

**ADVANCED FIBRE COMMUNICATIONS, INC.
COMPENSATION COMMITTEE CHARTER**

PURPOSE

The purpose of the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Advanced Fibre Communications, Inc. (the “Corporation”) is to:

1. carry out the Board’s overall responsibility relating to total compensation of executive officers of the Corporation;
2. assist the Board in establishing the appropriate incentive compensation and equity-based plans for the Corporation’s executive officers and to administer such plans;
3. produce an annual report on executive compensation for inclusion in the Corporation’s annual proxy statement; and
4. perform such other duties and responsibilities enumerated in and consistent with this Charter.

MEMBERSHIP AND PROCEDURES

Membership and Appointment

The Committee shall consist of not fewer than three members of the Board, with the exact number being determined by the Board. Members of the Committee shall be appointed from time to time by the Board based upon the recommendations of the Nominating and Corporate Governance Committee of the Board, if any.

Removal of Members

The entire Committee or any individual Committee member may be removed from such Committee with or without cause by the affirmative vote of a majority of the Board. Any Committee member may resign from the Committee effective upon giving oral or written notice to the Chairman of the Board, the Corporate Secretary, or the entire Board (unless the notice specifies a later time for the effectiveness of such resignation). The Board may appoint a successor to take office when such resignation becomes effective.

Chairperson

A chairperson of the Committee (the “Chairperson”) may be designated by the Board based upon recommendations by the Nominating and Corporate Governance Committee of the Board, if any. In the absence of such designation, the members of the Committee may designate the

Chairperson by majority vote of the full Committee membership. The Chairperson shall determine the agenda, the frequency and the length of meetings. All Committee members, including the Chairperson, shall have unlimited access to management and information. The Chairperson shall establish such other rules as may from time to time be necessary and proper for the conduct of the business of the Committee.

Independence

Each member shall be an “independent director” as defined by the rules promulgated by the National Association of Securities Dealers, Inc. (the “NASD Rules”), as amended. In addition, each member shall qualify as an “outside director” as such term is defined in section 162(m) of the Internal Revenue Code of 1986 and the regulations promulgated thereunder, or any successor provisions thereto, and as a “non-employee director” as such term is defined in Section 16 of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder, or any successor provisions thereto.

Meetings

The Committee shall meet at the call of the Chairperson. Meetings may be held in conjunction with regularly scheduled meetings of the Board or otherwise. Notice of meetings shall be given in accordance with the provisions of the Corporation’s By-laws.

Delegation

The Committee may, by resolution passed by a majority of the Committee, designate one or more subcommittees, each subcommittee to consist of one or more members of the Committee. Any such subcommittee, to the extent provided in the resolutions of the Committee and to the extent not limited by applicable law or listing standard, shall have and may exercise all the powers and authority of the Committee. Each subcommittee shall have such name as may be determined from time to time by resolution adopted by the Committee. Each subcommittee shall keep regular minutes of its meetings and report the same to the Committee or the Board when required.

Authority to Retain Advisors

In the course of its duties, the Committee shall have the sole authority, at the Corporation’s expense, to retain and terminate compensation consultants and other advisors as the Committee may deem appropriate, including the sole authority to approve any such advisors’ fees and other retention terms.

Annual Performance and Evaluation

The Committee shall undertake an annual evaluation assessing its performance with respect to its purposes and its duties and tasks set forth in this Charter, which evaluation shall be reported to the Board. The Committee shall periodically review and reassess the adequacy of this Charter and recommend any proposed changes to the Board.

Duties and Responsibilities

The following shall be the common recurring duties of the Committee in carrying out its oversight functions. The duties and responsibilities are set forth below as a guide to the Committee with the understanding that the Committee may alter or supplement them as appropriate under the circumstances to the extent permitted by applicable law, regulation or NASD Rule.

The Compensation Committee shall:

1. Review and approve corporate goals and objectives relevant to the compensation of the Corporation's chief executive officer ("CEO") and shall evaluate the CEO's performance in light of such goals and objectives at least annually and communicate the results to the CEO and the Board.
2. Review and approve the CEO's assessment of the performance of other officers who are reporting persons under Section 16 of the Securities Exchange Act of 1934 and the rules promulgated thereunder ("Officers").
3. Based on the evaluation in 1. and 2. above, establish and approve annually for the CEO and Officers, the compensation levels for those persons, including, as applicable, (a) base salary, (b) bonus, (c) long-term incentive and equity compensation, and (d) any other compensation, perquisites, and special or supplemental benefits.
4. In determining the long-term incentive component of the CEO's and Officers' compensation, consider, among other items, the Corporation's performance and relative stockholder return, the value of similar incentive awards to chief executive officers and other executive officers at comparable companies, and the compensation provided to the CEO and Officers in the past.
5. Establish and modify the terms and conditions of employment of the CEO and Officers, by contract or otherwise.
6. Determine the provisions of any contracts for the CEO and Officers that will govern the situation in which severance payments will be due upon change in control situations.
7. Assist the Board in developing and evaluating potential candidates for executive positions, including the CEO, and oversee the development of executive succession plans.
8. Administer the executive compensation plans of the Corporation in accordance with the terms of such plans.
9. Maintain sole discretionary authority to interpret provisions of the Corporation's executive compensation plans.

10. Determine, as applicable in connection with the Corporation's executive compensation plans, such matters as eligibility for participation; persons to receive awards; the amount, form and other terms and conditions of awards; the form of agreements pertaining to such awards; the manner and form of deferral elections; or, when appropriate, the authorization of the Corporation's purchase of its stock for allocation to the accounts of persons to whom awards have been made under such plans. The Committee may delegate to the Corporation's CEO the authority to carry out all of the powers of the Committee to grant options under the Corporation's plans to employees of the Corporation or any subsidiary thereof who are not members of the Board, the CEO or Officers.

11. Review the Corporation's incentive compensation and other equity-based plans and practices and recommend changes in such plans and practices to the Board.

12. Administer the other equity-based compensation plans that may be adopted from time to time by the Board, including the Corporation's Employee Stock Purchase Plan.

13. Approve equity compensation plans and the grant of equity awards not subject to stockholder approval under applicable law, regulations or NASD Rules, and if stockholder approval is required, recommend for stockholder approval such compensation plans and the grant of equity awards.

14. Prepare the annual report on executive compensation for inclusion in the Corporation's annual proxy statement.

15. Perform such other activities and functions related to executive compensation as may be assigned from time to time by the Board.

Reliance on Information Provided

In adopting this Charter, the Board acknowledges that the Committee members are not necessarily legal experts and are not providing any expert or special assurance as to the Corporation's legal compliance. Each member of the Committee shall be entitled to rely on the integrity of those persons and organizations within and outside the Corporation that provide information to the Committee and the accuracy and completeness of the information provided to the Committee by such persons or organizations absent actual knowledge to the contrary.