

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K/A

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported) March 3, 2008

Ciena Corporation

(Exact Name of Registrant as Specified in Its Charter)
Delaware

(State or Other Jurisdiction of Incorporation)

0-21969

(Commission File Number)

23-2725311

(IRS Employer Identification No.)

1201 Winterson Road, Linthicum, MD

(Address of Principal Executive Offices)

21090

(Zip Code)

(410) 865-8500

(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

EXPLANATORY NOTE

This Form 8-K/A amends and supplements “Item 9.01 — Financial Statements and Exhibits,” included in the initial report on Form 8-K dated March 3, 2008 and filed by Ciena Corporation (“Ciena”) on March 5, 2008, relating to the completion of Ciena’s acquisition of World Wide Packets, Inc. (“World Wide Packets”) on March 3, 2008. This amendment includes the historical financial statements of World Wide Packets for the period specified in Rule 3-05(b) of Regulation S-X and the unaudited pro forma financial information required pursuant to Article 11 of Regulation S-X.

ITEM 9.01 — FINANCIAL STATEMENTS AND EXHIBITS

(a) *Financial Statements of Businesses Acquired*

The audited consolidated financial statements of World Wide Packets as of and for the year ended December 31, 2007, including the notes to such financial statements and the report of the independent auditor thereon, are filed as Exhibit 99.1 and incorporated into this Item 9.01(a) by reference.

(b) *Pro Forma Financial Information*

Pro forma financial information as of and for the year ended October 31, 2007 is furnished as Exhibit 99.2 and incorporated into this Item 9.01(b) by reference.

(d) *Exhibits*

<u>Exhibit No.</u>	<u>Description</u>
2.1(1)	Agreement and Plan of Merger, dated January 22, 2008, among Ciena Corporation, Wolverine Acquisition Subsidiary, Inc., World Wide Packets, Inc. and Daniel Reiner, as Stockholders Representative
23.1	Consent of Deloitte & Touche LLP, Independent Auditor of World Wide Packets, Inc.
99.1	Audited consolidated financial statements of World Wide Packets, Inc. and its subsidiary, as of and for the year ended December 31, 2007
99.2	Unaudited pro forma condensed combined consolidated financial statements as of and for the fiscal year ended October 31, 2007

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- (1) Incorporated by reference to Exhibit 2.1 of Ciena’s Current Report on Form 8-K filed on January 24, 2008. Ciena has omitted certain schedules and exhibits in accordance with Item 601(b)(2) of Regulation S-K and will furnish the omitted schedules and exhibits to the SEC upon request.
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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Ciena Corporation

Date: May 12, 2008

By: /S/ Russell B. Stevenson, Jr.

Russell B. Stevenson, Jr.

Senior Vice President, General Counsel and Secretary

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Registration Statement Nos. 333-27131, 333-76915, 333-83581, 333-30900, 333-53146, 333-72474, 333-91294, 333-102462, 333-103328, 333-104825, 333-113872, 333-115287, 333-12110, 333-123509, 333-123510, 333-149520 and 333-149929 on Form S-8, and Registration Statement Nos. 333-143490, 333-132952, 333-108476 and 333-149519 on Form S-3 of Ciena Corporation of our report dated February 29, 2008, relating to the consolidated financial statements of World Wide Packets, Inc. and its subsidiary as of and for the year ended December 31, 2007 (which report expresses an unqualified opinion and includes an explanatory paragraph relating to substantial doubt about the company's ability to continue as a going concern), appearing in this Current Report on Form 8-K/A of Ciena Corporation, dated May 12, 2008 (amending the Form 8-K dated March 3, 2008).

/s/ Deloitte & Touche LLP

Seattle, Washington

May 12, 2008

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
World Wide Packets, Inc.
Spokane Valley, WA

We have audited the accompanying consolidated balance sheet of World Wide Packets, Inc. and its subsidiary (the "Company") as of December 31, 2007, and the related consolidated statement of operations, stockholders' deficit, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2007, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company's recurring losses from operations and stockholders' capital deficiency raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also discussed in Note 1 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Deloitte & Touche LLP
Seattle, Washington

February 29, 2008

WORLD WIDE PACKETS, INC.
Consolidated Balance Sheet
(in thousands, except per share data)

	<u>December 31,</u> <u>2007</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 5,183
Short-term investments	—
Restricted assets	1,028
Accounts receivable	6,764
Inventories	6,794
Deferred cost of sales	6,276
Prepays and other current assets	466
Total current assets	26,511
Fixed assets, net	3,205
Other assets	425
Total assets	<u>\$ 30,141</u>
LIABILITIES & STOCKHOLDERS' DEFICIT	
Current liabilities:	
Accounts payable	\$ 5,848
Accrued compensation and benefits	2,432
Accrued expenses and other	661
Deferred revenue	12,660
Current portion of long-term debt	7,108
Total current liabilities	28,709
Long-term debt, net of discount for warrants of \$308	4,556
Other long-term obligations	2,046
Commitments and contingencies (Note 6)	
Stockholders' deficit:	
Series 1 Convertible Preferred stock, \$0.0001 par value, and additional paid-in capital (liquidation preference of \$25,801):	
Authorized shares—46,910; issued and outstanding—44,551	24,744
Series 2 Convertible Preferred stock, \$0.0001 par value, and additional paid-in capital (liquidation preference of \$25,800):	
Authorized shares—23,889; issued and outstanding—23,889	25,101
Series 3 Convertible Preferred stock, \$0.0001 par value, and additional paid-in capital (liquidation preference of \$19,926):	
Authorized shares—19,371; issued and outstanding—16,537	18,495
Common stock, \$0.0001 par value, and additional paid-in capital:	
Authorized shares—131,009; issued and outstanding—6,441	90,701
Accumulated deficit	(164,224)
Accumulated other comprehensive income	13
Total stockholders' deficit	(5,170)
Total liabilities & stockholders' deficit	<u>\$ 30,141</u>

See accompanying notes to consolidated financial statements.

WORLD WIDE PACKETS, INC.
Consolidated Statement of Operations
(in thousands)

	Year Ended December 31, 2007
Net sales	\$ 22,554
Cost of sales	14,423
Gross profit	<u>8,131</u>
Operating expenses:	
Research and development	16,818
Sales and marketing	10,027
General and administrative	4,935
Total operating expenses	<u>31,780</u>
Loss from operations	<u>(23,649)</u>
Interest income	156
Interest expense	(1,541)
Other income	48
Total nonoperating expense, net	<u>(1,337)</u>
Net loss	<u>\$ (24,986)</u>

See accompanying notes to consolidated financial statements.

WORLD WIDE PACKETS, INC.
Consolidated Statement of Stockholders' Deficit
(in thousands)

	Convertible Preferred Stock						Common Stock		Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Deficit
	Series 1		Series 2		Series 3		Outstanding Shares	Amount			
	Outstanding Shares	Amount	Outstanding Shares	Amount	Outstanding Shares	Amount					
Balance at January 1, 2007	44,551	\$ 24,744	23,657	\$ 25,469	—	\$ —	3,736	\$ 90,172	\$ (139,238)	\$ 1	\$ 1,148
Issuance of Series 2 convertible preferred stock and warrants	—	—	232	(368)	—	—	—	—	—	—	(368)
Issuance of Series 3 convertible preferred stock and warrants	—	—	—	—	16,537	18,495	—	—	—	—	18,495
Stock-based compensation	—	—	—	—	—	—	—	308	—	—	308
Exercises of common stock options and warrants	—	—	—	—	—	—	2,705	221	—	—	221
Comprehensive loss:											
Net loss	—	—	—	—	—	—	—	—	(24,986)	—	(24,986)
Other comprehensive income, net of tax:											
Unrealized losses on short-term investments	—	—	—	—	—	—	—	—	—	(10)	(10)
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	22	22
Comprehensive loss	—	—	—	—	—	—	—	—	—	—	(24,974)
Balance at December 31, 2007	<u>44,551</u>	<u>\$ 24,744</u>	<u>23,889</u>	<u>\$ 25,101</u>	<u>16,537</u>	<u>\$ 18,495</u>	<u>6,441</u>	<u>\$ 90,701</u>	<u>\$ (164,224)</u>	<u>\$ 13</u>	<u>\$ (5,170)</u>

See accompanying notes to consolidated financial statements.

WORLD WIDE PACKETS, INC.
Consolidated Statement of Cash Flows
(in thousands)

	Year Ended December 31, 2007
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD OPERATING ACTIVITIES:	\$ 2,222
Net loss	(24,986)
Adjustments to reconcile net loss to cash used in operating activities:	
Depreciation and amortization	1,119
Realized losses on sales of short-term investments	(15)
Realized losses on sales of fixed assets	(1)
Stock-based compensation	308
Debt issuance costs and warrants amortization	381
Change in operating assets and liabilities:	
Accounts receivable	(3,712)
Inventories	(2,691)
Deferred cost of sales	(6,276)
Prepays and other assets	(202)
Accounts payable	2,786
Accrued compensation and benefits	1,357
Accrued expenses and other	232
Deferred revenue	13,386
Net cash used in operating activities	<u>(18,314)</u>
INVESTING ACTIVITIES:	
Purchases of fixed assets, net of disposals	(1,845)
Restricted assets	(878)
Other assets	(203)
Purchases of short-term investments	(1,381)
Proceeds from sales of short-term investments	1,684
Net cash used in investing activities	<u>(2,623)</u>
FINANCING ACTIVITIES:	
Proceeds from issuance of long-term debt and Series 2 warrants, net	9,783
Repayments on long-term debt	(3,794)
Proceeds from issuance of preferred stock and Series 3 warrants, net	17,688
Proceeds from exercises of common stock options and warrants	221
Net cash provided by financing activities	<u>23,898</u>
Net increase in cash and cash equivalents	<u>2,961</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 5,183</u>
NON-CASH TRANSACTIONS:	
Fixed assets purchased but not yet paid	\$ 115
SUPPLEMENTAL CASH FLOW INFORMATION:	
Cash paid for interest	\$ 1,541
Cash paid for income taxes	\$ 12

See accompanying notes to consolidated financial statements.

WORLD WIDE PACKETS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—DESCRIPTION OF BUSINESS AND ACCOUNTING POLICIES

Description of Business

World Wide Packets, Inc. (the “Company”) provides products and services that enable telecommunications service providers, cable operators, wireless carriers, municipalities, and emerging carriers to build and optimize their network infrastructure and deploy Carrier Ethernet-based services. The Company designs, manufactures, and sells network access products that enable simultaneous delivery of voice, data, and video to business and residential subscribers using Ethernet over fiber and copper media.

The Company’s products have been deployed in broadband fiber access networks in 25 countries around the world. In addition to its US headquarters located in Spokane Valley, Washington, the Company has offices in San Jose, California, the UK, Spain, and the Netherlands.

Based on historical performance and operating forecasts, the Company must secure additional funds in 2008 to continue operations. As of December 31, 2007, the Company had “Cash and cash equivalents” of \$5.2 million along with an ability to draw down an additional \$4.6 million under the terms of its Loan and Security Agreement with Bridge Bank, subject to certain restrictions. See “Note 5—Long Term Debt and Other.” Without the ability to raise additional funds, there is substantial doubt about the Company’s ability to continue as a going concern on a stand alone basis. On January 22, 2008, the Company signed a definitive agreement to merge with Ciena Corporation (“Ciena”). See “Note 11—Subsequent Events.”

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned, UK-based subsidiary. Intercompany balances and transactions have been eliminated.

Concentrations

The Company sells its products to resellers and as part of an Original Equipment Manufacturing (“OEM”) agreement, which leads to a high concentration of revenue to certain of its customers. From four customers, the Company generated 22%, 18%, 12%, and 11% of its total net sales in 2007.

The Company purchases specific materials from certain vendors. If continuity of supply was significantly disrupted from such suppliers, the Company’s revenue could be negatively affected in the short term while supply is achieved through an alternative source.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities in the consolidated financial statements and accompanying notes. Estimates are used for, but not limited to, the valuation of investments, receivables, inventory, and stock-based compensation; depreciable lives; sales returns; provision for anticipated warranty claims; and contingencies. Actual results could differ materially from those estimates.

Cash and Cash Equivalents

The Company classifies all highly liquid instruments, including money market funds, with a remaining maturity of three months or less at the time of purchase as cash equivalents.

WORLD WIDE PACKETS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Restricted Assets

Restricted assets include certificates of deposit pledged as collateral for standby letters of credit for contractual obligations with the Company's primary contract manufacturer at December 31, 2007 and cannot be used for general business purposes.

Short-term Investments

Short-term investments include marketable securities classified as available-for-sale and are stated at fair value in accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. The Company invests its excess cash in short-term commercial paper and US agency securities. Investments are recorded on the trade date. Unrealized gains and losses are included in "Accumulated other comprehensive income," a separate component of stockholders' deficit. Realized gains and losses are included in "Other income" in the consolidated statement of operations.

The Company periodically evaluates whether declines in fair values of the Company's short-term investments are other-than-temporary. This evaluation consists of a review of qualitative and quantitative factors, including quoted market prices, if available, other publicly available information, or other conditions that bear on the value of the Company's investments. If the decline in fair value is deemed to be other than temporary, the Company recognizes the loss in "Other income" in the consolidated statement of operations.

Allowance for Doubtful Accounts

The Company estimates losses on receivables based on specifically identified accounts and historical experience of losses incurred. Accounts receivable are written off against the allowance when an account, or a portion thereof, is determined to no longer be collectible.

Inventories

Inventories consist of raw materials and products available for sale, which include the costs incurred from third-party contract manufacturers for the manufacturing of products sold, including handling, assembly, testing, and inbound shipping charges. Inventories are valued at the lower of cost or market value. Finished goods are accounted for using the specific identification method, while raw materials are accounted for using the first-in, first-out method. The Company writes down excess and obsolete inventory based on the difference between its cost and market value using estimates of future demand. The expense is included in "Cost of sales" in the consolidated statement of operations. At the point of the write-down, a new lower-cost basis for that inventory is established and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and include assets such as computer and test equipment, software, and leasehold improvements and office furniture. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets (generally two or three years for computer and test equipment, three years for software, the shorter of the lease life or asset's life for leasehold improvements, and five years for office furniture).

Other Assets

Included in "Other assets" are legal costs incurred related to patents filed for but not yet issued and deferred issuance charges on the Company's long-term debt. The legal costs are capitalized unless the probability that such patents will eventually be issued is remote. Upon issuance, patent costs are amortized on a straight-line basis over the shorter of the term of the patent (generally 17 years) or its estimated useful

WORLD WIDE PACKETS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

life. The deferred issuance charges are amortized as interest expense over the life of the debt on a straight-line basis, which does not differ materially from use of the effective interest method.

Impairment of Long-Lived Assets

The Company assesses the recoverability of long-lived assets when events or circumstances indicate that the carrying amount of an asset may not be fully recoverable. If undiscounted expected cash flows to be generated by a long-lived asset or asset group are less than its carrying amount, the Company records an impairment to write down the long-lived asset or asset group to its estimated fair value. Fair value is estimated based on discounted expected future cash flows. The Company did not record any impairments of long-lived assets during 2007.

Product Warranties

The Financial Accounting Standards Board (“FASB”) issued Interpretation (“FIN”) No. 45, *Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, requires that upon issuance of a guarantee, the guarantor must disclose and recognize a liability for the fair value of the obligation it assumes under that guarantee. The requirements of FIN No. 45 are applicable to the Company’s product warranties.

The Company accrues for warranty costs as part of its “Cost of sales” based on anticipated product repair and replacement costs that include costs for materials, labor, and technical support. Products sold are generally covered by a warranty for periods ranging from one to five years.

The following summarizes the activity related to the Company’s product warranties (in thousands):

Balance at beginning of year	\$ 942
Provision for product warranties	291
Costs incurred	<u>(283)</u>
Balance at end of year	950
Less: current portion included in “Accrued expenses and other”	<u>(316)</u>
Long-term portion included in “Other long-term obligations”	<u>\$ 634</u>

Deferred Revenue

Deferred revenue is recorded when products and services are billed in advance of performing customer obligations or in certain instances when vendor specific objective evidence of fair value does not exist. The Company’s deferred revenue generally consists of technical support contracts and extended product warranty service agreements, which are amortized ratably over the service period. However, it may include product that has been delivered for which revenue has not been recognized due to a lack of vendor specific objective evidence of fair value. The long-term portion of deferred revenue is included in “Other long-term obligations” in the consolidated balance sheet.

In June of 2007, the Company received a \$22.3 million guaranteed purchase commitment from a customer involving multiple deliverables for which vendor specific objective evidence could not be established. As of December 31, 2007, \$11.5 million was deferred along with \$6.5 million in related cost of sales. These deferrals will be recognized once all elements have been delivered under the purchase commitment.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and are measured using enacted tax rates and laws that are expected to be in effect when the differences are expected to be reversed. Valuation allowances are provided to reduce deferred tax assets to an amount that is more likely than not to be realized. See “Note 8—Income Taxes.”

WORLD WIDE PACKETS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Revenue

The Company generates revenue from sales of its products, which consist of hardware and software, and from various services, which include product installation, integration, project management, post-contract customer support, and warranty repair and replacement. Many of the Company's hardware products are integrated with software that is essential to its functionality. Accordingly, the Company accounts for revenue in accordance with Statement of Position ("SOP") No. 97-2, *Software Revenue Recognition*, and all related interpretations.

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectibility is reasonably assured. Product revenue is generally recognized at time of shipment, although in rare instances, until acceptance criteria are met as specified by the customer. Sales discounts are treated as a reduction to the sales price as a component of "Net sales." Revenue from technical support and extended warranty services is deferred and recognized ratably over the period during which the services are to be performed (generally one year). Services revenue for which consideration is received in advance is recognized upon completion of performance. The Company, generally, does not allow for the right of return on any of its product or services contracts. For software arrangements with multiple elements, revenue recognition is also dependent upon the availability of vendor-specific objective evidence of fair value for each of the elements.

Arrangements with multiple deliverables are divided into separate units of accounting if the elements have value to the customer on a standalone basis, there is objective and reliable evidence of fair value of the undelivered items, and delivery or performance of the undelivered items are probable. The total arrangement consideration is allocated among the separate units of accounting based on their relative fair values and the applicable revenue recognition criteria considered for each unit of accounting. If the revenue recognition criteria has not been met, revenue is deferred until the criteria is met or the last element has been delivered.

Cost of Sales

Cost of sales consists of the cost of products sold and costs incurred in staffing the Company's fulfillment and customer service and support departments.

Software Development Costs

Software development costs required to be capitalized pursuant to SFAS No. 86, *Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed*, have not been material to date. Development costs for internal-use software required to be capitalized pursuant to SOP No. 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*, have also not been material to date. All software development costs have been expensed as incurred and included in "Research and development" in the consolidated statement of operations.

Stock-Based Compensation

On January 1, 2006, the Company adopted SFAS No. 123R, *Share-Based Payment*, which requires the measurement and recognition of compensation expense for all share-based awards made to employees and directors based on estimated fair values.

As the Company is a nonpublic entity and used the minimum value method for pro forma disclosures under SFAS No. 123, *Accounting for Stock-Based Compensation*, the Company is required to apply the prospective transition method which requires that stock-based compensation expense be recorded for all options granted on or after January 1, 2006 based on the estimated fair value of the award. The Company has applied the provisions of SFAS No. 123R to employee stock options granted, modified, repurchased, cancelled, or settled on or after January 1, 2006 and has valued these options using the Black-Scholes valuation model. The estimate of compensation expense requires complex and subjective assumptions, including the Company's stock price volatility, employee exercise patterns (expected life of the options), future forfeitures, and related tax effects.

WORLD WIDE PACKETS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The fair value for each employee stock option granted during 2007 was estimated at the date of grant using the Black-Scholes valuation model, assuming no dividends and the following assumptions.

	<u>Year Ended</u> <u>December 31, 2007</u>
Average risk-free interest rate	4.6%
Average expected life (in years)	4.5
Expected volatility	65.0%

Expected volatilities are based on an average historical volatility from common shares of a group of the Company's peers for an appropriate period of time; the expected life represents the period of time when options granted are expected to be outstanding based on the Company's historical exercise patterns; and the risk-free rate for periods within the contractual life of the options is based on the U.S. Treasury yield curve in effect at the time of grant. At the grant date, the Company assumed an annual forfeiture rate of approximately 10% for 2007 based upon historical and expected forfeitures over the service period.

Foreign Currency

Assets and liabilities of the Company's UK-based subsidiary, whose functional currency is British Pounds, are translated into US Dollars at period-end exchange rates, and revenues and expenses are translated at average rates prevailing throughout the period. Foreign currency transaction gains and losses are recognized as a component of operations, and translation adjustments are included in "Accumulated other comprehensive income," a separate component of stockholders' deficit.

Recent Accounting Pronouncements

In June 2006, the FASB issued FIN No. 48, *Accounting for Uncertainty in Income Taxes—An Interpretation of SFAS No. 109*. FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN No. 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN No. 48 is effective for the Company's first fiscal year beginning after December 15, 2007. The Company is currently evaluating the provisions of FIN No. 48 to determine what effect its adoption on January 1, 2008 will have on its financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosure of fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and accordingly, does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2008. The Company is currently evaluating the effect of this pronouncement on its financial statements.

WORLD WIDE PACKETS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 permits entities to choose, at specified election dates, to measure eligible items at fair value (“fair value option”) and to report in earnings unrealized gains and losses on those items for which the fair value option has been elected. SFAS No. 159 also requires entities to display the fair value of those assets and liabilities on the face of the balance sheet and establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective as of the beginning of an entity’s first fiscal year beginning after November 15, 2007. The Company is currently evaluating the effect of this pronouncement on its financial statements.

Note 2—CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS

The following summarizes, by major security type, the Company’s cash, cash equivalents, and short-term investments (in thousands):

	December 31, 2007		
	Cost or Amortized Cost	Gross Unrealized Gains	Estimated Fair Value
Cash	\$ 654	\$ —	\$ 654
Money market funds	4,529	—	4,529
Cash and cash equivalents	\$ 5,183	\$ —	\$ 5,183

Note 3—INVENTORIES

Inventories, at lower of cost or market, consist of the following (in thousands):

	December 31, 2007
Raw materials	\$ 992
Finished goods	5,802
Total Inventories	\$ 6,794

Note 4—FIXED ASSETS, NET

Fixed assets, at cost, consist of the following (in thousands):

	December 31, 2007
Computer and test equipment	\$ 4,572
Software	2,310
Leasehold improvements and office furniture	2,012
Total	8,894
Accumulated depreciation	(5,689)
Fixed assets, net	\$ 3,205

Depreciation expense was \$1.1 million for 2007.

WORLD WIDE PACKETS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 5—LONG-TERM DEBT AND OTHER

In May 2006, the Company secured an \$11.0 million credit facility with an affiliate of Western Technology Investments, VLL (“WTI”) as part of a Loan and Security Agreement (“LSA”) for general business purposes. Under the LSA, the Company could borrow up to \$11.0 million by July 1, 2006, subject to twelve months of interest-only payments, and up to \$5.0 million by April 30, 2007, subject to six months of interest-only payments. At the end of the interest-only payment periods, each borrowing is subject to a 30-month principal and interest repayment schedule. All debt is collateralized by nearly all of the Company’s assets, including its intellectual property. In addition, 0.6 million warrants to purchase Series 2 Convertible Preferred Stock (“Series 2”) were issued upon execution of the LSA. The warrants were recorded at a fair value of \$0.4 million based on the Black-Scholes valuation model as a discount on the debt and being amortized over the life of the loan using the effective interest method. The discount is amortized as interest expense and is included in “Interest expense” in the consolidated statement of operations.

In June 2006, the Company borrowed \$6.0 million, net of the discount for the fair value of warrants issued, from WTI under the terms of the LSA. The loan is scheduled to be repaid during a 30-month repayment period that began in June 2007, of which \$1.1 million was repaid during 2007. Interest is fixed at 11.5%. In addition, 0.3 million warrants to purchase Series 2 were issued to WTI. The warrants were recorded at a fair value of \$0.2 million based on the Black-Scholes valuation model as a discount on the debt and being amortized over the life of the loan using the effective interest method. The discount is amortized as interest expense and is included in “Interest expense” in the consolidated statement of operations.

In January, 2007, the Company borrowed \$5.0 million, net of the discount for the fair value of warrants issued, from WTI that remained available under the terms of the LSA. The loan is subject to six months of interest-only payments, followed by a 30-month repayment schedule beginning in July 2007, of which \$0.7 million was repaid during 2007. Interest is fixed at 11.75%. In addition, 0.3 million warrants to purchase Series 2 were issued to WTI. The warrants were recorded at a fair value of \$0.2 million based on the Black-Scholes valuation model as a discount on the debt and being amortized over the life of the loan using the effective interest method. The discount is amortized as interest expense and is included in “Interest expense” in the consolidated statement of operations.

In July, 2007, the Company entered into a LSA with Bridge Bank for general business purposes that allows the Company to borrow up to \$7.5 million on an accounts receivable based revolving line of credit, subject to the following conditions: up to \$2.0 million upon closing and until September 30, 2007; up to \$5.0 million between October 1, 2007 and December 31, 2007; and up to \$7.5 million after January 1, 2008. The Company’s borrowing capacity is limited to 80% of its accounts receivable balance not more than 90 days outstanding. All debt is collateralized by nearly all of the Company’s assets, including its intellectual property, and subject to an intercreditor agreement between Bridge Bank and WTI. Interest is variable and indexed at prime plus 0.5%. Unless renewed, the line of credit will expire after one year. During the one-year term, the Company must meet or exceed specified quarterly revenue objectives and maintain an 80% ratio of total amounts borrowed and outstanding to qualified accounts receivable balance. In December 2007, the Company borrowed \$2.9 million, which remained outstanding at December 31, 2007.

Upon execution of the LSAs with WTI and Bridge Bank, the Company paid in cash, debt issuance costs of \$139 thousand, which were capitalized to be amortized as interest expense over the life of the debt. The Company expensed \$43 thousand of these debt issuance costs in 2007.

Note 6—COMMITMENTS AND CONTINGENCIES

Operating Leases and Other

The Company leases office and storage facilities under non-cancelable operating leases. Rent expense under operating lease agreements was \$519 thousand for 2007.

WORLD WIDE PACKETS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following summarizes the Company's principal contractual commitments, excluding open orders for inventory purchases that support normal operations, as of December 31, 2007 (in thousands):

	<u>Debt Principal</u>	<u>Debt Interest</u>	<u>Operating Leases</u>	<u>Total</u>
2008	\$ 7,108	\$ 1,110	\$ 507	\$ 8,724
2009	4,723	407	213	5,343
2010	190	2	196	388
2011	—	—	208	208
2012	—	—	217	217
Thereafter	—	—	706	706
Total commitments	<u>\$ 12,021</u>	<u>\$ 1,519</u>	<u>\$ 2,047</u>	<u>\$ 15,586</u>

Purchase Commitments from Contract Manufacturers and Suppliers

The Company purchases components from a variety of suppliers and uses contract manufacturers to manufacture its products. During the normal course of business, in order to manage manufacturing lead times and help assure adequate component supply, the Company enters into agreements with contract manufacturers and suppliers that either allow them to procure inventory based upon criteria as defined by the Company or that establish the parameters defining the Company's requirements. In certain instances, these agreements allow the Company the option to cancel, reschedule, and adjust the Company's requirements based on its business needs prior to firm orders being placed. The Company had total purchase commitments for inventory of approximately \$11.0 million as of December 31, 2007. The Company recorded a loss of \$274 thousand related to the future demand of purchase commitments for inventory at December 31, 2007.

Note 7—STOCKHOLDERS' DEFICIT

Convertible Preferred Series 1 Stock

In November 2003, in connection with the first closing of its Series 1 Convertible Preferred Stock ("Series 1") financing, the Company issued 28.7 million shares of Series 1 at \$0.55 per share, 1.2 million warrants to purchase Series 1 at \$0.55 per share, and 0.5 million warrants to purchase Series 1 at \$0.14 per share, in exchange for cash of \$10.0 million and converted debt of \$5.8 million. Of this amount, \$0.8 million was allocated to the warrants using the Black-Scholes valuation model, assuming no dividends, a risk-free interest rate of approximately 3%, an expected life of 10 years, and an expected volatility of 75%. Issuance costs were \$0.6 million.

In February 2004, in connection with the second closing of its Series 1, the Company issued 15.8 million shares of Series 1 at \$0.55 per share and 0.5 million warrants to purchase Series 1 at \$0.14 per share, in exchange for cash of \$8.7 million. Of this amount, \$0.2 million was allocated to the warrants, using the Black-Scholes valuation model, assuming no dividends, a risk-free interest rate of approximately 4%, an expected life of 10 years, and an expected volatility of 75%.

Outstanding shares of Series 1, plus shares underlying 2.4 million outstanding warrants to purchase Series 1, totaled 46.9 million at December 31, 2007.

Convertible Preferred Series 2 Stock

In September 2005, in connection with the first and second closings of its Series 2 financing, the Company issued 23.7 million shares of Series 2 at \$1.08 per share and 1.5 million warrants to purchase common stock at \$0.13 per share, in exchange for cash of \$25.6 million. Of this amount, \$0.2 million was allocated to the warrants using the Black-Scholes valuation model, assuming no dividends, a risk-free interest rate of approximately 4%, an average expected life of 10 years, and an expected volatility of 75%. Issuance costs were \$0.2 million. In November 2005, the Company issued an additional 3.8 million

WORLD WIDE PACKETS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

warrants to purchase common stock at \$0.13 per share to all Series 2 shareholders. The common warrants were valued at \$0.3 million using the Black-Scholes valuation model, assuming no dividends, a risk-free interest rate of approximately 5%, an average expected life of 10 years, and an expected volatility of 75%.

In October 2006, the Company entered into an employment agreement with its Board Chairman, Daniel T. Reiner, for strategic advisory services. The agreement provided for a sign-on bonus of \$250 thousand payable in shares of Series 2; and 2.7 million common stock options at \$0.16 per share, which vest over a 21-month period and become fully exercisable upon a change in control. In March 2007, the shares of Series 2 were issued and the stock options were granted, upon authorization by the Company's board of directors.

Outstanding shares of Series 2 totaled 23.9 million at December 31, 2007.

Convertible Preferred Series 3 Stock

In April 2007, in connection with the first closing of its Series 3 financing, the Company issued 7.3 million shares of Series 3 at \$1.08 per share, in exchange for cash of \$7.9 million. In August 2007, in connection with the second closing of its Series 3 financing, the Company issued an additional 9.3 million shares of Series 3 at \$1.08 per share and 0.7 million warrants to purchase Series 3 at \$1.08 per share, in exchange for cash of \$10.0 million. Of this amount, \$0.6 million was allocated to the warrants using the Black-Scholes valuation model, assuming no dividends, a risk-free interest rate of approximately 5%, an expected life of 10 years, and an expected volatility of 65%. Issuance costs were \$0.2 million.

Outstanding shares of Series 3, plus shares underlying 1.9 million outstanding warrants to purchase Series 3, totaled 18.5 million at December 31, 2007.

Convertible Preferred Stock Liquidation Preferences

Liquidation preferences for all preferred stockholders as stated in the Company's *Seventh Amended and Restated Certificate of Incorporation* are as follows:

From any proceeds available upon liquidation of the Company, all Series 3 shareholders receive up to \$1.08 for each share of Series 3. Shares of Series 3 outstanding, plus shares underlying outstanding warrants to purchase Series 3, totaled 18.5 million at December 31, 2007. From any remaining proceeds, all Series 2 shareholders receive up to \$1.08 for each share of Series 2. Shares of Series 2 outstanding totaled 23.9 million at December 31, 2007. From any remaining proceeds, all Series 1 shareholders receive up to \$0.55 for each share of Series 1. Shares of Series 1 outstanding, plus shares underlying outstanding warrants to purchase Series 1, totaled 46.9 million at December 31, 2007. From any remaining proceeds, all shareholders receive a pro-rata share distribution based on their number of shares held. Shares of common stock outstanding, plus shares underlying outstanding options and warrants to purchase common stock, totaled 31.5 million at December 31, 2007. However, in the event a distribution of total proceeds shall exceed \$3.24 per share for Series 3 and Series 2, and \$1.65 per share for Series 1 based on a distribution scenario as described above, all Series 3, Series 2, and Series 1 shall convert to common stock on a one-for-one basis prior to distribution.

Stock Options

Under the terms of the Company's 2000 Stock Incentive Plan (the "Plan"), the board of directors may grant incentive and nonqualified stock options to employees, directors, and outside consultants. During 2007, the Company increased the number of shares reserved for issuance under the Plan to 24.7 million. The Company grants stock options with exercise prices equal to the fair value of common stock on the date of grant, as determined by the Company's board of directors. Options generally vest over a period of four years, expire ten years from the date of grant, and are nontransferable. In certain circumstances, such as in the event of a merger or acquisition, vesting may accelerate. See "Note 11—Subsequent Events." Any options that expire or otherwise terminate unexercised revert to and again become available for reissuance under the Plan. Stock options available for future grant totaled 0.8 million at December 31, 2007.

WORLD WIDE PACKETS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company granted stock options representing 8.9 million shares of common stock with a per share weighted-average exercise price of \$0.25 and weighted-average grant date fair value of \$0.14 for 2007. Compensation expense related to stock options recognized under SFAS 123R was \$308 thousand for 2007 and is included in the consolidated statement of operations. As of December 31, 2007, the total unrecognized stock-based compensation expense related to unvested stock options was \$1.0 million, which is expected to be recognized over a weighted-average period of 2.62 years.

The following table summarizes the Company's stock option activity (in thousands):

	Number of Shares (in 000s)	Weighted Average Exercise Price	Weighted Average Remaining Life (yrs)
Outstanding at January 1, 2007	14,833	0.23	7.87
Granted	8,927	0.25	
Exercised	(2,657)	0.08	
Forfeited/expired/cancelled	(1,360)	0.20	
Outstanding at December 31, 2007	<u>19,743</u>	0.26	8.07
Vested or expected to vest at December 31, 2007	17,622	0.27	7.98
Exercisable at December 31, 2007	9,777	0.30	7.26

The intrinsic value of stock options exercised was \$0.5 million in 2007. The aggregate intrinsic value of options outstanding and options exercisable was \$25.7 million and \$13.3 million at December 31, 2007. The intrinsic value is calculated as the difference between the estimated fair value of the Company's underlying common stock and the exercise price.

The following table summarizes the Company's stock options outstanding at December 31, 2007:

Exercise Prices	Stock Options Outstanding			Stock Options Exercisable	
	Number of Shares (in 000s)	Weighted Average Remaining Life (yrs)	Weighted Average Exercise Price	Number of Shares (in 000s)	Weighted Average Exercise Price
\$ 0.07	5,091	6.5	\$ 0.07	4,442	\$ 0.07
0.10	1,918	7.4	0.10	1,237	0.10
0.13	903	7.9	0.13	497	0.13
0.16	10,232	8.8	0.16	3,493	0.16
0.28	971	9.8	0.28	14	0.28
1.48	535	10.0	1.48	1	1.48
20.00	93	3.9	20.00	93	20.00
	<u>19,743</u>	8.1	0.26	<u>9,777</u>	0.30

WORLD WIDE PACKETS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Common Stock Issuable Upon Conversion of Preferred Stock and Exercises of Stock Options and Warrants

Common stock issuable upon conversion of the Company's preferred stock and exercises of stock options and warrants at December 31, 2007, was as follows (in thousands):

Convertible Preferred Series 1 stock and warrants	46,910
Convertible Preferred Series 2 stock and warrants	23,889
Convertible Preferred Series 3 stock and warrants	18,450
Common warrants	5,332
Common stock options	19,743
Total	<u>114,324</u>

Note 8—INCOME TAXES

As of December 31, 2007, gross deferred tax assets related to the Company's net operating losses ("NOLs") were approximately \$53 million, relating to approximately \$157 million of tax NOLs, which begin to expire in 2019. In addition, utilization of NOLs may be subject to certain limitations under Sections 382 and 1502 of the Internal Revenue Code of 1986, as amended, and other state tax laws.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's net deferred tax assets are as follows (in thousands):

	<u>December 31, 2007</u>
Deferred tax assets:	
NOLs	\$ 53,356
Research and development credits	4,058
Accrued expenses	1,391
Inventory writedowns	415
Depreciation and amortization	16
Gross deferred tax assets	59,236
Less: valuation allowance	(59,236)
Net deferred tax assets	<u>\$ —</u>

SFAS No. 109, *Accounting for Income Taxes*, requires deferred tax assets be evaluated for future realization and be reduced by a valuation allowance to the extent the Company believes they will not be realized. The Company considers many factors when assessing the likelihood of future realization of its deferred tax assets including expectations of future taxable income, the carryforward periods available to it for tax reporting purposes, and other relevant factors. Given the uncertainty surrounding the likelihood of future realization, the Company has established a full valuation allowance against its deferred tax assets. The valuation allowance was increased by approximately \$9 million during 2007.

Note 9—EMPLOYEE BENEFIT PLAN

The Company has a 401(k) savings plan covering substantially all of its US employees. Employees may contribute through payroll deductions. No matching of employee contributions by the Company has occurred since inception.

WORLD WIDE PACKETS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 10—GEOGRAPHIC INFORMATION

The following summarizes the Company's net sales by customer location (in thousands):

	<u>December 31,</u> <u>2007</u>
Net sales:	
North America	\$ 12,860
Europe, Middle East, and Africa	9,694
Total net sales	<u>\$ 22,554</u>

Note 11—SUBSEQUENT EVENTS

On January 22, 2008, the Company signed a definitive agreement to merge with Ciena whereby Ciena will purchase all of the Company's outstanding stock, including shares underlying outstanding warrants and options to purchase stock, in exchange for \$200 million in cash, 3.4 million shares of Ciena common stock, and the assumption of up to \$15 million in outstanding debt. At closing, approximately 3.6 million stock options are expected to vest upon acceleration and all Series 1 is expected to convert to common stock. The transaction, subject to regulatory approval, is expected to close in March 2008.

On February 1, 2008, the Company became aware and subsequently notified Bridge Bank that the Company was not in compliance with the covenant on its outstanding loan balance relative to its accounts receivable balance according to the terms of the LSA. Although the Company is working with Bridge Bank to cure the amount over advanced relative to the covenant, Bridge Bank could require the Company to repay \$2.3 million of its outstanding debt obligation as of February 29, 2008.

CIENA CORPORATION
PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The following unaudited pro forma condensed combined consolidated balance sheet as of October 31, 2007 and the unaudited pro forma condensed combined consolidated statement of operations for the year ended October 31, 2007 are derived from the historical financial statements of Ciena Corporation (“Ciena”) and World Wide Packets, Inc. (“World Wide Packets” or “WWP”) and have been prepared to give effect to Ciena’s acquisition of World Wide Packets on March 3, 2008, as more fully described in Note 1 below (the “Acquisition”). The unaudited pro forma condensed combined consolidated balance sheet is presented as if the Acquisition had occurred as of the balance sheet date. The unaudited pro forma condensed combined consolidated statement of operations is presented as if the Acquisition had occurred on November 1, 2006, the first day of Ciena’s fiscal 2007.

Because Ciena and World Wide Packets had different fiscal year end dates, the unaudited pro forma condensed combined consolidated balance sheet as of October 31, 2007 is presented based on Ciena’s fiscal year ended October 31, 2007 and World Wide Packets’ fiscal year ended December 31, 2007. The unaudited pro forma condensed combined consolidated statement of operations for the year ended October 31, 2007 is presented based on Ciena’s fiscal year ended October 31, 2007 and World Wide Packets’ fiscal year ended December 31, 2007. The historical financial statements have been adjusted as described in Note 4 below.

The Acquisition has been accounted for under the purchase method of accounting which requires the total purchase price to be allocated to the assets acquired and liabilities assumed based on their estimated fair values. The excess purchase price of over the amounts assigned to tangible or intangible assets acquired and liabilities assumed is recognized as goodwill.

The following pro forma financial statements have been prepared for illustrative purposes only and do not purport to reflect the results the combined company may achieve in future periods or the historical results that would have been obtained. These unaudited pro forma condensed combined consolidated financial statements, including the notes hereto, should be read in conjunction with (i) the historical consolidated financial statements for Ciena included in its Form 10-K filed on December 27, 2007 and its Form 10-Q filed on March 7, 2008; and (ii) the historical financial statements of World Wide Packets included as Exhibit 99.1 to Ciena’s Form 8-K/A dated May 12, 2008 (amending the Form 8-K dated March 3, 2008 and filed on March 5, 2008).

CIENA CORPORATION
PRO FORMA CONDENSED COMBINED CONSOLIDATED BALANCE SHEET
UNAUDITED
(in thousands)

	Historical		Pro Forma	
	Ciena October 31, 2007	WWP December 31, 2007	Adjustments	Combined
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 892,061	\$ 5,183	\$(210,698) (a)	\$ 686,546
Short-term investments	822,185	—	—	822,185
Accounts receivable, net	104,078	6,764	—	110,842
Inventories	102,618	6,794	3,737 (b)	113,149
Deferred cost of sales	—	6,276	(6,276) (c)	—
Prepaid expenses and other	47,817	1,494	—	49,311
Total current assets	1,968,759	26,511	(213,237)	1,782,033
Long-term investments	33,946	—	—	33,946
Equipment, furniture and fixtures, net	46,671	3,205	—	49,876
Goodwill	232,015	—	215,778 (d)	447,793
Other intangible assets, net	67,144	—	63,400 (e)	130,544
Other long-term assets	67,738	425	—	68,163
Total assets	\$ 2,416,273	\$ 30,141	\$ 65,941	\$ 2,512,355
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	\$ 55,389	\$ 5,848	\$ —	\$ 61,237
Accrued liabilities	90,922	3,093	—	94,015
Restructuring liabilities	1,026	—	—	1,026
Income taxes payable	7,768	—	—	7,768
Deferred revenue	33,025	12,660	(11,500) (c)	34,185
Current portion of long-term debt	—	7,108	—	7,108
Convertible notes payable	542,262	—	—	542,262
Total current liabilities	730,392	28,709	(11,500)	747,601
Long-term deferred revenue	30,615	—	—	30,615
Long-term restructuring liabilities	3,662	—	—	3,662
Other long-term obligations	1,450	2,046	—	3,496
Long-term debt	—	4,556	—	4,556
Convertible notes payable	800,000	—	—	800,000
Total liabilities	1,566,119	35,311	(11,500)	1,589,930
Commitments and contingencies				
Stockholders' equity:				
Preferred stock	—	68,340	(68,340) (f)	—
Common stock	868	1	24 (g)	893
Additional paid-in capital	5,519,741	90,700	(18,454) (h)	5,591,987
Changes in unrealized gains (losses) on investments, net	350	(10)	10 (i)	350
Translation adjustment	(1,593)	23	(23) (j)	(1,593)
Accumulated deficit	(4,669,212)	(164,224)	164,224 (k)	(4,669,212)
Total stockholders' equity	850,154	(5,170)	77,441	922,425
Total liabilities and stockholders' equity	\$ 2,416,273	\$ 30,141	\$ 65,941	\$ 2,512,355

The accompanying notes are an integral part of these unaudited pro forma condensed combined consolidated financial statements.

CIENA CORPORATION
PRO FORMA CONDENSED COMBINED CONSOLIDATED STATEMENT OF OPERATIONS
UNAUDITED
(in thousands, except per share data)

	Historical		Pro Forma	
	Ciena October 31, 2007	WWP December 31, 2007	Adjustments	Combined
Revenue:				
Products	\$ 695,289	\$ 22,554	\$ —	\$ 717,843
Services	84,480	—	—	84,480
Total Revenue	<u>779,769</u>	<u>22,554</u>	<u>—</u>	<u>802,323</u>
Costs:				
Products	337,866	14,423	509(1)	352,798
Services	79,634	—	—	79,634
Total cost of goods sold	<u>417,500</u>	<u>14,423</u>	<u>509</u>	<u>432,432</u>
Gross profit	<u>362,269</u>	<u>8,131</u>	<u>(509)</u>	<u>369,891</u>
Operating expenses:				
Research and development	127,296	16,818	2,674(1)	146,788
Selling and marketing	118,015	10,027	1,433(1)	129,475
General and administrative	50,262	4,935	713(1)	55,910
Amortization of intangible assets	25,350	—	14,267(m)	39,617
Restructuring recoveries	(2,435)	—	—	(2,435)
Gain on lease settlement	(4,871)	—	—	(4,871)
Recovery of doubtful accounts, net	(14)	—	—	(14)
Total operating expenses	<u>313,603</u>	<u>31,780</u>	<u>19,087</u>	<u>364,470</u>
Income (loss) from operations	48,666	(23,649)	(19,596)	5,421
Interest and other income, net	76,483	204	(11,167)(n)	65,520
Interest expense	(26,996)	(1,541)	—	(28,537)
Gain on equity investments, net	592	—	—	592
Loss, other than temporary, on marketable debt investments	(13,013)	—	—	(13,013)
Income (loss) before income taxes	85,732	(24,986)	(30,763)	29,983
Provision for income tax	2,944	—	—	2,944
Net income (loss)	<u>\$ 82,788</u>	<u>\$ (24,986)</u>	<u>\$ (30,763)</u>	<u>\$ 27,039</u>
Basic net income per common share	<u>\$ 0.97</u>			<u>\$ 0.31</u>
Diluted net income per dilutive potential common share	<u>\$ 0.87</u>			<u>\$ 0.30</u>
Weighted average basic common shares	<u>85,525</u>		<u>2,465</u>	<u>87,990</u>
Weighted average dilutive potential common shares	<u>99,604</u>		<u>2,932</u>	<u>102,536</u>

The accompanying notes are in integral part of these unaudited pro forma condensed combined consolidated financial statements.

CIENA CORPORATION
NOTES TO
PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

(1) BASIS OF PRO FORMA PRESENTATION

On March 3, 2008, Ciena completed its Acquisition of World Wide Packets, pursuant to the terms of an Agreement and Plan of Merger dated January 22, 2008 (the "Merger Agreement") by and among Ciena, World Wide Packets, Wolverine Acquisition Subsidiary, Inc., a wholly owned subsidiary of Ciena ("Merger Sub"), and Daniel Reiner, as Stockholders' Representative. Pursuant to the Merger Agreement, on March 3, 2008, Merger Sub was merged with and into World Wide Packets, with World Wide Packets continuing as the surviving corporation and a wholly owned subsidiary of Ciena. World Wide Packets is a supplier of communications network equipment that enables the cost-effective delivery of a wide variety of Carrier Ethernet-based services. Prior to the Acquisition, World Wide Packets was a privately held company.

Upon the closing of the Acquisition, all of the outstanding shares of World Wide Packets common stock and preferred stock were exchanged for approximately 2.5 million shares of Ciena common stock and approximately \$196.7 million in cash. Of this amount, \$20.0 million in cash and 340,000 shares of Ciena common stock were placed into escrow for a period of one year as security for the indemnification obligations of World Wide Packets' stockholders under the Merger Agreement. Upon the closing, Ciena also assumed all then outstanding World Wide Packets options and exchanged them for options to acquire approximately 0.9 million shares of Ciena common stock.

The unaudited pro forma condensed combined consolidated balance sheet as of October 31, 2007 and the unaudited pro forma condensed combined consolidated statement of operations for the year ended October 31, 2007 are based on the historical financial statements of Ciena and World Wide Packets, after giving the effect to the Acquisition. The unaudited pro forma condensed combined consolidated balance sheet is presented as if the Acquisition had occurred as of the balance sheet date. The unaudited pro forma condensed combined consolidated statement of operations is presented as if the Acquisition had occurred on November 1, 2006, the first day of Ciena's fiscal 2007.

Because Ciena and World Wide Packets had different fiscal year end dates, the unaudited pro forma condensed combined consolidated balance sheet as of October 31, 2007 is presented based on Ciena's fiscal year ended October 31, 2007 and World Wide Packets' fiscal year ended December 31, 2007. The unaudited pro forma condensed combined consolidated statement of operations for the year ended October 31, 2007 is presented based on Ciena's fiscal year ended October 31, 2007 and World Wide Packets' fiscal year ended December 31, 2007.

The pro forma financial statements have been prepared for illustrative purposes only and do not purport to reflect the results that the combined company may achieve in future periods or the historical results that would have been obtained.

(2) PRELIMINARY PURCHASE PRICE

The following table summarizes the preliminary purchase price for the Acquisition (in thousands):

	<u>Amount</u>
Cash	\$ 196,668
Acquisition-related costs	14,030
Value of common stock issued	62,359
Fair value of vested options assumed	9,912
Total purchase price	<u>\$ 282,969</u>

The purchase price is preliminary and is subject to adjustment and may vary from the actual purchase price that will be recorded. The value of Ciena common stock issued in the Acquisition is based on the average closing price of Ciena's common stock for the two trading days prior to, the date of, and the two trading days after the announcement of the Acquisition. The fair value of the vested options assumed was determined using the Black-Scholes option-pricing model.

(3) PRELIMINARY PURCHASE PRICE ALLOCATION

The following table summarizes the preliminary purchase price allocation based on estimated fair value of the assets acquired and liabilities assumed as of pro forma balance sheet date (in thousands):

	<u>Amount</u>
Cash, cash equivalents, long and short-term investments	\$ 5,183
Accounts receivable	6,764
Inventory	10,531
Equipment, furniture and fixtures	3,205
Other tangible assets	1,919
Developed technology	39,200
Covenants not to compete	3,100
Contracts, customer relationships and purchase orders	20,500
Other identified intangibles	600
Goodwill	215,778
Accounts payable and accrued liabilities	(12,147)
Promissory notes and loans payable	(11,664)
Total purchase price allocation	<u>\$ 282,969</u>

The Acquisition has been accounted for under the purchase method of accounting which requires the total purchase price to be allocated to the assets acquired and liabilities assumed based on their estimated fair values. The excess purchase price of over the amounts assigned to tangible or intangible assets acquired and liabilities assumed is recognized as goodwill. The purchase price has been allocated using information currently available and is therefore preliminary and subject to adjustment. Ciena may adjust the preliminary purchase price allocation after obtaining additional information regarding, among other things, asset valuations, liabilities assumed and revisions of previous estimates.

Developed technology represents purchased technology that has reached technological feasibility and for which World Wide Packets had substantially completed development as of the date of Acquisition. The fair value of developed technology is determined using future discounted cash flows related to the developed technology's projected income streams for a discrete projection period. Cash flows are discounted to their present value. Developed technology will be amortized on a straight line basis over its estimated useful life of 4 years to 6 years.

Covenants not to compete represent agreements entered into with key employees of World Wide Packets, are expected to have estimated useful lives of 3.5 years, and will be amortized on a straight-line basis.

Contracts, customer relationships and purchase orders represent agreements with existing World Wide Packets customers and are expected to have estimated useful lives of 4 months to 6 years.

Goodwill represents the excess purchase price over the amounts assigned to tangible or identifiable intangible assets acquired and liabilities assumed from World Wide Packets. Ciena performs a goodwill impairment test on an annual basis and between annual tests in certain circumstances as described in “Management’s Discussion and Analysis — Critical Accounting Policies and Estimates” in its most recent quarterly report on Form 10-Q

(4) PRO FORMA ADJUSTMENTS

The unaudited pro forma condensed combined consolidated financial statements presented reflect the following pro forma adjustments:

- (a) To record payments of cash as follows (in thousands):

	<u>Amount</u>
Cash paid to WWP shareholders in Acquisition	\$ (196,668)
Acquisition-related costs	<u>(14,030)</u>
Total adjustment to cash and cash equivalents	<u>\$ (210,698)</u>

- (b) To record inventories purchased as part of the Acquisition at estimated selling prices less the sum of costs of disposal and a reasonable profit allowance for the selling effort.
- (c) To record the acquisition of deferred cost of sales and deferred revenue for which Ciena had no remaining performance obligation following the Acquisition.
- (d) To record goodwill resulting from the Acquisition.
- (e) To record intangible assets identified in the Acquisition.
- (f) To eliminate World Wide Packets’ historical preferred stock exchanged in Acquisition.
- (g) To adjust common stock outstanding as follows (in thousands):

	<u>Amount</u>
WWP historical common stock eliminated in Acquisition	\$ (1)
Common stock issued to WWP shareholders in Acquisition	<u>25</u>
Total adjustment to common stock outstanding	<u>\$ 24</u>

- (h) To adjust additional paid-in capital resulting from Acquisition as follows (in thousands):

	<u>Amount</u>
WWP historical paid-in capital eliminated	\$ (90,700)
Paid-in capital resulting from the Acquisition	<u>72,246</u>
Total adjustment to additional paid-in capital	<u>\$ (18,454)</u>

- (i) To eliminate World Wide Packets historical changes in unrealized gains on investments, net.
- (j) To eliminate World Wide Packets historical translation adjustment.
- (k) To eliminate World Wide Packets historical accumulated deficit.

- (l) To adjust costs of products and components of operating expense to reflect additional share-based compensation expense in accordance with SFAS 123(R) as follows (in thousands):

	<u>Amount</u>
WWP historical SFAS 123(R) expense eliminated	\$ (308)
SFAS 123(R) expense recorded for unvested options assumed in Acquisition	5,637
Total adjustment for SFAS 123(R) expense	<u>\$ 5,329</u>

- (m) To record amortization of intangible assets acquired in the Acquisition.
- (n) To decrease interest income by applying Ciena's average rate of return for the period and giving effect to the reduction in cash and cash equivalents resulting from the cash consideration and Acquisition-related expenses paid by Ciena in the Acquisition.

(5) PRO FORMA COMBINED NET INCOME PER SHARE

Basic and dilutive shares outstanding increased by approximately 2.5 million shares as a result of the common stock issued in the Acquisition.

Diluted shares outstanding include the dilutive effect of in-the-money options calculated based on the average share price using the treasury stock method. Under the treasury stock method, the amount the employee must pay for exercising stock options, the amount of compensation cost for future service that has not yet been recognized, and the amount of tax benefits that would be recorded in additional paid-in capital when the award becomes deductible are assumed to be used to repurchase shares. The pro forma diluted shares outstanding increased by 0.5 million.