



Executive Officer Stock Ownership Guidelines

Purpose

The Compensation Committee of the Board of Directors of Tellabs, Inc. (the “Company”) believes that it is appropriate to align the financial interests of executive officers with those of the Company and its stockholders. In the past, the Committee has used Company equity grants as an integral part of its compensation program for executive officers in order to give executive officers a stake in the Company’s future and to directly align compensation with the creation of stockholder value. Effective April 25, 1995, the Compensation Committee adopted guidelines to encourage outright share ownership by executive officers. Effective July 20, 2005, the Compensation Committee has revised the program by decreasing the number of ownership guideline levels and updating the ownership guideline targets.

Ownership Guideline Targets

The ownership guideline targets apply only to executive officers of the Company and have been determined according to the lesser of a multiple of annual base salary or a fixed share amount, as follows:

Officer Position	Ownership Target
President & Chief Executive Officer	Lesser of 4x salary or 200,000 shares
Executive Vice President	Lesser of 3x salary or 50,000 shares

The guidelines are “informal” in that there are no penalties for failure to meet specified ownership levels. However, the Compensation Committee has indicated that it will consider whether an officer has met the guideline level in deciding whether to make additional equity grants to such officer.

Definition of Ownership

Stock acquired in any of the following transactions will be included in the definition of stock ownership:

- Stock directly owned – individual, immediate family or trust
- Time-vested restricted stock
- Stock Options exercised and held
- Vested shares held in the Tellabs Advantage (401k) program
- Company stock held in ESPP

Stock acquired in any of the following transactions will not be included in the definition of stock ownership:

- Vested (or unvested) unexercised options
- Performance shares not yet earned

Valuation

The ownership value will be calculated based on the fair market value of the stock at the time the ownership value is measured, rather than at the time of the initial acquisition of the stock.



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Timing to Achieve Target

An executive officer included in the stock ownership guidelines will have up to 5 years from time of hire or promotion to achieve his or her stock ownership target. An Executive officer in place at the time of the most recent revised will have 5 years from July 20, 2005 to achieve his or her stock ownership target.

The Compensation Committee reserves the right to determine time for compliance in extenuating circumstances.

Compliance

The Compensation Committee has the discretion to formally enforce the stock ownership guidelines on a case-by-case basis and can require any of the following actions be taken:

- A portion or all stock acquired upon option exercise or vesting of restricted stock be retained;
- Performance or annual bonus awards paid in stock; and
- Future long-term incentive plan awards not be made

Administration

The Compensation Committee will review stock ownership levels at least annually. The Compensation Committee reserves the right to modify or amend these guidelines at any time.