

CIENA CORP
Form DEF 14A
February 08, 2008

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

- Preliminary Proxy Statement Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
 Definitive Additional Materials
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Ciena Corporation

(Name of Registrant as Specified in Its Charter)

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- (3) Filing party:

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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 8, 2008

**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 8, 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 87,046,455 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

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 set 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

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 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 or by submitting your vote by telephone. 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.

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.

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 Apptriquer, 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. Claffin	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:

	Amount Earned Prior to 2007 Annual Meeting (\$)	Amount Earned After 2007 Annual Meeting (\$)
Cash Compensation		