

Corporate Governance

ANAREN INC.'S STATEMENT OF CORPORATE GOVERNANCE GUIDELINES AND PRINCIPLES

Anaren's Board of Directors is committed to perpetuate Anaren's founding principles of honesty, integrity and ethical dealing. Accordingly, the Board endeavors to oversee the management of the Company guided by these fundamental principles.

The principles listed above together with the Company's By-Laws, Committee Charters and procedures of the Board's various committees, provide the framework for the governance of Anaren's day to day business activities. The Board's Nominating/Corporate Governance Committee intends to review annually the Company's Corporate Governance Guidelines and will make appropriate recommendations to the Board as deemed necessary.

A. ROLE OF THE BOARD/COMPOSITION AND QUALIFICATIONS

1. Board Responsibilities

The Board of Directors is responsible to oversee the Company and to ensure that management effectively operates the Company's various businesses with the ultimate objective of enhancing the long-term total return to Anaren shareholders. In carrying out its responsibilities the Board discusses long-term corporate strategies with senior management and monitors management's performance to assure that the interests of the Company's shareholders are being properly served. The Board is also responsible for implementing and maintaining a succession plan for the Company's Chief Executive Officer and members of senior management.

2. Selection of Chairman and CEO

The Board does not have a policy on whether or not the roles of Chief Executive Officer and Chairman should be separate and, if they are to be separate, whether the Chairman should be selected from the non-employee Directors or be an employee.

The Board believes that it should be free to make this choice from time to time in any manner that is in the best interests of the Company and its shareholders.

3. Size of the Board

The Company's By-Laws require a minimum of 3 members and do not provide for a maximum number of members. The Board currently is comprised of 7 members divided into 3 classes, each class is nearly equal as possible. Annually, directors of a particular class are elected by the shareholders to serve for a three year term. The Nominating/Corporate Governance Committee is responsible for assessing the performance of each Director and the Board as a whole.

4. Mix of Inside and Outside Directors

The Company complies with the Nasdaq National Stock Market Issuer requirement that the Board consist of a majority of independent Directors. However, the Board believes it is desirable to have limited members of Management, in addition to the Chief Executive Officer, as Directors.

5. Board Definition of What Constitutes Independence for Outside Directors

The Company complies with the Nasdaq National Stock Market Issuer requirements for independent directors (Nasdaq Stock Market Rule 4200).

The Board has an independent director designated as the Lead Independent Director, who is responsible to coordinate the activities of the other independent directors and to perform various other duties. Service as Lead Independent Director shall not exceed three consecutive years.

6. Board Membership Criteria

The Nominating/Corporate Governance Committee is responsible for reviewing with the Board from time to time the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board. This assessment should include issues of diversity, skills such as understanding of manufacturing, technology, finance and marketing, in addition to current members' desire to remain on the Board, - all in the context of an assessment of the perceived needs of the Board at that point in time. Board members are expected to rigorously prepare for, attend, and participate in all Board and applicable Committee meetings. Each Board member is expected and required to ensure that other personal commitments do not materially interfere with the members service as an outstanding director.

7. Selection of New Director Candidates

The Board is responsible for selecting its own members. The Board delegates the screening process involved to the Nominating/Corporate Governance Committee.

8. Director Education

Upon appointment to the Board, each director shall complete a course of introduction to the Company, either provided or approved by the Nominating and Corporate Governance Committee. Every director is required to complete refresher training annually relating to accounting, disclosure, governance, compensation or industry developments in accordance with the guidelines to be set by the Nominating and Corporate Governance Committee. These courses will be provided by both in-house and outside experts.

9. Directors Who Change Their Present Job Responsibility

The Board does not believe that directors who retire or change from the position they held when they came on the Board should necessarily leave the Board. There should, however, be an opportunity for the Board, via the Nominating/Corporate Governance Committee, to review the continued appropriateness of Board membership under these circumstances.

10. Term Limits

The Board does not believe it should establish term limits. While term limits could help insure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who over time have developed increasing insight into the Company and its operations and therefore provide an increasing contribution to the Board as a whole.

11. Retirement Policy

The Board has not adopted a retirement policy for officers and directors. To the contrary, the Board believes that factors, other than age, should be determinative of whether a director should continue to serve on the Board. These factors include, but are not limited to, prior Board participation, professional experience, and knowledge of the Company's products, markets, and technologies.

12. Director Compensation

Compensation for non-management Directors is comprised of (i) annual retainer fee, (ii) additional fees for service on committees and (iii) stock option grants. The Board's Compensation objective is to establish compensation at a level which is competitive to other similarly sized companies and further aligns each Director's interest with those of the Company's shareholders.

The Board, beginning in fiscal year 2004, established a stock ownership guideline for Directors of eight times the annual retainer amount to be achieved within 2 to 4 years.

The Nominating/Corporate Governance Committee annually reviews Director compensation in relation to other comparable U.S. companies. Changes in Board compensation, if any, should come at the suggestion of the Nominating/Corporate Governance Committee, but with full discussion and concurrence by the Board.

The Company does not make any personal loans or extensions of credit to directors, executive officers, or other members of management.

B. BOARD MEETINGS

1. Scheduling and Selection of Agenda Items for Board Meetings

Regular Board meetings are scheduled in advance typically one day a quarter. Generally, the meetings are held in Syracuse, New York, which is the Company's headquarters, but occasionally meetings are held at other locations.

The Chairman of the Board and the Secretary of the Company draft the agenda for each Board meeting and distribute it in advance to the Board.

Each Board member is free to suggest the inclusion of items on the agenda.

2. Board Material Distributed in Advance

Information and data that is important to the Board's understanding of the business are distributed in writing to the Board before the Board meets.

As a general rule, materials on specific subjects are sent to Board members in advance so that members have sufficient time to review the material in advance and Board meeting time is then focused on questions that the Board has about the material. Sensitive subject matters may be discussed at the meeting without written materials being distributed in advance or at the meeting.

3. Board Presentations and Access to Employees

The Board has complete access to any Anaren employee. Non-employee directors are encouraged to communicate with members of senior management on a regular basis.

The Board encourages Management to schedule managers to present at Board Meetings who: (a) can provide additional insight into the items being discussed because of personal involvement in these areas, or (b) have future potential that Management believes should be given exposure to the Board.

4. Outside Directors' Discussion

The Board's policy is to have regularly scheduled separate meeting times for the outside directors during the regularly scheduled Board Meetings. The Lead Independent Director will assume the responsibility of chairing the regularly scheduled meetings of outside directors and shall bear such further responsibilities which the outside directors as a whole might designate from time to time.

5. Audit Committee Meetings with Independent Auditors

The Audit Committee shall meet with the Independent Auditors outside of management's presence to discuss the financial reports and other internal control issues.

C. BOARD COMMITTEES

1. Number of Committees

The Board currently maintains four (4) Standing Committees: Audit, Compensation, Nominating/Corporate Governance and Investment. There will, from time to time, be occasions on which the Board may want to form a new committee or disband a current committee depending upon the circumstances.

The Audit Committee has sole authority to engage the Company's independent auditors, and monitors the effectiveness of the audit effort, the Company's internal financial and accounting organization and controls and financial reporting.

The Nominating/Corporate Governance Committee makes recommendations to the Board regarding the size and composition of the Board, establishes procedures for the nomination process, recommends candidates for election to the Board and nominates officers for election by the Board. This Committee also reviews and reports to the Board on matters of corporate governance (that is, the relationships of the Board, the Stockholders and Management in determining the direction and performance of the Company) and reviews and addresses these Guidelines and recommends revisions as appropriate.

The Compensation Committee administers the Company's stock option plans, including the review and grant of stock options to all eligible employees under the Company's existing stock option plans, and reviews and approves salaries and other matters relating to compensation of the executive officers of the Company. The Compensation Committee also reviews wage and benefit data of comparable companies to assess appropriate compensation levels for the Company's Executive Management team.

The Investment Committee oversees the appropriate investment of the Company's cash and cash equivalents with the objective of obtaining competitive rates of return without exposing the Company's assets to undue volatility or risk of loss.

2. Assignment and Term of Service of Committee Members

The Board is responsible for the appointment of Committee Members and Committee Chairpersons. It is generally expected that each Committee Chairperson will have had previous service on the applicable Committee, and will rotate off the Committee when his or her term as Chairman is completed.

3. Frequency and Length of Committee Meetings and Committee Agenda

The Committee Chairperson in consultation with Committee members, and appropriate members of Management, determine the frequency and length of the Committee meetings and develop the Committee's agenda. At least one of the Audit Committee meetings shall be held on a day different than the regularly scheduled Board meeting. The agendas and meeting minutes of the Committees, will be shared with the full Board, and other Board members are welcome to attend all Committee meetings.

D. MANAGEMENT REVIEW AND RESPONSIBILITY

1. Formal Evaluation of Officers

The Compensation Committee conducts, and reviews with the outside directors, an evaluation annually in connection with the determination of the salary and executive bonus of all officers, including the Chief Executive Officer.

2. Succession Planning and Management Development

The Chief Executive Officer reviews succession planning and management development with the Compensation Committee and Board on an annual basis.

3. Board Interaction with Institutional Investors, Press, Customers, Etc.

The Board believes that Management speaks for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company, but it is expected that Board members would do this with the knowledge of Management and, in most instances, at the request of Management.

E. KEY POLICIES

1. Code of Conduct and Business Ethics

This policy outlines the fundamental principles that guide Anaren's managers and employees and also includes Anaren's anonymous "hot line" procedures.

2. Insider Trading Policy

This policy establishes the procedure and time periods during which the Company and officers and directors are permitted to buy or sell Anaren's common stock in the open market.

3. Zero Tolerance Harassment Policy

This policy protects any form of discrimination or harassment by any employee of the Company and the basis of race, religion, gender, age or other potential categories.

4. Stockholder Rights Plan

The Board of Directors shall seek and obtain stockholder approval before adopting any changes to the Company's stockholders "rights plan" (which for this purpose shall mean any arrangement pursuant to which, directly or indirectly, Common Stock or Preferred Stock purchase rights may be distributed to stockholders that provide all stockholders, other than persons who meet certain criteria specified in the arrangement, the right to purchase the Common Stock or Preferred Stock at less than the prevailing market price of the Common Stock or Preferred Stock (sometimes referred to as a "poison pill")); provided, however, that this policy may be revised or repealed without prior public notice and the Board may thereafter determine to act on its own to adopt a poison pill if, under the then circumstances, the Board, including a majority of its independent members, in its exercise of its fiduciary responsibilities, deems it to be in the best interests of the company's stockholders to adopt a poison pill without the delay in adoption that would come from the time reasonably anticipated to be necessary to seek stockholder approval.

The Nominating/Corporate Governance Committee of the Board of Directors shall review this statement of policy, including the proviso, on at least an annual basis and report to the Board with any recommendations it may have in connection therewith, and such review shall be referred to in the Company's Proxy Statements.

Approved/Effective Date:

February 20, 2005