

Tellabs, Inc.
Audit and Ethics Committee

Audit and Non-Audit Services Pre-Approval Policy

I. *Statement of Principles*

Under the Sarbanes-Oxley Act of 2002 (the “Act”), the Audit and Ethics Committee of the Board of Directors (the “Committee”) is responsible for the appointment, compensation and oversight of the work of the Company’s independent auditor. As part of this responsibility, the Committee is required to pre-approve the audit and non-audit services performed by the independent auditor in order to assure that they do not impair the auditor’s independence from the Company. To implement these provisions of the Act, the Securities and Exchange Commission (the “SEC”) has issued rules specifying the types of services that an independent auditor may not provide to its audit client, as well as the Committee’s administration of the engagement of the independent auditor. Accordingly, the Committee has adopted, and the Board of Directors has ratified, the Audit and Non-Audit Services Pre-Approval Policy (the “Policy”), which sets forth the procedures and the conditions pursuant to which services proposed to be performed by the independent auditor may be pre-approved.

The SEC’s rules establish two different approaches to pre-approving services, which the SEC considers to be equally valid. Proposed services either: may be pre-approved without consideration of specific case-by-case services by the Committee (“general pre-approval”); or require the specific pre-approval of the Committee (“specific pre-approval”). The Committee believes that the combination of these two approaches in this Policy will result in an effective and efficient procedure to pre-approve services performed by the independent auditor. As set forth in this Policy, unless a type of service has received general pre-approval, it will require specific pre-approval by the Committee if it is to be provided by the independent auditor. Any proposed services exceeding pre-approved cost levels or budgeted amounts will also require specific pre-approval by the Committee.

For both types of pre-approval, the Committee will consider whether such services are consistent with the SEC’s rules on auditor independence. The Committee will also consider whether the independent auditor is best positioned to provide the most effective and efficient service, for reasons such as its familiarity with the Company’s business, people, culture, accounting systems, risk profile and other factors, and whether the service might enhance the Company’s ability to manage or control risk or improve audit quality. All such factors will be considered, and no one factor will necessarily be determinative.

The Committee is also mindful of the relationship between fees for audit and non-audit services in deciding whether to pre-approve any such services and may determine, for each fiscal year, the appropriate ratio between the total amount of fees for Audit, Audit-related and Tax services and the total amount of fees for certain permissible non-audit services classified as All Other services.

The appendices to this Policy describe the Audit, Audit-related, Tax and All Other services that have the general pre-approval of the Committee. The term of any general pre-approval is 12 months from the date of pre-approval, unless the Committee considers a different period and states otherwise. The Committee will annually review and pre-approve the services that may be provided by the independent auditor without obtaining specific pre-approval from the Committee. The Committee will add or subtract to the list of general pre-approved services from time to time, based on subsequent determinations.

The purpose of this Policy is to set forth the procedures by which the Committee intends to fulfill its responsibilities. It does not delegate the Committee’s responsibilities to pre-approve services performed by the independent auditor to management.

The independent auditor has reviewed this Policy and believes that implementation of the policy will not adversely affect the auditor’s independence.

II. *Delegation*

As provided in the Act and the SEC’s rules, the Committee may delegate either type of pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Committee at its next scheduled meeting.

III. *Audit Services*

The annual Audit services engagement terms and fees will be subject to the specific pre-approval of the Committee. Audit services include the annual financial statement audit (including required quarterly reviews), subsidiary audits, equity investment audits and other procedures required to be performed by the independent auditor to be able to form an opinion on the Company's consolidated financial statements. These other procedures include information systems and procedural reviews and testing performed in order to understand and place reliance on the systems of internal control, and consultations relating to the audit or quarterly review. Audit services also include the attestation engagement for the independent auditor's report on management's report on internal controls for financial reporting. The Committee will monitor the Audit services engagement as necessary, but no less than on a quarterly basis, and will also approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, Company structure or other items.

In addition to the annual Audit services engagement approved by the Committee, the Committee may grant general pre-approval to other Audit services, which are those services that only the independent auditor reasonably can provide. Other Audit services may include statutory audits or financial audits for subsidiaries or affiliates of the Company and services associated with SEC registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings.

The Committee has pre-approved the Audit services in Appendix A. All other Audit services not listed in Appendix A must be specifically pre-approved by the Committee.

IV. *Audit-related Services*

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements or that are traditionally performed by the independent auditor. Because the Committee believes that the provision of Audit-related services does not impair the independence of the auditor and is consistent with the SEC's rules on auditor independence, the Committee may grant general pre-approval to Audit-related services. Audit-related services include, among others, due diligence services pertaining to potential business acquisitions/dispositions; accounting consultations related to accounting, financial reporting or disclosure matters not classified as "Audit services"; assistance with understanding and implementing new accounting and financial reporting guidance from rulemaking authorities; financial audits of employee benefit plans; agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters; assistance with responding to inquiries from regulatory authorities in regard to Company matters involving work performed by the independent auditor; and assistance with internal control reporting requirements.

The Committee has pre-approved the Audit-related services in Appendix B. All other Audit-related services not listed in Appendix B must be specifically pre-approved by the Committee.

V. *Tax Services*

The Committee believes that the independent auditor can provide Tax services to the Company such as tax compliance, tax planning and tax advice without impairing the auditor's independence, and the SEC has stated that the independent auditor may provide such services. Hence, the Committee believes it may grant general pre-approval to those Tax services that have historically been provided by the auditor, that the Committee has reviewed and believes would not impair the independence of the auditor, and that are consistent with PCAOB Rule 3522 relating to aggressive tax positions, PCAOB Rule 3523 relating to individuals in a financial reporting oversight role and the SEC's rules on auditor independence and PCAOB Rule 3524 as it relates to the pre-approval of tax services.. The Committee will not permit the retention of the independent auditor in connection with a transaction initially recommended by the independent auditor, the sole business purpose of which may be tax avoidance and the tax treatment of which may not be supported in the Internal Revenue Code and related regulations. The Committee will consult with the Vice President of Finance and Chief Accounting Officer or outside counsel to determine that the tax planning and reporting positions are consistent with this policy.

Pursuant to the preceding paragraph, the Committee has pre-approved the Tax services in Appendix C. All Tax services not listed in Appendix C must be specifically pre-approved by the Committee, including: tax services proposed to be provided by the independent auditor to any executive officer or director of the Company, in his or her individual capacity.

VI. *All Other Services*

The Committee believes, based on the SEC's rules prohibiting the independent auditor from providing specific non-audit services, that other types of non-audit services are permitted. Accordingly, the Committee believes it may grant general pre-approval to those permissible non-audit services classified as All Other services that it believes are routine and recurring services, would not impair the independence of the auditor and are consistent with the SEC's rules on auditor independence.

The Committee has pre-approved the All Other services in Appendix D. Permissible All Other services not listed in Appendix D must be specifically pre-approved by the Committee.

A list of the SEC's prohibited non-audit services is attached to this policy as Exhibit 1. The SEC's rules and relevant guidance should be consulted to determine the precise definitions of these services and the applicability of exceptions to certain of the prohibitions.

VII. *Pre-Approval Fee Levels or Budgeted Amounts*

Pre-approval fee levels or budgeted amounts for all services to be provided by the independent auditor will be established annually by the Committee. Any proposed services exceeding these levels or amounts will require specific pre-approval by the Committee. The Committee is mindful of the overall relationship of fees for audit and non-audit services in determining whether to pre-approve any such services. For each fiscal year, the Committee may determine the appropriate ratio between the total amount of fees for Audit, Audit-related and Tax services, and the total amount of fees for services classified as All Other services.

VIII. *Procedures*

All requests or applications for services to be provided by the independent auditor that do not require specific approval by the Committee will be submitted to the Vice President of Finance and Chief Accounting Officer for approval prior to beginning the engagement. All requests must include a detailed description of the services to be rendered. The Committee will be informed on a timely basis of any such services rendered by the independent auditor.

Requests or applications to provide services that require specific approval by the Committee will be submitted to the Committee by both the independent auditor and the Vice President of Finance and Chief Accounting Officer, and must include a joint statement as to whether, in their view, the request or application is consistent with PCAOB and SEC's rules on auditor independence.

The Committee has designated the Director of Internal Audit to monitor the performance of all services provided by the independent auditor and to determine whether such services are in compliance with this policy. The Director of Internal Audit will report to the Committee on a periodic basis on the results of its monitoring. Both the Director of Internal Audit and management will immediately report to the chairman of the Committee any breach of this policy that comes to the attention of the Director of Internal Audit or any member of management.

The Committee will also review the internal auditor's annual internal audit plan to determine that the plan provides for the monitoring of the independent auditor's services.

IX. *Additional Requirements*

The Committee has determined to take additional measures on an annual basis to meet its responsibility to oversee the work of the independent auditor and to assure the auditor's independence from the Company, such as reviewing a formal written statement from the independent auditor delineating all relationships between the independent auditor and the Company, consistent with Title II of the Sarbanes-Oxley Act of 2002 (Section 208) and SEC Release 33-8183 and discussing with the independent auditor its methods and procedures for ensuring independence.

Appendix A

Pre-Approved Audit Services for the Period February, 2010 through January, 2011

Dated: January 20, 2010

Service	Range of Fees
Services associated with SEC registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings (e.g., comfort letters, consents), and assistance in responding to SEC comment letters	Not to exceed \$50,000 in the aggregate.
Consultations by the company's management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, FASB, or other regulatory or standard setting bodies performed to comply with GAAS. (Note: Under SEC rules, some consultations may be "audit-related" services rather than "audit" services)	Not to exceed \$150,000 in the aggregate.

Appendix B

Pre-Approved Audit-Related Services for the Period February 2010 through January, 2011

Dated: January 20, 2010

Service	Range of Fees
Due diligence services pertaining to potential business acquisitions/dispositions	Not to exceed \$50,000 in the aggregate
Financial statement audits of employee benefit plans	Not Applicable
Agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters	Note B1
Internal control reviews and assistance with internal control reporting requirements	Note B1
Consultations by the company's management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, FASB, or other regulatory or standard-setting bodies not required to be performed by GAAS. (Note: Under SEC rules, some consultations may be "audit" services rather than "audit-related" services)	Not to exceed \$50,000 in the aggregate
Attest services not required by statute or regulation	Note B1
Information systems reviews not performed in connection with the audit (e.g., application, data center and technical reviews)	Note B1
Statutory, subsidiary or equity investee audits incremental to the audit of the consolidated financial statements	Note B1
Closing balance sheet audits pertaining to dispositions	Note B1
Review of the effectiveness of the internal audit function	Note B1

Notes:

B1: Not to exceed \$50,000 in the aggregate for all categories.

Appendix C

Pre-Approved Tax Services for the Period February, 2010 through January, 2011

Dated: January 20, 2010

Service	Range of Fees
U.S. and foreign tax compliance, including the preparation or review of U.S. federal, state, local or foreign income, franchise, VAT or sales, service and use tax returns.	Not to exceed \$100,000 per project or \$400,000 in the aggregate.
Tax advice and assistance with the examination of income, franchise, VAT or sales, service and use tax returns by U.S. federal, state, local or foreign taxing authorities, including representation of Tellabs, Inc. and its subsidiaries at the examination level, preparation of protests, appeals, claims for refund and determination of interest and penalties on any deficiencies or refunds.	Not to exceed \$75,000 in the aggregate.
Transfer pricing studies and consultations for U.S. federal, state or foreign taxing jurisdictions for the intercompany transfer of products or services.	Not to exceed \$100,000 in the aggregate.
R&D tax studies and consultations to determine eligible deductions or credits for research and development expenditures for U.S. federal, state and foreign tax return filings.	Not to exceed \$100,000 in the aggregate.
Tax advice and the preparation or review of computations under IRC Section 199 relating to the Domestic Manufacturing Deduction.	Not to exceed \$100,000 in the aggregate.
Cost segregation studies and consultations to determine the allocation of capitalizable costs to proper asset recovery lives.	Not to exceed \$100,000 in the aggregate.
To respond to routine questions of the Company regarding the application of federal, state, local and international tax laws and regulations to transactions the Company is entering into in the ordinary course of its trade or business. These items would include responding to client inquiries, assisting in responses to notices from either the federal, state or local taxing authorities, discussions of changes and current developments in the tax law, and the performance of limited scope tax research. In each instance the work must be completed within 20 hours for total fees and expenses not to exceed \$15,000. It does not include any tax planning or structuring of transactions.	Not to exceed \$15,000 per project or \$100,000 in the aggregate.
To respond to routine questions of the Company regarding the application of federal, state, local, or international tax laws and regulations to mergers and acquisition activity when the company does not require full tax due diligence services, tax planning or structuring advice in connection with the due diligence transactions the Company is entering into in the ordinary course of its trade or business. These items include the review of the implications of asset versus stock acquisitions, advice regarding the tax implications to the buyer or seller in connection with a proposed transaction, and advice regarding state and local tax implications of a proposed transaction. In each instance the work must be completed within 20 hours for total fees and expenses not to exceed \$15,000.	Not to exceed \$15,000 per project or \$100,000 in the aggregate.

<p>To respond to routine questions of the Company regarding the application of federal, state, local or foreign tax laws and regulations to transactions its international subsidiaries are entering into in the ordinary course of their trade or business. This includes advice requested by foreign affiliates of the Company to Ernst & Young offices in their local jurisdiction, requests by the Company in the U.S. of Ernst & Young offices in the foreign jurisdictions, requests by the Company's foreign affiliates of Ernst & Young in the U.S., or any combination thereof. In each instance the work must be completed within 20 hours for total fees and expenses not to exceed \$15,000. It does not include any tax planning or structuring of transactions.</p>	<p>Not to exceed \$15,000 per project or \$100,000 in the aggregate.</p>
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Note - all fees for services are hourly based or a fixed fee based on hours expected to be incurred and are not contingent or performance based.

Notwithstanding the above spending limitations for individual categories of tax services, aggregate tax fees for all categories combined may not exceed \$500,000 without the prior approval of the Committee.

Appendix D

Pre-Approved All Other Services for the Period February, 2010 through January, 2011

Dated: January 20, 2010

Service	Range of Fees
None	

Exhibit 1

Prohibited Non-Audit Services

- Bookkeeping or other services related to the accounting records or financial statements of the audit client
- Financial information systems design and implementation
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports
- Actuarial services
- Internal audit outsourcing services
- Management functions
- Human resources
- Broker-dealer, investment adviser or investment banking services
- Legal services
- Expert services unrelated to the audit