

# TELLABS, INC.

## CHARTER OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

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### I. PURPOSE

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The primary purpose of the Compensation Committee (the “Committee”) is to ensure that Tellabs, Inc. (the “Corporation”) utilizes a cost-effective, competitive reward and recognition system to successfully recruit, reward, recognize and retain high-performing executives and employees, thereby enhancing the overall performance of the Corporation and the value of the Corporation’s stock. The Committee’s primary duties and responsibilities are:

- To provide independent validation that the reward and recognition systems of the Corporation deliver market-competitive rewards and recognition in a fiscally responsible fashion.
- To promote a reward and recognition philosophy within the Corporation that drives high levels of performance, appropriate work behaviors, exceptional ethical behaviors, and entrepreneurial spirit.
- To review, challenge, question, and if appropriate, approve all reward and recognition activities for certain identified executives of the Corporation and its subsidiaries.
- To evaluate the performance of the Chief Executive Officer and ensure that an appropriate performance review process is in place for other identified executives of the Corporation and its subsidiaries.
- To provide insight, guidance, and if appropriate, approval of significant changes in rewards and/or recognition systems, human resources, and/or employee relations activities and programs.

The Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section IV of this document.

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### II. COMPOSITION

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The Committee shall be comprised of three or more independent directors as determined by the Board of Directors. Each director shall be free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of his or her independent judgment as a member of the Committee. Applicable statutes, regulations and the NASDAQ listing standards will be followed in evaluating the independence of each such director.

The members of the Committee shall be elected by the Board of Directors to serve until their successors shall be duly elected and qualified. Unless a chairperson is elected by the full Board of Directors, the members of the Committee may designate a chairperson by majority vote of the full Committee membership.

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### **III. MEETINGS**

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The Committee shall meet at least four (4) times annually in person or by telephone and more frequently if circumstances dictate.

The Committee shall have the authority to designate, and delegate duties to, such standing and ad-hoc sub-committees as it deems necessary or desirable.

A majority of the members of the Committee shall constitute a quorum for the transaction of business, subject to the provisions of Article V, Section 5.2 of the Corporation's by-laws regarding the appointment of a substitute Committee member to act in the place of any absent or disqualified Committee member. A vote of a majority of the members and substitute members present at any Committee meeting at which a quorum is present shall be the act of the Committee.

The Committee chair shall have the authority to call a special meeting of the Committee whenever the chair deems such meeting necessary or desirable. The Committee chair shall report to the Board of Directors, as deemed appropriate by the Committee chair, the Committee's activities.

The Committee may designate a non-voting secretary for the Committee, who shall assist in the administration of meetings and prepare the minutes of such meetings and perform such other duties as requested by the chairman or the Committee. The minutes of all Committee meetings shall be prepared and distributed to the Committee members and approved at subsequent meetings to be placed in the Corporation's records.

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### **IV. RESPONSIBILITIES AND DUTIES**

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To fulfill its responsibilities and duties the Committee shall:

#### **Review and Distribute Documentation**

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1. Review this Charter at least annually and update the Charter as conditions dictate.
2. Review the total compensation philosophy and practice with respect to each of certain identified executives of the Corporation on an annual basis. Any changes in the base, incentive, perquisites, benefits or any other element of compensation for any such executive will require the approval of the majority of the members of the Committee.
3. Review executive compensation and document such review in the Corporation's annual proxy statement.

## **Review Criteria for Identified Executives of the Corporation**

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1. Review and approve the total compensation philosophy and practice with respect to certain identified executives of the Corporation on an annual basis.
2. Review any changes in the base, incentive, perquisites, benefits or any other element of compensation or the provision of an employment agreement or change of control agreement for each executive. Any such changes will require the approval of the majority of the members of the Committee.
3. Annually review the succession processes for the CEO and senior leadership team of the Corporation.
4. Provide and document an annual assessment of the Chief Executive Officer's performance.

## **Other Broad-Based Reward and Recognition Programs**

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1. Review, approve and oversee all equity-based incentive programs (e.g., stock option grants, stock appreciation rights, etc.) and incentive compensation programs.
2. Review and approve all significant changes in reward and recognition systems, including but not limited to major changes in benefit programs.
3. Establish, as deemed appropriate, stock ownership guidelines for the executives of the Corporation and monitor, compliance therewith.

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## **V. RESOURCES AVAILABLE TO THE COMMITTEE**

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The Corporation, through its Executive Vice President, Human Resources, shall make available any and all information necessary for the Committee to fulfill the responsibilities and duties set forth above. The Corporation shall additionally make available to the Committee, at its request, third-party expertise for consultation, review and education purposes, including but not limited to experts in the field of executive compensation. In addition, the Committee shall have the authority to retain, at the Corporation's cost, compensation consultants, outside counsel and other advisors as deemed appropriate and at its sole discretion. The Committee shall have the right to approve the fees and retention terms for any advisor(s) so retained.