CIENA CORP
Form PRE 14A
January 18, 2008

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No. _)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

þ Preliminary Proxy Statement

o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

oDefinitive Proxy Statement
oDefinitive Additional Materials
oSoliciting Material Pursuant to §240.14a-12

Ciena Corporation

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
þ No fee required.
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Ciena Corporation
1201 Winterson Road
Linthicum, Maryland 21090

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MARCH 26, 2008

To the shareholders of Ciena Corporation:

The 2008 Annual Meeting of Shareholders of Ciena Corporation will be held at the Baltimore Marriott Waterfront Hotel located at 700 Aliceanna Street in Baltimore, Maryland, on Wednesday, March 26, 2008 at 3:00 p.m. local time for the following purposes:

1. To elect three members of the Board of Directors to serve as Class II directors for three-year terms ending in 2011, or until their respective successors are elected and qualified;

2. To approve the 2008 Omnibus Incentive Plan;

3. To approve an amendment and restatement of Ciena s Third Restated Certificate of Incorporation, as amended, to increase the number of authorized shares of common stock from 140 million to 290 million and to make certain other changes;

4. To ratify the appointment of PricewaterhouseCoopers LLP as Ciena s independent registered public accounting firm for the fiscal year ending October 31, 2008; and

5. To consider and act upon such other business as may properly come before the Annual Meeting or any adjournments thereof.

These matters are more fully described in the proxy statement accompanying this notice.

This year, new Securities and Exchange Commission rules allow us to furnish proxy materials to our shareholders on the Internet. We are pleased to take advantage of these new rules and believe that they enable us to provide our shareholders with the information that they need, while lowering the cost of delivery and reducing the environmental impact of our Annual Meeting.

As shareholders of Ciena, your vote is important. Whether or not you plan to attend the Annual Meeting in person, it is important that you vote as soon as possible to ensure that your shares are represented. Shareholders may listen to a webcast of the Annual Meeting by following the instructions that will be available on the Investor Relations page of our website at *www.ciena.com.*

By Order of the Board of Directors,

Russell B. Stevenson, Jr.
Secretary

Linthicum, Maryland
February , 2008

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CIENA CORPORATION
PROXY STATEMENT FOR 2008 ANNUAL MEETING OF SHAREHOLDERS

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CIENA CORPORATION
1201 WINTERSON ROAD
LINTHICUM, MARYLAND 21090

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS TO BE HELD MARCH 26, 2008

Our Board of Directors has made these proxy materials available to you on the Internet, or, upon your request, has delivered printed versions of these materials to you by mail. We are furnishing this proxy statement in connection with the solicitation by our Board of Directors of proxies to be voted at our 2008 Annual Meeting. The Annual Meeting will be held at the Baltimore Marriott Waterfront Hotel located at 700 Aliceanna Street in Baltimore, Maryland, on Wednesday, March 26, 2008 at 3:00 p.m. local time, or at any adjournment thereof. We mailed our Notice of Internet Availability of Proxy Materials (the Notice) to each shareholder entitled to vote at the Annual Meeting on or about February , 2008.

GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

Who may vote at the Annual Meeting?

The Board of Directors has set January 28, 2008 as the record date for the Annual Meeting. If you were the owner of Ciena common stock at the close of business on January 28, 2008, you may vote at the Annual Meeting. You are entitled to one vote for each share of common stock you held on the record date.

A list of shareholders entitled to vote at the Annual Meeting will be open to examination by any shareholder, for any purpose germane to the Annual Meeting, during normal business hours for a period of ten days before the Annual Meeting at our corporate offices at 1201 Winterson Road, Linthicum, Maryland 21090, and at the time and place of the Annual Meeting.

How many shares must be present to hold the Annual Meeting?

A majority of our shares of common stock outstanding as of the record date must be present at the Annual Meeting in order to hold the meeting and conduct business. This is called a quorum. On the record date, there were shares of Ciena common stock outstanding. Your shares are counted as present at the Annual Meeting if you are present and vote in person at the Annual Meeting or properly submit your proxy prior to the Annual Meeting.

What proposals will be voted on at the Annual Meeting?

The items scheduled to be voted on at the Annual Meeting are:

- the election of three Class II directors to the Board of Directors for three-year terms ending in 2011, or until their respective successors are elected and qualified;

- the approval of our 2008 Omnibus Incentive Plan;

- the approval of an amendment and restatement of our Third Restated Certificate of Incorporation, as amended (the Certificate), to increase the number of authorized shares of common stock from 140 million to 290 million and to make certain other changes; and

- the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending October 31, 2008.

We are not currently aware of any other business to be acted upon at the Annual Meeting. If any other matters are properly submitted for consideration at the Annual Meeting, including any proposal to adjourn the Annual Meeting, the persons named as proxies will vote the shares represented thereby in their discretion. Adjournment of

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the Annual Meeting may be made for the purpose of, among other things, soliciting additional proxies. Any adjournment may be made from time to time by approval of the holders of common stock representing a majority of the votes present in person or by proxy at the Annual Meeting, whether or not a quorum exists, without further notice other than by an announcement made at the Annual Meeting.

How does the Board of Directors recommend that I vote?

The Board of Directors recommends that you vote:

FOR the election of the Class II director nominees named in this proxy statement;

FOR approval of our 2008 Omnibus Incentive Plan;

FOR approval of the amendment and restatement of the Certificate; and

FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm.

Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials this year instead of a full set of printed proxy materials?

Pursuant to the new rules adopted by the Securities and Exchange Commission (SEC), we have elected to provide access to our proxy materials over the Internet. Accordingly, we sent a Notice to all of our shareholders as of the record date. All shareholders may access our proxy materials on the website referred to in the Notice. Shareholders may also request to receive a printed set of our proxy materials. Instructions on how to access our proxy materials over the Internet or to request a printed copy can be found on the Notice. In addition, by following the instructions in the Notice, shareholders may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis.

Choosing to receive your future proxy materials by email will save us the cost of printing and mailing documents to you and will reduce the impact of our annual meetings on the environment. If you choose to receive future proxy materials by email, you will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by email will remain in effect until you terminate it.

How many votes are required to approve each proposal?

During fiscal 2007, we amended our bylaws to adopt a majority vote standard in uncontested director elections. As a result, other than in a contested election (*i.e.*, an election in which the number of candidates exceeds the number of directors to be elected), each director will be elected by the vote of the majority of the votes cast by holders of shares present in person or represented by proxy at the Annual Meeting. For purposes of uncontested director elections, a majority of the votes cast means that the number of votes cast FOR a director s election exceeds the number of votes cast AGAINST that director s election. In a contested election, however, directors will continue to be elected by plurality vote.

Approval of the amendment and restatement of the Certificate requires the affirmative vote of a majority of the shares outstanding.

Approval of the 2008 Omnibus Incentive Plan and ratification the appointment of our independent registered public accounting firm each require the affirmative vote of a majority of the total votes cast by holders of shares present in person or represented by proxy at the Annual Meeting and entitled to vote on these proposals.

How are votes counted?

You may vote FOR, AGAINST or ABSTAIN as to any of proposals to be presented at the Annual Meeting that are se forth in this proxy statement. If you abstain from voting on these proposals, your shares will be counted as present for purposes of establishing a quorum at the Annual Meeting. An abstention will count as a vote

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against approval of the amendment and restatement of the Certificate. An abstention will not count as a vote for or against the other proposals and will have no effect on the outcome of the election of our directors.

Broker non-votes are counted as present for purposes of determining the presence or absence of a quorum for the transaction of business but will not be counted for purposes of determining whether a proposal has been approved. Broker non-votes occur when brokers do not receive voting instructions from their customers and the broker does not have discretionary voting authority with respect to a proposal. If you hold shares through a broker, bank or other nominee and you do not give instructions as to how to vote, your broker may have authority to vote your shares on certain routine items but not on other items. Broker non-votes will not be counted for purposes of the election of directors and will have no effect on the outcome of the vote on the approval or the 2008 Omnibus Incentive Plan or the ratification of our independent registered public accounting firm. Broker non-votes, like abstentions, will have the effect of a vote against the approval of the amendment and restatement of our Certificate, as that approval requires the affirmative vote of a majority of our shares outstanding.

What is the difference between holding shares as a shareholder of record and as a beneficial owner of shares held in street name?

If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, N.A., you are considered the shareholder of record with respect to those shares, and the Notice was sent directly to you.

If your shares are held in an account at a brokerage firm, bank, broker-dealer, or other similar organization, then you are the beneficial owner of shares held in street name, and the Notice was forwarded to you by that organization. As a beneficial owner, you have the right to direct that organization on how to vote the shares held in your account.

How do I vote my shares without attending the Annual Meeting?

Whether you are a shareholder of record or hold your shares in street name, you may direct your vote without attending the Annual Meeting in person.

If you are a shareholder of record, you may vote by telephone or Internet by following the instructions on the Notice. If you request printed copies of the proxy materials by mail, you may also vote by signing and submitting your proxy card and returning by mail. You should sign your name exactly as it appears on the proxy card. If you are signing in a representative capacity (for example, as guardian, executor, trustee, custodian, attorney or officer of a corporation), you should indicate your name and title or capacity.

If you are the beneficial owner of shares held in street name, you may be eligible to vote your shares electronically over the Internet or by telephone by following the instructions on the Notice. If you request printed copies of the proxy materials by mail, you may also vote by signing the voter instruction card provided by your bank or broker and returning it by mail. If you provide specific voting instructions by mail, telephone or the Internet, your shares will be voted by your broker or nominee as you have directed.

The persons named as proxies are officers of Ciena. All proxies properly submitted in time to be counted at the Annual Meeting will be voted in accordance with the instructions contained therein. If you submit your proxy without voting instructions, your shares will be voted in accordance with the recommendations of the Board of Directors set forth above.

How do I vote my shares in person at the Annual Meeting?

Even if you plan to attend the Annual Meeting, we encourage you to vote by telephone or Internet, or by returning a proxy card following your request of printed materials. This will ensure that your vote will be counted if you are unable to, or later decide not to, attend the Annual Meeting. If you are a shareholder of record, you may vote in person by marking and signing the ballot to be provided at the Annual Meeting. If you hold your shares in street name, you must obtain a proxy in your name from your bank, broker or other shareholder of record in order to vote by ballot at the Annual Meeting.

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What happens if my shares are held in more than one account?

If your shares are held in more than one account, you will receive a Notice for each account. To ensure that all of your shares in each account are voted, you must vote in accordance with the Notice you receive for each account.

May I revoke my proxy and change my vote after I have voted?

You may revoke your proxy and change your vote at any time before the final vote at the Annual Meeting. You may revoke your proxy by voting again on a later date on the Internet or by telephone (only your latest Internet or telephone proxy submitted prior to the Annual Meeting will be counted), or by signing and returning a new proxy card with a later date, or by attending the Annual Meeting and voting in person. Your attendance at the Annual Meeting will not automatically revoke your proxy unless you vote again at the Annual Meeting or specifically request in writing at that time that your prior proxy be revoked.

Where can I find the voting results of the Annual Meeting?

The preliminary voting results will be announced at the Annual Meeting. The final voting results will be tallied by the inspector of elections and published in our quarterly report on Form 10-Q for the fiscal quarter ending on April 30, 2008.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

General

Our Board of Directors currently consists of nine members. The directors are divided into three classes, with each class serving on the Board of Directors for a staggered three-year term. Class II, whose term expires at the Annual Meeting, consists of Harvey B. Cash, Judith M. O Brien and Gary B. Smith. At the Annual Meeting, three directors will be elected to fill positions in Class II. Each of the current Class II directors is a nominee for election at the Annual Meeting. The nomination of these directors to stand for election at the Annual Meeting has been recommended by the Governance and Nominations Committee and approved by the Board of Directors. Each of the nominees for Class II, if elected, will serve for a three-year term expiring at the 2011 Annual Meeting, or until his or her successor is elected and qualified.

Each of the nominees has consented to serve if elected. However, if any of the persons nominated by the Board of Directors fails to stand for election, or declines to accept election, or is otherwise unavailable for election prior to our Annual Meeting, proxies solicited by our Board of Directors will be voted by the proxy holders for the election of any other person or persons as the Board of Directors may recommend, or our Board of Directors, at its option, may reduce the number of directors that constitute the entire Board of Directors.

The following tables present information, including age, term of office and business experience, for each person nominated for election as a Class II director and for those directors whose terms of office will continue after the meeting.

Nominees for Election as Class II Directors with Terms Expiring in 2011

Harvey B. Cash	Mr. Cash, age 69, has served as a director of Ciena since April 1994 and is Ciena s lead independent director. Mr. Cash is a general partner of

	InterWest Partners, a venture capital firm in Menlo Park, California that he joined in 1985. Mr. Cash serves on the boards of directors of First Acceptance Corp., i2 Technologies, Inc., Silicon Laboratories, Inc., Argonaut Group, Inc. and Staktek Holdings, Inc.
Judith M. O Brien	Ms. O Brien, age 57, has served as a director of Ciena since July 2000. Since November 2006, Ms. O Brien has served as executive vice president of Obopay, Inc., a provider of mobile payment services.

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	From February 2001 until October 2006, Ms. O Brien served as a managing director at Incubic Venture Fund, a venture capital firm. From February 1984 until February 2001, Ms. O Brien was a partner with Wilson Sonsini Goodrich & Rosati, where she specialized in corporate finance, mergers and acquisitions and general corporate matters. Ms. O Brien serves on the board of directors of Grandis Inc., a privately held company.
Gary B. Smith	Mr. Smith, age 47, joined Ciena in 1997 and has served as President and Chief Executive Officer since May 2001. Mr. Smith has served as a director of Ciena since October 2000. Mr. Smith serves on the boards of directors for CommVault Systems, Inc. and the American Electronics Association. Mr. Smith also serves as a member of the Global Information Infrastructure Commission.

Class III Directors with Terms Expiring in 2009

Stephen P. Bradley, Ph.D	Professor Bradley, age 66, has served as a director of Ciena since April 1998. Professor Bradley is the William Ziegler Professor of Business Administration and teaches Competitive and Corporate Strategy in the Advanced Management Program at the Harvard Business School. A member of the Harvard faculty since 1968, Professor Bradley is also Chairman of Harvard s Executive Program in Competition and Strategy: Building and Sustaining Competitive Advantage. Professor Bradley serves on the boards of directors of i2 Technologies, Inc. and the Risk Management Foundation of the Harvard Medical Institutions.
Bruce L. Claflin	Mr. Claflin, age 56, has served as a director of Ciena since August 2006. Mr. Claflin served as President and Chief Executive Officer of 3Com Corporation, a provider of enterprise and small-business networking solutions, from January 2001 until his retirement in February 2006. Mr. Claflin joined 3Com as President and Chief Operating Officer in August 1998. Prior to 3Com, Mr. Claflin served as Senior Vice President and General Manager, Sales and Marketing, for Digital Equipment Corporation. Mr. Claflin also worked for 22 years at IBM, where he held various sales, marketing and management positions, including general manager of IBM PC Company s worldwide research and development, product and brand management, as well as president of IBM PC Company Americas. Mr. Claflin also serves on the board of directors of Advanced Micro Devices, Inc.
Gerald H. Taylor	Mr. Taylor, age 66, has served as a director of Ciena since January 2000. Mr. Taylor has served as a managing member of mortonsgroup, LLC, a venture partnership specializing in telecommunications and information technology, since January 2000. From 1996 to 1998, Mr. Taylor was Chief Executive Officer of MCI Communications Corporation.

Class I Directors with Terms Expiring in 2010

Lawton W. Fitt	Ms. Fitt, age 54, has served as a director of Ciena since November 2000. From October 2002 to March 2005, Ms. Fitt served as Director of the Royal Academy of Arts in London. From 1979 to October 2002, Ms. Fitt was an investment banker with Goldman

	Sachs & Co., where she was a partner from 1994 to October 2002, and a managing director from 1996 to October 2002. Ms. Fitt serves on the boards of directors of Reuters PLC, Citizens Communications Company and Overture Acquisition Corporation, and is a senior advisor of GSC Group.
Patrick H. Nettles, Ph.D	Dr. Nettles, age 64, has served as a director of Ciena since April 1994 and as Executive Chairman of the Board of Ciena since May 2001. From October 2000 to May 2001, Dr. Nettles was Chairman of the Board and Chief Executive Officer of Ciena, and he was President and Chief Executive Officer from April 1994 to October 2000. Dr. Nettles serves as a Trustee for the California Institute of Technology and serves on the board of directors of Axcelis Technologies, Inc. and The Progressive Corporation. Dr. Nettles also serves on the board of directors of Apptrigger, Inc., a privately held company.
Michael J. Rowny	Mr. Rowny, age 57, has served as a director of Ciena since August 2004. Mr. Rowny has been Chairman of Rowny Capital, a private equity firm, since 1999. From 1994 to 1999, and previously from 1983 to 1986, Mr. Rowny was with MCI Communications in positions including President and Chief Executive Officer of MCI s International Ventures, Alliances and Correspondent Group, acting Chief Financial Officer, Senior Vice President of Finance, and Treasurer. Mr. Rowny serves on the board of directors of Neustar, Inc.

Proposal No. 1 Recommendation of the Board of Directors

The Board of Directors recommends that Ciena shareholders vote FOR the election of the three Class II nominees listed above.

CORPORATE GOVERNANCE AND THE BOARD OF DIRECTORS

Independent Directors

The Board of Directors has determined that, with the exception of Dr. Nettles and Mr. Smith, both of whom are employees of Ciena, all of its members are independent directors, as that term is defined in the listing standards of The NASDAQ Stock Market.

Communicating with the Board of Directors

The Board of Directors has adopted a procedure for receiving and addressing communications from shareholders. Shareholders may send written communications to the entire Board of Directors, to the independent directors serving on the Board, or to any of the Board s committees, by addressing communications to Ciena Corporation, 1201 Winterson Road, Linthicum, Maryland 21090, Attention: Corporate Secretary. Communication by e-mail should be addressed to *ir@ciena.com* and marked Attention: Corporate Secretary in the Subject field. Our General Counsel serves as Corporate Secretary and determines, in his discretion, whether the nature of the communication is such that it should be brought to the attention of the Board, the independent directors or one of the Board committees. In making this determination, the Corporate Secretary takes into account the source of the communication, including the number of shares held by the shareholder (if available); the relevance and reasonableness of the suggestions or ideas contained in the communication; and such other information as he deems relevant to a determination of the value of the information to the performance of the Board s responsibilities. In case of doubt, the Corporate Secretary errs on the side of transmitting the communication to the directors.

Codes of Ethics

Ciena has adopted a Code of Business Conduct and Ethics that is applicable to all of its directors, officers and employees. The Code of Business Conduct and Ethics reflects Ciena s policy of dealing with all persons, including our customers, employees, investors, and suppliers, with honesty and integrity. All new employees are required to complete training on our Code of Business Conduct and Ethics and we conduct periodic courses related to specific topics contained therein.

Ciena has also adopted a Code of Ethics for Senior Financial Officers that is specifically applicable to Ciena s Chief Executive Officer, Chief Financial Officer and Controller. Its purpose is to promote honest and ethical conduct, and compliance with the law, particularly as it relates to the maintenance of Ciena s financial records and the preparation of financial statements filed with the SEC. Our Code of Ethics for Senior Financial Officers complies with the requirements of Section 406(c) of the Sarbanes-Oxley Act.

A copy of Ciena s Code of Business Conduct and Ethics and Code of Ethics for Senior Financial Officers can each be found on the Corporate Governance page of the Investor Relations portion of our website at *www.ciena.com.* You may also obtain copies of these documents without charge by writing to: Ciena Corporation, 1201 Winterson Road, Linthicum, Maryland 21090, Attention: Corporate Secretary.

Principles of Corporate Governance

Our Board has adopted Principles of Corporate Governance that govern, among other things, the composition, structure, interaction and operation of the Board of Directors. Some of the key governance features in the Principles of Corporate Governance, as well as those changes that we implemented in fiscal 2007, are summarized below.

Majority Vote Standard in Director Elections. During fiscal 2007, the Board amended Ciena s bylaws and Principles of Corporate Governance to adopt a majority vote standard in uncontested director elections. As a result, other than in a contested election (*i.e.*, an election in which the number of candidates exceeds the number of directors to be elected), directors are elected by a vote of the majority of the votes cast by holders of shares present in person or represented by proxy at the Annual Meeting. In a contested election, directors will continue to be elected by plurality vote. Our Principles of Corporate Governance provide additional information relating to the procedures to be undertaken to implement the majority vote standard in our bylaws.

As a condition of their nomination, incumbent directors and director nominees are required to submit to Ciena an irrevocable resignation that becomes effective only if (i) that person fails to receive a majority vote in an election; and (ii) the Board of Directors accepts his or her resignation. Should any director fail to receive a majority of the votes cast in an uncontested election, the Governance and Nominations Committee will promptly consider the resignation and recommend to the Board whether to accept or reject it, or whether other action should be taken. No later than 90 days following the date of the certification of the election results, the Board will disclose its decision by press release and a Form 8-K filed with the SEC. The Board will provide a full explanation of the process by which the decision was reached and, if applicable, the rationale for rejecting the resignation. If a resignation is accepted by the Board, the Governance and Nominations Committee will recommend to the Board whether to fill the vacancy or to reduce the size of the Board.

Any director whose resignation is being considered is not permitted to participate in the recommendation of the Governance and Nominations Committee or the decision of the Board as to his or her resignation. If the resignations of a majority of the members of the Governance and Nominations Committee have become effective as a result of the voting, the remaining independent directors will appoint a special committee among themselves for the purpose of considering the resignations and recommending whether to accept or reject them.

Selection of Board Members; Vacancies. During fiscal 2007, the Board amended Ciena s bylaws to limit the term of office of any director elected by the Board to fill a vacancy, to a term that lasts until the first annual meeting following election. Previously, our Principles of Corporate Governance required only shareholder ratification at the next annual meeting for directors elected by the Board to fill a vacancy in any class of directors that did not stand for election at the next annual meeting.

Service on Other Boards of Directors. Ciena s Board of Directors believes that directors should not serve on more than four other boards of public companies in addition to our Board of Directors. Ciena directors serving at the time of the adoption of this requirement may maintain directorships in excess of this limit unless the Board determines that doing so would impair the director s service on our Board. In the event that a director wishes to join the board of directors of another public company in excess of the limit above, our Board, in its sole discretion, will determine whether service on the additional board of directors is likely to interfere with the performance of the director s duties to Ciena, taking into account the individual, the nature of his or her other activities and such other factors or considerations as our Board deems relevant. In selecting nominees for membership, the Governance and Nominations Committee and the Board will take into account the other demands on the time of a candidate, and avoid candidates whose other responsibilities might interfere with effective service on our Board of Directors.

Change in Principal Occupation of Director. In some cases, when a director changes his or her principal occupation, the change may result in an increased workload, actual or apparent conflicts of interest, or other consequences that may affect his or her ability to continue to serve on Ciena s Board of Directors. As a result, the Board of Directors has determined that when a director substantially changes his or her principal occupation, including by retirement, that director will tender his or her resignation to the Board of Directors. The Governance and Nominations Committee will weigh such factors as it deems relevant and recommend to the Board of Directors whether the resignation should be accepted, and the Board will act promptly on the matter.

Director Stock Ownership Requirements. All non-employee directors are required to hold at least 3,200 shares of Ciena s common stock and/or units while serving as a director. New directors and directors serving at the time of the adoption of this requirement have three years to attain the director stock ownership threshold. Shares or units held or beneficially owned by a director, including under any applicable equity plan, are included in determining whether this minimum ownership requirement has been met. Ciena s Board of Directors recognizes that exceptions to this policy may be necessary or appropriate in individual cases, and may approve exceptions from time to time as it deems appropriate and in the interest of Ciena and its shareholders.

Lead Independent Director. One of our independent Board members is elected to serve as lead independent director. The lead independent director is responsible for coordinating the activities of the other independent directors and has the authority to preside at all meetings of the Board at which the Executive Chairman is not present, including executive sessions of the independent directors. The lead independent director serves as principal liaison on Board-wide issues between the independent directors and the Executive Chairman, and approves meeting schedules and agendas, as well as the quality, quantity and timeliness of information sent to the Board. The lead independent director may also recommend the retention of outside advisors and consultants who report directly to the Board of Directors. If requested by shareholders, when appropriate, the lead independent director will also be available for consultation and direct communication. Mr. Cash currently serves as our lead independent director.

Separate Chairman and CEO. Although our Board does not have a policy on whether the roles of Chief Executive Officer and Chairman should be separate, Ciena has maintained these positions as separate since 2001, when Mr. Gary Smith was appointed Chief Executive Officer.

Committee Responsibilities. The Board has three standing committees: the Audit Committee, the Compensation Committee and the Governance and Nominations Committee. Each committee meets regularly and has a written charter that is available on the Corporate Governance page of the Investor Relations portion of our website at *www.ciena.com.* At each regularly scheduled Board meeting, the chairperson or a member of each committee reports on any significant matters addressed by the committee.

Executive Sessions. At the conclusion of each regularly scheduled Board meeting, our independent directors meet in executive session without employee-directors present. The lead independent director presides at these meetings.

Outside Advisors. The Board may retain outside advisors and consultants at its discretion and at Ciena s expense. The charters governing each standing committee of the Board give each committee the same authority. Management s consent to retain outside advisors is not required.

Board Effectiveness. To ensure that our Board and its committees are performing effectively and in the best interests of Ciena and its shareholders, the Board performs an annual assessment of itself, its Committees and each of its members.

Succession Planning. Our Board recognizes the importance of effective executive leadership to our growth and success, and meets regularly to discuss executive succession planning.

Continuing Education for Board Members. Board members are encouraged to attend seminars, conferences, and other continuing education programs designed especially for directors of public companies, including, specifically, accredited director education programs, which may be attended at Ciena expense during service on the Board.

A complete copy of our Principles of Corporate Governance can be found on the Corporate Governance page of the Investor Relations portion our website at *www.ciena.com.*

Committees of the Board of Directors and Meetings

During fiscal 2007, the Board of Directors held seven meetings. The Board of Directors has three standing committees:

the Audit Committee, which held five meetings during fiscal 2007;

the Compensation Committee, which held seven meetings during fiscal 2007; and

the Governance and Nominations Committee, which held six meetings during fiscal 2007.

All of our directors attended at least 75% of the aggregate of the total number of meetings of the Board of Directors and the committees on which they served during fiscal 2007. Ciena encourages, but does not require, members of the Board of Directors to attend the Annual Meeting. Two members of the Board of Directors attended Ciena s 2007 Annual Meeting. Each of the three standing committees of the Board of Directors has a written charter, copies of which can be found on the Corporate Governance page of the Investor Relations portion of Ciena s website at *www.ciena.com.*

Committee Composition

The table below details the composition of Ciena s standing Board committees. Mr. Smith and Dr. Nettles do not serve on committees of the Board.

Director Name	Audit Committee	Compensation Committee	Governance and Nominations Committee
Stephen P. Bradley, Ph.D.	X		X
Harvey B. Cash		X	Chairperson
Bruce L. Claflin	X		
Lawton W. Fitt	Chairperson		
Judith M. O Brien		Chairperson	X
Michael J. Rowny	X		
Gerald H. Taylor		X	

Audit Committee

The Audit Committee falls within the definition of audit committee under Section 3(a)(58)(A) of the Securities Exchange Act of 1934. In addition to meeting The NASDAQ Stock Market s tests for director independence, directors on audit committees must meet two basic criteria set forth in the SEC s rules. First, audit committee members are barred from accepting, directly or indirectly, any consulting, advisory or other compensatory fee from the company or an affiliate of the company, other than in the member s capacity as a member of the Board of Directors and any Board committee. Second, a member of an audit committee may not be an affiliated person of the company or any subsidiary of the company apart from his or her capacity as a member of the Board and any Board committee. The Board of Directors has determined that each member of the Audit Committee meets these independence requirements, in addition to the independence criteria established by The NASDAQ Stock Market. The Board of Directors has determined that Mr. Rowny is an audit committee financial expert as defined in Item 407 of Regulation S-K.

Among its responsibilities, the Audit Committee appoints and establishes the compensation for Ciena s independent registered public accounting firm, approves in advance all engagements with Ciena s independent registered public accounting firm to perform audit and non-audit services, reviews and approves the procedures used by Ciena to prepare its periodic reports, reviews and approves Ciena s critical accounting policies, discusses the plans and reviews results of the audit engagement with Ciena s independent registered public accounting firm, reviews the independence of Ciena s independent registered public accounting firm, and oversees Ciena s internal audit function and Ciena s accounting processes, including the adequacy of its internal controls over financial reporting. Ciena s independent registered public accounting firm and internal audit department report directly to the Audit Committee. The Audit Committee also reviews and considers any related person transactions in accordance with our Policy on Related Person Transactions and applicable rules of The NASDAQ Stock Market. To assist it in carrying out its responsibilities, the Audit Committee is authorized to retain the services of independent advisors.

Compensation Committee

The Compensation Committee has responsibility, authority and oversight relating to the development of Ciena s overall compensation strategy. The Compensation Committee seeks to assure that our compensation practices promote shareholder interests, support our strategic and tactical objectives, and provide appropriate incentives to recruit, retain and motivate our employees. As part of its responsibility, the Compensation Committee reviews and approves the structure of Ciena s bonus plans and administers Ciena s stock option plans. At the end of each fiscal year, the Compensation Committee evaluates the performance of Ciena s executive officers, including the Executive Chairman and the Chief Executive Officer, and establishes their compensation for the next fiscal year.

The members of the Compensation Committee qualify as outside directors within the meaning of Section 162(m) of the Internal Revenue Code, meet the requirements of Rule 16b-3 of the Securities Exchange Act of 1934 and comply with the independence requirements of The NASDAQ Stock Market. The Compensation Committee has delegated limited authority to Mr. Gary Smith, our President and Chief Executive Officer, and a member of the Board of Directors, to make equity awards to employees who are not part of the executive leadership team. For more information regarding the Compensation Committee, its determination of the form and amount of compensation paid to our executive officers, including the Named Executive Officers, and Mr. Smith s role in such determination, please see Compensation Discussion and Analysis below.

To assist it in carrying out its responsibilities, the Compensation Committee is authorized to retain the services of independent advisors. During fiscal 2007, the Compensation Committee engaged Compensia, Inc. For more information regarding the role of Compensia in determining or recommending the form or amount of compensation paid to our executive officers, please see Compensation Discussion and Analysis below.

Governance and Nominations Committee

The Governance and Nominations Committee reviews, develops and makes recommendations regarding various aspects of the Board of Directors, including its size, composition, standing committees and practices. The Governance and Nominations Committee also reviews and implements corporate governance policies, practices and procedures. The Governance and Nominations Committee conducts an annual review of the performance of the Board of Directors and its individual members. The Governance and Nominations Committee is also responsible for making recommendations to the Board of Directors regarding the compensation of its non-employee members. The members of the Governance and Nominations Committee are all independent directors under applicable rules of The NASDAQ Stock Market.

The Governance and Nominations Committee reviews candidates for service on the Board and recommends nominees for election to fill vacancies on the Board of Directors, including nomination for re-election of directors whose terms are due to expire. In discharging its responsibilities to nominate candidates for election to the Board of Directors, the Governance and Nominations Committee endeavors to identify, recruit and nominate candidates characterized by wisdom, maturity, sound judgment, excellent business skills and high integrity. The Governance and Nominations Committee seeks to assure that the Board of Directors is composed of individuals of diverse backgrounds who have a variety of complementary experience, training and relationships relevant to Ciena s needs. In nominating candidates to fill vacancies created by the expiration of the term of a director, the Governance and Nominations Committee determines whether the incumbent director is willing to stand for re-election. If so, the Governance and Nominations Committee evaluates his or her performance to determine suitability for continued service, taking into consideration the value of continuity and familiarity with Ciena s business. In addition, the Governance and Nominations Committee considers recommendations for nomination from any reasonable source, including Ciena s officers, directors and shareholders. In considering these recommendations, the Governance and Nominations Committee utilizes the same standards described above, as well as the current size and composition of the Board, and the needs of the Board and its committees. When appropriate, the Governance and Nominations Committee may retain executive recruitment firms to assist in identifying suitable candidates. Shareholders who wish to suggest potential nominees may address their suggestions in writing to Ciena Corporation, 1201 Winterson Road, Linthicum, Maryland 21090, Attention: Corporate Secretary. For a description of the process by which shareholders may nominate directors in accordance with our bylaws, please see Shareholder Proposals for 2009 Annual Meeting below.

Compensation Committee Interlocks and Insider Participation

Messrs. Cash and Taylor and Ms. O Brien, who comprised the Compensation Committee in fiscal 2007, are each independent directors and were not, at any time during fiscal 2007, or at any other time, officers or employees of Ciena. During fiscal 2007, no member of the Compensation Committee was an executive officer of another entity on whose compensation committee or board of directors an executive officer of Ciena served.

Director Compensation

Our director compensation is designed to attract and retain highly qualified, independent directors to represent shareholders on the Board and act in their best interest. The Governance and Nominations Committee, which consists solely of independent directors, has primary responsibility for reviewing and considering changes to our director compensation. Compensation for the members of our Board is reviewed annually by the Governance and Nominations Committee. The Board considers the recommendations of the Governance and Nominations Committee and determines the compensation to be paid to directors.

Director compensation currently consists of cash and equity compensation. In December 2006, the Board approved a revised compensation program, effective as of March 14, 2007, the date of our 2007 Annual Meeting. In addition to the changes in cash compensation described below, the Board modified its equity compensation and discontinued the use of options in favor of restricted stock units (RSUs). The Board based these changes in compensation upon the determination and recommendations of the Governance and Nominations Committee. In making its recommendations regarding the composition and amount of compensation to be paid to our non-employee directors, the Governance and Nominations Committee received an evaluation of the competitiveness of Ciena s Board compensation program from Compensia, Inc., a compensation consulting firm. This evaluation included an overview of Board compensation trends and developments, a review of our Board compensation practices and a competitive analysis of the amount and composition of compensation paid to our directors.

Our Board of Directors includes two Ciena executive officers; Dr. Nettles, who serves as Executive Chairman of the Board, and Gary Smith, who serves as Ciena s President and Chief Executive Officer. As a Named Executive Officer, information regarding the determination of Mr. Smith s compensation can be found in Compensation Discussion and Analysis below. Mr. Smith does not receive compensation for his service as a director and additional information regarding his compensation can be found in the Executive Compensation Tables below. Except as set forth in Equity

Compensation below, Dr. Nettles does not receive compensation for his services as a director.

Cash Compensation. During fiscal 2007, our non-employee directors received cash compensation in the form of the annual retainers and attendance fees per meeting of the Board and its committees, as set forth below:

Cash Compensation	Amount Earned Prior to 2007 Annual Meeting ($)	Amount Earned After 2007 Annual Meeting ($)
Annual Retainer for Each Non-Employee Director	$20,000	$25,000
Additional Lead Outside Director Retainer	$7,500	$7,500
Audit Committee Chairperson Annual Retainer	$7,500	$20,000
Other Committee Chairperson Annual Retainer		$7,500
Board Meeting Attendance (Regular Mtg.)	$1,500	$1,500
Board Meeting Attendance (Special Mtg.)		$500
Audit Committee Meeting Attendance (Regular Mtg.)	$3,000 (Chairperson) $2,000 (other directors)	$2,000 (Chairperson) $2,000 (other directors)
Other Committee Meeting Attendance (Regular Mtg.)	$1,500 (Chairperson) $1,000 (other directors)	$1,000 (Chairperson) $1,000 (other directors)
All Committee Meeting Attendance (Special Mtg.)	$500	$500

We pay the Board and committee chair retainers set forth above in quarterly installments. Meeting attendance fees are generally paid promptly following each meeting, and directors are reimbursed for reasonable out-of-pocket expenses incurred in connection with attendance at Board and committee meetings. Non-employee directors do not receive any perquisites as part of their compensation.

Equity Compensation. During fiscal 2007, our non-employee directors and Dr. Nettles were eligible for equity compensation in the form of RSUs as set forth below.

Equity Compensation	RSU Grant (#)
Initial RSU Grant Upon Election or Appointment	6,500 shares
Annual RSU Grant Non-Employee Directors	3,250 shares
Annual RSU Grant Executive Chairman of the Board	6,500 shares

Initial equity awards are made upon first election or appointment to the Board of Directors and vest in equal annual installments over a three-year period. Annual awards are made on the date of each annual meeting of shareholders and vest in full on the first anniversary of the date of grant. By operation of the terms of the annual RSU awards made to the directors during fiscal 2007, delivery of the shares following vesting is deferred until the director s termination of service. For awards in 2008 and thereafter, delivery of the shares following vesting is subject to any applicable instruction provided by the director under the Directors Restricted Stock Deferral Plan described below.

Director Compensation Table. The following table and the accompanying footnotes describe the total compensation earned by our non-employee directors and Dr. Nettles during fiscal 2007.

Total compensation does not reflect the actual compensation received by our directors in fiscal 2007. Total compensation includes the dollar amounts set forth in the Stock Awards and Option Awards columns. These amounts reflect the compensation expense we recognized for financial statement reporting purposes with respect to equity awards granted to directors during fiscal 2007, as well as grants made in prior fiscal years, to the extent such awards remained unvested in whole or in part at the beginning of fiscal 2007. The compensation expense included in the Stock Awards and Option Awards columns will likely vary from the actual amount ultimately realized by these directors based on a number of factors, including the number of shares that ultimately vest, the timing of any exercise or sale of shares, the effect of any applicable instruction to defer delivery, and the price of our stock.

Director Compensation Table

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	All Other Compensation ($)(4)	Total ($)
Patrick H. Nettles, Ph.D.		$ 121,765	$ 26,727	$ 326,292	$ 474,784
Stephen P. Bradley, Ph.D.	$ 46,000	$ 68,468	$ 26,727		$ 141,195
Harvey B. Cash	$ 56,750	$ 68,468	$ 26,727		$ 151,945
Bruce L. Claflin	$ 40,500	$ 75,182	$ 40,024		$ 155,706
Lawton W. Fitt	$ 56,250	$ 68,468	$ 26,727		$ 151,445
Judith M. O Brien	$ 49,250	$ 68,468	$ 26,727		$ 144,445
Michael J. Rowny	$ 40,500	$ 68,468	$ 33,613		$ 142,581
Gerald H. Taylor	$ 38,500	$ 68,468	$ 26,727		$ 133,695

(1) Reflects the aggregate dollar amount of all cash compensation earned for service as a director, including the annual Board and committee chair retainers and meeting attendance fees described in Cash Compensation above.

(2) Reflects the amount of compensation expense we recognized for stock awards under Statement of Financial Accounting Standards 123(R), Share-Based Payment (SFAS 123(R)), for each director as reported in our fiscal 2007 audited financial statements. Pursuant to SEC requirements, the amounts in the table above exclude the impact of estimated forfeitures related to service-based vesting conditions. For each director, the amounts reported above represent the expense associated with annual RSU awards granted on March 14, 2007, as described in Equity Compensation above. For fiscal 2007, delivery of the underlying shares is deferred until the director s termination of service pursuant to the terms of the award. No other equity awards were made to directors during fiscal 2007. Because annual equity awards to directors are typically granted in March of each year, and vest on the first anniversary of the date of grant, the compensation expense associated with these awards is recognized across two fiscal years. As a result, the amount reported above also includes a portion of the compensation expense related to RSU awards made to directors in fiscal 2006, to the extent these awards were unvested at the beginning of fiscal 2007. For Mr. Claflin, the amount reported also includes compensation expense related to an initial RSU award, which vests over three years, granted upon his joining the Board during fiscal 2006. For information regarding the relevant assumptions made in calculating compensation expense, you should refer to the information set forth in Note 15 to the audited financial statements included in our annual report on Form 10-K filed on December 27, 2007, under the heading Assumptions for RSU-Based Awards under SFAS 123(R). The full grant date fair value of RSUs awarded to directors in fiscal 2007 was: (a) $166,725 for the RSU grant to Dr. Nettles; and (b) $83,363 for the RSU grant to each of the other directors. This amount reflects, as of the grant date, the total compensation expense for financial reporting purposes that we would expect to incur over the vesting period for the award. See Outstanding Equity Awards for Directors at Fiscal Year End below for information as to each director s unvested stock award holdings at the end of fiscal 2007.

(3) We did not make any option grants to directors during fiscal 2007. The amounts reported above represent the compensation expense we recognized in our fiscal 2007 audited financial statements for stock options granted to directors in years prior, to the extent these awards remained unvested at the beginning of fiscal 2007. For

Messrs. Claflin and Rowny, the amounts reported also reflect initial option awards made upon joining the Board in fiscal 2006 and fiscal 2004, respectively. Pursuant to SEC requirements, the amounts in the table above exclude the impact of estimated forfeitures related to service-based vesting conditions. For information regarding the relevant assumptions made in calculating compensation expense, you should refer to the information set forth in Note 15 to the audited financial statements included in our annual report on Form 10-K filed on December 27, 2007, under the heading Assumptions for Option-Based Awards under SFAS 123(R). See Outstanding Equity Awards for Directors at Fiscal Year End below for information as to each director s vested and unvested stock option holdings at the end of fiscal 2007.

(4) Reflects $305,770 of salary for service as an executive officer. This amount is based on an annual salary of $300,000 and reflects our 53 week fiscal 2007. Dr. Nettles does not receive cash compensation for his service as

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a director. Also includes: (a) the incremental expense of an insurance premium paid by us for a supplemental executive long-term disability insurance policy held by Dr. Nettles, (b) the cost of tax preparation services made available to executive officers; and (c) 401(k) plan matching contributions paid by us and generally available to all full-time U.S. employees on the same terms.

Outstanding Equity Awards for Directors at Fiscal Year End

The following table sets forth, on an aggregate basis, information related to unexercised stock options and unvested stock awards held by each of the non-employee directors and Dr. Nettles as of the end of fiscal 2007.

Outstanding Equity Awards at Fiscal Year-End

	Unexercised Option Awards		Stock Awards
Name	**Aggregate Number of Shares Underlying Exercisable Options (#)**	**Aggregate Number of Shares Underlying Unexercisable Options (#)**	**Aggregate Number of Unvested Shares or Units (#)**
Patrick H. Nettles, Ph.D.	179,326		6,500
Stephen P. Bradley, Ph.D.	50,426		3,250
Harvey B. Cash	34,712		3,250
Bruce L. Claflin	2,142	4,286	4,678
Lawton W. Fitt	37,336		3,250
Judith M. O Brien	36,850		3,250
Michael J. Rowny	13,451		3,250
Gerald H. Taylor	35,859		3,250

Directors Restricted Stock Deferral Plan

In August 2007, the Board of Directors adopted the Directors Restricted Stock Deferral Plan. The plan allows non-employee directors to defer receipt of all or a portion of the shares underlying RSU awards granted in connection with their service on the Board. Generally, deferral elections may only be made as to awards to be granted in the calendar year following a valid deferral election. Directors can elect the amount deferred, the deferral period and the means of distribution of their shares. If a director elects to defer any portion of an award, upon the vesting of that award, we credit a stock account with the amount deferred. There are no other investment options under the plan and all such accounts will be distributed in Ciena common stock. Distributions may be made in a lump sum or installments, as designated by the participating director, subject to early distribution of vested awards in a lump sum in the event of the participant s death, termination of service, a change in control of Ciena or termination of the plan.

PROPOSAL NO. 2

APPROVAL OF 2008 OMNIBUS INCENTIVE PLAN

This section provides a summary of the terms of the 2008 Omnibus Incentive Plan, which we refer to as the 2008 Plan, and the proposal that shareholders approve the plan.

The Board of Directors approved the 2008 Plan on December 12, 2007, subject to approval from our shareholders at the Annual Meeting. We are asking our shareholders to approve the 2008 Plan as we believe that the plan is important to our continued growth and success. The purpose of the 2008 Plan is to attract, motivate and retain highly qualified officers, directors, key employees and other key individuals. We believe that providing these individuals an opportunity to acquire a direct proprietary interest in the operations and future success of Ciena will motivate these individuals to serve Ciena and to expend maximum effort to improve our business and results of operations. We believe that an equity award grant under the 2008 Plan will be a valuable incentive to participants and will benefit shareholders by aligning more closely the interests of 2008 Plan participants with those of our shareholders.

The 2008 Plan will not be effective unless and until it is approved by shareholders, and we will not make any awards thereunder until such time as the plan is effective. If our shareholders approve the 2008 Plan, we will not make any further awards under our prior equity incentive compensation plans and will make awards exclusively from the 2008 Plan and 2003 Employee Stock Purchase Plan (ESPP).

The 2008 Plan reserves eight million shares of common stock for issuance. The number of shares available under the 2008 Plan will be increased from time to time by: (i) the number of shares subject to outstanding stock options or restricted stock units granted under our prior equity compensation plans that are forfeited, expire or are canceled without delivery of common stock following the effective date of the 2008 Plan, and (ii) the number of shares subject to awards assumed or substituted in connection with the acquisition of another company.

As of December 31, 2007, 6,091,593, shares of stock were subject to outstanding stock option awards under the prior plans, with a weighted average exercise price of $53.02 per share and a weighted average remaining term of 6.0 years. There were also 1,881,221 shares subject to outstanding stock awards in the form of restricted stock units, performance stock units or performance accelerated restricted stock units awarded under our prior plans. On the Record Date, the closing price of our common stock was $ per share.

Because the 2008 Plan will not be effective unless and until approved by shareholders, the Compensation Committee has not yet granted any equity awards under the 2008 Plan. Participation and the types of awards under the 2008 Plan are subject to the discretion of the Compensation Committee, and, as a result, the benefits or amounts that will be received by any participant or groups of participants if the 2008 Plan is approved are not currently determinable. On the Record Date, there were eight executive officers, seven non-employee directors and approximately 1,800 employees who were eligible to participate in the 2008 Plan.

Plan Highlights

The Board believes that approval of the 2008 Plan is in the interest of Ciena and its shareholders and that the 2008 Plan is preferable to Ciena s existing incentive plans. Some of the key features of the 2008 Plan that reflect Ciena s commitment to effective management of incentive compensation are as follows:

Plan Limits. Total awards under the 2008 Plan are limited to eight million shares, subject to the exceptions described above. There is no evergreen provision under the 2008 Plan. By way of comparison, Ciena s 2000 Plan had 2,683,428 shares available for future grant at December 31, 2007 and contains an evergreen provision that permits the Board of Directors to add up to 5% of Ciena s outstanding shares to the plan annually on January 1. Under this provision, the Board could have added approximately 4.3 million shares to the 2000 Plan this year alone. If the 2008 Plan is approved by shareholders, shares remaining authorized and available for future issuance under prior plans, including the 2000 plan, will no longer be available for issuance.

Limits on Full Value Awards. In recent years our equity incentive compensation, particularly for executive officers, has increasingly been in the form of restricted stock units, including performance-based or performance-accelerated restricted stock units. Under the 2008 Plan, every share subject to a restricted stock or restricted stock unit award will reduce the number of shares available for issuance by 1.6 shares.

No Liberal Share Recycling Provisions. The 2008 Plan provides that only shares covering awards that expire, are cancelled or are settled in cash, will again be available for issuance under the 2008 Plan. The following shares will not be added back to the aggregate plan limit: (i) shares tendered in payment of the exercise price, and (ii) shares withheld by Ciena or forfeited by the grantee to satisfy the tax withholding obligation.

Minimum Vesting Periods. The 2008 Plan provides that restricted stock and stock units subject to time-based vesting conditions may not vest in full in less than three years from the date of grant. Restricted stock and stock units subject to performance-based vesting conditions may not vest in full in less than one year from the date of grant. These minimum vesting periods are subject to exceptions where vesting has occurred due to (i) a participant s death, disability or retirement, or (ii) a change in control. Only a limited number of shares, equaling 5% of the shares authorized under the 2008 Plan, can be granted with, or subsequently modified to contain, terms that do not meet the minimum vesting period restrictions above.

No Repricing. Under the 2008 Plan, repricing of stock options and SARs (including reduction in the exercise price of stock options or replacement of an award with cash or another award type) is prohibited without shareholder approval.

Option Exercise Price. Under the 2008 Plan, the exercise price of stock options and SARs may not be less than 100% of fair market value on the date of grant, except for stock options and SARs assumed in connection with the acquisition of another company.

Limitation on amendments. No material amendments that will increase the benefits under the plan (including changing the vesting restrictions described above) or that will increase the aggregate number of shares that may be issued under the plan can be made to the plan without shareholder approval.

Section 162(M) eligibility. Under the 2008 Plan, the Compensation Committee will have the flexibility to approve equity and cash awards eligible for treatment as performance-based compensation under Section 162(M) of the Internal Revenue Code.

Description of the Plan

A description of the provisions of the 2008 Plan is set forth below. This summary is qualified in its entirety by the detailed provisions of the 2008 Plan, a copy of which is attached as *Annex A* to this proxy statement.

Administration. The 2008 Plan is administered by the Compensation Committee of the Board of Directors. The members of the Compensation Committee qualify as outside directors within the meaning of Section 162(m) of the Internal Revenue Code, meet the requirements of Rule 16b-3 of the Securities Exchange Act of 1934 and comply with the independence requirements of The NASDAQ Stock Market. Subject to the terms of the plan, the Compensation Committee may select participants to receive awards, determine the types of awards and terms and conditions of awards, and interpret provisions of the plan. Members of the Compensation Committee serve at the pleasure of the Board of Directors. The Board of Directors may also appoint one or more separate committees, composed of one or more directors who need not satisfy the independence requirements described above, that may administer the 2008 Plan with respect to participants, provided such grantees are not Ciena executive officers or directors. The Compensation Committee may delegate its authority under the Plan to the extent permitted by applicable law.

Common Stock Reserved for Issuance under the Plan. The common stock issued or to be issued under the 2008 Plan consists of authorized but unissued shares or, to the extent permitted by applicable law, issued shares that have been reacquired by Ciena. If any shares covered by an award under the 2008 Plan or a prior plan are not purchased or are forfeited, or if an award otherwise terminates without delivery of any common stock, then the number of shares of common stock counted against the aggregate number of shares available under the plan with respect to the award will, to the extent of any such forfeiture or termination, again be available for making awards under the 2008 Plan. The number of shares of common stock available for issuance under the 2008 Plan will not be increased by any shares tendered or awards surrendered in connection with the purchase of shares of common stock upon exercise of an option or any shares of common stock deducted or forfeited from an award in connection with Ciena s tax withholding obligations. The number of shares of common stock available for issuance under the 2008 Plan will also be increased by the number of shares subject to awards that are assumed or substituted in connection with the acquisition of another company.

Eligibility. Awards may be made under the 2008 Plan to employees, directors, and consultants of Ciena or its affiliates, and any other individual whose participation in the plan is determined to be in the best interests of Ciena by the Board of Directors.

Amendment or Termination of the Plan. The Board of Directors may terminate the plan at any time and for any reason. The 2008 Plan will terminate, in any event, ten years after its effective date. The Board of Directors may also amend the 2008 Plan, provided that amendments will be submitted for shareholder approval to the extent required by the Internal Revenue Code or other applicable laws, rules or regulations. In addition, amendments that will increase the benefits under the plan (including changing the vesting restrictions described above) or that will increase the aggregate number of shares that may be issued under the plan must be submitted for shareholder approval.

Options. The 2008 Plan permits the granting of options to purchase shares of common stock intended to qualify as incentive stock options under the Internal Revenue Code as well as stock options that do not qualify as incentive stock options.

The exercise price of a stock option may not be less than 100% of the fair market value of our common stock on the date of grant. The fair market value is generally determined as the closing price of the common stock on the date of grant. In the case of 10% shareholders who receive incentive stock options, the exercise price may not be less than 110% of the fair market value of the common stock on the date of grant. An exception to these requirements is made for options that we grant in substitution for options held by employees of companies that we acquire. In such a case the exercise price is adjusted to preserve the economic value of the employee s stock option from his or her former employer.

The term of each stock option is fixed by the Compensation Committee and may not exceed ten years from the date of grant. If the grantee is a 10% shareholder, an option intended to be an incentive stock option will expire after five years. Subject to the minimum vesting periods described above, the Compensation Committee determines at what time or times each option may be exercised and the period of time, if any, after retirement, death, disability or termination of employment during which options may be exercised. Options may be made exercisable in installments. The ability to exercise options may be accelerated by the Compensation Committee, subject to compliance with the 2008 Plan.

In general, an optionee may pay the exercise price of an option by cash, certified check, by tendering shares of common stock, or by means of a broker-assisted cashless exercise.

No amendment or modification may be made to an outstanding stock option or stock appreciation right that would be treated as a repricing under the rules of the stock exchange on which the shares of common stock are listed (currently The NASDAQ Stock Market), including replacement with cash or another award type, without the approval of Ciena s shareholders.

Stock options and stock appreciation rights granted under the 2008 Plan may not be sold, transferred, pledged or assigned other than by will or under applicable laws of descent and distribution. However, the 2008 Plan provides flexibility should we determine to permit limited transfers of non-qualified options for the benefit of immediate family members of grantees to help with estate planning concerns.

Other Awards. The Compensation Committee may also award:

Unrestricted Stock, which are shares of common stock at no cost or for a purchase price determined by the Compensation Committee that are free from any restrictions under the plan. Unrestricted shares of common stock may be issued to participants in recognition of past services or other valid consideration, and may be issued in lieu of cash compensation to be paid to participants.

Restricted Stock, which are shares of common stock subject to restrictions.

Restricted Stock Units, which are rights to receive common stock subject to restrictions.

Stock Appreciation Rights, which are rights to receive a number of shares or, in the discretion of the Compensation Committee, an amount in cash or a combination of shares and cash, based on the increase in the fair market value of the shares underlying the right during a stated period specified by the Compensation Committee.

Performance and Annual Incentive Awards, ultimately payable in common stock or cash, as determined by the Compensation Committee. The Compensation Committee may grant multi-year, annual or quarterly incentive awards subject to achievement of specified goals tied to business criteria (described below). The Compensation Committee may specify the amount of the incentive award as a percentage of these business

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criteria, a percentage in excess of a threshold amount or as another amount which need not bear a strictly mathematical relationship to these business criteria. The Compensation Committee may modify, amend or adjust the terms of each award and performance goal. Awards to individuals who are covered under Section 162(m) of the Internal Revenue Code, or who the Compensation Committee designates as likely to be covered in the future, will comply with the requirement that payments to such employees qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code to the extent that the Compensation Committee so designates. Such employees include the chief executive officer and the three highest compensated executive officers (other than the chief executive officer) determined at the end of each year (the covered employees).

Effect of Certain Corporate Transactions. Certain change in control transactions, such as a sale of Ciena, may cause awards granted under the 2008 Plan to vest, unless the awards are continued or substituted for in connection with the change in control.

Adjustments for Stock Splits, Stock Dividends and Similar Events. The Compensation Committee will make appropriate adjustments in outstanding awards and the number of shares available for issuance under the 2008 Plan, including the individual limitations on awards, to reflect stock splits and other similar events.

Section 162(m) of the Internal Revenue Code. Section 162(m) of the Internal Revenue Code limits publicly-held companies such as Ciena to an annual deduction for federal income tax purposes of $1 million for compensation paid to their covered employees. However, performance-based compensation is excluded from this limitation. The 2008 Plan is designed to permit the Compensation Committee to grant awards that qualify as performance-based for purposes of satisfying the conditions of Section 162(m).

To qualify as performance-based:

(i) the compensation must be paid solely on account of the attainment of one or more pre-established, objective performance goals;

(ii) the performance goal under which compensation is paid must be established by a compensation committee comprised solely of two or more directors who qualify as outside directors for purposes of the exception;

(iii) the material terms under which the compensation is to be paid must be disclosed to and subsequently approved by shareholders before payment is made in a separate vote; and

(iv) the compensation committee must certify in writing before payment of the compensation that the performance goals and any other material terms were in fact satisfied.

In the case of compensation attributable to stock options, the performance goal requirement (summarized in (i) above) is deemed satisfied, and the certification requirement (summarized in (iv) above) is inapplicable, if the grant or award is made by the Compensation Committee; the plan under which the option is granted states the maximum number of shares with respect to which options may be granted during a specified period to an employee; and under the terms of the option, the amount of compensation is based solely on an increase in the value of the common stock after the date of grant.

Under the 2008 Plan, one or more of the following business criteria, on a consolidated basis, and/or with respect to specified subsidiaries or business units (except with respect to the total shareholder return and earnings per share criteria), are used exclusively by the Compensation Committee in establishing performance goals:

net earnings or net income;

operating earnings;

pretax earnings;

earnings (or loss) per share;

share price, including growth measures and total shareholder return; and appreciation in and/or maintenance of the price of the shares of common stock or any publicly traded securities of Ciena;

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earnings (or losses), including earnings or losses before taxes, earnings (or losses) before interest and taxes, earnings (or losses) before interest, taxes and depreciation, earnings (or losses) before interest, taxes, depreciation and amortization, or earnings (or losses) before interest, taxes, depreciation, amortization and stock-based compensation, and other similar adjustments to earnings (or losses);

bookings, orders, sales or revenue, or growth in these measures, whether in general, by type of product or product line, by service, or by customer or type of customer;

net income (or loss) before or after taxes and before or after allocation of corporate overhead and bonus;

gross or operating margins;

gross profit;

return measures, including return on assets, capital, investment, equity, sales or revenue;

cash flow, including operating cash flow, free cash flow, cash flow return on equity and cash flow return on investment and cash flow per share;

productivity ratios;

expense targets or improvement in or attainment of expense levels or cost reductions;

market share;

financial ratios as provided in credit agreements of Ciena and its subsidiaries;

working capital targets;

cash or equivalents at the end of the fiscal year or fiscal quarter;

implementation, completion or attainment of measurable objectives with respect to research, development, products or projects, recruiting and maintaining personnel, and strategic or operational objectives;

completion of acquisitions of business or companies;

completion of divestitures and asset sales; and

any combination of any of the foregoing business criteria.

Business criteria may be measured on an absolute or relative basis and on a GAAP or non-GAAP basis.

Under the Internal Revenue Code, a director is an outside director if he or she is not a current employee of Ciena; is not a former employee who receives compensation for prior services (other than under a qualified retirement plan); has not been an officer of Ciena; and does not receive, directly or indirectly (including amounts paid to an entity that employs the director or in which the director has at least a 5% ownership interest), remuneration from Ciena in any capacity other than as a director.

The maximum number of shares of common stock subject to options or stock appreciation rights that can be awarded under the 2008 Plan to any person is one million per year. The maximum number of shares of common stock that can be awarded under the 2008 Plan to any person, other than pursuant to an option or stock appreciation right, is one million per year. The maximum amount that may be earned as an annual incentive award or other cash award in any fiscal year by any one person is $5 million and the maximum amount that may be earned as a performance award or other cash award in respect of a performance period by any one person is $25 million.

Federal Income Tax Consequences

Incentive Stock Options. The grant of an option will not be a taxable event for the grantee or for Ciena. A grantee will not recognize taxable income upon exercise of an incentive stock option (except that the alternative minimum tax may apply), and any gain realized upon a disposition of our common stock received pursuant to the exercise of an incentive stock option will be taxed as long-term capital gain if the grantee holds the shares of common stock for at least two years after the date of grant and for one year after the date of exercise (the holding period requirement). Ciena will not be entitled to any business expense deduction with respect to the exercise of an incentive stock option, except as discussed below.

For the exercise of an option to qualify for the foregoing tax treatment, the grantee generally must be our employee or an employee of our subsidiary from the date the option is granted through a date within three months before the date of exercise of the option.

If all of the foregoing requirements are met except the holding period requirement mentioned above, the grantee will recognize ordinary income upon the disposition of the common stock in an amount generally equal to the excess of the fair market value of the common stock at the time the option was exercised over the option exercise price (but not in excess of the gain realized on the sale). The balance of the realized gain, if any, will be capital gain. Ciena will be allowed a business expense deduction to the extent the grantee recognizes ordinary income, subject to our compliance with Section 162(m) of the Internal Revenue Code and to certain reporting requirements.

Non-Qualified Options. The grant of an option will not be a taxable event for the grantee or Ciena. Upon exercising a non-qualified option, a grantee will recognize ordinary income in an amount equal to the difference between the exercise price and the fair market value of the common stock on the date of exercise. Upon a subsequent sale or exchange of shares acquired pursuant to the exercise of a non-qualified option, the grantee will have taxable capital gain or loss, measured by the difference between the amount realized on the disposition and the tax basis of the shares of common stock (generally, the amount paid for the shares plus the amount treated as ordinary income at the time the option was exercised).

If Ciena complies with applicable reporting requirements and with the restrictions of Section 162(m) of the Internal Revenue Code, Ciena will be entitled to a business expense deduction in the same amount and generally at the same time as the grantee recognizes ordinary income.

A grantee who has transferred a non-qualified stock option to a family member by gift will realize taxable income at the time the non-qualified stock option is exercised by the family member. The grantee will be subject to withholding of income and employment taxes at that time. The family member s tax basis in the shares of common stock will be the fair market value of the shares of common stock on the date the option is exercised. The transfer of vested non-qualified stock options will be treated as a completed gift for gift and estate tax purposes. Once the gift is completed, neither the transferred options nor the shares acquired on exercise of the transferred options will be includable in the grantee s estate for estate tax purposes.

In the event a grantee transfers a non-qualified stock option to his or her ex-spouse incident to the grantee s divorce, neither the grantee nor the ex-spouse will recognize any taxable income at the time of the transfer. In general, a transfer is made incident to divorce if the transfer occurs within one year after the marriage ends or if it is related to the end of the marriage (for example, if the transfer is made pursuant to a divorce order or settlement agreement). Upon the subsequent exercise of such option by the ex-spouse, the ex-spouse will recognize taxable income in an amount equal to the difference between the exercise price and the fair market value of the shares of common stock at the time of exercise. Any distribution to the ex-spouse as a result of the exercise of the option will be subject to employment and income tax withholding at this time.

Restricted Stock. A grantee who is awarded restricted stock will not recognize any taxable income for federal income tax purposes in the year of the award, provided that the shares of common stock are subject to restrictions (that is, the restricted stock is nontransferable and subject to a substantial risk of forfeiture). However, the grantee may elect under Section 83(b) of the Internal Revenue Code to recognize compensation income in the year of the award in an amount equal to the fair market value of the common stock on the date of the award (less the purchase price, if any), determined without regard to the restrictions. If the grantee does not make such a Section 83(b) election, the fair market value of the common stock on the date the restrictions lapse (less the purchase price, if any) will be treated as compensation income to the grantee and will be taxable in the year the restrictions lapse and dividends paid while the common stock is subject to restrictions will be subject to withholding taxes. If Ciena complies with applicable reporting requirements and with the restrictions of Section 162(m) of the Internal Revenue Code, Ciena will be entitled to a business expense deduction in the same amount and generally at the same time as the grantee recognizes ordinary income.

Restricted Stock Units. There are no immediate tax consequences of receiving an award of restricted stock units under the 2008 Plan. A grantee who is awarded restricted stock units will be required to recognize ordinary income in an amount equal to the fair market value of shares issued to such grantee at the end of the restriction period or, if later, the payment date. If Ciena complies with applicable reporting requirements and with the restrictions of Section 162(m) of the Internal Revenue Code, Ciena will be entitled to a business expense deduction in the same amount and generally at the same time as the grantee recognizes ordinary income.

Stock Appreciation Rights. There are no immediate tax consequences of receiving an award of stock appreciation rights under the 2008 Plan. Upon exercising a stock appreciation right, a grantee will recognize ordinary income in an amount equal to the difference between the exercise price and the fair market value of the common stock on the date of exercise. If Ciena complies with applicable reporting requirements and with the restrictions of Section 162(m) of the Internal Revenue Code, Ciena will be entitled to a business expense deduction in the same amount and generally at the same time as the grantee recognizes ordinary income.

Performance and Annual Incentive Awards. The award of a performance or annual incentive award will have no federal income tax consequences for us or for the grantee. The payment of the award is taxable to a grantee as ordinary income. If Ciena complies with applicable reporting requirements and with the restrictions of Section 162(m) of the Internal Revenue Code, Ciena will be entitled to a business expense deduction in the same amount and generally at the same time as the grantee recognizes ordinary income.

Unrestricted Common Stock. Participants who are awarded unrestricted common stock will be required to recognize ordinary income in an amount equal to the fair market value of the shares of common stock on the date of the award, reduced by the amount, if any, paid for such shares. If Ciena complies with applicable reporting requirements and with the restrictions of Section 162(m) of the Internal Revenue Code, Ciena will be entitled to a business expense deduction in the same amount and generally at the same time as the grantee recognizes ordinary income.

Section 280(G). To the extent payments that are contingent on a change in control are determined to exceed certain Internal Revenue Code limitations, they may be subject to a 20% nondeductible excise tax and Ciena s deduction with respect to the associated compensation expense may be disallowed in whole or in part.

Section 409A. Ciena intends for awards granted under the plan to comply with Section 409A of the Internal Revenue Code. To the extent a grantee would be subject to the additional 20% excise tax imposed on certain nonqualified deferred compensation plans as a result of a provision of an award under the plan, the provision will be deemed amended to the minimum extent necessary to avoid application of the 20% excise tax.

Proposal No. 2 Recommendation of the Board of Directors

The Board of Directors recommends that Ciena shareholders vote FOR approval of the 2008 Plan.

PROPOSAL NO. 3

AMENDMENT AND RESTATEMENT OF THIRD RESTATED CERTIFICATE OF INCORPORATION

Our Board of Directors has approved and declares it advisable and in the best interests of Ciena and its shareholders that our Third Restated Certificate of Incorporation, as amended (the Certificate) be amended and restated to:

- increase the number of authorized shares of common stock, par value $0.01 per share, from 140 million to 290 million shares; and make changes to delete or revise legacy provisions in the Certificate that relate to the governance of Ciena prior to its 1997 initial public offering, including the removal of the designations relating to shares of Series A, B and C preferred stock, all of which ceased to be outstanding upon Ciena s initial public offering.

We encourage you to read the proposed Amended and Restated Certificate of Incorporation, a copy of which is attached as *Annex B* to this proxy statement.

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Increase in Authorized Shares of Common Stock

The proposal to amend and restate our Certificate includes an increase in the number of authorized shares of common stock, par value $0.01 per share, from 140 million to 290 million shares, and a corresponding increase in the number of shares of authorized capital stock from 160 million to 310 million shares. Ciena is not proposing an increase in the number of authorized shares of preferred stock.

As of December 31, 2007, there were 87,027,070 shares of Ciena common stock outstanding. In addition, as of that date, (i) options to purchase 6,091,593 shares were outstanding under our equity compensation plans; and (ii) stock awards, including restricted stock units, performance stock units and performance accelerated restricted stock units, representing 1,881,221 shares were outstanding under our equity compensation plans. The Board of Directors grants stock options, stock awards, and other forms of equity-based compensation only under Ciena s 2000 Plan. As of December 31, 2007, there were 2,683,428 shares available for future grant under this plan, excluding the effect of the evergreen provision. Under the terms of the evergreen provision, the number of shares authorized for issuance under the 2000 Plan will increase by 5.0% of the number of Ciena shares issued and outstanding on January 1 of each year, unless the Compensation Committee reduces the amount of the increase in any year. No additional shares have been added to the Plan since January 1, 2004. If shareholders approve the 2008 Plan at the Annual Meeting, as set forth in Proposal No. 2 Approval of 2008 Omnibus Incentive Plan above, the Board will cease use of our 2000 Plan and will make future grants only under the 2008 Plan.

At December 31, 2007, our ESPP had 3,571,428 shares of common stock available for purchase. Under the ESPP, the number of shares available will increase by up to 571,428 shares on December 31 of each year, provided that the total number of shares available under the ESPP at any time may not exceed 3,571,428 shares. Pursuant to this evergreen provision, the maximum number of shares that may be added to the ESPP during the remainder of its ten-year term is 2,857,140.

As of December 31, 2007, we also had 21,439,976 shares, in the aggregate, reserved for issuance upon conversion of our three outstanding issues of convertible debt and 344 shares underlying outstanding warrants.

Thus, at December 31, 2007, there were 38,525,130 shares reserved for issuance.

The Board believes that the increase is advisable in light of the significant growth of Ciena s business in recent years. The Board believes that having the additional shares authorized and available for issuance will in the future permit greater flexibility in considering actions that may be desirable or necessary to accommodate our business plan and continue our growth, and that involve the issuance of our stock. These actions may include, among other things, capital raising, acquisitions and other strategic transactions. In addition, the Board believes it is necessary to have the ability to issue such additional shares for general corporate purposes, including stock dividends or distributions, and equity awards or warrants.

The authorization of a total of 290 million shares of common stock would give the Board the express authority, without further action of shareholders (unless shareholder action or approval were specifically required by applicable law or under rules of The NASDAQ Stock Market) to issue such shares of common stock from time to time as the Board deems necessary or advisable.

Effect on Outstanding Common Stock. The additional shares of common stock authorized by the proposed amendment and restatement would have the same privileges as the shares of common stock currently authorized and issued. The increase in authorized shares would not affect the terms or rights of holders of existing shares of common stock. All outstanding shares of common stock would continue to have one vote per share on all matters to be voted on by the shareholders, including the election of directors.

The issuance of any additional shares of common stock may, depending on the circumstances under which those shares are issued, reduce shareholders equity per share and, unless additional shares are issued to all shareholders on a pro rata basis, will reduce the percentage ownership of common stock of existing shareholders. In addition, if our Board of Directors elects to issue additional shares of common stock, such issuance could have a dilutive effect on the earnings per share, voting power and shareholdings of current shareholders. We expect, however, to receive consideration for any additional shares of common stock issued, thereby reducing or eliminating any adverse economic effect to each shareholder of such dilution. The proposed increase in the

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authorized number of shares of common stock will not otherwise alter or modify the rights, preferences, privileges or restrictions of the common stock.

Potential Anti-takeover Effects. Although the proposed increase in the authorized capital stock of Ciena could be construed as having potential anti-takeover effects, neither the Board nor management of Ciena views this proposal in that perspective. Nevertheless, Ciena could use the additional shares to frustrate persons seeking to effect a takeover or otherwise gain control of Ciena by, for example, privately placing shares to purchasers who might side with the Board in opposing a hostile takeover bid, thereby diluting or impairing the voting power of the other outstanding shares of common stock and increasing the potential costs to acquire control of us. Shares of common stock could be issued to a holder that would thereafter have sufficient voting power to assure that any proposal to amend or repeal our bylaws or certain provisions of the Certificate would not receive the required vote. Shares of common stock could also be used to facilitate the adoption of measures intended to deter unfair or coercive takeover tactics that the Board does not believe are in the best interest of shareholders, including the adoption of a shareholder rights plan or poison pill. Such uses of the common stock could render more difficult or discourage an attempt to acquire control of Ciena, if such transactions were opposed by the Board. This proposal is not being submitted as a result of or in response to any known accumulation of stock or threatened takeover or attempt to obtain control of Ciena by means of a business combination, tender offer, solicitation in opposition to management or otherwise by any person.

Changes to Certificate to Remove Pre-IPO References

The amendment and restatement of our Certificate includes other changes to delete or revise legacy provisions or phrases in the Certificate pertaining to the governance of Ciena prior to our 1997 initial public offering and the effectiveness of certain governance changes upon the initial public offering. The revisions are not substantive in nature, will not result in any change in the governance of Ciena and will not affect shareholders in any way. Each of the changes relate to phrases or provisions that are no longer relevant or applicable and therefore can be eliminated. Among these changes is the deletion of the designations for Ciena s Series A, B and C preferred stock. These designations are included within the Certificate and set forth the historical rights, preferences and privileges of shares of Ciena s preferred stock that were outstanding prior to its initial public offering. Ciena does not have any shares of preferred stock outstanding and has not had any such shares outstanding since its initial public offering. Ciena has no plans or current intention to issue preferred stock. Ciena is making these revisions to improve the readability and ease of use of the Certificate by investors, to consolidate prior amendments to the Certificate and to reduce the size of the Certificate.

Under our Certificate and Delaware law, this proposal to amend and restate our Certificate must be approved by the affirmative vote of the holders of a majority of the issued and outstanding shares of our common stock.

Proposal No. 3 Recommendation of the Board of Directors

The Board of Directors recommends that Ciena shareholders for FOR approval of the amendment and restatement of the Certificate.

PROPOSAL NO. 4

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors has appointed PricewaterhouseCoopers LLP (PwC) as our independent registered public accounting firm to audit Ciena s consolidated financial statements for the fiscal year ending October 31, 2008, and is asking shareholders to ratify this appointment at the Annual Meeting.

PwC has audited our consolidated financial statements annually since Ciena s incorporation in 1992. A representative of PwC is expected to be present at the Annual Meeting, will have the opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions. In making its recommendation to the Board of Directors to select PwC as Ciena s independent registered public accounting firm for fiscal 2008, the Audit Committee has considered whether the non-audit services provided by PwC are

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compatible with maintaining the independence of PwC. Information regarding fees billed by PwC for our 2006 and 2007 fiscal years is set forth under the heading Relationship with Independent Registered Public Accounting Firm below.

Our bylaws do not require that shareholders ratify the appointment of our independent registered public accounting firm. We are seeking ratification because we believe it is a matter of good corporate governance. In the event that shareholders fail to ratify the appointment, the Audit Committee will reconsider whether to retain PwC, but may ultimately determine to retain PwC as our independent registered public accounting firm. Even if the appointment is ratified, the Audit Committee, in its sole discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of Ciena and its shareholders.

Proposal No. 4 Recommendation of the Board of Directors

The Board of Directors recommends that Ciena shareholders vote FOR the ratification of the appointment of PwC as our independent registered public accounting firm for the current fiscal year.

RELATIONSHIP WITH INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The following table shows the fees that were billed to Ciena by PwC for professional services rendered for fiscal years 2006 and 2007. In compliance with the Audit Committee s internal policy and auditor independence rules of the SEC, all audit and permissible non-audit services provided by PwC to Ciena for the fiscal years 2006 and 2007 were pre-approved by the Audit Committee.

Fee Category	2006	2007
Audit Fees	$ 2,046,149	$ 2,260,647
Audit-Related Fees	$ 86,985	$ 361,740
Tax Fees	$ 66,672	$ 44,995
All Other Fees		
Total Fees	$ 2,199,806	$ 2,667,342

Audit Fees

This category of the table above includes fees for the audit of our annual financial statements, review of financial statements included in our quarterly reports on Form 10-Q and services that are normally provided by PwC in connection with statutory and regulatory filings or engagements. The preparation of Ciena s audited financial statements include compliance with Section 404 of the Sarbanes-Oxley Act of 2002 and the preparation by PwC of a report expressing its opinion regarding the effectiveness of our internal control over financial reporting. As a result, audit fees for fiscal 2006 and 2007 reflect PwC s integrated audit of our financial statements and our internal control over financial reporting as of the end of each fiscal year.

Audit-Related Fees

This category of the table above includes fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not included above under Audit Fees. For fiscal 2006 and fiscal 2007, audit-related fees include services in connection with Ciena s convertible note offerings. Fiscal

2007 also reflects audit-related fees for PwC s services, related to our internal control over financial reporting, in connection with our implementation of a new version of our Oracle management information system.

Tax Fees

This category of the table above includes fees for tax compliance, tax advice, and tax planning. Services for fiscal 2006 and fiscal 2007 include tax return preparation, expatriate tax services and international VAT tax planning.

All Other Fees

This category of the table above includes fees for services provided by PwC that are not included in the service categories reported above. Ciena did not incur any other fees during fiscal 2006 or fiscal 2007.

Pre-Approval of Services

The Audit Committee pre-approves all services, including both audit and non-audit services, provided by our independent registered public accounting firm. For audit services (including statutory audit engagements as required under local country laws), each year our independent registered public accounting firm provides the Audit Committee with an engagement letter outlining the scope of the audit services proposed to be performed during the year, which must be accepted by the Audit Committee before the audit commences. Our independent registered public accounting firm also submits an audit services fee proposal, which also must be approved by the Audit Committee before the audit commences.

Each year, management also submits to the Audit Committee a list of non-audit services that it recommends the independent registered public accounting firm be engaged to provide and an estimate of the fees to be paid for each. Management and the independent registered public accounting firm must each confirm to the Audit Committee that the performance of the non-audit services on the list would not compromise the independence of our registered public accounting firm and would be permissible under applicable legal requirements. The Audit Committee must approve both the list of non-audit services and the budget for each such service before commencement of the work. Our management and our independent registered public accounting firm report to the Audit Committee at each of its regular meetings as to the non-audit services actually provided by the independent registered public accounting firm and the approximate fees incurred by Ciena for those services.

To ensure prompt handling of unexpected matters, the Audit Committee has authorized its Chairperson to amend or modify the list of approved permissible non-audit services and fees. If the Chairperson exercises this delegation of authority, she reports the action taken to the Audit Committee at its next regular meeting.

All audit and permissible non-audit services provided by PwC to Ciena for the fiscal years 2006 and 2007 were pre-approved by the Audit Committee.

AUDIT COMMITTEE REPORT

The information contained in this report shall not be deemed to be soliciting material or filed or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, except to the extent that Ciena specifically incorporates it by reference into a document filed under the Securities Act of 1933 or the Exchange Act.

The Audit Committee met with management periodically during fiscal 2007 to consider the adequacy of Ciena s internal controls, and discussed these matters with Ciena s independent registered public accounting firm, PricewaterhouseCoopers LLP, and with appropriate Ciena financial personnel. The Committee also discussed with senior management and PricewaterhouseCoopers LLP Ciena s disclosure controls and procedures and the certifications by Ciena s Chief Executive Officer and Chief Financial Officer, which are required by the SEC under the Sarbanes-Oxley Act of 2002 for certain filings with the SEC. The Committee has established a procedure for receiving and addressing anonymous complaints regarding financial or accounting irregularities. It has also considered and overseen the implementation of accounting policies and their communication to financial and management personnel.

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The Audit Committee has reviewed and discussed Ciena s audited financial statements for fiscal 2007 with management and with PricewaterhouseCoopers LLP. The Audit Committee has discussed with PricewaterhouseCoopers LLP the matters required to be discussed by Statement on Auditing Standards No. 61, which relates to the conduct of the audit. The Audit Committee has received the written disclosures and the letter from PricewaterhouseCoopers LLP required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and has discussed with PricewaterhouseCoopers LLP its independence. Based on the Audit Committee s review of the audited financial statements and the review and discussions described in this report, the Audit Committee recommended to the Board of Directors that the audited financial statements for fiscal 2007 be included in Ciena s annual report on Form 10-K for fiscal 2007 for filing with the SEC.

Submitted by the members of the Audit Committee:

Lawton W. Fitt (Chairperson)
Stephen P. Bradley, Ph.D.
Bruce L. Claflin
Michael J. Rowny

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OWNERSHIP OF SECURITIES

The following table sets forth, as of January 2, 2008, the beneficial ownership of Ciena s common stock for the following persons:

all shareholders known by us to own beneficially more than 5% of our common stock;

our Chief Executive Officer and the other Named Executive Officers (as that term is defined in the Executive Compensation Tables below);

each of our directors; and

all of our directors and executive officers as a group.

Certain information in the table concerning beneficial owners other than our directors and executive officers is based on information contained in filings made by such beneficial owners with the SEC.

Pursuant to Rule 13d-3 of the Securities Exchange Act of 1934, shares are deemed to be beneficially owned by a person on a particular date if that person has the right to acquire shares (for example, upon exercise of an option) within sixty days of that date. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of such acquisition rights. As a result, the percentage of outstanding shares held by any person in the table below does not necessarily reflect the person s actual voting power. As of January 2, 2008, there were 87,036,309 shares of Ciena common stock outstanding.

Name of Beneficial Owner	Number of Shares Owned(1)	Right to Acquire(2)	Beneficial Ownership Total(3)	Percent of Outstanding Shares
FMR Corp.(4)	10,009,314	218,942	10,228,256	11.7%
T. Rowe Price Associates, Inc.(5)	5,053,681		5,053,681	5.8%
Jennison Associates LLC(6)	5,969,300		5,969,300	6.9%
Patrick H. Nettles, Ph.D.	350,176	179,326	529,502	*
Gary B. Smith	31,298	446,259	477,557	*
Stephen B. Alexander(7)	36,623	205,079	241,702	*
Michael G. Aquino	11,958	35,430	47,388	*
Joseph R. Chinnici(8)	18,157	28,914	47,071	*
Arthur D. Smith, Ph.D.	17,424	104,916	122,340	*
Stephen P. Bradley, Ph.D.	6,785	50,426	57,211	*
Harvey B. Cash	22,556	34,712	57,268	*
Bruce L. Claflin	714	2,142	2,856	*
Lawton W. Fitt	1,071	37,336	38,407	*
Judith M. O Brien(9)	5,302	36,850	42,152	*
Michael J. Rowny	1,071	13,451	14,522	*
Gerald H. Taylor	1,356	35,859	37,215	*
All executive officers and directors as a group (15 persons)	507,339	1,287,413	1,794,752	2.0%

* Represents less than 1%.

(1) Excludes shares that may be acquired through the exercise of stock options, the vesting of restricted stock units or other convertible equity awards.

(2) Except as otherwise set forth in the footnotes below, represents shares of common stock that can be acquired upon the exercise of stock options and vesting of restricted stock units within sixty days of the date of this table.

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(3) Except as indicated in the footnotes to this table, the persons named in this table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable.

(4) Shareholder s address is 82 Devonshire Street, Boston, MA 02109. Ownership information is based solely on a Schedule 13G/A, filed jointly by FMR Corp. (FMR) and Edward C. Johnson 3d with the SEC on February 14, 2007, and reflects their beneficial ownership as of December 31, 2006. Based on the Schedule 13G/A, Fidelity Management & Research Company (Fidelity) is a wholly-owned subsidiary of FMR. By acting as investment adviser to various investment companies, Fidelity is the beneficial owner of 10,144,427 shares of Ciena s common stock. The ownership of one investment company, Fidelity Destiny II, amounted to 4,684,358 shares. Shares included in the Right to Acquire column above reflect shares of common stock issuable upon conversion of Ciena s outstanding convertible notes held by the investment companies, as reported on Schedule 13G/A.

(5) Shareholder is an investment adviser with its address at 100 E. Pratt Street, Baltimore, MD 21202. Ownership information is based solely on a Schedule 13G/A, filed by shareholder with the SEC on February 13, 2007, and reflects beneficial ownership as of December 31, 2006.

(6) Shareholder is an investment adviser with its address at 466 Lexington Avenue, New York, NY 10017. Ownership information is based solely on a Schedule 13G/A, filed by shareholder with the SEC on July 7, 2007, and reflects beneficial ownership as of December 31, 2006. Shareholder furnishes investment advice to several investment companies, insurance separate accounts and institutional clients. Prudential Financial, Inc. indirectly owns 100% of the equity interest in shareholder.

(7) Voting and investment power is shared with Mr. Alexander s spouse.

(8) Mr. Chinnici is our former Chief Financial Officer and is listed as a Named Executive Officer in the table above in accordance with SEC requirements. Shares included in the Right to Acquire column above reflect vested options held by Mr. Chinnici as of the date of this table.

(9) Voting and investment power is shared with Ms. O Brien s spouse.

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COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee, which is composed solely of independent members of the Board of Directors, assists the Board in fulfilling its responsibilities with regard to compensation matters, and is responsible under its charter for determining the compensation of Ciena s executive officers. The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis section of this proxy statement with management, including our Chief Executive Officer and our Chief Financial Officer. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated in Ciena s annual report on Form 10-K for fiscal 2007 by reference to this proxy statement.

Submitted by the members of the Compensation Committee:

Judith M. O Brien (Chairperson)
Harvey B. Cash
Gerald H. Taylor

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COMPENSATION DISCUSSION AND ANALYSIS

This section of the proxy statement includes a description of the objectives of our compensation program, how the components of our compensation are designed to operate, and the compensation-related decisions made with respect to our Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the three most highly compensated executive officers during fiscal 2007. These employees, for whom we have included detailed compensation information in the tables that are part of the Executive Compensation Tables below, are referred to as the Named Executive Officers. For fiscal 2007, our Named Executive Officers were:

Gary B. Smith, President and CEO

Arthur D. Smith, Senior Vice President and Chief Operating Officer

Stephen B. Alexander, Senior Vice President and Chief Technology Officer

Michael G. Aquino, Senior Vice President, Worldwide Sales

Joseph R. Chinnici, our former Senior Vice President and CFO

As previously disclosed, Mr. Chinnici resigned as our CFO effective following the filing of our annual report on Form 10-K on December 27, 2007, and, otherwise as an employee, on December 31, 2007. James E. Moylan became our Senior Vice President and Chief Financial Officer as of December 27, 2007.

Background

During most of fiscal 2002 through 2005, Ciena was focused on surviving and rebuilding its business in an industry that had experienced an almost unprecedented collapse. In fiscal 2001, our annual revenue reached $1.6 billion, based largely on the success of a single product line. By fiscal 2003, our revenue had dropped to $283.1 million, as the telecommunications industry suffered a severe decline that affected almost all of its participants, including equipment suppliers like Ciena. Consequently, our executive compensation program during this period was quite simple. Cash compensation consisted primarily of base salary, which remained largely unchanged, except where an executive was promoted or took on greater responsibilities. In addition, in fiscal 2005, Gary Smith, our CEO, voluntarily offered to reduce his base salary from $650,000 to $500,000, which the Compensation Committee of Ciena s Board of Directors (the Committee) accepted. To conserve cash, we paid no bonuses to our executives or other employees from fiscal 2002 until the third quarter of fiscal 2006. Because cash compensation paid to our executives during this period was relatively low, to provide retention incentives and to align the interests of our executive team with the interests of shareholders, the Committee relied heavily on stock option grants. Due to significant declines in our stock price prior to mid-2005, however, the options granted to our executives in earlier periods remain significantly out of the money, and therefore have little value as incentives or for retention.

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We believe that the work of our executive team during these difficult years is now beginning to bear fruit. Ciena s business has stabilized and is growing again. We grew revenues 32.0% from fiscal 2005 to fiscal 2006 and 38.2% from fiscal 2006 to fiscal 2007. During fiscal 2006, we returned to profitability on a GAAP (generally accepted accounting principles) basis for the first time since fiscal 2000 and increased net income per share from $0.01 in fiscal 2006 to $0.87 in fiscal 2007. During fiscal 2006 and 2007, our stock price significantly outperformed major indexes, including the Standard & Poor s 500 and The NASDAQ Telecom Index, as illustrated in the chart below which assumes a $100 investment in each at the beginning of our fiscal 2006.

As Ciena entered fiscal 2007, we believed that we were better positioned to begin to use compensation practices in a more nuanced way to support specific elements of our business strategy, particularly the profitable growth of our business, and to continue to drive increases in shareholder value. We were also influenced by the belief that improvements in conditions in our market, together with our relative success, would intensify the competition we face for executive talent. These factors increased the likelihood that we would have to compete with larger companies, within and outside of our industry, that were in a position to offer higher compensation to our executives than we have been able to offer in recent years.

Compensation-setting process for fiscal 2007

General

The Committee oversees our executive compensation program, establishes our compensation philosophy and policies, and administers our compensation plans. For more information on the composition, responsibilities, and activities of the Committee, see the Corporate Governance and the Board of Directors Compensation Committee above.

Compensation Consultant

For fiscal 2007, the Committee engaged Compensia, Inc., a compensation consultant, to assist it with its work. During the period prior to the commencement of fiscal 2007, Compensia:

- assisted with the establishment of a peer group of companies;
- provided information on compensation paid by peer companies to their executive officers;
- provided survey data to supplement publicly available information on compensation paid by peer group companies;
- advised on alternative structures, forms of compensation and allocation considerations;
- advised the Committee on appropriate levels of compensation for the Named Executive Officers and the other members of the executive leadership team; and
- prepared tally sheets showing the amounts for all elements of compensation proposed for each of the executive officers and the current and projected value both of proposed grants and of vested and unvested outstanding grants.

Ciena also engaged Compensia during fiscal 2007 to provide information and advice related to our development of an equity compensation plan for our employees in India. As this was a relatively small engagement, the Committee does not believe it compromised Compensia s ability to provide the Committee with an independent perspective in fiscal 2007. In order to avoid any appearance of a conflict in the future, the Committee will require that its compensation consultants not perform any services for Ciena except as retained by the Committee or another committee of the Board.

Selection of peer group

For purposes of determining the compensation of our executives for fiscal 2007, including the Named Executive Officers, the Committee, assisted by Compensia, identified a group of companies against which to compare its existing and proposed compensation levels for Ciena s executives. These companies were selected because the Committee considered them to be similar to, and competitive with, Ciena in the market for executive talent, because they are in comparable or related businesses, are publicly-held entities, and are of similar size as measured by revenue, market capitalization, and employee headcount. This group consisted of the following companies (the Peer Group):

ADC Telecommunications	Juniper Networks
ADTRAN	McDATA
Brocade Communications Systems	Redback Networks
Extreme Networks	Sonus Networks
Foundry Networks	TEKELEC
Harmonic	Tellabs
JDS Uniphase	

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The following table shows how these companies compared to Ciena as of July 2006 (when the Committee considered the composition of the Peer Group for purposes of fiscal 2007 compensation) according to several different measures. Note that information in the table below as to our stock price and shares outstanding does not give effect to our subsequent one-for-seven reverse stock split in September 2006.

					Market Capitalization as of 7/21/06				
any	**Last Four Quarters Revenue ($MM)**	**Last Four Quarters Net Income ($MM)**	**Employees at FYE**	**Stock Price**	**Total Common Shares Outstanding**	**Market Cap ($MM)**	**Market Cap as a Multiple of Revenue**	**Revenue per Employee**	**Mark Cap p Emplo**
Telecommunications	$ 1,263.6	$ 45.8	9,300	$ 11.98	117,237,000	$ 1,404.5	1.1x	$ 135,871	$ 15
AN	$ 517.3	$ 102.2	1,594	$ 20.26	76,761,000	$ 1,555.2	3.0x	$ 324,523	$ 97.
le Communications ns	$ 620.6	$ 17.0	1,208	$ 5.66	272,473,000	$ 1,542.2	2.5x	$ 513,750	$ 1,27
ne Networks	$ 372.2	$ 13.0	834	$ 3.81	119,192,000	$ 454.1	1.2x	$ 446,295	$ 54
ry Networks	$ 433.2	$ 57.0	719	$ 9.07	145,689,000	$ 1,321.4	3.1x	$ 602,531	$ 1,83
nic	$ 240.7	$ (12.6)	618	$ 3.99	74,169,000	$ 295.9	1.2x	$ 389,450	$ 47
niphase	$ 1,057.0	$ (251.1)	5,022	$ 2.08	1,684,869,000	$ 3,504.5	3.3x	$ 210,474	$ 69
r Networks	$ 2,181.6	$ 354.4	4,145	$ 13.63	565,750,000	$ 7,711.2	3.5x	$ 526,309	$ 1,86
TA	$ 683.9	$ (37.3)	1,447	$ 3.10	159,030,000	$ 493.0	.7x	$ 472,619	$ 34
ck Networks	$ 176.8	$ (16.9)	505	$ 13.03	57,591,000	$ 750.4	4.2x	$ 350,158	$ 1,48
Networks	$ 221.0	$ 17.8	719	$ 4.27	252,505,000	$ 1,078.2	4.9x	$ 307,330	$ 1,49
LEC	$ 536.9	$ (33.7)	1,759	$ 10.13	67,169,000	$ 680.4	1.3x	$ 305,236	$ 38
s	$ 1,962.5	$ 227.5	3,609	$ 10.74	448,100,000	$ 4,812.6	2.5x	$ 543,779	$ 1,33
ercentile	**$ 1,057.0**	**$ 57.0**	**3,609**	**$ 11.98**	**272,473,000**	**$ 1,555.2**	**3.3x**	**$ 513,750**	**$ 1,48**
ercentile	**$ 633.3**	**$ 23.4**	**1,627**	**$ 10.25**	**177,725,000**	**$ 1,432.0**	**3.0x**	**$ 451,560**	**$ 1,28**
ercentile	**$ 536.9**	**$ 17.0**	**1,447**	**$ 9.07**	**145,689,000**	**$ 1,321.4**	**2.5x**	**$ 389,450**	**$ 97**
ge	**$ 789.8**	**$ 37.2**	**2,421**	**$ 8.60**	**310,810,385**	**$ 1,969.5**	**2.5x**	**$ 394,487**	**$ 98**
ercentile	**$ 372.2**	**$ (16.9)**	**719**	**$ 3.99**	**76,761,000**	**$ 680.4**	**1.2x**	**$ 307,330**	**$ 47**
	$ 480.3	**$ (312.1)**	**1,497**	**$ 3.45**	**587,679,000**	**$ 2,027.5**	**4.2x**	**$ 320,822**	**$ 1,35**

The Committee believes that measures such as base salaries, target cash compensation and target total compensation paid by companies in the Peer Group can serve as a useful comparative tool. The Committee also considers how companies in the Peer Group allocate compensation among the various elements of their programs. On the other hand, the Committee recognizes that executives in different companies can play significantly different roles, even though they may hold the same nominal positions. Moreover, there is no way to determine from the available information about Peer Group compensation anything relating to the respective qualitative factors that may influence compensation, such as the performance of individual executives or their perceived importance to their companies business. Accordingly, the Committee looked to information about the Peer Group only as a rough guide, and did not benchmark compensation or consider itself constrained to set compensation for any particular executive by the compensation levels of executives occupying similar positions at companies in the Peer Group.

The Committee reassesses its Peer Group as it believes necessary to reflect those companies with which the Committee believes that we compete for executive talent. As a result, the Peer Group, in both fiscal 2007 and subsequent fiscal years, may include companies that are larger than Ciena or in different industries.

Role of executive officers

The Chair of the Committee, in consultation with its other members, worked with Compensia to develop proposed compensation packages for our CEO and Executive Chairman. Meeting in executive session at its regular meeting in October 2006, the Committee reviewed and discussed these packages in view of its assessment of the performance of the two executives. The Chair of the Committee worked with Compensia on modifications to the proposed packages on the basis of that discussion, and, acting in executive session, the Committee considered final packages at its regular meeting in December 2006. It formally approved those packages at a special meeting on December 18, 2006.

The Chair of the Committee worked with Compensia and our CEO to develop proposed compensation packages for our other executives, including the other Named Executive Officers. At the Committee s regular meeting in October 2006, our CEO presented the recommended packages to the Committee, providing it with an analysis of each package and explaining the value of the executive s role to Ciena, the contribution he or she makes to Ciena in that role, and the quality of his or her individual performance. With one exception, described below, the Committee determined to make no changes in executives base salaries for fiscal 2007. The Committee discussed the recommended equity compensation for each executive. The Chair of the Committee worked with Compensia and the CEO on final adjustments to the equity compensation packages, which the Committee considered at its regular meeting in December 2006. The Committee formally approved the equity compensation of the Named Executive Officers at a special meeting on December 18, 2006. As described in Equity grant practices and timing, below, the timing of the formal approval of the executives equity grants for the year is driven, in part, by the Committee s desire to make equity awards to its executive officers following the release of Ciena s financial results for the fiscal year.

Internal equity

In making compensation decisions, the Committee seeks to promote teamwork among and high morale within our executive team. Therefore, it is mindful of internal pay equity considerations, and assesses the relationships of the compensation of each executive to other members of the executive team.

Elements of compensation

The executive compensation program for our executives, including the Named Executive Officers, mirrors Ciena s compensation program for the majority of our salaried employees, and includes three principal elements: base salary, cash incentive bonuses that are contingent upon satisfaction of corporate, departmental, or individual performance goals, and equity-based incentive compensation. We also provide our employees, including our executives, with certain health, welfare, and retirement benefits. As described below, we maintain severance arrangements with our executives, including the Named Executive Officers, which entitle them to certain payments and benefits if their employment is terminated following a change in control of Ciena. We believe that each of these elements is important to furthering the objectives of our executive compensation program.

Base salary

In establishing the base salaries for our executives, including the Named Executive Officers, we consider the market for executive talent for similar positions as reflected by the Peer Group. The Committee also generally takes into account the responsibilities, skills and experience of the individual executive, the nature of his or her position, the value of the executive s role to Ciena, his or her past performance in that position, and the CEO s recommendations for each position (other than his own). As discussed above, although we view base salaries paid by companies in the Peer Group as useful comparative information, we do not require that the base salary of individual executives bear any particular relationship to salaries of executives in similar positions in the Peer Group.

As discussed above, because of the extraordinary market conditions faced by Ciena over the last few years, and the resulting need to make prudent use of our cash, the Committee had generally not increased the base salaries of our executive team since fiscal 2001, except to recognize promotions or increases in responsibility. With one exception, the Committee again made no changes in the base salaries of our executives, including the Named Executive Officers, for fiscal 2007. The Committee decided to maintain Mr. Smith s annual base salary at the existing level of $500,000, which is just below the 50th percentile of base salaries for chief executive officers of the Peer Group. The Committee considered that the base salaries of our executives, including the Named Executive Officers, were generally within the range of base salaries of similar positions for companies in the Peer Group. The Committee took into account that total cash compensation, including base salary and bonus, for fiscal years prior to 2007 was generally significantly below total cash compensation for equivalent positions in the Peer Group, but, because the Committee decided to reinstitute cash incentive bonuses for fiscal 2007, it considered there to be less reason to increase base salaries.

Because of the important role he plays at Ciena, and because he had taken on increased responsibilities, including oversight responsibility for our development facility in India, the Committee increased the base salary of Mr. Alexander, our Senior Vice President and Chief Technology Officer, from $325,000 to $375,000, for fiscal 2007.

Cash incentive bonuses

We provide short-term incentive compensation to our executives through our incentive bonus plan, in which all salaried employees in North America and Europe, excluding our sales team, participate. The Committee establishes target bonuses, expressed as a percentage of base salary, for each eligible employee. For non-executive employees, these targets range from 7.5% to 35% of base salary, according to the employee s position and responsibilities; and for executives, the targets range from 50% to 100% of base salary. The Committee reviews these target levels from time to time to assure that the potential bonus opportunities are competitive and remain internally equitable. The bonus plan provides the Committee with flexibility to establish for each employee the performance objectives upon which bonus payments are contingent, which may be related to Ciena s financial performance or to the achievement of individual, departmental, or team performance objectives. Bonuses are paid in quarterly amounts following our release of quarterly financial results.

Employees in our sales organization, including Mr. Aquino, our Senior Vice President, Worldwide Sales, do not participate in the bonus plan. Instead, they are eligible to receive sales incentive compensation, the payment of which is conditioned upon the achievement of certain sales-oriented performance measures, such as revenue, customer orders, or gross margin. As they relate to Mr. Aquino, the annual performance objectives for his sales incentive compensation are approved by the Committee and based upon the financial targets contained in our annual operating plan which is approved by the Board.

For fiscal 2007, the Committee, acting on the recommendation of the CEO, agreed to increase the target bonuses for Mr. Alexander and Mr. Smith, our Senior Vice President and Chief Operating Officer, from 50% to 75% of base salary to reflect the increased responsibilities each had recently assumed. As previously described, Mr. Alexander assumed responsibility for our development facility in India. Mr. Smith became Chief Operating Officer during fiscal 2006 and assumed responsibility for several additional functional areas. With these changes, target bonuses for fiscal 2007 were 100% of base salary for our CEO and 75% of base salary for the other Named Executive Officers, excluding Mr. Aquino. The Committee determined that for each of our Named Executive Officers, the total targeted cash compensation, consisting of base salary and bonus opportunity at the target level, was between the 50^{th} and the 75^{th} percentile of total cash compensation for equivalent positions in the Peer Group.

For fiscal 2007, the Committee considered whether to base payments under the bonus plan on quarterly, semi-annual, or annual performance metrics. The CEO recommended, and the Committee agreed, that the environment in which we operate continues to be so dynamic that attempting to set performance objectives over a period longer than one fiscal quarter risked the possibility of setting goals that would prove either too difficult or too easy to achieve.

The Committee also considered whether to use different performance metrics for senior executives than for other eligible employees. Because, prior to fiscal 2006, we had paid no bonuses to our employees for nearly four years, we determined that, at least initially, we would use the same performance metric for all eligible employees, including our executives, which, for fiscal 2007, was profitability. In establishing the performance goal, we sought to build upon our return to profitability in fiscal 2006, by leveraging our operating model and making prudent use of operating expense, all with a focus upon continuing the profitable growth of the company. To this end, we determined to use quarterly profitability targets for purposes of measuring performance under the bonus plan. In using this performance metric, the Committee sought to provide eligible employees, including the Named Executive Officers, an incentive to continue to stress profitable growth of our business and to improve operating profit during the fiscal year. We believed that, in addition to providing short-term incentives to meet our profitability objectives, treating all eligible employees in the same manner was important to the promotion of teamwork, morale and a highly productive work environment.

During fiscal 2007, the Committee set the quarterly profitability goals at its regular meeting at or near the beginning of each fiscal quarter, and the goals were communicated to the executive team. For the first quarter of fiscal 2007, the goal was based upon the achievement of the quarterly estimate of as adjusted pre-tax profit established in our fiscal 2007 operating plan, as approved by the Board. The operating plan is prepared in advance of each fiscal year to set out our targeted results, initiatives and strategies for the year and to form the basis upon which we run our business and allocate budgets. At the time it is prepared, the operating plan represents our best estimate of our forecasted financial results for the year. In general, we believe that the overachievement or underachievement of any performance measure contained in the operating plan is equally likely. In determining the as adjusted profit, the Committee makes adjustments to our GAAP results consistent with those reported in our quarterly earnings releases and such other adjustments as it considers equitable and necessary to reflect appropriate measures of performance and the goals of the bonus program. For the second, third and fourth quarters of fiscal 2007, when the Committee met to establish the bonus goals for that quarter, our then-current projection was that we would exceed the quarterly profit goal originally established in the operating plan. Therefore, the Committee determined to base the profitability goal for each of those quarters on the higher level of profit that we were then projecting. Again, the Committee believed that it was equally likely that we would overachieve or underachieve those goals.

In structuring the bonus, the Committee provided for a range of payments from a threshold amount to a maximum amount if the targets were exceeded or satisfied in part. This prevented employees from viewing the bonus plan as an all-or-nothing plan, which the Committee believes is generally undesirable. The percentage of the target bonus opportunity paid at each of the threshold, target, and maximum levels under the bonus plan is set forth in the following table, with payments interpolated for performance results falling between the designated payment levels.

	Percentage of Performance Goal Achieved	**Percentage of Applicable Target Bonus Paid**
Threshold	70%	50%
Target	100%	100%
Maximum	120%	150%

Bonus payments were paid quarterly following our release of quarterly financial results. During fiscal 2007, we exceeded the target performance goal in each fiscal quarter, resulting in the payment of more than 100% of the target bonus.

Mr. Aquino s sales incentive compensation during fiscal 2007 was also paid quarterly and based upon his achievement of performance measures approved by the Committee on the recommendation of the CEO. His target incentive opportunity for fiscal 2007 was 100% of his base salary. In approving this amount, the Committee considered his total target cash compensation to that of sales executives in the Peer Group. The Committee conditioned half of his sales incentive compensation upon the achievement of a specified value of total orders received during a quarter, and half on the achievement of a specified amount of gross margin dollars recognized. Each of these performance measures was based on our operating plan for fiscal 2007. The customer order goals were intended to incentivize building a backlog of orders for Ciena s products and services, and the gross margin goals were intended to incentivize increasing sales at prices and on terms that generated high total gross margins. In establishing the gross margin goals, the Committee targeted the achievement of certain gross margin dollar targets by multiplying the revenues projected in our operating plan by the gross margin percentages projected in our operating plan. The Committee based the goals upon gross margin dollars because it believed this measure reflected an appropriate balance of incentivizing improvements in gross margin, while still rewarding revenue growth. Mr. Aquino s sales incentive compensation became payable at the threshold level upon the achievement of 80% of the performance goals, with 100% of the bonus paid upon achievement of the goals. Payouts for performance in excess of the goals were subject to accelerator factors, with no cap on the amount payable if Mr. Aquino exceeded them. Because he overachieved his incentive compensation goals during fiscal 2007, Mr. Aquino s sales incentive compensation was 119% of his base salary.

Equity-based compensation

We believe that equity-based incentive compensation performs an essential role in attracting and retaining executives and providing them incentives to maximize shareholder value. Depending upon the terms of these awards, including their vesting schedules, the Committee uses equity-based awards to focus upon, and reward the achievement of, short-term and long-term objectives, as well as corporate, departmental, and individual performance. Over the last six years, because we have generally not increased the base salaries of our executives or, until the end of fiscal 2006, paid them cash bonuses, we have relied heavily on equity-based compensation, making substantial awards to the executives in each of these years.

Historically, our equity-based compensation consisted primarily of stock options. However, in recent years there has been a rapid evolution of practices relating to equity-based compensation among the companies with which we compete. Like many of these companies, in fiscal 2006 we began to replace options with restricted stock awards. As described below, the Committee uses two forms of restricted stock units, which give the recipients the right to receive shares as the units vest, rather than making outright awards of stock subject to vesting conditions.

By rewarding holders when the market price of Ciena common stock increases, these awards are intended to align the interests of our executives with those of our shareholders and to incentivize them to increase shareholder value. Although prior to fiscal 2007 we tied vesting of some equity awards to the achievement of specific performance objectives, because of the unstable environment in which we had been operating, and the need for us to adapt quickly to changes in that environment, it was difficult to establish objectives that we could be confident would have the intended incentive effect over any meaningful period of time.

By the beginning of fiscal 2007, our business had begun to stabilize, and visibility relating to our operations and the market had improved. As a result, we were able to build more meaningful incentives into our equity awards and better tie their design to individual, departmental, or corporate performance. Thus, in fiscal 2007, we used two types of metrics for this performance-based compensation: metrics based on the financial performance of Ciena as a whole and metrics based on the accomplishment of narrower objectives related to particular functions or activities for which an executive is responsible. The metric used for a given executive depended on the nature of his or her position, the elements of our business or operating strategy to which that position relates, and the performance that we are seeking to reward, each as determined in the discretion of the Committee. Because we believe that overall corporate performance is the ultimate objective, and fostering teamwork is important, we generally use company-wide metrics for at least a portion of the performance-based compensation of all of our executives.

We value stock options using the Black-Scholes option pricing model. We value restricted stock awards at the market price of Ciena common stock at the time of grant. We use these same methodologies to calculate the compensation expense we recognize for financial reporting purposes under SFAS 123(R) and to report the value of equity awards that vested during the fiscal year in our Summary Compensation Table below. While we believe that this approach overstates the true value of both stock options and restricted stock, it provides a consistent metric that the Committee finds to be a useful tool in determining the appropriate size of equity awards.

Determination of amount of fiscal 2007 awards

In making equity awards for fiscal 2007, the Committee, assisted by Compensia, established the value that it believed was needed to be delivered to our executives, including the Named Executive Officers, in the form of equity compensation in order to accomplish the twin objectives of retaining their services and providing them incentives to achieve Ciena s business and strategic objectives. In so doing, the Committee and, for the other executive officers, the CEO, considered:

- the value of the equity awards made by the companies in our Peer Group to their executives;
- the executive s current holdings of unvested equity and the extent to which those holdings provide adequate retention incentives;
- the percentage of the outstanding shares of Ciena represented by each of the executive s equity holdings, as we believe that it is important both to retention and alignment with shareholder interest that senior executives have an opportunity to hold a meaningful interest in the company s equity base;

the other elements of compensation for the executive, primarily base salary and incentive bonus opportunity during the year; and

for each of the executives other than the CEO, the CEO s assessment of the role that the executive plays at Ciena, the importance of that role to Ciena s success, and the quality of the executive s performance in the role. The Committee considered the CEO s assessment and made its own similar evaluation for the CEO.

The Committee then compared the compensation and equity holdings of the Named Executive Officers with the compensation and equity holdings of their counterparts in the Peer Group. It determined that, with the restoration of the incentive bonus plan, the total cash compensation of Ciena s executives was now competitive with that of executives in the Peer Group. On the other hand, it determined that the holdings of Ciena s executives as a percentage of its outstanding stock were, on the whole, substantially lower than for the companies in the Peer Group. The Committee was also cognizant that Ciena provides its executives relatively modest perquisites and retirement benefits in contrast to many companies in the Peer Group.

Based on this analysis, and in consultation with the CEO and Compensia, the Committee decided that, in order to provide sufficient assurance of retaining key executives, it was necessary to make equity awards for fiscal 2007 having a value delivered at the high end of the range of awards made by the Peer Group, as measured by the total value delivered to each executive. Based on these considerations, the Committee approved the awards reported in our Grants of Plan-Based Awards table below. The size of the awards to particular executives in relation to their Peer Group counterparts varied considerably due to differences in the individual situations of the executives, the particular nature of the functions they perform at Ciena, their perceived importance to Ciena s future, and the risk that they would leave Ciena if not appropriately rewarded and motivated.

Determination of form of fiscal 2007 awards

The Committee next considered the form of the equity awards to the Named Executive Officers and the allocation between stock options and restricted stock. The Committee compared the outcomes for the executives of holding various combinations of options and restricted stock over a five-year period, using various assumptions about increases in the market price of Ciena s common stock. Based on that comparison, the Committee concluded that a mix of options and restricted stock would be appropriate, as it combined the relative certainty offered by restricted stock and the leverage offered by stock options. The actual allocation of the value of each award between the two forms of equity varied from executive to executive, depending on his or her role in Ciena and other circumstances including compensation history, length of service as an executive and duration with Ciena. The allocations of value between options and restricted stock were recommended by the CEO, for all of the executives other than himself, and approved by the Committee. The Committee established the equity allocations for the CEO based on its review of similar factors discussed above.

In making the awards, the Committee took into account the incentive and retention effects of each form of award. It determined that, since stock options have value only if the price of the underlying shares increases, it was not necessary to condition vesting on meeting additional specific performance criteria. Accordingly, the option awards were structured to vest in equal monthly installments over a four-year period following the date of grant.

Performance-based RSUs

Although, by its nature, restricted stock serves to align the interests of the holders with that of shareholders, the Committee sought to amplify the incentive effect of the restricted stock by tying the vesting of the awards to the achievement of specific performance objectives. Accordingly, a portion of the restricted stock awards for fiscal 2007 were in the form of performance-accelerated restricted share units (PARS) and a portion were in the form of performance share units (PSUs).

Pursuant to their terms, the PARS vest in full four years after the date of grant (assuming that the executive is still employed by Ciena at that time), and, thus, provide a retention incentive. However, at the beginning of each of the first three fiscal years following the date of grant, the Committee establishes performance targets which, if satisfied, provide for the acceleration of vesting of one-third of the award. For fiscal 2007, the Committee established the performance target as the achievement of our projected annual operating income on an as-adjusted basis, which represented a significant increase over fiscal 2006. We believe this focused our executives attention on the achievement of our financial goals for the year. As the goal was achieved, one-third of each of the PARS granted to the executives vested on December 20, 2007.

Pursuant to their terms, the PSUs vest upon the satisfaction of individual performance objectives established for each executive. With the exception of the CEO, each executive s objectives were defined by the CEO and approved by the Committee. The CEO s objectives were established by the Committee. Each executive was assigned a set of qualitative performance objectives tailored to his or her role in helping us achieve our operational objectives for the year. The Committee recognized, however, that, in our dynamic business environment, short-term priorities can change during the course of the year and individual executives can be called on to assume different responsibilities in response to market changes or changes in operational or strategic priorities. Accordingly, the Committee reserved the right to interpret these performance objectives in light of the circumstances that existed at the end of the fiscal year and to make equitable adjustments to them if it determined that conditions outside the control of the executive prevented him or her from achieving any particular objective. Following the end of the fiscal year, the Committee reviewed the performance of each of the Named Executive Officers against his objectives, taking into account both the overachievement and the underachievement of particular objectives. On the basis of this review, the Committee determined that each of the executives had fully satisfied his performance objectives, and that all of the PSU awards should vest in their entirety. The size of the award, along with the principal categories relating to the performance objectives of each Named Executive Officer, are presented in the table below:

Name	PSUs Awarded	Performance Goals Related to the Following Operational Objectives
Gary B. Smith	20,000	Establishment of executive-level relationships with strategic customers Further development of succession plan and support of personnel in key functions Expansion into additional customer market segments Market validation of Ciena s FlexSelect Architecture strategy
Joseph R. Chinnici	7,500	Broader international financial resources Financial information and support to facilitate global operations Business process improvements intended to promote automation Cross-functional corporate productivity
Stephen B. Alexander	12,500	Timely delivery and development of product releases Succession planning within engineering function Integrated forecasting function Market strategy relating to competitors
Michael G. Aquino	10,000	Account plans and executive level relationships with strategic customers Integrated sales forecasting system Securing sales to strategic customers Sales growth within strategic customer markets
Arthur D. Smith	12,500	Hiring, retention and development of talented management personnel Achievement of cost reductions and inventory process improvements Implementation of information system initiatives Improved customer service functions

Mix of Compensation

In determining the compensation mix among the elements above, the Committee does not assign specific ratios or other relative measures that dictate the total compensation mix to be awarded or targeted to the executive team. Because our base salaries have remained generally constant in recent years, our reinstitution of the incentive bonus plan for a full fiscal 2007, and our issuance of the performance-based RSUs described above, resulted in performance-based compensation representing a higher portion of total compensation for our Named Executive

Officers during fiscal 2007 than years prior. Performance-based compensation awarded during fiscal 2007 was geared toward measures of profitability and the achievement of certain operational objectives, which were achieved or exceeded. The increased mix of performance-based compensation earned during fiscal 2007 reflects the Committee s determination to utilize and award in a meaningful way performance-based elements of compensation

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as a motivation to achieve specific elements of our business strategy in fiscal 2007. The increased portion of performance-based compensation earned during fiscal 2007 also reflects the significant improvement in our financial performance during fiscal 2007.

Equity grant practices and timing

In recent years, we have sought to provide a consistent approach in our equity grant practices by granting equity awards to our executives and directors at or around the same time each year. Equity awards to our executives, including the Named Executive Officers, are made by the Committee, and the date of these awards is the same day that the Committee meets to approve the awards. Stock option awards are granted with an exercise price equal to the closing market price of Ciena s common stock as reported on the date of the grant. For its regular annual consideration of equity awards to the Named Executive Officers, the Committee generally endeavors to meet and approve equity grants to the executive officers promptly following the release of earnings for the fourth quarter and fiscal year. This practice was begun in early fiscal 2007 and continued for grants made in fiscal 2008.

Health, welfare and other employee benefits

Our executives, including the Named Executive Officers, are eligible for the same health and dental insurance, life and accidental death insurance, disability insurance, vacation, and other similar benefits as the rest of our salaried employees. They are also are eligible to receive annual physical examinations, tax preparation services, and financial planning services. In addition, during fiscal 2007, we paid the annual premium for a supplemental term life insurance policy that provides our CEO with an additional $235,000 of coverage in excess of our standard $500,000 cap. We also paid supplemental long-term disability insurance premiums on behalf of our CEO and CFO. The incremental cost of the supplemental insurance coverage purchased for the benefit of these Named Executive Officers is included in the All Other Compensation column of our Summary Compensation Table below. Prior to the completion of fiscal 2007, we discontinued company sponsorship and payment of premiums for our CEO s supplemental term life insurance policy and supplemental long-term disability insurance policy. Supplemental insurance coverage for Mr. Chinnici ceased upon his resignation.

Severance arrangements, employment contracts and deferred compensation plans

At the time of their initial employment, or promotion to senior executive rank, we enter into severance agreements with executives, including each of the Named Executive Officers, that entitle them to certain payments and benefits if their employment is terminated following a change in control of Ciena. These agreements provide severance benefits in the event that employment is terminated by us or any successor entity without cause, or, by the officer for good reason, within one year following a change in control of Ciena. These agreements also provide that upon a change in control of Ciena, any unvested performance-based equity awards will be converted into awards with service-based vesting conditions, the effect of which would be to cause certain unvested awards to become immediately exercisable upon a change in control. Details regarding the severance benefits payable, continuation of benefits and acceleration of equity awards, as well as the estimated value of these benefits, are discussed in Potential Payments upon Termination or Change in Control below. Except as described above, Ciena does not have employment contracts with, or maintain deferred compensation plans for, any of its Named Executive Officers, all of whom serve as employees at will.

We believe that these arrangements are an important element of compensation in attracting and retaining qualified executives that could have other job alternatives that may appear to them to be less risky absent these arrangements, particularly given the significant level of acquisition activity in our industry and our recent return to financial health. Except for the conversion of performance-based awards to service-based awards upon a change in control, as described above, our arrangements are conditioned upon the occurrence of a double trigger event. This means that the severance benefits, including any acceleration of vesting, are not effective unless the executive s employment is terminated without cause, or by the executive for good reason, within 12 months following the transaction (a covered termination). We believe this double trigger structure strikes an appropriate balance between the potential compensation payable and the recruitment and retention objectives described above. We also believe that, were Ciena to engage in discussions or negotiations relating to a corporate transaction that our Board deems in the interest of shareholders, these agreements would serve as an important tool in ensuring that our executive team remained focused on the consummation of the transaction, without significant distraction or concern relating to personal circumstances such as continued employment.

During fiscal 2007, in order to conform to what it believes constitutes preferred practices, the Committee made certain revisions to these agreements to provide for the treatment of RSUs and performance-based awards, and to remove the provision that provided a tax gross-up payment in the event that an executive was subject to the imposition of an excise tax as a result of a change in control transaction. In addition, our CEO s agreement was amended to reduce the minimum severance payment from $3 million to $2 million and to reduce his benefits continuation period to one year. As a result of these revisions, upon a covered termination, we would make a lump sum payment to our CEO of the greater of $2 million, or the sum of his base salary and annual bonus, and vesting of his equity awards would be fully accelerated. Upon a covered termination, our other Named Executive Officers would receive one-year of salary continuation and bonus payments, and accelerated vesting of 50% of their unvested, outstanding equity awards. All Named Executive Officers would be entitled to continuation of benefits as described in Potential Payments upon Termination or Change in Control below.

Severance agreement with Mr. Chinnici

As previously disclosed, in April 2007, Mr. Chinnici informed Ciena of his intent to resign his position on or before December 31, 2007. In connection with the notification of his intent to resign, we entered into a separation agreement with Mr. Chinnici, which provides for certain post-employment compensation benefits in exchange for his agreement to assist in the transition of his responsibilities to a successor. The terms of this agreement are described in Potential Payments upon Termination or Change in Control below. In view of the critical role played by Mr. Chinnici as CFO, in overseeing our financial reporting, internal controls over financial reporting and other projects in process, the Committee believed that such arrangement was prudent in order to facilitate a smooth transition of responsibilities to a successor and to minimize disruption.

Income tax considerations

Section 162(m) of the Internal Revenue Code limits to $1 million the deductions we can take in determining our federal income tax for compensation paid to our CEO, and, pursuant to recent IRS guidance, the three other most highly compensated executive officers of Ciena. There is an exception to this limitation for compensation that is performance based as defined in the Code and applicable regulations. We generally seek to maximize the deductibility of executive compensation; however, because of our large net operating losses, it is unlikely that we will be required to pay federal income taxes for years, and therefore meeting the requirements of Section 162(m) is not of as great concern as it might otherwise be. Accordingly, when we believe it to be in the best interests of shareholders, we may structure compensation awards and plans to be eligible under Section 162(m).

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EXECUTIVE COMPENSATION TABLES

The following discussion, tabular information and accompanying footnotes provide compensation-related information for our CEO, CFO and our other three highest-paid executive officers as of the end of fiscal 2007. Pursuant to SEC requirements, the tables below include compensation information for Joseph R. Chinnici, our former CFO, who resigned following the conclusion of our 2007 fiscal year. James E. Moylan, Jr. became our Senior Vice President and CFO upon Mr. Chinnici s resignation. The individuals included in the compensation tables below are collectively referred to as the Named Executive Officers or NEOs.

Summary Compensation Table

The summary compensation table below presents the total compensation earned by our Named Executive Officers during fiscal 2007. This amount is not the actual compensation received by our NEOs during fiscal 2007. In addition to cash and other forms of compensation actually received, total compensation includes the dollar amounts set forth in the Stock Awards and Option Awards columns. These amounts reflect the compensation expense we recognized for financial statement reporting purposes with respect to equity awards granted to our NEOs in fiscal 2007, as well as grants made in prior fiscal years, to the extent such awards remained unvested in whole or in part at the beginning of fiscal 2007. The compensation expense included in the Stock Awards and Option Awards columns will likely vary from the actual amounts ultimately realized by any NEO based on a number of factors, including the number of shares that ultimately vest, the timing of any exercise or sale of shares, and the price of our stock.

The actual value realized by our NEOs from stock awards and options during fiscal 2007 is presented in the Option Exercises and Stock Vested table below. Details about the equity awards granted to our NEOs during fiscal 2007 can be found in the Grant of Plan-Based Awards table below.

Information in the table for salary is slightly higher than each NEO s annual base salary because Ciena s 2007 fiscal year consisted of 53 weeks.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)(4)	All Other Compensation ($)(5)	Total ($)
Gary B. Smith *President and Chief Executive Officer*	2007	$ 509,616		$ 1,514,340	$ 539,567	$ 643,750	$ 17,593	$ 3,224,866
Joseph R. Chinnici *Former Senior Vice President, Finance and Chief Financial Officer*	2007	$ 356,731		$ 739,477	$ 296,649	$ 337,970	$ 15,254	$ 1,746,081
Stephen B. Alexander *Senior Vice President, Products and Technology, Chief Technology Officer*	2007	$ 382,020		$ 1,026,337	$ 206,758	$ 362,109	$ 4,759	$ 1,981,983

Michael G. Aquino *Senior Vice President, World Wide Sales*	2007	$ 305,770	$ 695,520	$ 285,840	$ 356,982	$ 6,230	$ 1,650,342
Arthur D. Smith *Senior Vice President, Chief Operating Officer*	2007	$ 331,250	$ 899,507	$ 207,063	$ 313,828	$ 15,360	$ 1,767,008

(1) Reflects the compensation expense we recognized for financial statement reporting purposes in fiscal 2007 for stock awards. Pursuant to SEC requirements, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. The amounts reported above represent the expense associated with performance stock units (PSUs) and performance accelerated stock units (PARS) granted to each NEO during fiscal 2007, as well as restricted stock units (RSU) awards granted in fiscal 2004 and 2006 that continued to vest

during fiscal 2007. For Mr. Chinnici, the amount reported also reflects an additional compensation expense of $229,752 incurred in fiscal 2007, associated with a separation agreement providing for the acceleration of vesting of 50% of his unvested stock awards on the date of his resignation. The calculation of this expense for Mr. Chinnici during fiscal 2007 assumed a December 31, 2007 resignation date and the vesting of his PSUs and PARS on December 20, 2007. For information regarding the other relevant assumptions made in calculating compensation expense, see Note 15 to the audited financial statements included in our Annual Report on Form 10-K filed on December 27, 2007, under the heading Assumptions for RSU-Based Awards under SFAS 123(R).

(2) Reflects the compensation expense we recognized for financial statement reporting purposes in fiscal 2007 for stock option grants. Pursuant to SEC requirements, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. The amounts reported above represent the expense associated with stock options granted to each NEO during fiscal 2007, as well as stock option awards granted in fiscal 2004, 2005, and 2006, that continued to vest during fiscal 2007. For Mr. Chinnici, the amount reported also reflects an additional compensation expense of $134,626 incurred in fiscal 2007, associated with a separation agreement providing for the acceleration of vesting of 50% of his unvested stock options on the date of his resignation. The calculation of this expense during fiscal 2007 assumed a resignation date of December 31, 2007. We calculate compensation expense related to stock options using the Black-Scholes option pricing model. For additional information regarding the relevant assumptions made in calculating compensation expense, see Note 15 to the audited financial statements included in our Annual Report on Form 10-K filed on December 27, 2007, under the heading Assumptions for Option-Based Awards under SFAS 123(R).

(3) Reflects the aggregate quarterly incentive awards earned during fiscal 2007 under our incentive bonus plan. See Compensation Discussion and Analysis Cash incentive bonuses above for information regarding our incentive bonus plan and a discussion regarding the determination of quarterly corporate financial goals during fiscal 2007. These financial goals were met or exceeded each fiscal quarter and bonuses were paid as set forth below:

	Incentive Bonus Plan Compensation During Fiscal 2007			
Name	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
Gary B. Smith	$ 162,500	$ 131,250	$ 187,500	$ 162,500
Joseph R. Chinnici	$ 85,313	$ 68,906	$ 98,438	$ 85,313
Stephen B. Alexander	$ 91,406	$ 73,828	$ 105,469	$ 91,406
Arthur D. Smith	$ 79,219	$ 63,984	$ 91,406	$ 79,219

(4) For Mr. Aquino, the amount reported represents aggregate sales incentive compensation earned during fiscal 2007 as a result of his achievement of certain sales performance measures described in Compensation Discussion and Analysis Cash incentive bonuses above.

(5) All other compensation includes the following for each Named Executive Officer (as applicable) during fiscal 2007:

(a) As part of our standard compensation program, full-time U.S. employees receive basic life insurance of two times annual base salary, up to $500,000. We pay the premium for this standard coverage. During fiscal 2007, we paid an additional annual premium on behalf of Gary Smith for supplemental term life insurance that offers

$235,000 in coverage above the limitation above. Only the premium for this supplemental insurance coverage is included in the total above. Prior to the end of fiscal 2007, we ceased our sponsorship of, and payment for, this supplemental insurance policy.

(b) As part of our standard compensation program, full-time U.S. employees receive long-term disability insurance coverage that provides, upon a qualifying disability, monthly payments of 60% of base salary for the duration of the disability, with payments ceasing at age 65. We pay the premium for this standard coverage. During fiscal 2007, we paid additional annual premiums on behalf of Gary Smith and Mr. Chinnici for supplemental coverage that provides additional monthly disability insurance payments of $7,500 and $10,375, respectively, should either of these officers become disabled. Only the premiums for supplemental insurance coverage for Messrs. Smith and Chinnici are included in the total above. Prior to

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the end of fiscal 2007, we ceased our sponsorship of, and payment for, this supplemental insurance policy on behalf of Mr. Smith.

(c) For Gary Smith, Arthur Smith and Joseph Chinnici, costs associated with annual physical examination and tax preparation services.

(d) For each Named Executive Officer, 401(k) plan matching contributions paid by us and generally available to all full-time U.S. employees.

(e) Gross up for tax purposes related to supplemental life and disability insurance and tax preparation services, as applicable.

Grants of Plan-Based Awards

The following table sets forth, on a grant-by-grant basis, information regarding equity and non-equity awards made to each of the NEOs during fiscal 2007. All equity grants were made under our 2000 Equity Incentive Compensation Plan. For each award made to our NEOs during fiscal 2007, the date the award was approved by our Compensation Committee was the same as the grant date. During fiscal 2007, we made grants in the form of performance stock units (PSUs), performance accelerated stock units (PARS) and stock options. The terms of these awards are set forth in the footnotes below the table. The amounts reported in the Full Grant Date Fair Value column reflect, for each equity award granted in fiscal 2007, the total compensation expense for financial reporting purposes, as of the grant date, that we would expect to incur over entire the vesting period of the award. By way of example, the amount reported for each 2007 award of PARS sets forth the aggregate compensation expense we would expect to incur over a period beginning in fiscal 2007 and ending in fiscal 2011. This amount will likely vary from the actual amount ultimately realized by any NEO based on a number of factors, including the number of shares that ultimately vest, the satisfaction or failure to meet any performance criteria for vesting or acceleration, the timing of any exercise or sale of shares, and the price of our stock.

Grants of Plan-Based Awards

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Stock Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards
Type of Awards	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)	(#)(4)	($/Sh)
Option	12/18/2006								75,000	$ 27.88

PSU	12/18/2006				20,000(2)		
PARS	12/18/2006				60,000(3)		
Incentive Bonus		$ 250,000	$ 500,000	$ 750,000			
Option	12/18/2006					20,000	$ 27.88
PSU	12/18/2006				7,500(2)		
PARS	12/18/2006				20,000(3)		
Incentive Bonus		$ 131,250	$ 262,500	$ 393,750			
sting Acceleration(6)	04/05/2007						
Option	12/18/2006					30,000	$ 27.88
PSU	12/18/2006				12,500(2)		
PARS	12/18/2006				50,000(3)		
Incentive Bonus		$ 140,625	$ 281,250	$ 421,875			
Option	12/18/2006					30,000	$ 27.88
PSU	12/18/2006				10,000(2)		
PARS	12/18/2006				30,000(3)		
Incentive Bonus		$ 240,000	$ 300,000	n/a			
Option	12/18/2006					25,000	$ 27.88
PSU	12/18/2006				12,500(2)		
PARS	12/18/2006				40,000(3)		
Incentive Bonus		$ 121,875	$ 243,750	$ 365,625			

(1) There are no additional future payouts to NEOs upon the satisfaction of non-equity incentive plan awards granted during fiscal 2007. Pursuant to SEC requirements, the dollar amounts in the table above reflect the estimated range of aggregate annual payouts possible under non-equity incentive plan awards during fiscal 2007. The actual amounts earned by the NEOs during fiscal 2007 are set forth in the Non-Equity Incentive Compensation column of the Summary Compensation Table above. For a description of the incentive bonus plan and the actual quarterly awards paid thereunder, see footnote 3 to the Summary Compensation Table and Compensation Discussion and Analysis Cash incentive bonuses above. For Mr. Aquino, the table above includes the estimated range of sales incentive compensation payable during fiscal 2007. This sales incentive compensation does not provide for a maximum award. The actual amount earned by Mr. Aquino is set forth in the Non-Equity Incentive Compensation column of the Summary Compensation Table above.

(2) Reflects the number of shares underlying PSUs granted to the NEOs during fiscal 2007. These awards were to vest in their entirety upon the achievement of certain management performance goals described in Compensation Discussion and Analysis Equity-based compensation above, provided that the goals were met on or before December 20, 2007. Prior to December 20, 2007, the Compensation Committee determined that these goals had been met and that each of the PSUs granted to the NEOs vested in their entirety.

(3) Reflects the number of shares underlying PARS granted to the NEOs during fiscal 2007. These awards vest in their entirety, based upon continued service by the NEO, upon the fourth anniversary of the date of grant. The vesting of all or a portion of the shares underlying the award, however, may be accelerated upon the achievement of performance goals established by the Compensation Committee on an annual basis. For fiscal 2007, up to one-third of the shares underlying the award were subject to acceleration upon the achievement of certain corporate financial performance targets described in Compensation Discussion and Analysis Equity-based compensation above. Prior to December 20, 2007, the Compensation Committee determined that this performance goal had been achieved, and, on December 20, 2007, one-third of the PARS granted to each of the NEOs in fiscal 2007 vested in the following amounts: 20,000 as to Gary Smith, 16,667 as to Mr. Alexander, 10,000 as to Mr. Aquino, 13,334 as to Arthur Smith and 6,667 as to Mr. Chinnici.

(4) Reflects the number of shares underlying stock option awards granted to the NEOs during fiscal 2007. Option awards have a ten-year term and vest monthly in 48 equal amounts over a four-year period from the grant date.

(5) Reflects the full grant date fair value under SFAS 123(R) for PSUs, PARS and stock options awarded to the NEOs during fiscal 2007. For information regarding the relevant assumptions made in calculating compensation expense for stock awards and stock options, you should refer to the information set forth in Note 15 to the audited financial statements included in our Annual Report on Form 10-K filed on December 27, 2007.

(6) For Mr. Chinnici, the amount reported reflects an additional share-based compensation expense incurred in fiscal 2007 associated with a separation agreement entered into on April 5, 2007 providing for the acceleration of vesting of 50% of his unvested stock options and stock awards on the date of his resignation. In calculating this amount, we applied the assumptions described in footnotes (1) and (2) to the Summary Compensation Table above. Mr. Chinnici resigned as CFO following the filing of our Annual Report on Form 10-K on December 27, 2007, and, otherwise, as an employee of Ciena on December 31, 2007.

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Outstanding Equity Awards at Fiscal Year-End

The following table sets forth, on an award-by-award basis, information related to unexercised options, stock awards that have not yet vested and other equity incentive plan awards held by each NEO as of the end of fiscal 2007. The vesting conditions for each award, including the identification of those awards that are subject to performance-based vesting conditions, are set forth in the footnotes below the table. The market value of shares and equity incentive plan awards that have not vested are calculated by multiplying the number of shares by $46.88, the closing price per share of our common stock on The NASDAQ Stock Market on the last trading day of our fiscal 2007.

Outstanding Equity Awards at Fiscal Year-End

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Gary B. Smith	17,188	57,812(1)		$ 27.88	12/18/2016				
	37,946	53,571(2)		$ 16.52	11/02/2015				
	26,960			$ 19.95	12/10/2014				
	32,857			$ 47.32	12/09/2013				
	100,000			$ 31.71	11/19/2012				
	100,000			$ 72.03	03/12/2012				
	88,442			$ 114.66	10/16/2011				
	8,333			$ 104.35	10/20/2009				
	19,643			$ 112.88	08/23/2009				
	6,903			$ 60.81	11/12/2008				
	953			$ 43.31	09/17/2008				
						2,857(7)	$ 133,936		

					23,216(8)	$ 1,088,366		
							60,000(9)	$ 2,812,800
							20,000(11)	$ 937,600
Joseph R. Chinnici	4,583	15,417(1)	$ 27.88	12/18/2016				
	1,488	17,857(2)	$ 16.52	11/02/2015				
	7,857		$ 47.32	12/09/2013				
	35,714		$ 72.03	03/12/2012				
	27,584		$ 114.66	10/16/2011				
	9,714		$ 104.35	10/20/2009				
	2,500		$ 60.81	11/12/2008				
					667(7)	$ 31,269		
					7,144(8)	$ 334,911		
							20,000(9)	$ 937,600
							7,500(11)	$ 351,600

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	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Stephen B. Alexander	6,875	23,125(1)		$ 27.88	12/18/2016				
	19,643	19,642(2)		$ 16.52	11/02/2015				
	17,857			$ 19.95	12/10/2014				
	7,857			$ 47.32	12/09/2013				
	42,857			$ 31.71	11/19/2012				
	53,571			$ 72.03	03/12/2012				
	34,942			$ 114.66	10/16/2011				
	7,142			$ 104.35	10/20/2009				
	4,285			$ 60.81	11/12/2008				
						667(7)	$ 31,269		
						10,716(8)	$ 502,366		
								50,000(9)	$ 2,344,000
								12,500(11)	$ 586,000
Michael G. Aquino	6,875	23,125(1)		$ 27.88	12/18/2016				
	1,191	18,452(3)		$ 31.43	06/01/2016				
	417	5,000(4)		$ 17.43	10/26/2015				
	84	833(5)		$ 16.52	06/10/2015				
	112	669(6)		$ 16.87	10/26/2014				
	2,820			$ 46.90	11/05/2013				
	1,785			$ 38.85	05/14/2013				
	12,685			$ 48.30	05/19/2012				
								30,000(9)	$ 1,406,400

					6,700(10)	$ 314,096		
							10,000(11)	$ 468,800
Arthur D. Smith	5,729	19,271(1)	$ 27.88	12/18/2016				
	5,616	23,214(2)	$ 16.52	11/02/2015				
	5,362		$ 19.95	12/10/2014				
	6,000		$ 47.32	12/09/2013				
	25,000		$ 31.71	11/19/2012				
	26,785		$ 72.03	03/12/2012				
	12,899		$ 114.66	10/16/2011				
	7,142		$ 388.08	05/16/2011				
	5,086		$ 233.85	01/17/2010				
	2,229		$ 104.35	10/20/2009				
	1,686		$ 60.81	11/12/2008				
					524(7)	$ 24,565		
					10,716(8)	$ 502,366		
							40,000(9)	$ 1,875,200
							12,500(11)	$ 586,000

(1) Remaining unvested unexercisable options granted on December 18, 2006 vest in equal monthly amounts from December 1, 2007 through December 1, 2010.

(2) Remaining unvested unexercisable options granted on November 1, 2005 vest in equal monthly amounts from December 1, 2007 through November 1, 2009.

(3) Remaining unvested unexercisable options granted on June 1, 2006 vest in equal monthly from December 1, 2007 through June 1, 2010.

(4) Remaining unvested unexercisable options granted on October 26, 2005 vest in equal monthly amounts from November 30, 2007 through October 31, 2009.

(5) Remaining unvested unexercisable options granted on June 10, 2005 vest in equal monthly amounts from November 30, 2007 through June 30, 2009.

(6) Remaining unvested unexercisable options granted on October 26, 2004 vest in equal monthly amounts from November 30, 2007 through October 31, 2008.

(7) Remaining unvested RSUs granted on December 9, 2003 will vest in full on December 9, 2007.

(8) Remaining unvested RSUs granted on November 1, 2005 vest in equal amounts on the last day of each fiscal quarter through October 31, 2009.

(9) Remaining unvested PARS granted on December 18, 2006 vest in their entirety on December 20, 2010. The vesting of all or a portion of the shares, however, may be accelerated upon the achievement of performance goals established by the Compensation Committee on an annual basis. For fiscal 2007, up to one-third of the shares underlying each award disclosed above was subject to acceleration upon the achievement of certain corporate financial targets described in Compensation Discussion and Analysis Equity-based compensation above. One-third of the PARS vested on December 20, 2007 as set forth in footnote 3 to the Grants of Plan-Based Awards table above.

(10) Remaining unvested RSUs granted on June 1, 2006 vest in equal amounts on the last day of each fiscal quarter through May 1, 2010.

(11) Remaining unvested PSUs granted on December 18, 2006 were to vest in their entirety upon the achievement of certain management performance goals described in Compensation Discussion and Analysis Equity-based compensation above, provided that these goals were met on or before December 20, 2007. These PSUs vested in their entirety on December 20, 2007 as set forth in footnote 2 to the Grants of Plan-Based Awards table above.

Option Exercises and Stock Vested

The following table sets forth, as to each NEO, information related to stock options exercised and stock awards vested during fiscal 2007. Because this table only reflects activity during fiscal 2007, it does not include the vesting on December 20, 2007, following the completion of fiscal 2007, of the PSUs and PARS awarded to the NEOs during fiscal 2007. Information regarding the vesting of these awards is included in the footnotes to the Grants of Plan-Based Awards table above.

The value realized upon exercise of options is a pre-tax amount that reflects the number of shares exercised during fiscal 2007, multiplied by difference between the closing price per share of our common stock on the date of exercise and the exercise price of the option. The value realized upon vesting of stock awards is a pre-tax amount determined by multiplying the number of vested shares of stock during fiscal 2007 by the closing price per share of our common stock on the vesting date for that award. Information as to value is not the actual amount realized by each NEO and does not take into account any reductions related to brokerage commissions or fees, withholding tax, or forfeiture or other disposition of shares to cover these amounts.

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Option Exercises and Stock Vested

Name	Option Awards Number of Shares Acquired on Exercise (#)	Option Awards Value Realized on Exercise ($)	Stock Awards Number of Shares Acquired on Vesting (#)	Stock Awards Value Realized on Vesting ($)
Gary B. Smith	25,898	$ 462,085	14,465	$ 484,740
Joseph R. Chinnici	59,226	$ 319,218	4,239	$ 143,781
Stephen B. Alexander			6,023	$ 207,140
Michael G. Aquino	50,059	$ 866,930	2,676	$ 95,038
Arthur D. Smith	30,093	$ 530,803	5,880	$ 203,512

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

This section describes and quantifies the estimated compensation benefits that would be paid to our Named Executive Officers in each of the following situations:

upon death or disability;

upon a change in control in Ciena; and

upon a termination of employment following a change in control of Ciena.

These estimated payments are calculated based on compensation arrangements in effect as of the end of fiscal 2007. Although these calculations are intended to provide reasonable estimates of potential compensation benefits payable, our estimates are based on certain assumptions described below and may not represent the actual amount that any individual would receive.

Except as described below, we do not maintain employment agreements with our executive officers, including the NEOs. The information below describes those limited instances in which our NEOs would be entitled to payments following a termination of employment or upon a change in control of Ciena. Our NEOs are at will employees and, except as otherwise described below, they are only entitled to payment of accrued salary and vacation time, on the same terms as provided to our other employees, upon any resignation, retirement or termination of employment, with or without cause. The calculations below do not include any estimated payments for those benefits that we generally make available on the same terms to our full-time employees.

Pursuant to SEC requirements, we have included Mr. Chinnici in the following descriptions and estimates of the severance payments and benefits payable upon death, disability, change in control and termination subsequent to a change in control. These represent estimated amounts payable had these triggering events occurred as of the end of fiscal 2007. However, as previously described, Mr. Chinnici resigned as an employee of Ciena on December 31, 2007. As a result, the payments summarized under Severance Agreement with Mr. Chinnici below, represent, in entirety, all severance and benefits payable to Mr. Chinnici by Ciena due to his termination of employment in accordance with a separation agreement dated April 5, 2007.

Payments upon Death or Disability

Supplemental Insurance Benefits. As part of our standard compensation program, full-time U.S. employees receive short-term and long-term disability insurance coverage. Generally, our long-term disability coverage provides that upon a qualifying disability, employees are eligible to receive monthly payments of 60% of base salary for the duration of the disability, with payment ceasing at age 65. We pay the full cost of the premiums for disability insurance coverage provided to our employees, including the NEOs. As of the end of fiscal 2007, we also paid for executive long-term disability insurance coverage on behalf of Mr. Chinnici that provided him an additional monthly payment until age 65 of $10,375 should he become disabled. Assuming that the triggering event took place on the last day of our fiscal 2007, Mr. Chinnici would have been entitled to receive, in absolute dollars, approximately $1.5 million in the aggregate, paid in monthly amounts up to age 65. Because Mr. Chinnici resigned as an employee of Ciena effective December 31, 2007, no payments will be made to him under this policy.

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Acceleration of Equity Awards. Prior to fiscal 2007, certain RSU awards granted to employees, including our NEOs, provided for acceleration of vesting upon the death or disability of the holder. While these acceleration provisions were not unique to our NEOs, RSU awards were predominately granted to our executive officers at that time. As a result, we have reflected the value of this acceleration in the table below. We do not currently grant RSU awards that provide for acceleration of vesting upon death or disability. For purposes of calculating the estimated payments associated with the acceleration of these awards, we have assumed that the triggering event took place on the last day of our fiscal 2007. For each NEO, the amount in the table below reflects the value of their RSUs that are subject to acceleration of vesting upon death or disability, based on our fiscal year-end closing stock price of $46.88 per share.

Name	**Value of RSU Acceleration Upon Death or Disability ($)**
Gary B. Smith	$ 1,222,302
Joseph R. Chinnici	$ 366,180
Stephen B. Alexander	$ 533,635
Michael G. Aquino	$ 314,096
Arthur D. Smith	$ 526,931

Payments upon Change in Control

We have entered into change in control severance agreements with our executive officers, including each of our NEOs. These agreements provide that upon a change in control, any unvested performance-based equity awards (including awards that provide for performance-based acceleration of vesting such as PARS), to the extent unvested, will be converted into awards with time-based vesting conditions. The unvested awards will be deemed to have commenced vesting on the grant date, with vesting continuing as to $1/16^{th}$ of the grant amount at the end of each three-month period following the grant date. The effect of this provision would be to cause certain unvested awards to become immediately exercisable upon a change in control. You should review the Applicable Definitions below to better understand the meaning of the term change in control under our change in control severance agreements.

In addition, under the terms of our equity incentive plans and stock option award agreements, certain outstanding stock options held by employees, including our NEOs, are subject to 12 months acceleration of vesting upon a change in control of Ciena.

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The following table shows, for each NEO, the estimated value of: (i) the conversion of performance-based stock awards, and the resulting acceleration of vesting of these awards, and (ii) the 12 months acceleration of vesting for stock options, in each case, assuming the occurrence of a change in control on the last day of our fiscal 2007. Conversion of performance-based stock awards and acceleration of stock option vesting upon a change in control does not require termination of employment.

	Conversion of Performance-Based Stock Awards Upon Change in Control	Acceleration of Stock Option Awards Upon Change in Control
	Number of	