

TELLABS, INC.

CORPORATE GOVERNANCE GUIDELINES

A. THE ROLES OF THE BOARD OF DIRECTORS AND MANAGEMENT

1. *The Board* – The business of Tellabs, Inc. (the “Company”) is conducted under the oversight of the Board of Directors (the “Board”). Each director and the Board are expected to promote the best interests of the stockholders in terms of corporate governance; fiduciary responsibilities; compliance with applicable laws and regulations; and maintenance of accounting, financial, and other controls. Their primary responsibility is to provide effective guidance of the affairs of the Company for the benefit of its stockholders and other constituencies. This guidance includes overseeing the conduct of the Company’s business, financial objectives, major corporate plans, strategies and related risks. In addition, the Board selects the Company’s President and Chief Executive Officer (“CEO”) and delegates to the President and CEO the authority and responsibility to manage the Company’s operations; acts as an advisor and counselor to the President and CEO and senior management; and evaluates the President and CEO’s performance.
2. *Management* – The President and CEO and senior management are responsible for running the Company’s business operations.

B. BOARD COMPOSITION AND LEADERSHIP

1. *Chairman of the Board* - The Board may elect one of its members to be the Chairman of the Board. The Chairman shall lead the Board in fulfilling its responsibilities as set forth in the By-Laws. If the Chairman is not an “independent director”, as defined by the rules of the National Association of Securities Dealers, Inc. (“NASD Rules”), the Board will use a lead director (the “Lead Director”) role to carry out the responsibilities outlined in Section C.10 (Roles and Responsibilities of the Lead Director).
2. *Lead Director* - The Lead Director of the Board will serve for a renewable two year term, until such time as his/her term is up or another Lead Director is appointed by the Board. The appointment will be reaffirmed every two years by the majority vote of the Board.

The Nominating and Governance Committee oversees the process for selecting the Lead Director, annually evaluating his/her performance and recommending any changes in roles and responsibilities deemed appropriate, including changes in compensation. Any changes in the Lead Director role and responsibilities must be approved by the Board.

3. *Size of the Board* – The number of directors should not exceed a number that can function effectively and efficiently. The Nominating and Governance Committee considers and makes recommendations to the Board concerning the appropriate size of the Board.

4. *Corporate Governance* - The Board shall establish a Nominating and Governance Committee of independent directors to make recommendations to the Board regarding decisions on corporate governance practices.
5. *Board Independence* - A majority of the directors must meet the standards for independence consistent with the NASD Rules and applicable federal and state laws and related rules and regulations. It is the policy of the Board that a majority of the members of the Board be independent of the Company's management.

The Nominating and Governance Committee conducts an annual review of the independence of all directors. Each director is asked to provide the Board with full information regarding the director's business and other relationships between directors and the Company and its affiliates or members of senior management and their affiliates.

6. *Board Membership Criteria* – The Nominating and Governance Committee shall periodically review with the Board the appropriate skills, experience and characteristics required of Board members given the current Board composition. The Board's assessment of Board candidates includes, but is not limited to, consideration of relevant industry experience, general business experience, relevant financial experience, and compliance with independence and other qualifications necessary to comply with any applicable state and federal laws and related rules and regulations and the NASD Rules. Specific consideration shall also be given to: (a) roles and contributions valuable to the business community, (b) personal qualities of leadership, character, judgment, integrity, trust, respect, competence and adherence to the highest ethical standards, (c) relevant knowledge and diversity of background and experience in such things as business, manufacturing, technology, finance and accounting, marketing, international business and government; and (d) whether the candidate is free of conflicts and has the time required for preparation, participation and attendance at all meetings. A director's qualifications in light of these criteria are considered each time the director is re-nominated for Board membership.
7. *Selection of New Director Candidates* - The Nominating and Governance Committee is responsible for identifying and reviewing candidates for the Board of Directors, developing criteria to be used in reviewing and screening candidates for the Board and recommending nominees for election as members of the Board of Directors. Stockholders also have the opportunity to nominate directors in accordance with the By-laws of the Company.

Vacancies and newly created directorships shall be filled as provided by the Company's Certificate of Incorporation.

8. *Director Orientation and Continuing Education* - The Nominating and Governance Committee of the Board of Directors will coordinate with management for the orientation of new directors and continuing education for all directors.

9. *Directors Who Experience a Change in Present Job Responsibilities or Other Relevant Circumstances* - If a director changes employment, retires or has a significant change in his or her roles or responsibilities outside the Company, such director is required to offer to resign from the Board. The Nominating and Governance Committee shall consider the tendered resignation and make a recommendation to the Board. The Board shall determine in its discretion whether to accept such resignation. No director who tenders a resignation may participate in the Committee's or the Board's consideration of the matter.
10. *Service on Other Boards* – A director seeking a director or officer position at any public company or a private company in a related business shall review the proposed position with the Nominating and Governance Committee. The Nominating and Governance Committee shall review the proposed position and make a recommendation to the Board. A director must receive approval from the Board prior to accepting any such director position. Among the criteria to be considered includes (a) any actual or perceived conflicts are raised by the requested position, (b) any regulatory restrictions and (c) the time required to effectively serve both positions. No director who makes a request for service as described herein may participate in the Committee's or the Board's consideration of the matter. The Company's President and CEO cannot serve on more than three public company boards and all other Board members cannot serve on more than five public company boards, including the Company Board.
11. *Retirement Policy* – Any Board member eligible for re-election after their 72nd birthday is required to offer to resign from the Board. The Nominating and Governance Committee shall consider such tendered resignation and make a recommendation to the Board. The Board shall determine in its discretion whether to accept such resignation. No director who tenders a resignation may participate in the Committee's or the Board's consideration of the matter.
12. *Board Compensation Review* – The Nominating and Governance Committee shall periodically review the status of Board compensation compared to similar companies. The Committee is responsible for recommending to the Board any changes in compensation for non-employee directors.
13. *Stock Ownership by Directors* - The Nominating and Governance Committee is responsible for establishing stock ownership guidelines for Board members. The current guidelines require that each independent Board member own shares equal to four times their annual retainer (\$30,000/year prior to 2007/\$40,000 for 2007-2008 and \$50,000 for 2009 and thereafter) within five years of: (a) October 2005 or (b) their initial election to the Board after October 2005, whichever is later.
14. *Board Interaction with Stakeholders* - The President and CEO is responsible for establishing effective communications with the Company's stakeholders, including stockholders, customers, employees, communities, suppliers, creditors, governments and corporate partners. It is the policy of the Board that management speaks for the Company. This policy does not preclude independent directors from meeting with stakeholders, but management, where appropriate, should be present at such meetings.

15. *Majority Voting for Uncontested Elections of Directors* – In the event that a nominee for director in an uncontested election fails to receive a majority of the votes cast during an election, the director must submit a resignation to the chair of the Nominating and Governance Committee (or the Chairman of the Board if the resigning director is the chair of the Nominating and Governance Committee). For the purposes of this Section, a majority of the votes cast means that the number of shares voted “for” a director must exceed the number of votes cast “against” that director with “abstentions” and “broker non-votes” not counted as a vote “for” or “against” that director’s election. The Nominating and Governance Committee will evaluate and make a recommendation to the Board with respect to the proffered resignation. The Board must take action on the recommendation within 90 days following the certification of the stockholder vote. No director who tenders a resignation may participate in the Committee’s or the Board’s consideration of the matter. The Company will publicly disclose the Board’s decision including, as applicable, the reasons for rejecting a resignation.

C. BOARD OPERATIONS

1. *Selection of Agenda Items for Board Meetings* - The Chairman of the Board, in consultation with the Lead Director, other directors and management, as appropriate, establishes the agenda for each meeting of the Board. Any Board member may ask to include items on the agenda.
2. *Frequency of Meetings* - The Board has four regular meetings in each of the four quarters during the year. In addition to regularly scheduled meetings, unscheduled Board meetings (in person or telephonic) may be called upon appropriate notice at any time to address specific needs of the Company. A majority of directors then in office constitutes a quorum for Board of Directors meetings.
3. *Annual Meeting Attendance* – The Board has a policy requiring each Board member to attend the Annual Meeting of Stockholders.
4. *Board Materials Distributed in Advance* – Board members receive materials related to agenda items in advance of Board meetings so that the directors may prepare to discuss the items at the meeting.
5. *Director Responsibilities* – Directors must exercise their business judgment to act in the best interests of the stockholders and the Company. In discharging this obligation, directors reasonably may rely on the Company’s senior executives and its advisors and auditors. Directors are expected to attend and participate in all meetings of the Board and of committees on which they serve and to spend the time needed to prepare for such meetings.
6. *Board Presentations and Access to Employees* – Members of senior management may be invited to attend part or all of a Board meeting in order to participate in discussions. Board members have complete access to all other members of management and Company employees.

7. *Board Access to Independent Advisors* – The Board and its committees, at its discretion, may seek advice from outside advisors, including separate legal counsel, as appropriate.
8. *Executive Sessions of Independent Directors* - The independent directors shall meet on a regular basis without the Chairman or the President and CEO. Executive sessions of the independent directors shall be run by the Lead Director.
9. *Chairman of the Board* - The roles and responsibilities of the Chairman of the Board are as follows:
 - a) Provide general leadership of Board affairs.
 - b) Preside at all meetings of the Board other than executive sessions of the independent directors which shall be presided over by the Lead Director.
 - c) Preside at Annual Meeting of Stockholders.
 - d) Attend meetings of Board committees, other than executive sessions of independent committee members.
 - e) Be available for consultation with the Lead Director.
 - f) Be available to consult with Chair of each Board committee.
 - g) Be available to discuss with any director, any concerns that he or she may have regarding, the Board, the Company, or the management team.
 - h) Have authority to call meetings of the Board of Directors.
 - i) Monitor information delivered by the management team to the Board and provide input as to the quantity, quality and timeliness of such information.
 - j) Collaborate with the Lead Director and President and CEO to establish Board meeting agendas, meeting structure and timelines.
 - k) Be available as appropriate for consultation and direct communications with stockholders, customers and other key constituents of the Company.
 - l) Provide general Board and Company leadership in anticipating and responding to crisis.
 - m) Review and retain consultants to the Board (other than consultants selected by Board committees) with Board approval.
 - n) Fulfill such other duties as the Board may request from time to time.
10. *Lead Director* - The roles and responsibilities of the Lead Director are as follows:
 - a) Chair all executive sessions of the independent directors and chair all other meetings at the request of or in the absence of the Chairman of the Board.
 - b) Appoint a Lead Director to act in their absence.
 - c) Establish agendas for meetings of independent directors.
 - d) Attend meetings of Board committees.
 - e) Serve as a primary liaison between the Chairman of the Board, the President and CEO and the independent directors.

- f) Provide advice and consultation to the Chairman of the Board and President and CEO.
- g) Consult with the Chair of each Board committee as requested.
- h) Consult with other senior executives of the management team as requested.
- i) Be available to discuss with any director, any issues that he or she may have regarding, the Board, the Company, or the management team.
- j) Have authority to call meetings of the independent directors.
- k) Collaborate with Chairman of the Board to establish Board meeting agendas, meeting structure and timelines.
- l) Provide leadership to the independent directors in anticipating and responding to crisis.
- m) Advise and make recommendations to the Chairman of the Board regarding the retention of consultants to the Board (other than consultants selected by Board committees).
- n) Be available as appropriate for consultation and direct communications with stockholders, customers and other key constituents of the Company.
- o) Fulfill such other duties as the Board may request from time to time.

D. BOARD COMMITTEES

1. *Committees* - The Board of Directors has a standing Audit and Ethics Committee, Compensation Committee and Nominating and Governance Committee. The purpose and responsibilities of each of these committees are outlined in committee charters proposed by each committee and approved by the Board. The Board may, subject to limitations in the Company By-Laws, appoint such additional standing or temporary committees from time to time as the directors see fit, delegating to such committees all or part of the Board's powers.
2. *Assignment and Term of Service of Committee Members* - The Board is responsible for the appointment of committee members and chairs, based on recommendations of the Nominating and Governance Committee. Each year the Board, at its first meeting following the Annual Meeting of Stockholders, shall elect the members of each committee.
3. *Frequency of Meetings* - The Audit and Ethics and Compensation Committees shall meet at least four (4) times annually in person or by phone and more frequently if circumstances dictate. The Nominating and Governance Committee shall meet at least two (2) times annually in person or by phone and more frequently if circumstances dictate.
4. *Agenda, Length and Reports of Committee Meetings* - The chair of each committee approves the agenda for, length of and attendance at each committee meeting. Materials related to agenda items are given to the committee members sufficiently in advance to allow the members to prepare for discussing the items at the meeting. The committee chairs report a summary of their meeting to the Board following each regular committee meeting.

5. *Membership* - The Audit and Ethics Committee, Compensation Committee and Nominating and Governance Committee shall be comprised entirely of independent directors as required pursuant to applicable law or prescribed under the listing standards of NASDAQ. Each Board member is encouraged to attend any committee meetings and participate as permitted by the committee chair.
6. *Responsibilities* – Each committee annually reviews the responsibilities of such committee and approves the committee’s charter and reports the results of the review to the Board.

E. BOARD AND MANAGEMENT EVALUATION

1. *Formal Evaluation of the President and CEO and other Officers* - The Compensation Committee shall review and approve corporate goals and objectives relevant to the compensation of the Company’s President and CEO. The President and CEO shall provide the Compensation Committee a summary of the goals and objectives, and performance against such goals and objectives of the other officers who are reporting persons under Section 16 of the Securities Exchange Act of 1934 and the rules promulgated thereunder and any other officers the Compensation Committee determines to annually review (“Officers”). The Compensation Committee shall also evaluate the President and CEO’s and Officers’ performance in light of such goals and objectives at least annually and communicate the results to the President and CEO and the Board. Based on such evaluation, the Compensation Committee shall establish and approve annually for the President and CEO and the 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.
2. *Board, Committee and Chairman Evaluation* - The Board will conduct an annual evaluation of the Board and each committee to determine whether it and its committees are functioning effectively. The Nominating and Governance Committee will be responsible for overseeing the evaluation process and reporting the results to the Board. The Board will also evaluate the performance of the Chairman of the Board. The Compensation Committee will review the Chairman of the Board’s operating performance and determine the overall compensation of the Chairman.
3. *Succession Planning and Management Development* - The President and CEO reviews succession planning and management development with the Board on at least an annual basis. The Board reviews President and CEO succession planning on at least an annual basis.