, or letter of assurance, without first obtaining such license, approval or letter.

9.4 NOTICES: Any notice required or permitted to be given under this Agreement shall be effective if it is in writing and sent by certified or registered mail, return receipt requested, to the appropriate Party hereto at the address set forth below and appropriate postage affixed. A Party may change its address for receipt of notice by notice to the other Party in accordance with this Section.

Notices shall be deemed given on the date of mailing and the date of notice shall be the date of mailing.

If to the CCC, to:

C-Cube Microsystems Inc.
1778 McCarthy Blvd.
Milpitas, California 95035
Fax: 408-490-8402
Attention: President

with a copy to:

Wilson Sonsini Goodrich & Rosati

26

650 Page Mill Road
Palo Alto, California 94304
Fax: (650) 493-6811
Attention: Larry Sonsini, Esq.
Steve Camahort, Esq.

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If to HHH, to:

Harmonic Inc.
549 Baltic Way
Sunnyvale, California 94083
Fax: 408-542-2561
Attention: President

with a copy to:

Gibson, Dunn & Crutcher LLP
One Montgomery Street
San Francisco, California 94104
Fax: (415) 986-5309
Attention: William Hudson, Esq.

9.5 SURVIVAL: The following provisions shall survive any expiration or termination of this Agreement: 2.1, 2.2, 2.3, 2.5, 3.1, 3.2, 3.3,

3.4,3.5, 4.3, 4.4, 4.5, 4.7, 6.3, 7.2, 7.3, 7.5, 7.6, 7.7, 7.8, 8.1-8.6 and 9.1-9.17.

9.6 ASSIGNMENT:

a. This Agreement and any licenses granted herein are not assignable by HHH, in whole or in part, without the prior written consent of CCC except to any wholly-owned subsidiary of HHH or in connection with a merger or other change of control of HHH or a sale of all of substantially all of the assets of HHH and except as provided in Section 9.6(c); provided that any such permitted assignee shall agree in writing to be bound by all of the terms and conditions hereof. Any such purported assignment or transfer in violation of the foregoing requirements of this Section 9.6(a) shall be deemed a breach of this Agreement and shall be null and void. Notwithstanding the foregoing, if HHH merges with another entity or a change of control of HHH otherwise occurs during the term of this Agreement, (i) any Person with which HHH so merges or that otherwise acquires control of HHH (an "HHH Acquiring Party") shall agree in writing to be bound by the provisions of Section 8 hereof; and (ii) the licenses granted by CCC of CCC Licensed Software thereafter shall be exercised only with respect to products of HHH then commercially released or under development by HHH, and any successor or replacement products, but not any products theretofore commercially released by the HHH Acquiring Party.

b. This Agreement and any licenses granted herein are not assignable by CCC, in whole or in part, without the prior written consent of HHH except to any wholly-owned subsidiary or to the successor of the CCC Semiconductor Business pursuant to the disposition thereof pursuant to the Merger Agreement (the "Semiconductor Business Successor") or in connection with a merger or other change of control of such successor or a sale of all of substantially all of the assets of the Semiconductor Business; provided that any such permitted assignee shall

agree in writing to be bound by all of the terms and conditions hereof. Any such purported assignment or transfer in violation of the foregoing requirements of this Section 9.6(b) shall be deemed a breach of this Agreement and shall be null and void. Notwithstanding the foregoing, if the Semiconductor Business Successor merges with another entity or a change of control of the Semiconductor Business Successor otherwise occurs during the term of this Agreement, (i) any Person with which the Semiconductor Business Successor so merges or that otherwise acquires control of the Semiconductor Business Successor (an "SBS Acquiring Party") shall agree in writing to be bound by the provisions of Section 8 hereof; and (ii) the licenses granted by HHH of HHH Licensed Software thereafter shall be exercised only with respect to products of the Semiconductor Business Successor then commercially released or under development by Semiconductor Business Successor, and any successor or replacement products, but not any products theretofore commercially released by the SBS Acquiring Party.

c. Notwithstanding the foregoing, CCC agrees and acknowledges that HHH may designate to up to [***] different subcontract manufacturers of HHH products (each a "Designated HHH Subcontractor") HHH's rights and benefits under this Agreement with respect to the purchase of Semiconductor Products and the licensing of CCC E4 Microcode or CCC [***] in object code from CCC in connection therewith, and CCC agrees to sell Component Products and license such CCC Licensed Software to each such Designated HHH Subcontractor as though such Designated HHH Subcontractor on all the same terms and conditions as would be applicable if such Component Products were sold and such CCC Licensed Software were licensed to HHH pursuant to the terms and conditions hereof (it being agreed and acknowledged that

each such Designated HHH Subcontractor shall agree to be bound by the terms and conditions hereof applicable thereto and shall be liable directly to CCC for the performance of any obligations of such Designated HHH Subcontractor related to the purchase of Component Products and licensing such CCC Licensed Software by such Designated HHH Subcontractor); provided that such Component Products and CCC Licensed Software shall be used and exploited by such Designated HHH Subcontractor only in connection with Harmonic products and such Designated HHH Subcontractor shall be prohibited from using any such CCC Licensed Software with any semiconductor component other than a Component Product.

9.7 RELATIONSHIP BETWEEN THE PARTIES: In all matters relating to this Agreement, HHH and CCC shall act as independent contractors. Neither Party will represent that it has any authority to assume or create any obligation, expressed or implied, on behalf of the other Party, or to represent the other Party as agent, employee, or in any other capacity. Neither Party shall have any obligation, expressed or implied, except as expressly set forth herein.

9.8 INTERPRETATION: This Agreement, including any exhibits, addenda, schedules, and amendments, has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with in this Agreement. Each Party has been represented by experienced and knowledgeable legal counsel. Accordingly, any rule of

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law or legal decision that would require interpretation of any ambiguities in this Agreement against the Party that has drafted it is not applicable and is waived.

9.9 ENTIRE AGREEMENT: This Agreement sets forth the entire Agreement between the Parties and supersedes prior and contemporaneous proposals, agreements, and representations between them, whether written or oral, relating to the subject matter contained herein. This Agreement may be changed only if agreed to in writing and signed by an authorized signatory of each Party.

9.10 REMEDIES: All rights and remedies, whether conferred hereunder or by any other instrument or law, will be cumulative and may be exercised singularly or concurrently. The failure of any Party to enforce any of the provisions hereof shall not be construed to be a waiver of the right of such Party thereafter to enforce such provisions.

9.11 SEVERABILITY: The terms and conditions stated herein are declared to be severable. If any provision or provisions of this Agreement, or the application thereof to any Person, place or circumstance, shall be held by a court of competent jurisdiction to be invalid, unenforceable or void, the remainder of this Agreement and such provisions as applied to other Persons, places and circumstances shall remain in full force and effect.

9.12 COUNTERPARTS: This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

9.13 INJUNCTIVE RELIEF: The Parties agree that preliminary injunctive or other equitable relief may be a necessary and proper remedy in the event of a breach of this Agreement in violation of either Party's Intellectual Property rights. The Parties further agree that in the event such equitable relief is granted in the United States, they will not object to courts in other jurisdictions granting provisional remedies enforcing such U.S. judgments.

9.14 TAX: HHH is responsible for all taxes on transactions between CCC and HHH under this Agreement other than taxes based on CCC's income. All payments shall be made free and clear without deduction for any and all

present and future taxes imposed by any taxing authority. In the event that HHH is prohibited by law from making such payments unless such deductions are made or withheld therefrom, then HHH shall pay such additional amounts as are necessary in order that the net amounts received by CCC, after such deduction or withholding, equal the amounts which would have been received if such deduction or withholding had not occurred. HHH shall promptly furnish CCC with a copy of an official tax receipt or other appropriate evidence of any taxes imposed on payments made under this Agreement, including taxes on any additional amounts paid. In cases other than taxes referred to above, including but not limited to sales and use taxes, stamp taxes, value added taxes, property taxes, and other taxes or duties imposed by any taxing authority on or with respect to this Agreement, the costs of such taxes or duties shall be borne by HHH. In the event that such taxes or duties are legally imposed initially on CCC or CCC is later assessed by any taxing authority, then CCC will be promptly reimbursed by HHH for such taxes or duties plus any interest and penalties suffered by CCC. This clause shall survive the termination of the Agreement.

9.15 GOVERNING LAW: Any claims arising under or relating to this Agreement shall be governed by the internal substantive laws of the State of Delaware or federal courts located in Delaware, without regard to principles of choice or conflict of laws.

9.16 JURISDICTION; WAIVER OF JURY TRIAL:

(a) The Parties irrevocably submit to the jurisdiction of the courts of the State of Delaware and the Federal courts of the United States of America located in the State of Delaware solely in respect of the interpretation and enforcement of the provisions of this Agreement and of the documents referred to in this Agreement, and in respect of the transactions contemplated hereby, and hereby waive, and agree not to assert, as a defense in any Proceeding for the interpretation or enforcement hereof or of any such document, that it is not subject thereto or that such Proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement or any such document may not be enforced in or by such courts, and the Parties irrevocably agree that all claims with respect to such Proceeding shall be heard and determined in such a Delaware State or Federal court. The Parties consent to and grant any such court jurisdiction over the person of such Parties and over the subject matter of such dispute and agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 9.4 or in such other manner as may be permitted by Applicable Law, shall be valid and sufficient service thereof. This provision is meant to comply with 6 Del. C. Section 2708(a).

(b) The Parties agree that irreparable damage could occur and that the Parties would not have any adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to seek an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any Federal court located in the State of Delaware or in Delaware state court, this being in addition to any other remedy to which they are entitled at law or in equity.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY

WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) EACH SUCH PARTY

UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (iii) EACH SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (iv) EACH SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.16.

9.17 MEANING OF INCLUDE AND INCLUDING: Whenever in this Agreement the word "include" or "including" is used, it shall be deemed to mean "include, without limitation" or "including, without limitation," as the case may be, and the language following "include" or "including" shall not be deemed to set forth an exhaustive list.

9.18 AUDIT: CCC shall have the right, not more than once in any calendar year during the term of this Agreement and upon reasonable notice and during normal business hours, to audit the sales records of HHH for purposes of determining whether the Component Products that are sold as chipsets have been broken into separate chips and sold as separate products by HHH, thereby entitling CCC to the higher purchase price that would have been payable by HHH if separate chips originally were purchased by HHH rather than chipsets. If the amount of the underpayment discovered as a result of such audit is greater that [***] of the amount paid by CCC for the chipsets that were purchased by HHH during the period subject to audit, HHH shall reimburse CCC the reasonable out of pocket cost incurred by CCC in connection with such audit. HHH shall promptly pay any discrepancy that is discovered as a result of any such audit.

9.19 EFFECTIVENESS: This Agreement shall become effective upon the occurrence of the Effective Date and shall not otherwise have any force and effect.

[SIGNATURE PAGE FOLLOWS]

*** Portions of this document have been omitted pursuant to a confidential treatment request filed with the Securities and Exchange Commission. Such portions have been provided separately to the Commission.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized respective officers as of the date first written above.

HARMONIC INC.

By:_____
Name:_____
Title:_____

C-CUBE MICROSYSTEMS INC.

By:_____
Name:_____
Title:_____

EXHIBIT A

PRICING

[***]

*** Portions of this document have been omitted pursuant to a confidential treatment request filed with the Securities and Exchange Commission. Such portions have been provided separately to the Commission.

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*** Portions of this document have been omitted pursuant to a confidential treatment request filed with the Securities and Exchange Commission. Such portions have been provided separately to the Commission.

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*** Portions of this document have been omitted pursuant to a confidential treatment request filed with the Securities and Exchange Commission. Such portions have been provided separately to the Commission.

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EXHIBIT B

[***]

*** Portions of this document have been omitted pursuant to a confidential treatment request filed with the Securities and Exchange Commission. Such portions have been provided separately to the Commission.

EXHIBIT 99.11

[WARBURG DILLON READ LETTERHEAD]

We hereby consent to the use of Appendix B containing our opinion letter dated October 26, 1999, to the Board of Directors of Harmonic Inc. ("Harmonic") in the Joint Proxy Statement/Prospectus/Information Statement constituting a part of the Registration Statement on Form S-4 relating to the merger of a subsidiary of Harmonic with C-Cube Microsystems Inc., and to the references to our firm in such Joint Proxy Statement/Prospectus/Information Statement. In giving this consent we do not admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

WARBURG DILLON READ LLC

By: /s/ HARRY PLANT

Harry Plant, Executive Director

By: /s/ JOHN RHINE

John Rhine, Executive Director

March 22, 2000

EXHIBIT 99.12

[LETTERHEAD OF CREDIT SUISSE FIRST BOSTON CORPORATION]

Board of Directors
C-Cube Microsystems Inc.
1778 McCarthy Boulevard
Milpitas, California 95035

Members of the Board:

We hereby consent to the inclusion of our opinion letter to the Board of Directors of C-Cube Microsystems Inc. ("C-Cube") as Appendix C to the Joint Proxy Statement/Prospectus/Information Statement of C-Cube and Harmonic Inc. ("Harmonic") relating to the proposed merger transaction involving C-Cube and Harmonic and references thereto in such Joint Proxy Statement/Prospectus/Information Statement under the captions "SUMMARY -- Opinions of Financial Advisors" and "THE MERGER -- Opinion of C-Cube Microsystems financial Advisor." In giving such consent, we do not admit that we are "experts" for purposes of, the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

By: /S/ CREDIT SUISSE FIRST BOSTON CORPORATION

CREDIT SUISSE FIRST BOSTON CORPORATION

New York, New York
November 30, 1999