

VOLCANO CORPORATION
COMPENSATION COMMITTEE CHARTER

I. PURPOSE

The Compensation Committee (the “Committee”) of Volcano Corporation (the “Company”) shall have overall responsibility with respect to reviewing, evaluating and approving the compensation plans, policies and programs of the Company pertaining to all employees, officers and members (“Directors”) of the Board of Directors (the “Board”) of the Company, subject, where appropriate, to Board and stockholder approval. The Committee shall be responsible for determining the Company’s compensation strategies and ensuring such strategies are in full compliance with applicable law and the rules of the NASD, and commensurate with the high standards of performance expected of the employees, officers and Directors.

The Committee shall develop a compensation strategy that creates a strong relationship between compensation levels and corporate goals and performance and expected returns to stockholders over the long term. The Committee shall monitor the results of such compensation strategy to assure that the compensation payable to the Company’s officers, Directors and employees provides overall competitive compensation levels, creates proper incentives to enhance stockholder value and rewards superior performance.

The Committee shall have the authority to delegate responsibility for the day-to-day management of compensation payable to the non-Executive Officers (as defined below) and other employees of the Company.

II. ORGANIZATION

The membership of the Committee shall consist of at least three (3) Directors. Each Committee member shall be independent and shall be appointed annually by the Board. Each member of the Committee shall be knowledgeable in compensation-related matters as determined by the Board in its business judgment. Independence for membership purposes shall be established in accordance with the Board’s determination that such individual has no relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a Committee member. A person may serve on the Committee only if he or she (i) is a “Non-employee director” for the purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, (ii) satisfies the requirements of an “outside director” for purposes of Section 16(m) of the Internal Revenue Code of 1986, as amended, and (iii) is independent in accordance with applicable law and the rules of the NASD.

Each Committee member shall serve at the pleasure of the Board. A Director may resign as a member of the Committee upon notice to the Secretary of the Company and the Chairperson of the Board. The Board shall appoint the Chairperson of the Committee at its first meeting after each annual meeting of the stockholders, or as the Board shall determine necessary or appropriate. The Committee member so designated shall (a) chair all meetings of the Committee; (b) coordinate the evaluation of the performance of the Company’s chief executive officer (the “Chief Executive Officer”); and (c) perform such other activities as from time to time are requested by the other Directors or as circumstances require.

III. DUTIES AND RESPONSIBILITIES

The Committee shall have the full power and authority to:

1. Evaluate the compensation of the Chief Executive Officer, Executive Officers (as defined below) and Directors.
2. Make decisions with respect to the corporate goals and objectives relevant to the Chief Executive Officer's compensation, periodically evaluate the Chief Executive Officer's performance in light of those goals and objectives, and recommend to the Board for approval the Chief Executive Officer's compensation level based upon such evaluations. The Chief Executive Officer may not be present during any discussion and deliberations of the Committee regarding his or her compensation. In determining the incentive components of the Chief Executive Officer's compensation, the Committee will consider the Company's financial and non-financial performance and relative stockholder return, the value of the similar incentive awards to chief executive officers at comparable companies, the awards given to the Chief Executive Officer in past years and such other factors as the Committee members shall deem to be appropriate. The Chief Executive Officer's salary shall consist of an appropriate mix of salary and incentive-based opportunities, to provide stability and promote long-term growth of the Company.
3. Review and recommend to the Board for approval the compensation of all officers of the Company who are subject to Section 16 of the Exchange of 1934, as amended (the "Executive Officers"), and make decisions for the Board with respect to the Compensation of all Directors of the Company.
4. Review and recommend to the Board for approval, for each Executive Officer, and review and approve for each Director:
 - (i) the annual base salary level;
 - (ii) the annual incentive opportunity level;
 - (iii) long-term incentive opportunity level;
 - (iv) employment agreements, severance arrangements, and change in control provisions/agreements, in each case as, when, and if appropriate; and
 - (v) any special or supplemental benefits.
5. Review and approve, when, and if appropriate, a Director Compensation Policy or revisions to the same.
6. Review and approve a compensation strategy to be applied by the Chief Executive Officer in determining base salary and incentives for all officers and employees of the Company other than the Executive Officers.

7. Review and recommend to the Board for approval equity compensation grants, including stock options, stock appreciation rights, phantom stock and restricted stock, for officers.
8. Review and approve equity compensation grants, including stock options, stock appreciation rights, phantom stock and restricted stock for Directors and employees of the Company.
9. Produce an annual report on executive compensation for inclusion in the Company's proxy statement (and Annual Report on Form 10-K, as appropriate), in accordance with applicable rules and regulations.
10. Evaluate, from time-to-time and no less frequently than on an annual basis, its performance in fulfilling its duties and responsibilities under this Charter and shall, as it deems appropriate, review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.
11. Perform such other responsibilities as may be delegated by the Board.

Except as noted above, the Committee shall perform each of its responsibilities and duties at least annually, but more often as the Committee shall determine is necessary or appropriate.

IV. RESOURCES AND AUTHORITY

The Committee shall have the full power and authority to:

1. Retain and terminate a consulting firm, including the authority to approve the consulting firm's fees and retention terms, to the extent it deems it necessary or appropriate to fulfill its responsibilities and duties hereunder. Any such consultant shall report directly to the Committee;
2. Obtain advice and assistance from internal or external legal, accounting, human resource or other advisors, to the extent it deems it necessary or appropriate to fulfill its responsibilities and duties hereunder, and to have direct access to such advisors without the presence of any officer or other employee of the Company;
3. Form and delegate authority to subcommittees, to the extent appropriate under the independence rules or other applicable rules and regulations;
4. Perform the administrative functions set forth in the Company's equity compensation plans, including the review and approval of equity compensation grants, including stock options, stock appreciation rights, phantom stock and restricted stock, to qualified employees and Directors of the Company; and
5. Take such other actions as may be necessary or appropriate to fulfill its purposes, duties and responsibilities.

V. MEETINGS AND REPORTS

The Committee will meet at least quarterly, or more frequently as circumstances dictate. A majority of the members of the Committee will constitute a quorum for a meeting of the Committee. A majority of the members present at any meeting at which a quorum is present may act on behalf of the Committee. The agenda of each Committee meeting shall be established by the Chairperson with the assistance of appropriate members of management. Each Committee member is free to suggest the inclusion of items on the agenda. Each Committee member is free to raise at any Committee meeting subjects not on the agenda for that meeting. The agenda, whenever reasonably practicable, shall be circulated to each Committee member prior to the meeting date.

The Committee shall maintain minutes of each meeting. The Committee shall report the matters discussed at each meeting to the Board from time to time, or whenever so requested by the Board. The Committee may meet by telephone or video conference and may take action by written consent.