

**UNITED STATES STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended **October 31, 2011**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number **0-21969**

Ciena Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
Incorporation or organization)

23-2725311

(I.R.S. Employer
Identification No.)

1201 Winterson Road, Linthicum, MD
(Address of principal executive offices)

21090-2205
(Zip Code)

(410) 865-8500

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class
Common Stock, \$0.01 par value

Name of Each Exchange on Which Registered
The NASDAQ Stock Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES NO

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.4-5 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) YES NO

The aggregate market value of the Registrant's Common Stock held by non-affiliates of the Registrant was approximately \$2.1 billion based on the closing price of the Common Stock on the NASDAQ Global Select Market on April 29, 2011.

The number of shares of Registrant's Common Stock outstanding as of December 15, 2011 was 97,442,608 .

DOCUMENTS INCORPORATED BY REFERENCE

Part III of the Form 10-K incorporates by reference certain portions of the Registrant's definitive proxy statement for its 2012 Annual Meeting of Stockholders to be filed with the Commission not later than 120 days after the end of the fiscal year covered by this report.

**CIENA CORPORATION
ANNUAL REPORT ON FORM 10-K
FOR FISCAL YEAR ENDED OCTOBER 31, 2011**

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EX-101 SCHEMA DOCUMENT
EX-101 CALCULATION LINKBASE DOCUMENT
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EX-101 LABELS LINKBASE DOCUMENT
EX-101 PRESENTATION LINKBASE DOCUMENT

PART I

The information in this annual report contains certain forward-looking statements, including statements related to our business prospects and strategies, the markets for our products and services, and trends in our business and markets that involve risks and uncertainties. Our actual results may differ materially from the results discussed in these forward-looking statements. Factors that might cause such a difference include those discussed in "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and elsewhere in this annual report.

Item 1. Business

Overview

We are a provider of equipment, software and service solutions that support the transport, switching, aggregation and management of voice, video and data traffic on communications networks. Our Packet-Optical Transport, Packet-Optical Switching and Carrier Ethernet Solutions products are deployed and used, individually or as part of an integrated solution, in communications networks operated by communications service providers, cable operators, governments, enterprises and other network operators around the globe.

We are a network specialist focused on the modernization and transition of disparate, legacy network infrastructures to converged, next-generation architectures, optimized to handle a broader mix of high-bandwidth communications services. Our product portfolio consists of our Packet-Optical Transport, Packet-Optical Switching and Carrier Ethernet Solutions products that enable network operators to scale capacity and increase transmission speeds, transport and efficiently allocate network traffic, and deliver communication services to business and consumer end users. Our network solutions also include our Ciena One software suite for unified network management and network planning and design, as well as a broad offering of advanced network consulting, design, implementation and support services.

Our customers face a challenging and rapidly changing environment that requires their networks be robust enough to address increasing capacity needs and flexible enough to quickly adapt to emerging applications and evolving consumer and business use of communications services. Our solutions seek to enable software-defined, automated, next-generation networks that better address the business challenges, infrastructure requirements and service delivery needs of our customers. By improving network productivity and automation, reducing network costs and enabling rapid deployment of differentiated service offerings, our communications networking solutions create business and operational value for our customers.

Segment Data and Certain Financial Information

We currently organize our operations into four separate operating segments: "Packet-Optical Transport," "Packet-Optical Switching," "Carrier Ethernet Solutions," and "Software and Services." The matters discussed in this "Business" section should be read in conjunction with the Consolidated Financial Statements found under Item 8 of Part II of this annual report, which include additional financial information about our operating segments, total assets, revenue, measures of profit and loss, and financial information about geographic areas and customers representing greater than 10% of revenue.

On March 19, 2010, we completed our acquisition of substantially all of the optical networking and Carrier Ethernet assets of Nortel's Metro Ethernet Networks business (the "MEN Business"). See Note 2 to the Consolidated Financial Statements found under Item 8 of Part II of this annual report for additional information relating to this transaction (the "MEN Acquisition") and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of Part II of this annual report, for additional information describing its effect on our business, results of operations and financial position.

We generated revenue of \$1.7 billion in fiscal 2011, as compared to \$1.2 billion in fiscal 2010. Annual revenue growth in fiscal 2011 reflects, in part, the inclusion of the operations of the MEN Business for a full fiscal year in 2011, as compared to the period after March 19, 2010 in fiscal 2010. For more information regarding our results of operations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of Part II of this annual report.

Corporate Information and Access to SEC Reports

We were incorporated in Delaware in November 1992 and completed our initial public offering on February 7, 1997. Our principal executive offices are located at 1201 Winterson Road, Linthicum, Maryland 21090. Our telephone number is (410) 865-8500, and our web site address is www.ciena.com. We make our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, available free of charge on the "Investors" page of our web site as soon as reasonably practicable after we file these reports with the Securities and Exchange Commission (SEC).

We routinely post the reports above, recent news and announcements, financial results and other important information about our business on our website at www.ciena.com. Information contained on our web site is not a part of this annual report.

Industry Background

The markets in which we sell our communications networking solutions have been subject to dynamic changes in recent years, including significant growth in network traffic, expanded service offerings, and evolving technologies and end user demands. These conditions have created market opportunities and business challenges and changed competitive landscapes. Existing and emerging network operators are competing to distinguish their service offerings and add revenue generating services while seeking to manage capital expenditures and operate their businesses profitably. We believe these market dynamics will cause network operators to adopt communications infrastructures that are increasingly more automated, robust and adaptable.

Network Traffic Growth Driving Increased Capacity Requirements Transmission Speeds

Optical networks, which carry voice, video and data traffic using multiple wavelengths of light across fiber optic cables, have experienced a multi-year period of strong traffic growth, and continued growth is projected by industry analysts for the foreseeable future. Increasing network traffic is being driven by growing use of and reliance upon a broad range of communications services by consumer and business end users, as well as the expansion of bandwidth intensive, wireline and wireless service offerings. Business customers seeking to improve automation, efficiency and productivity are increasingly dependent upon bandwidth-intensive, enterprise-oriented communications services that facilitate global operations, employee mobility and seamless access to critical business applications and data. At the same time, an increasing portion of network traffic is being driven by growth of consumer-oriented applications and consumer adoption of broadband technologies. These include peer-to-peer Internet applications, residential video services, online gaming, and music downloads and consumer-oriented cloud-based services. Expanding mobile applications, including Internet, video and data services from the proliferation of smartphones, tablets and other devices with wireless access, are further increasing network traffic. In addition, technology trends such as IT virtualization, cloud computing and machine-to-machine connections are placing new capacity and service requirements on networks. This traffic growth requires that network operators add capacity or transition to higher capacity networks with increased transmission speeds.

Multiservice Traffic and Transition to Flexible Network Architectures

We expect that the broadening mix of high-bandwidth, data and video communications services, together with growing mobility and expanding wireless applications, will require upgrades to existing network infrastructure, including mobile backhaul and traditional wireline networks. This mix of high-bandwidth and latency-sensitive data traffic, and an increased focus on controlling network costs, are driving a transition from multiple, disparate SONET/SDH-based networks to more efficient, converged, multi-purpose optical transport network (OTN)/Ethernet packet-based network architectures. The industry has seen network technology transitions like this in the past. These upgrade and investment cycles tend to happen over multi-year periods. For instance, from the mid 1980s to the mid 1990s, service providers focused network upgrades on the transition required to digitize voice traffic. From the mid 1990s to the mid 2000s, service providers focused network upgrades on the transition to SONET/SDH networks designed to reliably handle substantially more network traffic. We believe that the industry is currently in the early stages of network transition to flexible, multi-purpose OTN/Ethernet packet-based network architectures that more efficiently handle a growing mix of high-bandwidth communications services and a greater concentration of data traffic.

Emerging Drivers for Network Modernization

Enterprise and consumer end users used to perceive value simply in their network connectivity. Today, however, end users are increasingly focused upon the value they receive from, and have increased expectations of, the specific services or applications they utilize and the performance level delivered by the underlying network. As a result, network operators need to create, market, and sell profitable services as opposed to simply selling connectivity. This shift fundamentally changes how communications networks are designed and managed. Some of the areas that network operators are pursuing to better compete and drive end user value include:

- *IT Virtualization.* IT Virtualization moves a physical resource from a user's desktop into the network, thereby making more efficient use of information technology resources. This approach has many appealing attributes such as lowering barriers of entry into new markets, and adding flexibility to scale certain aspects of a business faster and with less expense.

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- *“Cloud” Services.* Cloud services are characterized by the sharing of computing, storage and network resources to improve economics through higher utilization efficiencies. IT and network service providers are centralizing these resources in order to offer usage-based and metered services that are hosted remotely across a network. Smaller enterprises and consumers can subscribe to an expanding range of cloud services to replace local computing and storage requirements. Larger enterprises and data center operators may use private clouds to consolidate their own resources and public clouds to accommodate peak demand situations, often in combination.
- *Mobility.* The emergence of smart mobile devices that deliver integrated voice, audio, photo, video, email and mobile Internet capabilities, like Apple's iPhone™ and iPad™, and Android™-based smart phones and tablets, are rapidly changing the service type and magnitude of data traffic carried by wireless networks. The increase in availability and improved ease of use of web-based applications from mobile devices expands the reach of virtualized services beyond a wireline connection. For instance, consumer-driven video and gaming are being virtualized, allowing broad access to these applications, regardless of the device or the network used.
- *Machine-to-Machine (M2M) Applications.* In the past, communications services largely related to the connection of people-to-people or people with content. Today, the number of networked connections between devices and servers (machines) is growing rapidly. These connections allow the sharing of data that can be monitored and analyzed by applications residing on those devices in order to provide value-added services to users. Because of the growing number and types of devices that can access network connectivity -- especially via wireless connection -- this trend is expanding from one-to-one M2M connection to entire networks of many-to-many M2M connections. We expect service traffic relating to the interconnection of machines or devices to grow as Internet and cloud content delivery, smartgrid applications, health care and safety monitoring, resource/inventory management, home entertainment, consumer appliances and other mobile data applications become more widely adopted.

Market Conditions and Effect on Network Investment

The sustained period of macroeconomic weakness and volatility in the global economy and in capital markets in recent years has resulted in heightened uncertainty and cautious customer behavior and capital expenditures in our industry and markets. These dynamics have caused increased customer scrutiny, and more rigid prioritization, of network investment, resulting in protracted sales cycles, lengthier network deployments, revenue recognition delays and extended collection cycles, particularly for international network projects. Our customers seek to create and rapidly deliver new, robust service offerings and dedicated communications operating at increasing speeds to differentiate from competitors and grow their business. At the same time, they are increasingly seeking ways to optimize their network operating and capital costs. We believe that these dynamics, together with multiservice capacity growth, are driving a shift in network priorities and spending toward high-capacity, next-generation network architectures. By utilizing scalable, adaptable networks that offer greater flexibility for delivery of new services, and are also less complex and expensive to operate, network operators can derive increased value from their network investments.

Strategy

During the second half of fiscal 2010 and most of fiscal 2011, we were focused to a significant extent on the critical integration activities relating to the MEN Acquisition and our combined operating milestones. Having successfully completed these activities, we are now entering the next phase of our corporate strategy, centered around the targeted growth and optimization of our business in order to achieve improved operating leverage and deliver the full value of the MEN Acquisition.

The underpinning of this corporate strategy lies in our positioning and approach as the network specialist. This approach is rooted in continued investment in our solutions and focused innovation in next-generation technologies that target high-growth applications and markets and the network and business priorities of our customers. This approach also seeks to leverage the insight we provide customers from our intimate and collaborative engagement model, based on outstanding people, trust and network experience. Key components of this corporate strategy are set forth below.

Evolve Go-to-Market Model. We seek to evolve our go-to-market model, both from a coverage and an engagement perspective.

Coverage . Our coverage model is focused on penetrating high-growth geographic markets, selling into emerging customer segments and addressing additional network applications with our solutions. We seek to enhance our brand internationally, expand our geographic reach and capture market share in international markets, including Brazil, the Middle East, Russia, Japan and India. We intend to pursue opportunities to diversify our customer base and seek to grow

our sales to wireless providers, cable and multiservice operators, enterprises, government agencies, and research and educational institutions. We are also targeting network operators emerging as a result of network modernization drivers and the introduction and adoption of new communication services and applications. In particular, we seek to sell our solutions to support additional network applications, including in submarine networks, Internet content providers, cloud-based services, business Ethernet services and mobile backhaul. We intend to pursue sales initiatives and strategic channel opportunities, including relationships with resellers, service providers, other vendors and integrators, to complement our direct sales force and more deeply penetrate these geographic markets, customers and applications.

Engagement. Our strategy is to leverage our close relationship with customers in the design, development, implementation and support of their networks and to promote a close alignment of our solutions with customer network priorities. This engagement model is a key differentiator for our business and provides us with unique insight into the business and network needs of our customers. We seek to offer an expanded portfolio of advanced professional services that address the network modernization demands and business needs of our customers. We believe this services-oriented, solutions offering shifts our value proposition beyond the sale of our next-generation communications networking products and allows us to better participate in the evolution of our customers' networks. By understanding and addressing their network infrastructure needs, the competitive landscape, and the evolving markets in which our customers compete, we believe this customized solutions offering creates additional business and operational value for our customers, enabling them to better compete in a challenging environment.

Alignment of Research and Development Investment with Growth Opportunities. We seek to ensure that our product development initiatives and investments are closely aligned with current and future market growth opportunities. As end-user needs evolve, opportunities are emerging that allow us to expand our role in our customers' networks. We intend to apply our "intelligent infrastructure" approach -- a cost-optimized network platform that enables virtualization, mobility, and greater scale, bandwidth management and automation -- to high-growth markets, applications and customer segments. These include enterprise-oriented applications, optimized submarine cable solutions, Internet content delivery, cloud service infrastructure and packet-based infrastructure solutions for next-generation, high-capacity networks. Through a combination of technology innovation, as well as cross-selling and other sales initiatives, we seek to drive additional business from these growth applications and customer segments.

Promote our network approach and vision. The services and applications running on communications networks are requiring that more of the traffic on these networks be packet-oriented. The traditional approach to this problem has been to add IP routing capability at various points in the network. As capacity needs grow, this approach becomes unnecessarily complex and costly. We reduce the cost and complexity of growing these networks by bringing together the reliability and capacity of optical networking with the flexibility and economics of Ethernet, unified by our integrated network management software -- something we call "converged optical Ethernet." Converged optical Ethernet creates a network that is resilient, reconfigurable and automated. We believe that these attributes are essential to supporting next-generation services and applications at the performance level required by end users. We intend to promote the scalability, flexibility and cost effectiveness advantages of our implementation of next-generation network architectures and see opportunities in providing a portfolio of carrier-class solutions that facilitate the transition to converged optical Ethernet networks.

Business optimization to yield operating leverage. We seek to improve the operational efficiencies in our business, and thereby gain additional operating leverage in order to achieve our target operating model goals. We are focused on the transformation and operational redesign of certain business processes, systems, infrastructure and resources. These initiatives include additional investments and further reengineering and automation of certain key business processes, including the engagement of strategic partners or resources to assist with select business functions. In addition, we are focused on optimizing our supply chain structure in order to reduce our costs and overhead. These initiatives include the rationalization and consolidation of third party manufacturers, distribution sites and logistics providers, the pursuit of a direct order fulfillment model for additional products, and the consideration of select vertical integration within our supply chain. We seek to leverage these and other longer-term opportunities to promote and ensure the profitable growth of our business.

Customers and Markets

Our customer base, and the geographic markets and customer segments into which we sell our products and services, have expanded in recent years. As a result of industry dynamics above, additional network operators supporting new communications services and applications continue to emerge. The network infrastructure needs of our customers vary, depending upon their size, location, the nature of their end users and the services that they deliver and support. We sell our product and service solutions through our direct sales force and third party channel partners to end user network operators in the following customer segments:

Communications Service Providers

Our service provider customers include regional, national and international wireline and wireless carriers, as well as service provider consortia offering services over submarine networks. Our customers include AT&T, Bell Canada, BT, Cable & Wireless, CenturyLink, France Telecom, Korea Telecom, Sprint, Tata Communications, Telefonica, Telmex, Telus, Verizon and XO Communications. Communications service providers are our historical customer base and continue to represent a significant majority of our revenue. We provide service providers with products from the network core to its edge where end users gain access. Our service provider solutions address growing bandwidth demand from multiservice traffic growth and support key service provider offerings, including carrier-managed services, wide area network (WAN) consolidation, inter-site connectivity, storage extension, business continuity and Ethernet services.

Cable Operators

Our customers include leading cable and multiservice operators in the U.S. and internationally. These customers include Cogeco, Comcast, Cox, RCN, Rogers and Time Warner. Our cable and multiservice operator customers rely upon us for carrier-grade, converged optical Ethernet transport and switching products to support enterprise-oriented services. Our platforms allow cable operators to integrate voice, video and data applications over a converged infrastructure and scale their networking infrastructure to keep ahead of the bandwidth and application demands of their subscribers. Our products support key cable applications including business Ethernet services, wireless backhaul, broadcast and digital video, voice over IP, and video on demand.

Enterprise

Our enterprise customers include large, multi-site commercial organizations, including participants in the financial, health care, transportation, utilities and retail industries. Our end users and customers include the Australian Stock Exchange, Bank of America, Barclays, Gannett, Goldman Sachs, Hong Kong Stock Exchange, Iowa Health System, Korea Exchange, Nielsen Media Research, NYSE Euronext, Saint Francis Hospital in Hartford, Swiss Broadcasting Corporation and UC Health in Cincinnati. Our solutions enable enterprises to achieve operational improvements, increased automation and information technology cost reductions. Our products enable inter-site connectivity between data centers, sales offices, manufacturing plants, retail stores and research and development centers, using an owned or leased private fiber network or a carrier-managed service. Our products facilitate key enterprise applications including IT virtualization, data, voice and video transport, business Ethernet services, storage extension, business continuity, online collaboration, video conferencing, cloud computing, low latency networking and WAN encryption. Our products also enable our enterprise customers to prevent unexpected network downtime and ensure the safety, security and availability of their data.

Government, Research and Education

Our government customers include federal and state agencies in the U.S. as well as international government entities. Our end users and customers include domestic and international research and education institutions, including California Institute of Technology, CANARIE, Internet2, JANET, MAGPI, MIT, Northwestern University, RENATER, SURFnet, Swedish University Network (SUNET) and VERNet. Our government and research and education customers seek to take advantage of technology innovation, improve their information infrastructure, and facilitate increased collaboration. Our solutions feature ultra-high capacity, reconfigurability and service flexibility to meet the requirements of supercomputing systems. Our solutions offering enables these customers to improve network performance, capacity, security, reliability and flexibility. We collaborate with leading institutions to provide government and research and education communities with optimized networks that minimize cost and complexity, through initiatives that support intelligent control plane technologies, interoperability and scalability.

Products and Services

Our product portfolio consists of our Packet-Optical Transport, Packet-Optical Switching and Carrier Ethernet Solutions products. Through these products, our unified network management software and our advanced and support services offerings, we offer customers a comprehensive solution to address their communications network priorities.

Packet-Optical Transport

Our Packet-Optical Transport platforms include flexible, scalable wavelength division multiplexing (WDM) solutions that add capacity to core, regional and metro networks and enable cost-effective and efficient transport of voice, video and data traffic. We offer scalable Packet-Optical Transport platforms, including several chassis sizes and a comprehensive set of line cards, that can be utilized from the customer premises, where space and power are critical, to the metropolitan/regional core,

where the need for high capacity and carrier-class performance are essential. By automating optical infrastructures, our Packet-Optical Transport products support the efficient delivery of a wide variety of consumer-oriented network services, as well as key managed service and enterprise applications. Our Packet-Optical Transport portfolio includes the following products:

- 6500 Packet-Optical Platform;
- 4200® Advanced Services Platform;
- 5100/5200 Advanced Services Platform;
- Corestream® Agility Optical Transport System;
- Common Photonic Layer (CPL); and
- 6100 Multiservice Optical Platform.

Our Packet-Optical Transport portfolio, including our 6500 Packet-Optical Platform and 4200 Advanced Services Platform, features coherent, 40G and 100G optical transport technology and our WaveLogic Coherent Optical Processors. These proprietary silicon chips facilitate deployment of our transport technology over existing customer fiber plant (terrestrial and submarine), enable our optical transmission systems to scale capacity to 40G and 100G, and yield additional economic benefits through the reduction or elimination of network equipment, such as amplifiers, regenerators and dispersion compensating devices. Our Packet-Optical Transport solutions also include legacy SONET/SDH products and legacy data networking products, as well as certain enterprise-oriented transport solutions that support storage and local area network (LAN) extension, interconnection of data centers, and virtual private networks.

Packet-Optical Switching

Our Packet-Optical Switching family of products provides time division multiplexing (TDM) switching and packet switching capability to allocate network capacity and enable service delivery. Our principal Packet-Optical Switching products are our CoreDirector® Multiservice Optical Switch, our 5430 Reconfigurable Switching System and our OTN configuration for the 5410 Reconfigurable Switching System. This product segment includes multiservice, multi-protocol switching systems that consolidate the functionality of an add/drop multiplexer, digital cross-connect and packet switch into a single, high-capacity intelligent switching system. These products address both core and metro segments of communications networks and support key managed services, including Ethernet/TDM Private Line, Triple Play and IP services. Our Packet-Optical Switching solutions include a family of multi-terabit reconfigurable switching systems that utilize intelligent mesh networking to provide resiliency and feature an integrated optical control plane to automate the provisioning and bandwidth control of high-capacity services. Our Packet-Optical Switching systems flexibly support a mix of Carrier Ethernet/MPLS, OTN, WDM, and SONET/SDH switching to facilitate the transition to a service-enabling infrastructure.

Carrier Ethernet Solutions

Our Carrier Ethernet Solutions allow customers to utilize the automation and capacity created by our Packet-Optical Transport products in core and metro networks and deliver new, revenue-generating services to consumers and enterprises. These products have applications from the edge of metro and core networks, where they aggregate traffic, to the access tiers of networks where they can be deployed to support wireless backhaul infrastructures and deliver business data services. Employing sophisticated Carrier Ethernet switching technology, these products deliver quality of service capabilities, virtual local area networking and switching functions, and carrier-grade operations, administration, and maintenance features.

Our Carrier Ethernet Solutions offering primarily consists of our 3000 family of service delivery switches and service aggregation switches, our 5000 series of service aggregation switches, and our Carrier Ethernet configuration for the 5410 Service Aggregation Switch. Our service delivery and packet aggregation switches provide True Carrier Ethernet, a more reliable and feature rich type of Ethernet that can support a wider variety of services. Service delivery products are often used at customer premises locations while aggregation platforms are used to combine services to improve network resource utilization. This segment also includes our legacy broadband products, including our CNX-5 Broadband DSL System (CNX-5), that transitions legacy voice networks to support IP-based telephony, video services and DSL.

Unified Software and Service Management Tools

Our integrated software offering, the Ciena One software suite, includes OneControl, our network management software that unifies our product portfolio and provides the automation and management features that enable efficient service delivery. Our network management tools offer a comprehensive set of functions, from monitoring network health and provisioning the network to full service level management across a variety of network layers and domains. Our Ciena One software suite is a robust, service aware framework that improves network utilization and availability, while delivering enhanced performance monitoring and reliability. By increasing network automation, minimizing network downtime and monitoring network

performance and service metrics, our software tools enable customers to improve cost effectiveness, while increasing the performance and functionality of their network operations. This software suite also includes a number of planning tools, including Ciena OnePlanner, which helps network operators better utilize their networks. In addition to Ciena One, our software offering includes our ON-Center® Network & Service Management Suite, and the OMEA and Preside platforms from the MEN Business.

Advanced and Support Services

To complement our product portfolio, we offer a broad range of advanced consulting and support services that help our customers design, optimize, deploy, manage and maintain their communications networks. We believe that our broad set of service offerings is an important component of our network specialist approach and a significant differentiator with customers. We believe that our advanced services offering and our close collaborative engagement with customers provide us with valued insight into network and business challenges faced by our customers. Our advanced and support services offering enables our network specialist approach in the assessment, planning, deployment, and support of customer network architectures. We believe that customers place significant value on the strategic, consultative engagements afforded by our advanced and support services, and our ability to partner with them through services-oriented solutions that address their network and business needs.

Our services and support portfolio includes the following offerings:

- Network analysis, planning and design;
- Network optimization and tuning;
- Project management, including staging, site preparation and installation activities;
- Deployment services, including turnkey installation and turn-up and test services; and
- Maintenance and support services, including:
 - helpdesk, technical assistance and training;
 - spares and logistics management;
 - engineering dispatch and on-site professional services;
 - equipment repair and replacement; and
 - software maintenance and updates.

We provide these services through our internal resources as well as through qualified, third party service partners.

Product Development

Our industry is subject to rapid technological developments, evolving service delivery requirements, standards and protocols, and shifts in customer and end user network demand. To remain competitive, we must continually enhance existing product platforms by adding new features and functionality and introducing new product platforms that address multiservice traffic growth, enable new service offerings and facilitate the transition to converged optical Ethernet networking. Our research and development strategy has been to pursue technology convergence, which allows us to consolidate multiple features and functionalities found on different Ciena product platforms onto a single platform. We believe this approach creates more robust and cost-effective network solutions for our customers. In addition, our current development investments are focused upon:

- Extending our Packet-Optical Transport leadership in 40G and 100G long-haul transport, and making metropolitan network applications more cost effective for network operators, through continued development of our coherent transmission technology to further improve network capacity, transmission speed, flexibility, performance, spectral efficiency and reach;
- Enhancing our data-optimized, Packet-Optical Switching solutions to enable an end-to-end Optical Transport Network (OTN) architecture that offers improved cost per bit, flexibility and reliability;
- Expanding our Carrier Ethernet Solutions portfolio, including high-capacity Ethernet metro aggregation switches for mobile backhaul and business Ethernet services; and
- Interoperability and enhancing our control plane and integrated network management software platform to enable service level management across our solutions.

Our product development initiatives also include design and development work intended to address growing opportunities, such as metropolitan network applications, enterprise networking, cloud infrastructure and packet-based infrastructure solutions for next-generation, high-capacity networks. Our research and development efforts are also geared toward engineering changes intended to drive cost reductions in the manufacture of our products.

To ensure that our product development investments and solutions offering are closely aligned with market demand, we

continually seek input from customers and promote collaboration among our product development, marketing and global field organizations. In some cases, we work with third parties pursuant to technology licenses, original equipment manufacturer (OEM) arrangements and other strategic technology relationships or investments, to develop new components or products, modify existing platforms or offer complementary technology to our customers. In addition, we participate in industry and standards organizations, where appropriate, and incorporate information from these affiliations throughout the product development process.

We regularly review our existing product offerings and prospective development projects to determine their fit within our portfolio and broader corporate strategy. We assess the market demand, technology evolution, prospective return on investment and growth opportunities, as well as the costs and resources necessary to develop and support these products. In recent years, our strategy has been to pursue technology and product convergence that allows us to consolidate multiple technologies and functionalities on a single platform, or to control and manage multiple elements throughout the network from a uniform management system, ultimately creating more robust, integrated and cost-effective network tools. We have also shifted our strategic development approach from delivering point products to providing a focused combination of networking equipment, software and service solutions that address the business and network needs of our customers.

Within our global products group, we maintain a team of skilled engineers with extensive experience in the areas of photonics, packet and circuit switching, network system design, embedded operating system and network management software. Our research and development expense was \$190.3 million, \$327.6 million and \$379.9 million, for fiscal 2009, 2010 and 2011, respectively. The increased expense in fiscal 2010 and 2011 reflects the timing of the MEN Acquisition in the second quarter of fiscal 2010, including the related additions to our product portfolio, expanded development initiatives and increased engineering headcount and overhead. For more information regarding our research and development expense, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of Part II of this report.

Sales and Marketing

We sell our communications networking solutions through our direct sales resources as well as through strategic channel relationships. In addition to securing new customers in growth geographies and customer market segments, our sales strategy has focused on building long-term, consultative relationships with existing customers. We believe this approach promotes our network specialist approach and helps ensure the alignment of our expertise with the business and network requirements of our customers. We believe this approach also provides opportunities to participate in future projects relating to the transition or expansion of existing network infrastructures and to cross-sell solutions across our portfolio.

Within our global field operations, we maintain a direct sales presence that is organized geographically around the following markets: (i) U.S. and Canada; (ii) Caribbean and Latin America; (iii) Europe, Middle East and Africa; and (iv) Asia-Pacific. These regions include sales personnel that focus on one or more of the following customer segments: communications service providers including wireless providers, cable and multiservice operators, enterprise customers and government, research and education. Within each geographic area, we maintain regional, country and/or customer-specific teams, including sales management, account salespersons, systems engineers and strategic marketing, services and commercial management personnel, who ensure we operate closely with and provide a high level of support to our customers. We also maintain global sales teams that focus on submarine network opportunities and emerging customer segments including Internet content and cloud infrastructure providers.

We also maintain a global channel program that works with resellers, systems integrators, service providers, and other third party distributors who market and sell our products and services. Our third party channel sales and other distribution arrangements enable us to leverage our direct sales resources and reach additional geographic regions and customer segments. We intend to pursue and foster a small number of strategic channel relationships in an effort to enable us to sell our products as a complement to the broader offering of these vendors or integrators, including in particular, in support of enterprise-oriented applications. We also see opportunities to leverage these strategic channel relationships to address additional customer segments, emerging applications for our solutions and growth geographies. Our use of channel partners has been a key component in our sales to government, research and education and enterprise customers. We believe this strategy and our use of third party channels affords us expanded market opportunities and reduces the financial and operational risk of entering these additional markets.

To support our sales efforts, we engage in marketing activities intended to position and promote both our brand and our product, software and service offerings. Our marketing team supports sales efforts through direct customer interaction, industry events, public relations, industry analysts, social media, tradeshows, our website and other marketing channels for our customers and channel partners.

Operations and Supply Chain Management

Operations personnel within our global products group manage our relationships with our third party manufacturers and manage our supply chain. In addition, this team also addresses component procurement and sourcing, product testing and quality, and logistics relating to our sales, support and professional services, and distribution efforts.

We utilize a global sourcing strategy that emphasizes procurement of materials in lower cost regions. We rely upon third party manufacturers, with facilities in Canada, China, Mexico, Thailand and the United States, to perform nearly all of the manufacturing of our products. As a result, we are exposed to risks associated with the businesses of these third parties and the locations where their manufacturing occurs. These activities can include design and prototype development, component sourcing, full production, final assembly, testing and customer order fulfillment. We utilize a direct order fulfillment model for certain products, which allows us to rely on our third party manufacturers to perform final system integration and testing prior to shipment of products from their facilities directly to our customers. For certain products, we continue to perform a portion of the module assembly, software application, final system integration and testing internally. We believe that our sourcing and manufacturing strategy allows us to conserve capital, lower costs of product sales, adjust quickly to changes in market demand, and operate without dedicating significant resources to manufacturing-related plant and equipment. As part of our effort to optimize our operations, we continue to focus on driving cost reductions through sourcing and engineering efforts, rationalizing our supply chain and consolidating third party contract manufacturers, distribution sites and service logistics partners.

Our manufacturers procure components necessary for assembly and manufacture of our products based on our specifications, approved vendor lists, bill of materials and testing and quality standards. Our manufacturers' activity is based on rolling forecasts that we provide to them to estimate demand for our products. This build-to-forecast purchase model exposes us to the risk that our customers will not order those products for which we have forecast sales, or will purchase less than we have forecast. As a result, we incur carrying charges or obsolete material charges for components purchased by our manufacturers. We work closely with our manufacturers to manage material, quality, cost and delivery times, and we continually evaluate their services to ensure performance on a reliable and cost-effective basis.

Shortages in product components have occurred in the past and remain possible. Our products include some components that are proprietary in nature, only available from one or a small number of suppliers, or manufactured by sole or limited sources responsible for production. Significant time would be required to establish relationships with alternate suppliers or providers of critical components. We do not have long-term contracts with any supplier or manufacturer that guarantees supply of components or manufacturing services. If component supplies become limited, production at a manufacturer is disrupted, or if we experience difficulty in our relationship with a key supplier or manufacturer, we may encounter manufacturing delays that could adversely affect our business.

Backlog

Generally, we make sales pursuant to purchase orders issued under framework agreements that govern the general commercial terms and conditions of the sale of our products and services. These agreements do not obligate customers to purchase any minimum or guaranteed order quantities. Our backlog includes orders for products that have not been shipped and for services that have not yet been performed. In addition, backlog also includes orders relating to products that have been delivered and services that have been performed, but are awaiting customer acceptance under the applicable purchase terms. Generally, our customers may cancel or change their orders with limited advance notice, or they may decide not to accept these products and services, although this is infrequent. Orders in backlog may be fulfilled several quarters following receipt or may relate to multi-year support service obligations. As a result, backlog should not be viewed as an accurate indicator of future revenue in any particular period.

Our backlog increased from \$591.0 million as of October 31, 2010 to \$714.1 million as of October 31, 2011 . Backlog includes product and service orders from commercial and government customers combined. Backlog at October 31, 2011 includes approximately \$83.5 million primarily related to orders for maintenance and support services that we do not reasonably expect to be filled within the next fiscal year. Our presentation of backlog may not be comparable with figures presented by other companies in our industry.

Seasonality

Like other companies in our industry, we have experienced quarterly fluctuations in customer activity due to seasonal considerations. We have experienced reductions in order volume for product sales toward the end of the calendar year, as the procurement and deployment cycles of some of our customers slow, and again early in the calendar year, as annual capital budgets of some of our customers are finalized. Given our October 31 fiscal year end, these seasonal influences have adversely

affected our order volume in our first fiscal quarter. Conversely, we have previously experienced increased services order flow late in the calendar year as maintenance and support service terms are renewed. While we have limited operating history from which to assess these seasonal effects since the completion of the MEN Acquisition, we believe that this seasonality in our order flows could result in somewhat weaker revenue results in the first half of our fiscal year, as compared to our revenue for the second half of our fiscal year. In addition, we have also experienced reductions in customer activity, particularly in Europe, during the late summer months which has resulted in reduced order activity during our fiscal third quarter, which ends on July 31 of each year. These seasonal effects do not apply consistently and do not always correlate to our financial results. Accordingly, they should not be considered a reliable indicator of our future revenue or results of operations.

Competition

Competition among communications network solution vendors remains intense. The markets in which we compete are characterized by rapidly advancing and converging technologies, introduction of new network solutions and selling efforts to displace incumbent vendors and secure market share. Successfully competing in these markets is based on any one or a combination of the following factors:

- product functionality, speed, capacity, scalability and performance;
- price and total cost of ownership;
- incumbency and existing business relationships;
- product development plans and the ability to meet customers' immediate and future network requirements;
- flexibility, including ease of integration, product interoperability and integrated management;
- manufacturing and lead-time capability; and
- services and support capabilities.

In this competitive environment, securing new opportunities, particularly in international markets, often requires that we agree to less favorable commercial terms or pricing, financial commitments requiring collateralized performance bonds or similar instruments that place cash resources at risk, and other contractual commitments that place a disproportionate allocation of risk upon the vendor. These terms can adversely affect our result of operations.

Competition for sales of communications networking solutions is dominated by a small number of very large, multi-national companies. Our competitors have included Alcatel-Lucent, Cisco, Ericsson, Fujitsu, Huawei, Juniper Networks, Nokia Siemens Networks, Tellabs and ZTE. Many of these competitors have substantially greater financial, operational and marketing resources than Ciena, significantly broader product offerings or more extensive customer bases. In recent years, mergers among some of our larger competitors have intensified these advantages. We expect the level of competition, particularly in North America, to continue and potentially increase, as Chinese equipment vendors seek to gain entry into the U.S. market, and other multinational competitors seek to retain incumbent positions and market share with large customers in the region.

We also compete with several smaller, but established, companies that offer one or more products that compete directly or indirectly with our offerings or whose products address specific niches within the markets and customer segments we address. These competitors include ADVA, BTI, Infinera and Transmode. In addition, there are a variety of earlier-stage companies with products targeted at specific segments of the communications networking market. These competitors often employ aggressive competitive and business tactics as they seek to gain entry to certain customers or markets. Due to these practices and the narrower focus of their development efforts, these competitors may be able to develop and introduce products more quickly, or offer commercial terms that are more attractive to customers.

Patents, Trademarks and Other Intellectual Property Rights

The success of our business and technology leadership are significantly dependent upon our proprietary and internally developed technology. We rely upon patents, copyrights, trademarks, and trade secret laws to establish and maintain proprietary rights in our technology. We maintain a patent incentive program that seeks to reward innovation and regularly file applications for patents and have a significant number of patents in the United States and other countries where we do business. As of December 1, 2011, we had received 1,302 U.S. patents and had pending 266 U.S. patent applications. We also have over 415 non-U.S. patents.

We also rely on non-disclosure agreements and other contracts and policies regarding confidentiality with employees, contractors and customers, to establish proprietary rights and protect trade secrets and confidential information. Our practice is to require employees and relevant consultants to execute non-disclosure and proprietary rights agreements upon commencement of employment or consulting arrangements with us. These agreements acknowledge our ownership of intellectual property developed by the individual during the course of his or her work with us. The agreements also require that

these persons maintain the confidentiality of all proprietary information disclosed to them.

Enforcing proprietary rights, especially patents, can be costly and uncertain. Moreover, monitoring unauthorized use of our technology is difficult, and we cannot be certain that the steps that we are taking will detect or prevent unauthorized use. In recent years, we have filed suit to enforce our intellectual property rights. We have also been subject to several claims related to patent infringement, including by competitors and non-practicing entities or "patent trolls," and have been requested to honor contractual indemnity obligations relating to infringement claims made against our customers by third parties. Intellectual property infringement assertions could cause us to incur substantial costs, including legal fees in the defense of these actions. If we are not successful in defending these claims, our business would be adversely affected if we are required to enter into a license agreement requiring ongoing royalty payments, required to redesign our products, or prohibited from selling any infringing technology.

Our operating system, element and network management software and other products incorporate software and components under licenses from third parties. We may be required to license additional technology from third parties in order to develop new products or product enhancements. Failure to obtain or maintain such licenses or other rights could affect our development efforts, require us to re-engineer our products or obtain alternate technologies, which could harm our business, financial condition and operating results.

Among the patent and other third party intellectual property licenses to which we are a party, in connection with the MEN Acquisition, we obtained a non-exclusive license to use patents and other intellectual property controlled or exclusively owned by Nortel in connection with our manufacture, sale and support of a broad range of optical networking and Carrier Ethernet products and services and natural evolutions of such products and services. This license also provides us with an exclusive license to use a narrower set of patents and other intellectual property owned by Nortel in connection with Ciena's manufacture, sale and support of optical networking and Carrier Ethernet products and services within a narrower field of use and subject to certain limitations. As part of this license, we granted Nortel a non-exclusive license to use the patents and other intellectual property (except trademarks) that we acquired as part of the MEN Business in connection with the manufacture and sale of products and services in the fields of Nortel's other businesses (including those businesses sold and to be sold to other parties) and natural evolutions of such fields.

Environmental Matters

Our business and operations are subject to environmental laws in various jurisdictions around the world, including the Waste Electrical and Electronic Equipment (WEEE) and Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS) regulations adopted by the European Union. We seek to operate our business in compliance with such laws relating to the materials and content of our products and product takeback and recycling. Environmental regulation is increasing, particularly outside of the United States, and we expect that our domestic and international operations may be subject to additional environmental compliance requirements, which could expose us to additional costs. To date, our compliance costs relating to environmental regulations have not resulted in a material cost or effect on our business, results of operations or financial condition.

Employees

As of October 31, 2011, we had 4,339 employees. We have not experienced any work stoppages and we consider the relationships with our employees to be good. Competition to attract and retain highly skilled technical, engineering and other personnel with experience in our industry is intense. We believe that our future success depends in critical part on our continued ability to recruit, motivate and retain such qualified personnel. None of our employees is bound by an employment agreement.

Directors and Executive Officers

The table below sets forth certain information concerning our directors and executive officers:

Name	Age	Position
Patrick H. Nettles, Ph.D.	68	Executive Chairman of the Board of Directors
Gary B. Smith	51	President, Chief Executive Officer and Director
Stephen B. Alexander	52	Senior Vice President, Chief Technology Officer
Rick Dodd	42	Senior Vice President, Global Marketing
James A. Frodsham	45	Senior Vice President, Chief Strategy Officer
François Locoh-Donou	40	Senior Vice President, Global Products Group
Philippe Morin	46	Senior Vice President, Global Field Operations
James E. Moylan, Jr.	60	Senior Vice President, Finance and Chief Financial Officer
David R. Nachbar	49	Senior Vice President and Chief Human Resources Officer
Andrew C. Petrik	48	Vice President and Controller
David M. Rothenstein	43	Senior Vice President, General Counsel and Secretary
Stephen P. Bradley, Ph.D. (2)(3)	70	Director
Harvey B. Cash (1)(3)	73	Director
Bruce L. Claflin (1)(2)	60	Director
Lawton W. Fitt (2)	58	Director
Judith M. O'Brien (1)(3)	61	Director
Michael J. Rowny (2)	61	Director
Patrick T. Gallagher (2)	56	Director

- (1) Member of the Compensation Committee
(2) Member of the Audit Committee
(3) Member of the Governance and Nominations Committee

Our Directors hold staggered terms of office, expiring as follows: Messrs. Bradley, Claflin and Gallagher in 2012; Ms. Fitt, Dr. Nettles and Mr. Rowny in 2013; and Ms. O'Brien and Messrs. Cash and Smith in 2014.

Patrick H. Nettles, Ph.D. has served as a Director of Ciena since April 1994 and as Executive Chairman of the Board of Directors 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 Optiwind Corp, a privately held company, and has previously served on the board of directors of Appttrigger, Inc., formerly known as Carrius Technologies, Inc.

Gary B. Smith joined Ciena in 1997 and has served as President and Chief Executive Officer since May 2001. Mr. Smith has served on Ciena's Board of Directors since October 2000. Prior to his current role, his positions with Ciena included Chief Operating Officer, and Senior Vice President, Worldwide Sales. Mr. Smith previously served as Vice President of Sales and Marketing for INTELSAT and Cray Communications, Inc. Mr. Smith also serves on the board of directors for Avaya Inc. and CommVault Systems, Inc. Mr. Smith is a member of the President's National Security Telecommunications Advisory Committee, the Global Information Infrastructure Commission and the Center for Corporate Innovation (CCI).

Stephen B. Alexander joined Ciena in 1994 and has served as Chief Technology Officer since September 1998 and as a Senior Vice President since January 2000. Mr. Alexander has previously served as General Manager of Products & Technology and General Manager of Transport and Switching and Data Networking.

Rick Dodd has served as Ciena's Senior Vice President, Global Marketing since December 2010 and is responsible for Ciena's product, solutions and corporate marketing organizations and provides strategic support to Ciena's global field operations and global products groups. Mr. Dodd previously worked at Infinera Corporation from September 2003 to December 2010 and served in roles including Vice President of Product Marketing and Vice President of Corporate Marketing. Mr. Dodd previously served as Associate Partner at venture capital firm Kleiner, Perkins, Caufield and Byers and as Ciena's

Director, Strategic Marketing.

James Frodsham joined Ciena in May 2004 and has served as Senior Vice President and Chief Strategy Officer since March 2010 with responsibility for our strategic planning and corporate development activities. In August 2010, Mr. Frodsham also assumed responsibility for the integration of the MEN Business, which was substantially completed in fiscal 2011. Mr. Frodsham previously served as Senior Vice President, General Manager of Ciena's former Broadband Access Group from October 2004 to October 2005 and Metro and Enterprise Solutions Group from May 2004 to October 2004. From August 2000 to January 2003, Mr. Frodsham served as chief operating officer of Innovance Networks, an optical networking company. On December 23, 2003, Innovance filed a Notice of Intent to make a proposal pursuant to Part III of the Bankruptcy and Insolvency Act (Canada). Prior to that, Mr. Frodsham was employed for more than ten years in senior level positions with Nortel Networks in product development and marketing strategy, lastly as Vice President, Product Line Marketing, Optical Networking Group, from December 1998 to June 2000. Mr. Frodsham serves on the board of directors of Innovance Networks.

François Locoh-Donou has served as Ciena's Senior Vice President, Global Products Group since August 2011. In this capacity, Mr. Locoh-Donou leads Ciena's engineering, supply chain, product line management, quality/customer advocacy and product marketing and solutions organizations on a global basis. Mr. Locoh-Donou joined Ciena in August 2002 and served as Ciena's Vice President and General Manager, EMEA from June 2005 to August 2011.

Philippe Morin joined Ciena in March 2010 in connection with Ciena's acquisition of Nortel's MEN Business and has served as Senior Vice President, Global Field Operations since August 2011, where he is responsible for leading Ciena's global sales and services organizations. From March 2010 to August 2011, Mr. Morin served as Ciena's Senior Vice President, Global Products Group. Mr. Morin previously served as President of Nortel's MEN Business from May 2006 until Ciena's completion of the MEN Acquisition in March 2010. In January 2009, Nortel Networks Corporation and certain of its subsidiaries filed voluntary petitions in the United States under Chapter 11 of the U.S. Bankruptcy Code. From January 2003 to May 2006, Mr. Morin held the position of Nortel's General Manager of Optical Networks. Mr. Morin previously held other positions at Nortel in manufacturing, marketing, sales and product management both in North America and Europe.

James E. Moylan, Jr. has served as Senior Vice President, Finance and Chief Financial Officer since December 2007. From June 2006 to December 2007, Mr. Moylan served as Executive Vice President and Chief Financial Officer of Swett & Crawford, a wholesale insurance broker. From March 2004 to February 2006, Mr. Moylan served as Executive Vice President and Chief Financial Officer of PRG-Shultz International, Inc., a publicly held recovery audit and business services firm. From June 2002 to April 2003, Mr. Moylan served as Executive Vice President in charge of Composite Panels Distribution and Administration for Georgia-Pacific Corporation's building products business. From November 1999 to May 2002, Mr. Moylan served as Senior Vice President and Chief Financial Officer of SCI Systems, Inc., an electronics contract manufacturing company.

David R. Nachbar has served as Senior Vice President, Chief Human Resources Officer since March 2011. From 2002 to 2008, Mr. Nachbar served as Senior Vice President, Chief Human Resources Officer at Bausch & Lomb. From 1996 to 2002, Mr. Nachbar served as Senior Vice President, Human Resources at The St. Paul Companies, Inc. Prior to 1996, Mr. Nachbar held senior Human Resources roles at Citigroup and PepsiCo.

Andrew C. Petrik joined Ciena in 1996 and has served as Vice President, Controller since August 1997 and served as Treasurer from August 1997 to October 2008.

David M. Rothenstein joined Ciena in January 2001 and has served as Senior Vice President, General Counsel and Secretary since November 2008. Mr. Rothenstein served as Vice President and Associate General Counsel from July 2004 to October 2008 and previously as Assistant General Counsel.

Stephen P. Bradley, Ph.D. has served as a Director of Ciena since April 1998. Professor Bradley is the William Ziegler Professor of Business Administration Emeritus at the Harvard Business School. A member of the Harvard faculty since 1968, Professor Bradley is also Chairman of Harvard's Executive Programs. Professor Bradley currently serves on the board of directors of Transatlantic Reinsurance Holdings and the Risk Management Foundation of the Harvard Medical Institutions, and previously served on the boards of directors of i2 Technologies, Inc., Roadmaster Industries, Inc. and XcelleNet, Inc.

Harvey B. Cash has served as a Director of Ciena since April 1994. Mr. Cash is a general partner of InterWest Partners, a venture capital firm in Menlo Park, California, which he joined in 1985. Mr. Cash serves on the board of directors of First Acceptance Corp., Silicon Laboratories, Inc. and Argonaut Group, Inc. and has previously served on the boards of directors of i2 Technologies, Inc., Voyence, Inc. and Staktek Holdings, Inc.

Bruce L. Clafin has served as a Director of Ciena since August 2006. Mr. Clafin served as President and Chief Executive Officer of 3Com Corporation from January 2001 until his retirement in February 2006. Mr. Clafin joined 3Com as President and Chief Operating Officer in August 1998. Prior to 3Com, Mr. Clafin served as Senior Vice President and General Manager, Sales and Marketing, for Digital Equipment Corporation. Mr. Clafin 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 (AMD) where he is currently Chairman of the Board.

Lawton W. Fitt 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. In addition to her service as a director of non-profit organizations, Ms. Fitt currently serves on the board of directors of Thomson Reuters and The Progressive Corporation, and has previously served on the board of directors of Overture Acquisition Corporation and Frontier Communications Company.

Judith M. O'Brien has served as a Director of Ciena since July 2000. Since November 2006, Ms. O'Brien has served as Executive Vice President and General Counsel 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. Ms. O'Brien was a lawyer with Wilson Sonsini Goodrich & Rosati, where, from February 1984 to February 2001, she was a partner specializing in corporate finance, mergers and acquisitions and general corporate matters. Ms. O'Brien has previously served on the board of directors of Adaptec, Inc.

Michael J. Rowny 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's career in business and government has also included positions as Chairman and Chief Executive Officer of the Ransohoff Company, Chief Executive Officer of Hermitage Holding Company, Executive Vice President and Chief Financial Officer of ICF Kaiser International, Inc., Vice President of the Bendix Corporation, and Deputy Staff Director of the White House. Mr. Rowny also serves on the board of directors of Neustar, Inc. and Pixspan, Inc. and has previously served on the boards of directors of Llamagraphics, Inc. and Step 9 Software Corporation.

Patrick T. Gallagher has served as a Director of Ciena since May 2009. Mr. Gallagher currently serves as Chairman of Ubiquisys Ltd., a leading developer and supplier of femtocells for the global 3G mobile wireless market. From January 2008 until February 2009, Mr. Gallagher was Chairman of Macro 4 plc, a global software solutions company, and from May 2006 until March 2008, served as Vice Chairman of Golden Telecom Inc., a leading facilities-based provider of integrated communications in Russia and the CIS. From 2003 until 2006, Mr. Gallagher was Executive Vice Chairman and served as Chief Executive Officer of FLAG Telecom Group and, prior to that role, held various senior management positions at British Telecom. Mr. Gallagher also serves on the board of directors of Harmonic Inc. and Sollers JSC.

Item 1A. Risk Factors

Investing in our securities involves a high degree of risk. In addition to the other information contained in this report, you should consider the following risk factors before investing in our securities.

Our revenue and operating results can fluctuate significantly and unpredictably from quarter to quarter.

Our revenue and results of operations can fluctuate significantly and unpredictably from quarter to quarter. Our budgeted expense levels depend in part on our expectations of long-term, future revenue and gross margin, and substantial reductions in expense are difficult and can take time to implement. Uncertainty or lack of visibility into customer spending, and changes in economic or market conditions that affect customer spending, can make it difficult to forecast future revenue and corresponding expense levels. Consequently, our level of operating expense or inventory may be high relative to revenue, which could harm our profitability and cash flow. Increases in the percentage of quarterly revenue relating to orders placed in that quarter, along with significant order volume late in the quarter, could further result in variability and less predictability in our quarterly results.

Additional factors that contribute to fluctuations in our revenue and operating results include:

- broader macroeconomic conditions, including weakness and volatility in global markets, affecting our customers and their consumer and enterprise end users;
- changes in capital spending by large communications service providers;
- seasonal effects in our business, including the timing and size of customer orders;
- the amount of backlog orders we have and our ability to recognize revenue relating to these sales;
- the mix of revenue by product segment, geography and customer in any particular quarter;
- the level of pricing pressure we encounter, particularly for our Packet-Optical Transport products which comprise a significant concentration of our revenue;
- the transition of product sales to new, next-generation technology platforms across our segments; and

- changes in material and labor costs, including our ability to optimize our resources, improve manufacturing efficiencies and achieve cost reductions in our supply chain.

Many factors affecting our results of operations are beyond our control, particularly in the case of large service provider orders and multi-vendor or multi-technology network infrastructure builds, where the achievement of certain thresholds for acceptance is subject to the readiness and performance of the customer or other providers, and changes in customer requirements or installation plans. The factors above may cause our revenue and operating results to fluctuate unpredictably from quarter to quarter. These fluctuations may cause our operating results to be below the expectations of securities analysts or investors, which may cause our stock price to decline.

We face intense competition that could hurt our sales and results of operations.

We face an extremely competitive market for sales of communications networking equipment, software and services and increased competition could result in pricing pressure, reduced demand, lower gross margins and the loss of market share that could harm our business and results of operations. Competition is particularly intense as we and our competitors more aggressively seek to displace incumbent equipment vendors at large carrier customers and secure new customers and additional market share for new, next-generation products. In an effort to secure customer opportunities and capture market share, we have in the past, and may in the future, agree to onerous commercial terms or pricing that result in low or negative gross margins on a particular order or group of orders. We expect this level of competition to continue and potentially increase, particularly in the U.S., as larger Chinese equipment vendors such as Huawei seek to gain market entry and other global competitors seek to retain incumbent positions with customers in the region.

Competition in our markets, generally, is based on any one or a combination of the following factors: price; product features; functionality and performance; service offering; manufacturing capability and lead-times; incumbency and existing business relationships; scalability; and the flexibility of products to meet the immediate and future network and service requirements of customers. A small number of very large companies have dominated our industry, many of which have substantially greater financial and marketing resources, greater manufacturing capacity, broader product offerings and more established relationships with service providers and other customer segments than we do. In addition, a number of these vendors are putting forth competing visions for how next-generation network architectures should be designed. Because of their scale and resources, they may be perceived to be a better fit for the procurement, or network operating and management, strategies of large service providers. We also compete with a number of smaller companies that provide significant competition for a specific product, application, customer segment or geographic market. Due to the narrower focus of their efforts, these competitors may achieve commercial availability of their products more quickly or may be more attractive to customers.

Increased competition in our markets has resulted in aggressive business tactics, including:

- significant price competition, particularly for our Packet-Optical Transport platforms;
- early announcement of product development initiatives and new platform offerings;
- customer financing assistance provided by other vendors or their sponsors;
- assumption of onerous or atypical commercial terms that involve a greater assumption of liability or allocation of risk upon the vendor;
- offers to repurchase our equipment from existing customers; and
- intellectual property assertions and disputes.

The tactics described above can be particularly effective in an increasingly concentrated base of potential customers such as communications service providers. If competitive pressures increase or we fail to compete successfully in our markets, our business and results of operations would suffer.

Our business and operating results could be adversely affected by unfavorable changes in macroeconomic and market conditions and reductions in the level of capital expenditure by customers in response to these conditions.

Global markets have experienced a recent period of significant volatility that has resulted in heightened uncertainty and cautious customer behavior. Broad macroeconomic weakness and market volatility have previously resulted in sustained periods of decreased demand for our products and services that have adversely affected our operating results. Continuation of or an increase in these challenging market conditions and macroeconomic weakness could result in:

- reductions in customer capital spending and delay or deferral of network initiatives;
- difficulty forecasting, budgeting and planning;
- increased competition for fewer network projects and sales opportunities;

- increased pricing pressure that may adversely affect revenue and gross margin;
- higher overhead costs as a percentage of revenue;
- tightening of credit markets to fund capital expenditures by our customers and us;
- customer financial difficulty, including longer collection cycles and other difficulties collecting accounts receivable; and
- increased risk of charges relating to excess and obsolete inventories and the write-off of other intangible assets.

Our business and operating results could be materially adversely affected by reduced customer spending in response to unfavorable or uncertain macroeconomic and market conditions, globally or specific to a particular region where we operate.

Our reliance upon third party manufacturers exposes us to risks that could negatively affect our business and operations.

We rely upon third party contract manufacturers to perform substantially all of the manufacturing of our products and a significant portion of our component sourcing. We do not have contracts in place with some of our manufacturers, do not have guaranteed supply of components or access to manufacturing capacity, and in some cases are utilizing temporary or transitional commercial arrangements. Our reliance upon third party manufacturers could expose us to increased risks related to lead times, continuity of supply, on-time delivery, quality assurance, and compliance with environmental standards and other regulations. Reliance upon third party manufacturers exposes us to significant risks related to their operations, financial position, business continuity, sourcing relationships and labor relationships, that may affect their servicing of Ciena including their continued viability. Our operations may also be affected by geopolitical events, natural disasters, military actions or health pandemics in the countries where our products or critical components are manufactured. Our product manufacturing principally takes place in Mexico, Canada, China and Thailand. Significant disruptions in these countries including natural disasters, epidemics, acts of war or terrorism, social or political unrest or work stoppages, affecting the cost or availability or allocation of supply and manufacturing capacity, would negatively affect our business and results of operations.

In an effort to drive cost reductions and further optimize Ciena's operations, we are working to rationalize our supply chain and consolidate third party contract manufacturers and distribution facilities. We also intend to pursue additional opportunities for direct fulfillment of products from our manufacturers to our customers. There can be no assurance that these efforts, including any reallocation of the third party manufacturing and sourcing or changes in fulfillment involving our manufacturers, will not ultimately result in additional costs, changes in quality or disruptions in our operations and business.

Our reliance upon third party component suppliers, including sole and limited source suppliers, exposes our business to additional risk and could limit our sales capability, increase our costs and harm our customer relationships.

We maintain a global sourcing strategy and depend on third party suppliers for our product components and subsystems, as well as for equipment used to manufacture and test our products. Our products include key optical and electronic components for which reliable, high-volume supply is often available only from sole or limited sources. Increases in market demand or scarcity of resources or manufacturing capability have previously resulted in shortages in availability of important components for our solutions, allocation challenges and increased lead times. Conversely, periods of economic weakness or difficulties in the business of our component suppliers can result in increased costs or discontinuation of components. Our business is also exposed to risk associated with the international locations from which we source our components, including natural disasters, political and social instability. In recent months, several regions of Thailand have experienced severe flooding that has affected the operations of certain component providers in our supply chain, or their suppliers of optical components based in Thailand. There can be no assurance that we will not encounter shortages, extended lead times or other disruptions in the availability or allocation of necessary optical components which could affect our business over the next several fiscal quarters. We are also exposed to risk relating to unfavorable economic conditions or other similar challenges affecting the businesses of our component providers that can affect their liquidity levels, ability to continue to invest in their business, and manufacturing capability.

The difficulties above could result in lost revenue, additional product costs and deployment delays that could harm our business and customer relationships. We do not have any guarantee of supply from these third parties, and in certain cases are relying upon temporary or transitional commercial arrangements. As a result, there is no assurance that we will be able to secure the components or subsystems that we require in sufficient quantity and quality on reasonable terms. The loss of a source of supply, or lack of sufficient availability of key components, could require that we locate an alternate source or redesign our products, each of which could increase our costs and negatively affect our product gross margin and results of operations. Our business and results of operations would be negatively affected if we were to experience any significant disruption or difficulties with key suppliers affecting the price, quality, availability or timely delivery of required components.

A small number of large communications service providers account for a significant portion of our revenue and the loss

of any of these customers, or a significant reduction in their spending, would have a material adverse effect on our business and results of operations.

A significant portion of our revenue is concentrated among a few, large global communications service providers. By way of example, AT&T accounted for approximately 15.5% of fiscal 2011 revenue and our largest ten customers contributed 55.9% of fiscal 2011 revenue. Consequently, our financial results are closely correlated with the spending of a relatively small number of service provider customers and can be significantly affected by market or industry changes that affect the businesses of service providers. These factors can include consumer and enterprise spending on communication services, macroeconomic volatility, the adoption of new communications products and services, the emergence of competing network operators and changing demands of end user customers. Because the terms of our frame contracts generally do not include any minimum purchase commitment and spending by these service providers can be unpredictable and sporadic, our revenue and operating results can fluctuate on a quarterly basis. Reliance upon a relatively small number of service providers increases our exposure to changes in the network and purchasing strategies. Some of our customers are pursuing efforts to outsource the management and operation of their networks, or have indicated a procurement strategy to reduce the number of vendors from which they purchase equipment, which may benefit our larger competitors. Our concentration in revenue has increased in the past as a result of consolidation among a number of our largest customers. Consolidation may increase the likelihood of temporary or indefinite reductions in customer spending or changes in network strategy that could harm our business and operating results. The loss of one or more of our large service provider customers, a significant reduction in their spending, or market or industry factors adversely affecting service providers generally, would have a material adverse effect on our business, financial condition and results of operations.

Investment of research and development resources in technologies for which there is not a matching market opportunity, or failure to sufficiently or timely invest in technologies for which there is market demand, would adversely affect our revenue and profitability.

The market for communications networking equipment is characterized by rapidly evolving technologies and changes in market demand. We continually invest in research and development to sustain or enhance our existing products and develop or acquire new product technologies. Our current development efforts are focused upon the platform evolution of our CoreDirector Multiservice Optical Switch family to our 5430 Reconfigurable Switching System, expansion of our service delivery and aggregation switches, and extension of our 40G and 100G coherent technologies and capabilities for our Packet-Optical Transport platforms. There is often a lengthy period between commencing these development initiatives and bringing a new or improved product to market. During this time, technology preferences, customer demand and the market for our products, or those introduced by our competitors, may move in directions we had not anticipated. There is no guarantee that our new products or enhancements will achieve market acceptance or that the timing of market adoption will be as predicted. There is a significant possibility, therefore, that some of our development decisions, including significant expenditures on acquisitions, research and development costs, or investments in technologies, will not turn out as anticipated, and that our investment in some projects will be unprofitable. There is also a possibility that we may miss a market opportunity because we failed to invest, or invested too late, in a technology, product or enhancement sought by our customers, or addressing growth markets or emerging customer segments or applications beyond our traditional customer base. Changes in market demand or investment priorities may also cause us to discontinue existing or planned development for new products or features, which can have a disruptive effect on our relationships with customers. If we fail to make the right investments or fail to make them at the right time, our competitive position may suffer and our revenue and profitability could be harmed.

We may experience delays in the development of our products that may negatively affect our competitive position and business.

Our products are based on complex technology, and we can experience unanticipated delays in developing and manufacturing these solutions. Delays in product development may affect our reputation with customers, affect our ability to seize market opportunities and impact the timing and level of demand for our products. Each step in the development life cycle of our products presents serious risks of failure, rework or delay, any one of which could adversely affect the cost-effective and timely development of our products. We may encounter delays relating to engineering development activities and software, design, sourcing and manufacture of critical components, and the development of prototypes. In addition, intellectual property disputes, failure of critical design elements, and other execution risks may delay or even prevent the release of these products. If we do not successfully develop products in a timely manner, our competitive position may suffer and our business, financial condition and results of operations would be harmed.

Product performance problems and undetected errors affecting the performance, reliability or security of our products could damage our business reputation and negatively affect our results of operations.

The development and production of sophisticated hardware and software for communications network equipment is

complicated. Some of our products can be fully tested only when deployed in communications networks or when carrying traffic with other equipment. As a result, undetected defects or errors, and product quality, interoperability, reliability and performance problems are often more acute for initial deployments of new products and product enhancements. We are in the process of launching a number of new platforms across our product segments. Unanticipated product performance problems, including any unforeseen defects or vulnerabilities, can relate to the design, manufacturing and installation of our products, as well as defects in components, software or manufacturing, installation or maintenance services supplied by third parties. These product performance, reliability, security and quality problems can negatively affect our business, including:

- increased costs to remediate software or hardware defects or replace products;
- payment of liquidated damages, contractual or similar penalties, or other claims for performance failures or delays;
- increased inventory obsolescence;
- increased warranty expense or estimates resulting from higher failure rates, additional field service obligations or other rework costs related to defects;
- costs and claims that may not be covered by liability insurance coverage or recoverable from third parties;
- delays in recognizing revenue or collecting accounts receivable; and
- damage to our reputation, declining sales and order cancellations.

These consequences of product defects or problems relating to quality, reliability and security of our products, including any significant costs to remediate, could negatively affect our business and results of operations.

Network equipment sales to large communications service providers often involve lengthy sales cycles and protracted contract negotiations and may require us to assume commercial terms or conditions that negatively affect pricing, risk allocation, payment and the timing of revenue recognition.

Our future success will depend in large part on our ability to maintain and expand our sales to large communications service providers. These sales typically involve lengthy sales cycles, extensive product testing, and demonstration laboratory or network certification, including network-specific or region-specific product certification or homologation processes. These sales also often involve protracted and sometimes difficult contract negotiations in which we may deem it necessary to agree to unfavorable contract terms or conditions that adversely affect pricing, expose us to penalties for delays or non-performance, allocate to us a disproportionate amount of risk, and extend the timing of payment and revenue recognition. We may also be requested to provide deferred payment terms, vendor or third-party financing, or offer other alternative purchase structures. These terms may negatively affect our revenue and results of operations and increase our risk and susceptibility to quarterly fluctuations in our results. Service providers may ultimately insist upon terms and conditions that we deem too onerous or not in our best interest. Moreover, our purchase agreements generally do not include minimum purchase commitments and customers often have the right to modify, delay, reduce or cancel previous orders. As a result, we may incur substantial expense and devote time and resources to potential sales opportunities that never materialize or result in lower than anticipated sales.

Efforts by us or our strategic third party channel partners to sell our solutions into targeted geographic markets and customer segments may be unsuccessful.

We continue to take steps, including sales initiatives and strategic channel relationships, to sell our products into new markets, growth geographies and diverse customer segments beyond our traditional service provider customer base. Specifically, we are targeting opportunities in Brazil, the Middle East, Russia, Japan and India. We are also targeting sales opportunities with enterprises, wireless operators, cable operators, submarine network operators, Internet content providers, cloud infrastructure providers, research and education institutions, and federal, state and local governments. We believe sales to these customer segments, as well as emerging network operators supporting new communications services and applications, will be an important component of our growth strategy. In many cases, we have less experience in these markets and customer segments and they may have less familiarity with our company. To succeed in some of these geographic markets and customer segments we intend to leverage strategic sales channels and distribution arrangements. We expect these relationships to be an important part of our business internationally as well as for sales in support of network applications including cloud-based enterprise opportunities. Difficulties selling into these markets and customer segments, whether through internal resources or strategic, third party channels, could limit our growth and results of operations.

The international scale of our operations could expose us to additional risks and expense and adversely affect our results of operations.

We market, sell and service our products globally and rely upon a global supply chain for sourcing of important components and manufacturing of our products. International operations are subject to inherent risks, including:

- effects of changes in currency exchange rates;

- more unfavorable commercial terms;
- greater difficulty in collecting accounts receivable and longer collection periods;
- difficulties and costs of staffing and managing foreign operations;
- the impact of economic conditions in countries outside the United States;
- less protection for intellectual property rights in some countries;
- adverse tax and customs consequences, particularly as related to transfer-pricing issues;
- social, political and economic instability;
- higher incidence of corruption or unethical business practices that could expose us to liability or damage our reputation;
- trade protection measures, export compliance, domestic preference procurement requirements, qualification to transact business and additional regulatory requirements; and
- natural disasters, epidemics and acts of war or terrorism.

Moreover, while we have seen early progress and sales opportunities with new customers in the Middle East, there can be no assurance that recent instability and unrest in the region will not adversely affect our business, operations and financial results relating to these and other opportunities. We expect that we may enter new markets and withdraw from or reduce operations in others. In some countries, our success will depend in part on our ability to form relationships with local sales, service or fulfillment partners. Our inability to identify appropriate partners or reach mutually satisfactory arrangements could adversely affect our business and operations. Our global operations may result in increased risk and expense to our business and could give rise to unanticipated liabilities or difficulties that could adversely affect our operations and financial results.

We may be required to write off significant amounts of inventory as a result of our inventory purchase practices, the convergence of product lines or unfavorable market conditions.

To avoid delays and meet customer demand for shorter delivery terms, we place orders with our contract manufacturers and suppliers to manufacture components and complete assemblies based in part on forecasts of customer demand. As a result, our inventory purchases expose us to the risk that our customers either will not order the products we have forecast, or will purchase fewer products than forecast. Market uncertainty can limit our visibility into customer spending plans and compound the difficulty of forecasting inventory at appropriate levels. Moreover, our customer purchase agreements generally do not include any minimum purchase commitment, and customers often have the right to modify, reduce or cancel purchase quantities. As a result, we may purchase inventory in anticipation of sales that ultimately do not occur. Historically, our inventory write-offs have resulted from the circumstances above. As features and functionalities converge across our product lines, and we introduce new products with overlapping feature sets, however, we face an additional risk that customers may forego purchases of one product we have inventoried in favor of another product with similar functionality. If we are required to write off or write down a significant amount of inventory, our results of operations for the period would be materially adversely affected.

Our intellectual property rights may be difficult and costly to enforce.

We generally rely on a combination of patents, copyrights, trademarks and trade secret laws to establish and maintain proprietary rights in our products and technology. Although we have been issued numerous patents and other patent applications are currently pending, there can be no assurance that any of these patents or other proprietary rights will not be challenged, invalidated or circumvented or that our rights will provide us with any competitive advantage. In addition, there can be no assurance that patents will be issued from pending applications or that claims allowed on any patents will be sufficiently broad to protect our technology. Further, the laws of some foreign countries may not protect our proprietary rights to the same extent as do the laws of the United States.

We are subject to the risk that third parties may attempt to use our intellectual property without authorization. Protecting against the unauthorized use of our products, technology and other proprietary rights is difficult, time-consuming and expensive, and we cannot be certain that the steps that we are taking will prevent or minimize the risks of such unauthorized use. Litigation may be necessary to enforce or defend our intellectual property rights or to determine the validity or scope of the proprietary rights of others. Such litigation could result in substantial cost and diversion of management time and resources, and there can be no assurance that we will obtain a successful result. Any inability to protect and enforce our intellectual property rights, despite our efforts, could harm our ability to compete effectively.

We may incur significant costs in response to claims by others that we infringe their intellectual property rights.

From time to time third parties may assert claims or initiate litigation or other proceedings related to patent, copyright, trademark and other intellectual property rights to technologies and related standards that are relevant to our business. These assertions have increased over time due to our growth, the increased number of products and competitors in the communications network equipment industry and the corresponding overlaps, and the general increase in the rate of patent claims assertions both by operating entities and third party non-practicing entities (sometimes referred to as “patent trolls”), particularly in the United States and Canada. Asserted claims, litigation or other proceedings can include claims against us or our manufacturers, suppliers

or customers, alleging infringement of third party proprietary rights with respect to our existing or future products and technology or components of those products. Regardless of the merit of these claims, they can be time-consuming, divert the time and attention of our technical and management personnel, and result in costly litigation. These claims, if successful, can require us to:

- pay substantial damages or royalties;
- comply with an injunction or other court order that could prevent us from offering certain of our products;
- seek a license for the use of certain intellectual property, which may not be available on commercially reasonable terms or at all;
- develop non-infringing technology, which could require significant effort and expense and ultimately may not be successful; and
- indemnify our customers pursuant to contractual obligations and pay damages on their behalf.

Any of these events could adversely affect our business, results of operations and financial condition. Our exposure to risks associated with the use of intellectual property may be increased as a result of acquisitions, as we have a lower level of visibility into the development process with respect to such technology or the steps taken to safeguard against the risks of infringing the rights of third parties.

Our failure to manage effectively our relationships with third party service partners could adversely impact our financial results and relationship with customers.

We rely on a number of third party service partners, both domestic and international, to complement our global service and support resources. We rely upon these partners for certain installation, maintenance and support functions. In order to ensure the proper installation and maintenance of our products, we must identify, train and certify qualified service partners. Certification can be costly and time-consuming, and our partners often provide similar services for other companies, including our competitors. We may not be able to manage effectively our relationships with our service partners and cannot be certain that they will be able to deliver services in the manner or time required. We may also be exposed to liability relating to the performance of our service partners. If our service partners are unsuccessful in delivering services:

- we may suffer delays in recognizing revenue;
- our services revenue and gross margin may be adversely affected; and
- our relationship with customers could suffer.

If we do not manage effectively our relationships with third party service partners, or they fail to perform these services in the manner or time required, our financial results and relationship with customers could be adversely affected.

We may be exposed to unanticipated risks and additional obligations in connection with our resale of complementary products or technology of other companies.

We have entered into agreements with strategic partners that permit us to distribute their products or technology. We may rely upon these relationships to add complementary products or technologies, diversify our product portfolio, or address a particular customer or geographic market. We may enter into additional original equipment manufacturer (OEM), resale or similar strategic arrangements in the future, including in support of our selection as a domain supply partner with AT&T. We may incur unanticipated costs or difficulties relating to our resale of third party products. Our third party relationships could expose us to risks associated with the business and viability of such partners, as well as delays in their development, manufacturing or delivery of products or technology. We may also be required by customers to assume warranty, indemnity, service and other commercial obligations, including potential liability to customers, greater than the commitments, if any, made to us by our technology partners. Some of our strategic partners are relatively small companies with limited financial resources. If they are unable to satisfy their obligations to us or our customers, we may have to expend our own resources to satisfy these obligations. Exposure to these risks could harm our reputation with key customers and negatively affect our business and our results of operations.

Our exposure to the credit risks of our customers and resellers may make it difficult to collect receivables and could adversely affect our revenue and operating results.

In the course of our sales to customers, we may have difficulty collecting receivables and could be exposed to risks associated with uncollectible accounts. We may be exposed to similar risks relating to third party resellers and other sales channel partners. Lack of liquidity in the capital markets, macroeconomic weakness and market volatility may increase our exposure to credit risks. Our attempts to monitor these situations carefully and take appropriate measures to protect ourselves

may not be sufficient, and it is possible that we may have to write down or write off doubtful accounts. Such write-downs or write-offs could negatively affect our operating results for the period in which they occur, and, if large, could have a material adverse effect on our revenue and operating results.

Our business is dependent upon the proper functioning of our internal business processes and information systems and modification or interruption of such systems may disrupt our business, processes and internal controls.

The proper functioning of our internal business processes and information systems is critical to the efficient operation and management of our business. If these information technology systems fail or are interrupted, our operations may be adversely affected and operating results could be harmed. Our business processes and information systems need to be sufficiently scalable to support the future growth of our business and may require modifications or upgrades that expose us to a number of operational risks. We are currently pursuing initiatives to transform and optimize our business operations through the reengineering of certain processes, investment in automation and engagement of strategic partners or resources to assist with select business functions. These changes may be costly and disruptive to our operations, and could impose substantial demands on management time. These changes may also require changes in system design, the modification of internal control procedures and significant training of employees or third party resources. Our information technology systems, and those of third party providers, may also be vulnerable to damage or disruption caused by circumstances beyond our control. These include catastrophic events, power anomalies or outages, natural disasters, computer system or network failures, viruses or malware, physical or electronic break-ins, unauthorized access and cyber attacks. Any material disruption, malfunction or similar challenges with our business processes or information systems, or disruptions or challenges relating to the transition to new processes, systems or providers, could have a material adverse effect on the operation of our business and our results of operations.

Outstanding indebtedness under our convertible notes may adversely affect our liquidity and results of operations and could limit our business.

At October 31, 2011, indebtedness on our outstanding convertible notes totaled approximately \$1.4 billion in aggregate principal. Our indebtedness could have important negative consequences, including:

- increasing our vulnerability to adverse economic and industry conditions;
- limiting our ability to obtain additional financing, particularly in light of unfavorable conditions in the capital and credit markets;
- debt service and repayment obligations that reduce the availability of cash resources for other purposes, including capital expenditures;
- limiting our flexibility in planning for, or reacting to, changes in our business and the markets in which we compete; and
- placing us at a possible competitive disadvantage to competitors that have better access to capital resources.

We may also add additional indebtedness such as equipment loans, working capital lines of credit and other long-term debt.

Significant volatility and uncertainty in the capital markets may limit our access to funding.

We have accessed the capital markets in the past and successfully raised funds, through the issuance of equity or convertible debt, to increase our cash position, support our operations and undertake strategic growth initiatives, including the MEN Acquisition. We regularly evaluate our liquidity position, debt obligations, and anticipated cash needs to fund our long-term operating plans and may consider raising additional capital in the future. Global capital markets have undergone a sustained period of significant volatility and uncertainty and there can be no assurance that such financing alternatives would be available to us, should we determine it necessary or advisable to seek additional cash resources.

Facilities transitions could be disruptive to our operations and result in unanticipated expense.

During fiscal 2011, we received notice of early termination from Nortel shortening the lease of our “Lab 10” building on the Carling Campus in Ottawa, Canada from ten to five years, with the lease termination set to occur in fiscal 2015. This is our largest facility, which includes a sophisticated research and development lab and key engineering personnel. We are currently considering facilities alternatives arising as a result of the early termination of this lease, however locating appropriate alternative space for our engineering operations in Ottawa may be costly and there can be no assurance that the transition of key engineering functions to a successor facility will not be disruptive or adversely affect productivity. Additionally, in November 2011, we entered into a lease for our new corporate headquarters and anticipate transitioning affected employees and operations, including key management and administration resources, to this new facility commencing in fiscal 2012. These facilities

transitions could be disruptive to our operations and could result in unanticipated expense that adversely affects our financial results.

Restructuring activities could disrupt our business and affect our results of operations.

We have previously taken steps, including reductions in force, office closures, and internal reorganizations to reduce the size and cost of our operations and to better match our resources with market opportunities. We may take similar steps in the future as we seek to realize operating synergies, optimize our operations and achieve our desired target operating model and profitability. These changes could be disruptive to our business and may result in significant expense including accounting charges for inventory and technology-related write-offs, workforce reduction costs and charges relating to consolidation of excess facilities. Substantial expense or charges resulting from restructuring activities could adversely affect our results of operations in the period in which we take such a charge.

If we are unable to attract and retain qualified personnel, we may be unable to manage our business effectively.

Competition to attract and retain highly skilled technical, engineering and other personnel with experience in our industry is intense and our employees have been the subject of targeted hiring by our competitors. We may experience difficulty retaining and motivating existing employees and attracting qualified personnel to fill key positions. Because we rely upon equity awards as a significant component of compensation, particularly for our executive team, a lack of positive performance in our stock price, reduced grant levels, or changes to our compensation program may adversely affect our ability to attract and retain key employees. It may be difficult to replace members of our management team or other key personnel, and the loss of such individuals could be disruptive to our business. In addition, none of our executive officers is bound by an employment agreement for any specific term. If we are unable to attract and retain qualified personnel, we may be unable to manage our business effectively and our operations and results of operations could suffer.

We may be adversely affected by fluctuations in currency exchange rates.

As a global concern, we face exposure to adverse movements in foreign currency exchange rates. Historically, our sales were primarily denominated in U.S. dollars. As a result of our increased global presence, a larger percentage of our revenue and operating expense are now non-U.S. dollar denominated and therefore subject to foreign currency fluctuation. We face exposure to currency exchange rates as a result of the growth in our non-U.S. dollar denominated operating expense in Canada, Europe, Asia and Latin America. From time to time, we may hedge against currency exposure associated with anticipated foreign currency cash flows. There can be no assurance that any hedging instruments will be effective and losses associated with these instruments and the adverse effect of foreign currency exchange rate fluctuation may negatively affect our results of operations.

Our products incorporate software and other technology under license from third parties and our business would be adversely affected if this technology was no longer available to us on commercially reasonable terms.

We integrate third-party software and other technology into our embedded operating system, network management system tools and other products. Licenses for this technology may not be available or continue to be available to us on commercially reasonable terms. Third party licensors may insist on unreasonable financial or other terms in connection with our use of such technology. Difficulties with third party technology licensors could result in termination of such licenses, which may result in significant costs and require us to obtain or develop a substitute technology. Difficulty obtaining and maintaining third-party technology licenses may disrupt development of our products and increase our costs, which could harm our business.

Strategic acquisitions and investments may expose us to increased costs and unexpected liabilities.

We may acquire or make investments in other technology companies, or enter into other strategic relationships, to expand the markets we address, diversify our customer base or acquire or accelerate the development of technology or products. To do so, we may use cash, issue equity that would dilute our current stockholders' ownership, or incur debt or assume indebtedness. These transactions involve numerous risks, including:

- significant integration costs;
- disruption due to the integration and rationalization of operations, products, technologies and personnel;
- diversion of management's attention;
- difficulty completing projects of the acquired company and costs related to in-process projects;
- the loss of key employees;
- ineffective internal controls over financial reporting;
- dependence on unfamiliar suppliers or manufacturers;
- exposure to unanticipated liabilities, including intellectual property infringement claims; and
- adverse tax or accounting effects including amortization expense related to intangible assets and charges associated

with impairment of goodwill.

As a result of these and other risks, our acquisitions, investments or strategic transactions may not reap the intended benefits and may ultimately have a negative impact on our business, results of operation and financial condition.

Changes in government regulation affecting the communications industry and the businesses of our customers could harm our prospects and operating results.

The Federal Communications Commission, or FCC, has jurisdiction over the U.S. communications industry and similar agencies have jurisdiction over the communication industries in other countries. Many of our largest customers are subject to the rules and regulations of these agencies. Changes in regulatory requirements applicable to wireline or wireless communications and the Internet in the United States or other countries could inhibit service providers from investing in their communications network infrastructures or introducing new services. These changes could adversely affect the sale of our products and services. Changes in regulatory tariff requirements or other regulations relating to pricing or terms of carriage on communications networks could slow the development or expansion of network infrastructures and adversely affect our business, operating results, and financial condition.

Governmental regulations affecting the use, import or export of products could negatively affect our revenue.

The United States and various foreign governments have imposed controls, license requirements and other restrictions on the usage, import or export of some of the technologies that we sell. Governmental regulation of usage, import or export of our products, technology within our products, or our failure to obtain required approvals for our products, could harm our international and domestic sales and adversely affect our revenue and costs of sales. Failure to comply with such regulations could result in enforcement actions, fines or penalties and restrictions on export privileges. In addition, costly tariffs on our equipment, restrictions on importation, trade protection measures and domestic preference requirements of certain countries could limit our access to these markets and harm our sales. For example, India's government has recently implemented and is considering additional security regulations applicable to network equipment vendors, and has imposed significant tariffs that may inhibit sales of certain communications equipment; including equipment manufactured in China, where certain of our products are assembled. These and other regulations could adversely affect the sale or use of our products, substantially increase our cost of sales and could adversely affect our business and revenue.

Governmental regulations related to the environment and potential climate change, could adversely affect our business and operating results.

Our operations are regulated under various federal, state, local and international laws relating to the environment and potential climate change. We could incur fines, costs related to damage to property or personal injury, and costs related to investigation or remediation activities, if we were to violate or become liable under these laws or regulations. Our product design efforts, and the manufacturing of our products, are also subject to evolving requirements relating to the presence of certain materials or substances in our equipment, including regulations that make producers for such products financially responsible for the collection, treatment and recycling of certain products. For example, our operations and financial results may be negatively affected by environmental regulations, such as the Waste Electrical and Electronic Equipment (WEEE) and Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS) that have been adopted by the European Union. Compliance with these and similar environmental regulations may increase our cost of designing, manufacturing, selling and removing our products. These regulations may also make it difficult to obtain supply of compliant components or require us to write off non-compliant inventory, which could have an adverse effect on our business and operating results.

We may be required to write down long-lived assets and these impairment charges would adversely affect our operating results.

As of October 31, 2011, our balance sheet includes \$504.6 million in long-lived assets, which includes \$331.6 million million of intangible assets. Valuation of our long-lived assets requires us to make assumptions about future sales prices and sales volumes for our products. These assumptions are used to forecast future, undiscounted cash flows. Given the significant uncertainty and instability of macroeconomic conditions in recent periods, forecasting future business is difficult and subject to modification. If actual market conditions differ or our forecasts change, we may be required to reassess long-lived assets and could record an impairment charge. Any impairment charge relating to long-lived assets would have the effect of decreasing our earnings or increasing our losses in such period. If we are required to take a substantial impairment charge, our operating results could be materially adversely affected in such period.

Failure to maintain effective internal controls over financial reporting could have a material adverse effect on our business,

operating results and stock price.

Section 404 of the Sarbanes-Oxley Act of 2002 requires that we include in our annual report a report containing management's assessment of the effectiveness of our internal controls over financial reporting as of the end of our fiscal year and a statement as to whether or not such internal controls are effective. Compliance with these requirements has resulted in, and is likely to continue to result in, significant costs and the commitment of time and operational resources. Changes in our business, including certain initiatives to transform business processes, invest in information systems or transition certain functions to third party resources or providers, will necessitate modifications to our internal control systems, processes and information systems as we optimize our business and operations. Our increased global operations and expansion into new regions could pose additional challenges to our internal control systems. We cannot be certain that our current design for internal control over financial reporting, or any additional changes to be made, will be sufficient to enable management to determine that our internal controls are effective for any period, or on an ongoing basis. If we are unable to assert that our internal controls over financial reporting are effective, our business may be harmed. Market perception of our financial condition and the trading price of our stock may be adversely affected, and customer perception of our business may suffer.

Our stock price is volatile.

Our common stock price has experienced substantial volatility in the past and may remain volatile in the future. Volatility in our stock price can arise as a result of a number of the factors discussed in this "Risk Factors" section. During fiscal 2011, our closing stock price ranged from a high of \$28.81 per share to a low of \$10.28 per share. The stock market has experienced extreme price and volume fluctuations that have affected the market price of many technology companies, with such volatility often unrelated to the operating performance of these companies. Divergence between our actual or anticipated financial results and published expectations of analysts can cause significant swings in our stock price. Our stock price can also be affected by announcements that we, our competitors, or our customers may make, particularly announcements related to acquisitions or other significant transactions. Our common stock is included in a number of market indices and any change in the composition of these indices to exclude our company would adversely affect our stock price. These factors, as well as conditions affecting the general economy or financial markets, may materially adversely affect the market price of our common stock in the future.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Overview . As of October 31, 2011, all of our properties are leased and we do not own any real property. We lease facilities globally related to the ongoing operations of our four business segments and related functions. Our principal executive offices are located in Linthicum, Maryland, where we currently occupy six buildings at various sites, including an engineering facility, two supply chain and logistics facilities, and three administrative and sales facilities. Due to the expiration of certain of these leases, commencing in fiscal 2012, in November 2011, we entered into a new lease for our corporate headquarters described below.

Our largest facility is our research and development center located at "Lab 10" on the former Nortel Carling Campus in Ottawa, Canada. See below for information regarding the lease associated with this engineering facility. We also have engineering and/or service facilities located in San Jose, California; Alpharetta, Georgia; Spokane, Washington; Kanata, Canada; and Gurgaon, India. In addition, we lease various smaller offices in the United States, Mexico, South America, Europe, the Middle East and Asia-Pacific to support our sales and services operations. We believe the facilities we are now using are adequate and suitable for our business requirements.

Linthicum, MD Headquarters Lease . On November 3, 2011, Ciena Corporation entered into a Lease Agreement (Lease) with W2007 RDG Realty, L.L.C. (Landlord), relating to office space for a new corporate headquarters in the building located at 7035 Ridge Road, Hanover, Maryland (Building 1) and a building to be built at 7031 Ridge Road, Hanover, Maryland (Building 2), consisting of an aggregate agreed-upon rentable area of approximately 154,100 square feet.

The Building 1 lease commencement date will be the earlier of the date of our occupancy or substantial completion of the improvements to the premises in accordance with the terms of the Lease, but in either case no earlier than June 1, 2012. The Building 1 rent commencement date will be the later of September 1, 2013 or substantial completion of improvements to the premises in accordance with the terms of the Lease. The Building 2 lease commencement date and rent commencement date will be upon Landlord's delivery of the premises following substantial completion of the construction of Building 2 and improvements to the premises in accordance with the terms of the Lease (expected to be no later than November 15, 2012). Subject to adjustment and earlier termination as provided in the Lease, the Lease (which relates to both Building 1 and Building 2) will expire 14 years and eight months from the Building 1 lease commencement date. We have the option to renew the Lease for two additional periods of five years each. We also have a right of first offer relating to additional space in the complex of

buildings that includes Building 1 and Building 2.

If the Building 2 rent commencement date coincided with the Building 1 rent commencement date, the initial annual basic rent would be approximately \$3.8 million, exclusive of certain customary operating expenses. The annual basic rent rate will escalate at a rate of two percent (2.0 %) each year, and, beginning in calendar year 2014, we will be responsible for increases in certain operating expenses and real estate taxes over the amounts incurred in calendar year 2013. The Lease also provides that Landlord will contribute towards costs incurred for certain tenant improvements to our premises in Building 1 and Building 2 and will bear all costs for the construction of Building 2.

We have the right to terminate the Lease if certain milestones with respect to the construction of Building 2 are not achieved in a timely manner. We also have the one-time right to terminate the Lease with respect to all or a portion of the leased premises at any time after the tenth (10th) year, provided that we have not exercised our renewal option, pay a termination fee to Landlord, and comply with certain requirements as set forth in the Lease. Landlord has the right to terminate the Lease upon an event of default, which includes our failure to pay rent, failure to provide an estoppel certificate, failure to maintain insurance, failure to release mechanic's liens, uncured breach of our other obligations under the Lease, or insolvency.

Carling, Ottawa Lease . Upon the completion of the MEN Acquisition, Ciena Canada Inc., a subsidiary of Ciena, entered into a lease agreement with Nortel Networks Technology Corp. ("Landlord") relating to the "Lab 10" building on Nortel's Carling Campus in Ottawa, Canada (the "Carling lease"). This facility consists of a rentable area of 265,000 square feet for which we incur lease expense of approximately \$7.2 million CAD per year, consisting of both base rent and fixed additional operating expense, the latter of which increases at 2% per year. The Carling lease initially had a ten-year term, subject to an early termination feature that allowed Nortel to reduce the term of the lease in exchange for its payment of an early termination fee of up to \$33.5 million. During the first quarter of fiscal 2011, Ciena received both notice of early termination from Nortel shortening the Carling lease to five years and the corresponding \$33.5 million early termination payment.

Restructuring . We lease properties that we no longer occupy. As part of our restructuring costs, we provide for the estimated cost of the future net lease expense for these facilities. The cost is based on the fair value of future minimum lease payments under contractual obligations offset by the fair value of the estimated future sublease payments that we may receive. As of October 31, 2011, our accrued restructuring liability related to these properties was \$3.3 million. If actual market conditions relating to the use of these facilities are less favorable than those projected by management, additional restructuring costs associated with these facilities may be required. For additional information regarding our lease obligations, see Note 22 to the Consolidated Financial Statements in Item 8 of Part II of this annual report.

Item 3. Legal Proceedings

On July 29, 2011, Cheetah Omni LLC filed a complaint in the United States District Court for the Eastern District of Texas against Ciena and several other defendants, alleging, among other things, that certain of the parties' products infringe upon multiple U.S. Patents relating to certain reconfigurable optical add-drop multiplexer (ROADM) technologies. The complaint seeks injunctive relief and damages. On November 8, 2011, Ciena filed an answer and counterclaims to Cheetah Omni's amended complaint. Ciena believes that it has valid defenses to the lawsuit and intends to defend it vigorously.

On May 29, 2008, Graywire, LLC filed a complaint in the United States District Court for the Northern District of Georgia against Ciena and four other defendants, alleging, among other things, that certain of the parties' products infringe U.S. Patent 6,542,673 (the "'673 Patent'"), relating to an identifier system and components for optical assemblies. The complaint seeks injunctive relief and damages. Ciena filed an answer to the complaint and counterclaims against Graywire on April 17, 2009. On April 27, 2009, Ciena and certain other defendants filed an application for inter partes reexamination of the '673 Patent with the U.S. Patent and Trademark Office (the "PTO"). On the same date, Ciena and the other defendants filed a motion to stay the case pending reexamination of all of the patents-in-suit. On July 17, 2009, the district court granted the defendants' motion to stay the case. On July 23, 2009, the PTO granted the defendants' application for reexamination with respect to certain claims of the '673 Patent and, on December 17, 2010, the PTO confirmed the validity of some claims and rejected the validity of other claims. On February 28, 2011, Ciena and the other defendants filed an appeal with respect to certain aspects of the PTO's determination. Separately, on March 17, 2011, the PTO granted a third party application for ex parte reexamination with respect to certain claims of the '673 Patent and, on September 2, 2011, the PTO issued a non-final rejection of those claims. Ciena believes that it has valid defenses to the lawsuit and intends to defend it vigorously in the event the stay of the case is lifted.

As a result of its June 2002 acquisition of ONI Systems Corp., Ciena became a defendant in a securities class action lawsuit filed in the United States District Court for the Southern District of New York in August 2001. The complaint named ONI, certain former ONI officers, and certain underwriters of ONI's initial public offering (IPO) as defendants, and alleges, among other things, that the underwriter defendants violated the securities laws by failing to disclose alleged compensation arrangements (such as undisclosed commissions or stock stabilization practices) in ONI's registration statement and by

engaging in manipulative practices to artificially inflate ONI's stock price after the IPO. The complaint also alleges that ONI and the named former officers violated the securities laws by failing to disclose the underwriters' alleged compensation arrangements and manipulative practices. No specific amount of damages has been claimed. Similar complaints have been filed against more than 300 other issuers that have had initial public offerings since 1998, and all of these actions have been included in a single coordinated proceeding. The former ONI officers have been dismissed from the action without prejudice. In July 2004, following mediated settlement negotiations, the plaintiffs, the issuer defendants (including Ciena), and their insurers entered into a settlement agreement. The settlement agreement did not require Ciena to pay any amount toward the settlement or to make any other payments. While the partial settlement was pending approval, the plaintiffs continued to litigate their cases against the underwriter defendants. In October 2004, the district court certified a class with respect to the Section 10(b) claims in six "focus cases" selected out of all of the consolidated cases, which cases did not include Ciena, and which decision was appealed by the underwriter defendants to the U.S. Court of Appeals for the Second Circuit. On February 15, 2005, the district court granted the motion for preliminary approval of the settlement agreement, subject to certain modifications, and on August 31, 2005, the district court issued a preliminary order approving the revised stipulated settlement agreement. On December 5, 2006, the U.S. Court of Appeals for the Second Circuit vacated the district court's grant of class certification in the six focus cases. On April 6, 2007, the Second Circuit denied plaintiffs' petition for rehearing. In light of the Second Circuit's decision, the parties agreed that the settlement could not be approved. On June 25, 2007, the district court approved a stipulation filed by the plaintiffs and the issuer defendants terminating the proposed settlement. On August 14, 2007, the plaintiffs filed second amended complaints against the defendants in the six focus cases. On September 27, 2007, the plaintiffs filed a motion for class certification based on their amended complaints and allegations. On March 26, 2008, the district court denied motions to dismiss the second amended complaints filed by the defendants in the six focus cases, except as to Section 11 claims raised by those plaintiffs who sold their securities for a price in excess of the initial offering price and those who purchased outside the previously certified class period. Briefing on the plaintiffs' motion for class certification in the focus cases was completed in May 2008. That motion was withdrawn without prejudice on October 10, 2008. On April 2, 2009, a stipulation and agreement of settlement between the plaintiffs, issuer defendants and underwriter defendants was submitted to the Court for preliminary approval. The Court granted the plaintiffs' motion for preliminary approval and preliminarily certified the settlement classes on June 10, 2009. The settlement fairness hearing was held on September 10, 2009. On October 6, 2009, the Court entered an opinion granting final approval to a settlement among the plaintiffs, issuer defendants and underwriter defendants, and directing that the Clerk of the Court close these actions. All appeals of the opinion granting final approval have been either resolved or dismissed, except one. On August 25, 2011, on remand from the Second Circuit, the District Court determined that the last remaining appellant did not have standing to assert his appeal. Due to the inherent uncertainties of litigation and because the settlement remains subject to appeal, the ultimate outcome of the matter is uncertain.

In addition to the matters described above, we are subject to various legal proceedings, claims and litigation arising in the ordinary course of business. We do not expect that the ultimate costs to resolve these matters will have a material effect on our results of operations, financial position or cash flows.

Item 4. Removed and Reserved

PART II

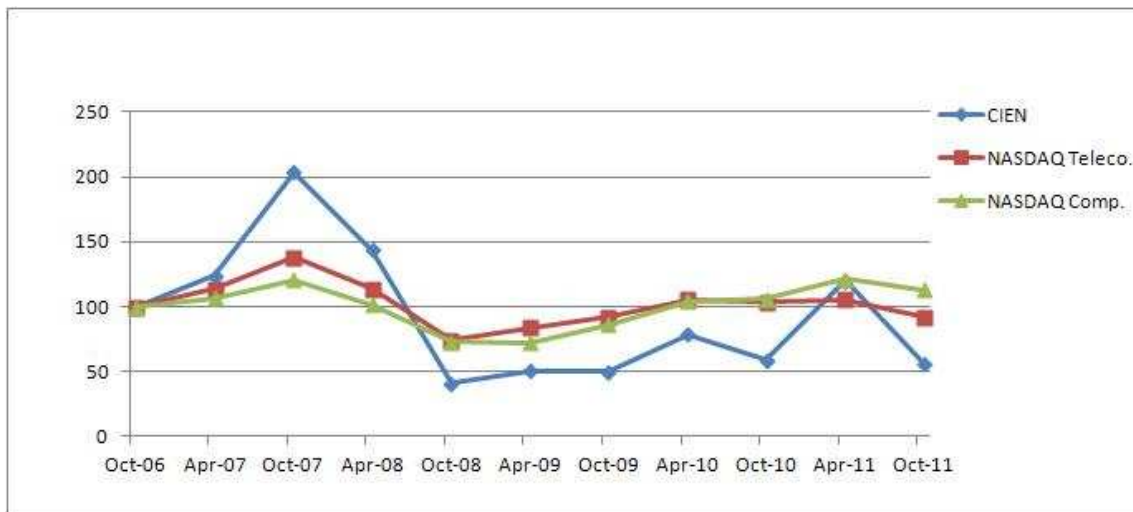
Item 5. Market for Registrant's Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) Our common stock is traded on the NASDAQ Global Select Market under the symbol "CIEN." The following table sets forth the high and low sales prices of our common stock, as reported on the NASDAQ Global Select Market, for the fiscal periods indicated.

	High	Low
Fiscal Year 2010		
First Quarter ended January 31	\$ 14.02	\$ 10.67
Second Quarter ended April 30	\$ 18.59	\$ 12.76
Third Quarter ended July 31	\$ 19.24	\$ 12.29
Fourth Quarter ended October 31	\$ 15.69	\$ 12.02
Fiscal Year 2011		
First Quarter ended January 31	\$ 25.49	\$ 13.55
Second Quarter ended April 30	\$ 28.81	\$ 22.03
Third Quarter ended July 31	\$ 27.91	\$ 15.46
Fourth Quarter ended October 31	\$ 14.82	\$ 10.28

As of December 15, 2011, there were approximately 884 holders of record of our common stock and 97,442,608 shares of common stock outstanding. We have never paid cash dividends on our capital stock. We intend to retain earnings for use in our business and we do not anticipate paying any cash dividends in the foreseeable future.

The following graph shows a comparison of cumulative total returns for an investment in our common stock, the NASDAQ Telecommunications Index and the NASDAQ Composite Index from October 31, 2006 to October 31, 2011. The NASDAQ Composite Index measures all domestic and international based common stocks listed on The Nasdaq Stock Market. The NASDAQ Telecommunications Index contains securities of NASDAQ-listed companies classified according to the Industry Classification Benchmark as Telecommunications and Telecommunications Equipment. They include providers of fixed-line and mobile telephone services, and makers and distributors of high-technology communication products. This graph is not deemed to be “filed” with the SEC or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, and the graph shall not be deemed to be incorporated by reference into any prior or subsequent filing by us under the Securities Act of 1933 or the Exchange Act.



Assumes \$100 invested in Ciena Corporation, the NASDAQ Telecommunications Index and the NASDAQ Composite Index on October 31, 2006 with all dividends reinvested at month-end.

(b) Not applicable.

(c) Not applicable.

Item 6. Selected Consolidated Financial Data

The following selected consolidated financial data should be read in conjunction with Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Consolidated Financial Statements and the notes

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thereto included in Item 8, "Financial Statements and Supplementary Data." We have a 52 or 53 week fiscal year, which ends on the Saturday nearest to the last day of October in each year. For purposes of financial statement presentation, each fiscal year is described as having ended on October 31. Fiscal 2008, 2009, 2010 and 2011 consisted of 52 weeks and fiscal 2007 consisted of 53 weeks.

	Year Ended October 31, (in thousands)				
	2007	2008	2009	2010	2011
Cash and cash equivalents	\$ 892,061	\$ 550,669	\$ 485,705	\$ 688,687	\$ 541,896
Short-term investments	\$ 822,185	\$ 366,336	\$ 563,183	\$ —	\$ —
Long-term investments	\$ 33,946	\$ 156,171	\$ 8,031	\$ —	\$ 50,264
Total assets	\$ 2,416,273	\$ 2,024,594	\$ 1,504,383	\$ 2,118,093	\$ 1,951,418
Short-term convertible notes payable	\$ 542,262	\$ —	\$ —	\$ —	\$ —
Long-term convertible notes payable	\$ 800,000	\$ 798,000	\$ 798,000	\$ 1,442,705	\$ 1,442,364
Total liabilities	\$ 1,566,119	\$ 1,025,645	\$ 1,048,545	\$ 1,958,800	\$ 1,937,545
Stockholders' equity	\$ 850,154	\$ 998,949	\$ 455,838	\$ 159,293	\$ 13,873

Statement of Operations Data:

	Year Ended October 31, (in thousands, except per share data)				
	2007	2008	2009	2010	2011
Revenue	\$ 779,769	\$ 902,448	\$ 652,629	\$ 1,236,636	\$ 1,741,970
Cost of goods sold	417,500	451,521	367,799	739,135	1,032,824
Gross profit	362,269	450,927	284,830	497,501	709,146
Operating expenses:					
Research and development	127,296	175,023	190,319	327,626	379,862
Selling and marketing	118,015	152,018	134,527	193,515	251,990
General and administrative	50,248	68,639	47,509	102,692	126,242
Acquisition and integration costs	—	—	—	101,379	42,088
Amortization of intangible assets	25,350	32,264	24,826	99,401	69,665
Restructuring (recoveries) costs	(2,435)	1,110	11,207	8,514	5,781
Goodwill impairment	—	—	455,673	—	—
Gain on lease settlement	(4,871)	—	—	—	—
Change in fair value of contingent consideration	—	—	—	(13,807)	(3,289)
Total operating expenses	313,603	429,054	864,061	819,320	872,339
Income (loss) from operations	48,666	21,873	(579,231)	(321,819)	(163,193)
Interest and other income, net	76,483	36,762	9,487	3,917	6,022
Interest expense	(26,996)	(12,927)	(7,406)	(18,619)	(37,926)
Realized loss due to impairment of marketable debt investments	(13,013)	(5,101)	—	—	—
Gain (loss) on cost method investments	—	—	(5,328)	—	7,249
Gain on extinguishment of debt	—	932	—	4,948	—
Gain on equity investments, net	592	—	—	—	—
Income (loss) before income taxes	85,732	41,539	(582,478)	(331,573)	(187,848)
Provision (benefit) for income taxes	2,944	2,645	(1,324)	1,941	7,673
Net income (loss)	\$ 82,788	\$ 38,894	\$ (581,154)	\$ (333,514)	\$ (195,521)
Basic net income (loss) per common share	\$ 0.97	\$ 0.44	\$ (6.37)	\$ (3.58)	\$ (2.04)
Diluted net income (loss) per potential common share	\$ 0.87	\$ 0.42	\$ (6.37)	\$ (3.58)	\$ (2.04)
Weighted average basic common shares outstanding	85,525	89,146	91,167	93,103	95,854
Weighted average dilutive potential common shares outstanding	99,604	110,605	91,167	93,103	95,854

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This report contains statements that discuss future events or expectations, projections of results of operations or financial condition, changes in the markets for our products and services, or other “forward-looking” information. Our “forward-looking” information is based on various factors and was derived using numerous assumptions. In some cases, you can identify these “forward-looking statements” by words like “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “intends,” “potential” or “continue” or the negative of those words and other comparable words. You should be aware that these statements only reflect our current predictions and beliefs. These statements are subject to known and unknown risks, uncertainties and other factors, and actual events or results may differ materially. Important factors that could cause our actual results to be materially different from the forward-looking statements are disclosed throughout this report, particularly under the heading “Risk Factors” in Item 1A of Part I of this annual report. You should review these risk factors for a more complete understanding of the risks associated with an investment in our securities. We undertake no obligation to revise or update any forward-looking statements. The following discussion and analysis should be read in conjunction with our “Selected Consolidated Financial Data” and consolidated financial statements and notes thereto included elsewhere in this annual report.

Overview

We are a provider of equipment, software and service solutions that support the transport, switching, aggregation and management of voice, video and data traffic on communications networks. Our Packet-Optical Transport, Packet-Optical Switching and Carrier Ethernet Solutions products are deployed and used, individually or as part of an integrated solution, in communications networks operated by service providers, cable operators, governments, enterprises and other network operators around the globe.

We are a network specialist focused on the modernization and transition of disparate, legacy network infrastructures to converged, next-generation architectures, optimized to handle a broader mix of high-bandwidth communications services. Our product portfolio consists of our Packet-Optical Transport, Packet-Optical Switching and Carrier Ethernet Solutions products that enable network operators to scale capacity and increase transmission speeds, transport and efficiently allocate network traffic, and deliver services to business and consumer end users. Our network solutions also include our Ciena One software suite for unified network management and network planning and design, as well as a broad offering of advanced network consulting, design, implementation and support services.

Our customers face a challenging and rapidly changing environment that requires their networks to be robust enough to address increasing capacity needs and flexible enough to quickly adapt to emerging applications and evolving consumer and business use of communications services. Our solutions seek to enable software-defined, automated, next-generation networks that better address the business challenges, infrastructure requirements and service delivery needs of our customers. By improving network productivity and automation, reducing network costs and enabling rapid deployment of differentiated service offerings, our communications networking solutions create business and operational value for our customers.

Our quarterly reports on Form 10-Q, annual reports on Form 10-K and current reports on Form 8-K filed with the SEC are available through the SEC's website at www.sec.gov or free of charge on our website as soon as reasonably practicable after we file these documents. We routinely post the reports above, recent news and announcements, financial results and other important information about Ciena on the "Investors" page of our website at www.ciena.com.

Global Market Conditions and Competitive Landscape

The sustained period of macroeconomic weakness and volatility in the global economy and in capital markets has resulted in heightened uncertainty and cautious customer behavior in our industry and markets. These dynamics have caused increased customer scrutiny with respect to network investment, which has resulted in protracted sales cycles, lengthier network deployments, revenue recognition delays and extended collection cycles, particularly for international network projects. Broad macroeconomic weakness has previously resulted in periods of decreased demand for our products and services that have adversely affected our results of operations. We remain uncertain as to how long current macroeconomic and industry conditions will persist, the pace of any recovery, and the magnitude of the effect of these conditions on the growth of our markets and business, as well as our results of operations.

We continue to encounter a highly competitive marketplace for sales of our networking solutions offering, particularly within our Packet-Optical Transport segment. Competition has intensified as we and our competitors have introduced new, high-capacity, high-speed network solutions and more aggressively sought to capture market share and displace incumbent vendors at large carrier customers. We have also encountered increased competition as we have expanded our business in emerging geographies and new markets or applications for our communications networking products. For example, we have made early progress in the sale of our products for application in submarine networks and with sales to customers in the Middle East. In this competitive environment, securing new opportunities, particularly in international markets, often requires that we agree to less favorable commercial terms or pricing, financial commitments requiring collateralized performance bonds or similar instruments that place cash resources at risk, and other contractual commitments that place a disproportionate allocation of risk upon the vendor. These terms can adversely affect our result of operations. We expect the level of competition, particularly in North America, to continue and potentially increase, as Chinese equipment vendors seek to gain entry into the U.S. market, and other multinational competitors seek to retain incumbent positions with large customers in the region.

Potential Supply Chain Disruption

In recent months, several regions of Thailand have experienced severe flooding, causing significant damage to infrastructure and factories. Flooding has affected the operations of certain component providers in our supply chain, or, in turn, their suppliers of components based in Thailand. We are actively monitoring and evaluating stabilization efforts of these suppliers following the flooding and are currently working with existing suppliers and qualifying new sources of supply in order to minimize the effect on our customers and our business. Given the severity of the situation and our dependency upon the recovery efforts of these suppliers, however, there can be no assurance that we will not encounter shortages, extended lead

times, additional costs or other disruptions in the availability or allocation of components that could affect our business over the next several fiscal quarters.

Market Opportunity and Strategy

Despite recent macroeconomic and competitive dynamics, we believe that a number of important underlying drivers represent significant long-term opportunities and growing demand for converged optical Ethernet networking solutions in our target markets. We believe that market trends, including the proliferation of smartphones, tablets and similar devices running mobile web applications, the prevalence of video applications, and the shift of enterprise and consumer applications to cloud-based or virtualized network environments are emblematic of increased use and dependence by consumers and enterprises upon a growing variety of broadband applications and services. We expect that these services will continue to add significant multiservice network traffic, requiring our customers to invest in next-generation, high-capacity network infrastructures that are more efficient, robust and dynamic.

To capitalize on the market dynamics above, we invested heavily in our business during fiscal 2011 and are in the process of introducing, or transitioning to new solutions offerings in each of our product segments. Simultaneously, we have been investing in market entry into multiple new geographies and customer segments, as well as the expansion of footprint and market share within our traditional customer base across our segments. We have also been making investments in an effort to optimize and gain leverage from our business processes, systems, infrastructure and resources in order to achieve our desired operating model and profitability goals. These investments are a critical element of our effort to address customer business challenges and evolving network requirements and position us to seize market opportunities. We believe these investments, together with the successful completion of significant integration activities relating to the MEN Business during fiscal 2011, lay a strong foundation for long-term growth of our business.

Additional components of our overall corporate strategy can be found in Item 1, "Business" above.

Acquisition of Nortel Metro Ethernet Networks Business and Effect on Results of Operations and Financial Condition

On March 19, 2010, we completed our acquisition (the "MEN Acquisition") of substantially all of the optical networking and Carrier Ethernet assets of Nortel's Metro Ethernet Networks business (the "MEN Business") for a purchase price of \$676.8 million. See Note 2 to the Consolidated Financial Statements in Item 8 of Part II of this annual report for more information.

The MEN Acquisition represented a transformative opportunity for Ciena, strengthening our position as a leader in next-generation, converged optical Ethernet networking and accelerating the execution of our corporate and research and development strategies. Due to the relative scale of its operations, however, the MEN Acquisition materially affected our operations, financial results and liquidity during the periods covered in this report and may make period to period comparisons difficult. These effects include:

- In fiscal 2010, we paid the \$676.8 million purchase price for the MEN Acquisition in cash and issued \$375.0 million in aggregate principal amount of 4.0% convertible senior notes due March 15, 2015, in part to fund the purchase price;
- Our revenue increased materially as compared to periods prior to the MEN Acquisition, which closed during our second quarter of fiscal 2010;
- Our concentration of Packet-Optical Transport revenue and revenue from outside of the United States increased, each of which has contributed to somewhat lower gross margins since the MEN Acquisition;
- Gross margin was adversely affected by the valuation, required under accounting rules, of the acquired finished goods inventory of the MEN Business to fair value upon closing. This valuation increased marketable inventory carrying value by \$62.3 million, of which \$48.0 million and \$14.3 million were recognized in cost of goods sold during fiscal 2010 and 2011, respectively. See "Critical Accounting Policies and Estimates- Long-lived Assets" and Note 2 of the Consolidated Financial Statements found under Item 8 of Part II of this annual report;
- Our operating expense increased materially compared to periods prior to the MEN Acquisition, reflecting:
 - the addition of approximately 2,000 employees, nearly doubling our headcount;
 - increased operating costs associated with a significantly expanded, global business;
 - increased amortization costs relating to the acquisition of \$492.4 million in intangible assets;
 - transition service expense for services performed by a Nortel affiliate through the second quarter of fiscal 2011, relating to finance and accounting functions, supply chain and logistics management, maintenance

and product support, order management and fulfillment, trade compliance, and information technology;

- integration-related costs, including transaction, consulting and third party service fees, severance and purchases of capitalized information technology equipment of \$122.3 million and \$59.6 million for fiscal 2010 and 2011, respectively; and
 - restructuring costs during fiscal 2010 and fiscal 2011 of approximately \$8.5 million and \$6.6 million, respectively, largely related to our efforts to better align our workforce and operating costs with the market opportunities, product development initiatives and business strategies for the combined operations.
- Increased use of cash from operations primarily driven by greater working capital requirements in fiscal 2010 and 2011.

In reviewing our financial results, investors should consider these and other factors included to highlight challenges to period to period comparisons.

Financial Results

Revenue for the fourth quarter of fiscal 2011 was \$455.5 million, representing a sequential increase of 4.6% from \$435.3 million in the third quarter of fiscal 2011. Revenue-related details reflecting sequential changes from the third quarter of fiscal 2011 include:

- Product revenue for the fourth quarter of fiscal 2011 increased by \$18.0 million, primarily reflecting an increase of \$29.6 million in Packet-Optical Transport and a decrease of \$11.6 million in sales of Carrier-Ethernet Solutions.
- Service revenue for the fourth quarter of fiscal 2011 increased by \$2.1 million.
- Revenue from the United States for the fourth quarter of fiscal 2011 was \$252.2 million, an increase from \$227.5 million in the third quarter of fiscal 2011.
- International revenue for the fourth quarter of fiscal 2011 was \$203.3 million, a decrease from \$207.8 million in the third quarter of fiscal 2011.
- As a percentage of revenue, international revenue was 44.6% during the fourth quarter of fiscal 2011, a decrease from 47.7% during the third quarter of fiscal 2011.
- For the fourth quarter of fiscal 2011, one customer accounted for greater than 10% of revenue, representing 14.9% of total revenue. This compares to one customer that accounted for 17.2% of total revenue in the third quarter of fiscal 2011.

Gross margin for the fourth quarter of fiscal 2011 was 41.7%, a decrease from 42.5% in the third quarter of fiscal 2011. Gross margin for the fourth quarter of fiscal 2011 was adversely affected by lower services margin. Gross margin has been, and may continue to be, affected by increased competitive pressures across our segments and our strategy to gain new customers, enter new markets and capture additional market share, particularly for 40G and 100G coherent optical transport solutions within our 6500 Packet-Optical Platform.

Operating expense was \$206.2 million for the fourth quarter of fiscal 2011, an increase from \$202.3 million in the third quarter of fiscal 2011. Fourth quarter operating expense primarily reflects a \$9.3 million increase in selling and marketing expense due to increased variable compensation, travel expense and product demonstration costs. This increase was partially offset by decreases of \$2.5 million in acquisition and integration costs and \$2.0 million in research and development expense.

As a result of our increase in revenue as described above, our loss from operations for the fourth quarter of fiscal 2011 was \$16.3 million, an improvement from a \$17.4 million loss from operations during the third quarter of fiscal 2011. Our net loss for the fourth quarter of fiscal 2011 was \$22.3 million, or \$0.23 per share. This compares to a net loss of \$31.5 million or \$0.33 per share, for the third quarter of fiscal 2011.

We generated \$42.0 million in cash from operations during the fourth quarter of fiscal 2011, consisting of \$32.9 million provided by net losses adjusted for non-cash charges and \$9.1 million in changes in working capital. This compares with the use of \$17.0 million in cash from operations during the third quarter of fiscal 2011, consisting of \$44.3 million in cash used for changes in working capital and \$27.3 million from net losses adjusted for non-cash charges.

As of October 31, 2011, we had \$541.9 million in cash and cash equivalents and \$50.3 million of long-term investments in

U.S. treasury securities. This compares to \$486.3 million and \$688.7 million in cash and cash equivalents at July 31, 2011 and October 31, 2010, respectively, and \$50.2 million of long-term investments in U.S. treasury securities at July 31, 2011 .

As of October 31, 2011 and July 31, 2011 , headcount was 4,339 , an increase from 4,201 and 2,163 at October 31, 2010 and 2009 , respectively.

Consolidated Results of Operations

Our results of operations for the periods in fiscal 2010 reflect the operations of the MEN Business beginning on the March 19, 2010 acquisition date. We reorganized our internal organizational structure and the management of our business upon the MEN Acquisition and, as described in Note 19 of the Consolidated Financial Statements found under Item 8 of Part II of this report, present our results of operations based upon the following operating segments:

- *Packet-Optical Transport* - includes optical transport solutions that increase network capacity and enable more rapid delivery of a broader mix of high-bandwidth services. These products are used by network operators to facilitate the cost effective and efficient transport of voice, video and data traffic in core networks, regional, metro and access networks. Our Packet-Optical Transport products support the efficient delivery of a wide variety of consumer-oriented network services, as well as key managed service and enterprise applications. Our principal products in this segment include the 6500 Packet-Optical Platform, 4200 Advanced Services Platform; Corestream® Agility Optical Transport System, 5100/5200 Advanced Services Platform, Common Photonic Layer (CPL), and 6100 Multiservice Optical Platform. This segment also includes sales from legacy SONET/SDH, transport and data networking products, as well as certain enterprise-oriented transport solutions that support storage and LAN extension, interconnection of data centers, and virtual private networks. This segment also includes operating system software and enhanced software features embedded in each of these products. Revenue from this segment is included in product revenue on the Consolidated Statement of Operations.
- *Packet-Optical Switching* - includes optical switching platforms that enable automated optical infrastructures for the delivery of a wide variety of enterprise and consumer-oriented network services. Our principal products in this segment include our family of CoreDirector® Multiservice Optical Switches, our 5430 Reconfigurable Switching System and our OTN configuration for the 5410 Reconfigurable Switching System. These products include multiservice, multi-protocol switching systems that consolidate the functionality of an add/drop multiplexer, digital cross-connect and packet switch into a single, high-capacity intelligent switching system. These products address both the core and metro segments of communications networks and support key managed service services, Ethernet/TDM Private Line, Triple Play and IP services. This segment also includes sales of operating system software and enhanced software features embedded in each of these products. Revenue from this segment is included in product revenue on the Consolidated Statement of Operations.
- *Carrier-Ethernet Solutions* - includes our 3000 family of service delivery switches and service aggregation switches, the 5000 series of service aggregation switches, and our Carrier Ethernet packet configuration for the 5410 Service Aggregation Switch. These products support the access and aggregation tiers of communications networks and have principally been deployed to support wireless backhaul infrastructures and business data services. Employing sophisticated Carrier Ethernet switching technology, these products deliver quality of service capabilities, virtual local area networking and switching functions, and carrier-grade operations, administration, and maintenance features. This segment includes the legacy metro Ethernet routing switch (MERS) product line from the MEN Business, and our legacy broadband products, including our CNX-5 Broadband DSL System (CNX-5), that transitions legacy voice networks to support Internet-based (IP) telephony, video services and DSL. This segment also includes sales of operating system software and enhanced software features embedded in each of these products. Revenue from this segment is included in product revenue on the Consolidated Statement of Operations.
- *Software and Services* - includes the Ciena One software suite, including OneControl, our integrated network and service management software designed to automate and simplify network management, operation and service delivery. These software solutions can track individual services across multiple product suites, facilitating planned network maintenance, outage detection and identification of customers or services affected by network troubles. In addition to Ciena One, this segment includes our ON-Center® Network & Service Management Suite, and the OMEA and Preside platforms from the MEN Business. This segment also includes a broad range of consulting and support services, including installation and deployment, maintenance support, consulting, network design and training activities. Except for revenue from the software portion of this segment, which is included in product revenue, revenue from this segment is included in services revenue on the Consolidated Statement of Operations.

Fiscal 2010 compared to Fiscal 2011
Revenue

The table below (in thousands, except percentage data) sets forth the changes in our operating segment revenue for the periods indicated:

	Fiscal Year				Increase (decrease)	%**
	2010	%*	2011	%*		
Revenue:						
Packet-Optical Transport	\$ 705,551	57.0	\$ 1,121,811	64.5	\$ 416,260	59.0
Packet-Optical Switching	112,058	9.1	148,395	8.5	36,337	32.4
Carrier-Ethernet Solutions	179,083	14.5	127,868	7.3	(51,215)	(28.6)
Software and Services	239,944	19.4	343,896	19.7	103,952	43.3
Consolidated revenue	\$ 1,236,636	100.0	\$ 1,741,970	100.0	\$ 505,334	40.9

* Denotes % of total revenue

** Denotes % change from 2010 to 2011

- **Packet-Optical Transport revenue** increased reflecting a \$377.8 million increase in sales of our 6500 Packet-Optical Platform, largely driven by service provider demand for high-capacity, optical transport, including coherent 40G and 100G network infrastructures. Packet-Optical Transport revenue also benefited from sales increases of \$23.4 million in 4200 Advanced Services Platform, \$19.9 million in 6100 Multiservice Optical Platform, \$15.9 million in 5100/5200 Advanced Services Platform, and \$10.2 million in CPL. These increases were partially offset by decreases of \$25.6 million in Corestream® Agility Optical Transport System and \$5.1 million in legacy transport products.
- **Packet-Optical Switching revenue** increased reflecting a \$21.3 million increase in sales of our 5430 Reconfigurable Switching System and a \$14.1 million increase in sales of our CoreDirector® Multiservice Optical Switches. Packet-Optical Switching revenue has historically reflected sales of our CoreDirector platform, which has a concentrated customer base. Our Packet-Optical Switching segment is in the midst of a platform transition to our next-generation 5430 Reconfigurable Switching System. As a result of these factors, revenue for this segment can fluctuate considerably depending upon individual customer purchasing decisions and the level of initial deployments with customers.
- **Carrier-Ethernet Solutions revenue** decreased reflecting a \$51.6 million decrease in sales of our 3000 and 5000 families of service delivery switches and service aggregation switches and an \$8.7 million decrease in sales of our legacy metro Ethernet and broadband products. Carrier Ethernet Service Delivery revenue benefited from \$9.1 million in initial revenue from the introduction of the 5410 Service Aggregation Switch to support wireless backhaul, Ethernet business services and residential broadband applications. Revenue for this segment remains subject to fluctuation due to customer concentration and the timing of customer purchasing and deployment cycles. We expect segment results to be dependent upon further adoption of these products to support business Ethernet service applications and the level of customer adoption of our high-capacity, Carrier Ethernet configuration for our 5410 Service Aggregation Switch to support wireless backhaul, Ethernet business services and residential broadband applications.
- **Software and Services revenue** increased reflecting a \$66.1 million increase in maintenance support revenue and a \$42.0 million increase in installation, deployment and consulting services.

Revenue from sales to customers outside of the United States is reflected as International in the geographic distribution of revenue below. The table below (in thousands, except percentage data) sets forth the changes in geographic distribution of revenue for the periods indicated:

	Fiscal Year				Increase (decrease)	%**
	2010	%*	2011	%*		
United States	\$ 744,232	60.2	\$ 930,880	53.4	\$ 186,648	25.1
International	492,404	39.8	811,090	46.6	318,686	64.7
Total	\$ 1,236,636	100.0	\$ 1,741,970	100.0	\$ 505,334	40.9

* Denotes % of total revenue

** Denotes % change from 2010 to 2011

- **United States revenue** increased primarily due to a \$185.2 million increase in sales of Packet-Optical Transport products, a \$38.3 million increase in Software and Services revenue and a \$17.4 million increase in Packet-Optical Switching products. These increases were partially offset by a \$54.2 million decrease in Carrier Ethernet Solutions sales.
- **International revenue** increased primarily due to a \$231.1 million increase in Packet-Optical Transport revenue, a \$65.7 million increase in Software and Services revenue and an \$18.9 million increase in sales of Packet-Optical Switching products.

A sizable portion of our revenue continues to come from sales to a small number of service providers, particularly within our Packet-Optical Switching and Carrier Ethernet Solutions businesses where four customers accounted for greater than approximately 65.8% of our revenue in fiscal 2011. As a result, our financial results are significantly affected by spending levels and the business opportunities and challenges encountered by our service provider customers. Moreover, our contracts do not have terms that obligate these customers to purchase any minimum or specific amounts of equipment or services. Our concentration of revenue has been adversely affected in prior periods by consolidation activity among our customers. In addition, some of our customers are pursuing efforts to outsource the management and operation of their networks, or have indicated a procurement strategy to reduce the number of vendors from which they purchase equipment, which could further affect our concentration of revenue where we participate in these efforts. Sales to AT&T were \$267.4 million, or 21.6% of our revenue, in fiscal 2010 and \$269.9 million, or 15.5% of our revenue, in fiscal 2011. We did not have any other customers accounting for greater than 10% of revenue in fiscal 2010 or 2011.

Cost of Goods Sold and Gross Profit

Product cost of goods sold consists primarily of amounts paid to third-party contract manufacturers, component costs, employee-related costs and overhead, shipping and logistics costs associated with manufacturing-related operations, warranty and other contractual obligations, royalties, license fees, amortization of intangible assets, cost of excess and obsolete inventory and, when applicable, estimated losses on committed customer contracts.

Services cost of goods sold consists primarily of direct and third-party costs, including employee-related costs, associated with our provision of services including installation, deployment, maintenance support, consulting and training activities, and, when applicable, estimated losses on committed customer contracts.

Our gross profit as a percentage of revenue, or "gross margin," continues to be susceptible to quarterly fluctuation due to a number of factors. Gross margin can vary significantly depending upon the mix and concentration of revenue by segment or product line, the concentration of lower margin common equipment sales within a segment or product line, geographic mix and the mix of customers and services in a given fiscal quarter. Gross margin can also be affected by our introduction of new products, charges for excess and obsolete inventory, changes in warranty costs and sales volume. We expect that gross margins will be subject to fluctuation based on our level of success in driving cost reductions, rationalizing our supply chain and consolidating third party contract manufacturers and distribution sites as part of our effort to optimize our operations. Gross margin can also be adversely affected by the competitive environment and level of pricing pressure we encounter. The combination of the recent period of uncertain market conditions, constraints on customer capital expenditures and increased competition has resulted in a heightened customer focus on pricing and return on network investment, as customers address network traffic growth and strive to increase revenue and profit. While competition is intense across our segments, our exposure to pricing pressure has been most severe in metro and core applications for our Packet-Optical Transport platforms, particularly in international markets. As a result, in an effort to retain or secure customers, enter new markets or capture market share, in the past we have and in the future we may agree to pricing or other unfavorable commercial terms that result in lower or negative gross margins on a particular order or group of orders. Because Packet-Optical Transport and international revenue

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comprise a greater percentage of our overall revenue than in prior periods, these market dynamics may adversely affect our gross margins and results of operations in certain periods.

Service gross margin can be affected by the mix of customers and services, particularly the mix between deployment and maintenance services, geographic mix and the timing and extent of any investments in internal resources to support this business.

The tables below (in thousands, except percentage data) set forth the changes in revenue, cost of goods sold and gross profit for the periods indicated:

	Fiscal Year				Increase (decrease)	% **
	2010	% *	2011	% *		
Total revenue	\$ 1,236,636	100.0	\$ 1,741,970	100.0	\$ 505,334	40.9
Total cost of goods sold	739,135	59.8	1,032,824	59.3	293,689	39.7
Gross profit	\$ 497,501	40.2	\$ 709,146	40.7	\$ 211,645	42.5

* Denotes % of total revenue

** Denotes % change from 2010 to 2011

	Fiscal Year				Increase (decrease)	% **
	2010	% *	2011	% *		
Product revenue	\$ 1,009,239	100.0	\$ 1,406,532	100.0	\$ 397,293	39.4
Product cost of goods sold	596,704	59.1	825,969	58.7	229,265	38.4
Product gross profit	\$ 412,535	40.9	\$ 580,563	41.3	\$ 168,028	40.7

* Denotes % of product revenue

** Denotes % change from 2010 to 2011

	Fiscal Year				Increase (decrease)	% **
	2010	% *	2011	% *		
Service revenue	\$ 227,397	100.0	\$ 335,438	100.0	\$ 108,041	47.5
Service cost of goods sold	142,431	62.6	206,855	61.7	64,424	45.2
Service gross profit	\$ 84,966	37.4	\$ 128,583	38.3	\$ 43,617	51.3

* Denotes % of service revenue

** Denotes % change from 2010 to 2011

- **Gross profit as a percentage of revenue** increased as a result of the factors described below.
- **Gross profit on products as a percentage of product revenue** increased, despite less favorable product mix in fiscal 2011, largely as a result of the adverse effect, in fiscal 2010, of a number of items relating to the MEN Acquisition that increased costs of goods sold in that period. These items included \$48.0 million related to the revaluation of inventory and \$6.6 million in excess purchase commitment losses on Ciena's pre-acquisition inventory relating to product rationalization decisions. Fiscal 2011 cost of goods sold included \$14.3 million related to the revaluation of inventory and an \$8.8 million increase in amortization of intangible assets.
- **Gross profit on services as a percentage of services revenue** increased due to higher concentration of professional services as a percentage of revenue, and improved operational efficiencies.

Operating Expense

Research and development expense primarily consists of salaries and related employee expense (including share-based compensation expense), prototype costs relating to design, development, and testing of our products, depreciation expense and third-party consulting costs.

Sales and marketing expense primarily consists of salaries, commissions and related employee expense (including share-based compensation expense), and sales and marketing support expense, including travel, demonstration units, trade show expense and third-party consulting costs.

General and administrative expense primarily consists of salaries and related employee expense (including share-based compensation expense), and costs for third-party consulting and other services.

Amortization of intangible assets primarily reflects purchased technology and customer relationships from our acquisitions.

The table below (in thousands, except percentage data) sets forth the changes in operating expense for the periods indicated:

	Fiscal Year				Increase (decrease)	%**
	2010	%*	2011	%*		
Research and development	\$ 327,626	26.5	\$ 379,862	21.8	\$ 52,236	15.9
Selling and marketing	193,515	15.6	251,990	14.5	58,475	30.2
General and administrative	102,692	8.3	126,242	7.2	23,550	22.9
Acquisition and integration costs	101,379	8.2	42,088	2.4	(59,291)	(58.5)
Amortization of intangible assets	99,401	8.0	69,665	4.0	(29,736)	(29.9)
Restructuring costs	8,514	0.7	5,781	0.3	(2,733)	(32.1)
Change in fair value of contingent consideration	(13,807)	(1.1)	(3,289)	(0.2)	10,518	(76.2)
Total operating expenses	\$ 819,320	66.2	\$ 872,339	50.0	\$ 53,019	6.5

* Denotes % of total revenue

** Denotes % change from 2010 to 2011

- **Research and development expense** was adversely affected by \$12.2 million as a result of foreign exchange rates, primarily due to the weakening of the U.S. dollar in relation to the Canadian dollar. The \$52.2 million increase primarily reflects increases of \$47.4 million in employee compensation and related costs, \$13.6 million in facilities and information systems, \$4.8 million in depreciation expense and \$2.5 million in professional services and fees. These increases were partially offset by decreases of \$9.6 million in prototype expense and a \$5.5 million benefit related to a conditional grant from the Province of Ontario. Under this strategic jobs investment fund grant, we can receive up to an aggregate of \$25.0 million Canadian dollars in funding for eligible costs relating to certain next-generation, coherent optical transport development initiatives over the period from fiscal 2011 to fiscal 2015. We anticipate receiving future disbursements, approximating CAD\$5.0 million per fiscal year over the period above. Amounts received under the grant are subject to recoupment in the event that we fail to achieve certain minimum investment, employment and project milestones.
- **Selling and marketing expense** was adversely affected by \$2.5 million due to foreign exchange rates, primarily due to the weakening of the U.S. dollar in relation to the Euro and the Canadian dollar. The \$58.5 million increase primarily reflects increases of \$37.9 million in employee compensation and related costs, \$6.0 million in facilities and information systems, \$5.2 million in travel-related expenditures, \$4.8 million in marketing program costs, \$2.7 million in prototype expense and \$2.0 million in professional services and fees.
- **General and administrative expense** increased by \$21.5 million in employee compensation and related costs.
- **Acquisition and integration costs** principally consist of transaction, consulting and third party service fees related to the acquisition and integration of the MEN Business into the combined operations. This integration activity was substantially completed in the first half of fiscal 2011.

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- **Amortization of intangible assets** decreased due to certain intangible assets from the MEN Acquisition reaching the end of their economic lives during fiscal 2011. See Note 2 to our Consolidated Financial Statements in Item 8 of Part II of this report.
- **Restructuring costs** primarily reflect the headcount reductions and restructuring activities described in the “Overview — Acquisition of Nortel Metro Ethernet Networks Business and Effect on Results of Operations and Financial Condition” above.
- **Change in fair value of contingent consideration** is related to the contingent refund right we received as part of the MEN Acquisition relating to the early termination of the Carling lease. See Note 2 to our Consolidated Financial Statements in Item 8 of Part II for additional information.

Other items

The table below (in thousands, except percentage data) sets forth the changes in other items for the periods indicated:

	Fiscal Year				Increase (decrease)	%**
	2010	%*	2011	%*		
Interest and other income (loss), net	\$ 3,917	0.3	\$ 6,022	0.3	\$ 2,105	53.7
Interest expense	\$ 18,619	1.5	\$ 37,926	2.2	\$ 19,307	103.7
Gain on cost method investment	\$ —	0.0	\$ 7,249	0.4	\$ 7,249	100.0
Gain on extinguishment of debt	\$ 4,948	0.4	\$ —	0.0	\$ (4,948)	(100.0)
Provision for income taxes	\$ 1,941	0.2	\$ 7,673	0.4	\$ 5,732	295.3

* Denotes % of total revenue

** Denotes % change from 2010 to 2011

- **Interest and other income (loss), net** increased due to a \$2.8 million positive effect of foreign exchange rates on assets and liabilities denominated in a currency other than the relevant functional currency. Fiscal 2010 reflects a \$2.0 million charge relating to the termination of an indemnification asset upon the expiration of the statute of limitations applicable to one of the uncertain tax contingencies acquired as part of the MEN Acquisitions.
- **Interest expense** increased due to our issuance during fiscal 2010 of \$375.0 million in aggregate principal amount of 4.0% convertible senior notes due March 15, 2015 and \$350.0 million in aggregate principal amount of 3.75% convertible senior notes due October 15, 2018. See Note 14 to the Consolidated Financial Statements found under Item 8 of Part II of this report.
- **Gain on cost method investment** for fiscal 2011 was the result of the sale of a privately held technology company in which we held a minority equity investment.
- **Gain on extinguishment of debt** for fiscal 2010 resulted from our repurchase of \$81.8 million in aggregate principal amount of our outstanding 0.25% convertible notes in privately negotiated transactions for \$76.1 million. We recorded a gain on the extinguishment of debt in the amount of \$4.9 million, which consists of the \$5.7 million gain from the repurchase of the notes, less \$0.8 million of associated debt issuance costs.
- **Provision for income taxes** increased primarily due to increased foreign taxes.

Fiscal 2009 compared to Fiscal 2010

Revenue

The table below (in thousands, except percentage data) sets forth the changes in our operating segment revenue for the periods indicated:

	Fiscal Year				Increase (decrease)	%**
	2009	%*	2010	%*		
Revenue:						
Packet-Optical Transport	\$ 299,088	45.8	\$ 705,551	57.0	\$ 406,463	135.9
Packet-Optical Switching	165,705	25.4	112,058	9.1	(53,647)	(32.4)
Carrier-Ethernet Solutions	75,125	11.5	179,083	14.5	103,958	138.4
Software and Services	112,711	17.3	239,944	19.4	127,233	112.9
Consolidated revenue	<u>\$ 652,629</u>	<u>100.0</u>	<u>\$ 1,236,636</u>	<u>100.0</u>	<u>\$ 584,007</u>	<u>89.5</u>

* Denotes % of total revenue

** Denotes % change from 2009 to 2010

- Packet-Optical Transport revenue** for fiscal 2010 reflects the addition of \$409.6 million in revenue from the MEN Business. The addition of MEN Business revenue reflects \$208.0 million of sales relating to our 6500 Packet-Optical Platform. Packet-Optical Transport revenue also benefited from the addition of sales from the MEN Business of \$115.8 million of 5100/5200 Advanced Services Platform, \$39.1 million of CPL, \$31.7 million of legacy and other transport products and \$15.0 million of 6100 Multiservice Optical Platform revenue. Packet-Optical Transport revenue benefited from a \$13.2 million increase in 4200 Advanced Services Platform revenue during fiscal 2010, largely driven by metro network builds and latency sensitive applications. These increases were offset by an \$11.5 million decrease in Corestream® Agility Optical Transport System sales and a \$4.8 million decrease in sales of legacy and other Packet-Optical Transport products.
- Packet-Optical Switching revenue** decreased reflecting a \$53.6 million decline in CoreDirector revenue. Packet-Optical Switching revenue principally reflects our CoreDirector platform, which has a concentrated customer base. As a result, revenue can fluctuate considerably depending upon individual customer purchasing decisions. We believe Packet-Optical Switching product revenue was also adversely affected in fiscal 2010 by deferred customer purchasing decisions and the effect of carrier sales cycles as we effected a platform transition from CoreDirector to our 5430 next-generation, high-capacity switching systems.
- Carrier-Ethernet Solutions revenue** increased significantly, reflecting an \$86.5 million increase in sales of our 3000 and 5000 families of service-delivery switches and service aggregation switches in support of wireless backhaul deployments. Quarterly revenue for these products remains subject to fluctuation due to customer concentration and customer buying cycles. Carrier Ethernet Solutions revenue also benefited from the addition of \$9.6 million in sales of our MERS product from the MEN Business and an \$8.2 million increase in CNX-5 sales in support of residential DSL.
- Software and Services revenue** increased primarily due to the addition of \$86.6 million in maintenance support revenue and \$20.8 million in installation and deployment services from the MEN Business. Segment revenue also benefited from a \$14.9 million increase in maintenance support revenue from Ciena's pre-acquisition portfolio and a \$4.9 million increase in software revenue.

Revenue from sales to customers outside of the United States is reflected as International in the geographic distribution of revenue below. The table below (in thousands, except percentage data) sets forth the changes in geographic distribution of revenue for the periods indicated:

	Fiscal Year				Increase (decrease)	%**
	2009	%*	2010	%*		
United States	\$ 419,405	64.3	\$ 744,232	60.2	\$ 324,827	77.4
International	233,224	35.7	492,404	39.8	259,180	111.1
Total	<u>\$ 652,629</u>	<u>100.0</u>	<u>\$ 1,236,636</u>	<u>100.0</u>	<u>\$ 584,007</u>	<u>89.5</u>

* Denotes % of total revenue

** Denotes % change from 2009 to 2010

- **United States revenue** increased primarily due to a \$189.8 million increase in sales of Packet-Optical Transport products, principally as a result of the MEN Acquisition, a \$94.1 million increase in sales of Carrier Ethernet Solutions products, and a \$72.5 million increase in services revenue. These increases offset a \$34.3 million decrease in Packet-Optical Switching revenue.
- **International revenue** increased primarily due to a \$216.7 million increase in Packet-Optical Transport revenue, principally as a result of the MEN Acquisition, a \$49.8 million increase in services revenue and a \$9.9 million increase in sales of Carrier Ethernet Solutions products. These increases offset a \$19.4 million decrease in Packet-Optical Switching revenue.

Cost of Goods Sold and Gross Profit

The tables below (in thousands, except percentage data) set forth the changes in revenue, cost of goods sold and gross profit for the periods indicated:

	Fiscal Year				Increase (decrease)	%**
	2009	%*	2010	%*		
Total revenue	\$ 652,629	100.0	\$ 1,236,636	100.0	\$ 584,007	89.5
Total cost of goods sold	367,799	56.4	739,135	59.8	371,336	101.0
Gross profit	\$ 284,830	43.6	\$ 497,501	40.2	\$ 212,671	74.7

- * Denotes % of total revenue
 ** Denotes % change from 2009 to 2010

	Fiscal Year				Increase (decrease)	%**
	2009	%*	2010	%*		
Product revenue	\$ 547,522	100.0	\$ 1,009,239	100.0	\$ 461,717	84.3
Product cost of goods sold	296,170	54.1	596,704	59.1	300,534	101.5
Product gross profit	\$ 251,352	45.9	\$ 412,535	40.9	\$ 161,183	64.1

- * Denotes % of product revenue
 ** Denotes % change from 2009 to 2010

	Fiscal Year				Increase (decrease)	%**
	2009	%*	2010	%*		
Service revenue	\$ 105,107	100.0	\$ 227,397	100.0	\$ 122,290	116.3
Service cost of goods sold	71,629	68.1	142,431	62.6	70,802	98.8
Service gross profit	\$ 33,478	31.9	\$ 84,966	37.4	\$ 51,488	153.8

- * Denotes % of service revenue
 ** Denotes % change from 2009 to 2010

- **Gross profit as a percentage of revenue** decreased due to lower product gross margins described below, partially offset by improved service gross margin.
- **Gross profit on products as a percentage of product revenue** decreased due to a number of items relating to the MEN Acquisition that increased costs of goods sold during fiscal 2010. These items include \$48.0 million related to the revaluation of inventory and \$6.6 million in excess purchase commitment losses on Ciena's pre-acquisition

inventory relating to product rationalization decisions and increased amortization of intangible assets. Fiscal 2010 gross profit was also adversely affected by a lower concentration of Packet-Optical Switching revenue. These additional costs were offset by lower warranty and excess and obsolete inventory charges as compared to fiscal 2009. Gross margin for fiscal 2009 was negatively affected by a \$5.8 million charge related to two committed customer sales contracts that resulted in a negative gross margin on the initial phases of the customers' deployment.

- **Gross profit on services as a percentage of services revenue** increased due to higher concentration of maintenance support and professional services as a percentage of revenue, and improved operational efficiencies.

Operating expense

Excluding the effect of the goodwill impairment charges in fiscal 2009, increased operating expense for fiscal 2010 principally reflects the increased scale of our business resulting from the MEN Acquisition on March 19, 2010. The table below (in thousands, except percentage data) sets forth the changes in operating expense for the periods indicated:

	Fiscal Year				Increase (decrease)	%**
	2009	%*	2010	%*		
Research and development	\$ 190,319	29.2	\$ 327,626	26.5	\$ 137,307	72.1
Selling and marketing	134,527	20.6	193,515	15.6	58,988	43.8
General and administrative	47,509	7.3	102,692	8.3	55,183	116.2
Acquisition and integration costs	—	0.0	101,379	8.2	101,379	100.0
Amortization of intangible assets	24,826	3.8	99,401	8.0	74,575	300.4
Restructuring costs	11,207	1.7	8,514	0.7	(2,693)	(24.0)
Goodwill Impairment	455,673	69.8	—	0.0	(455,673)	(100.0)
Change in fair value of contingent consideration	—	0.0	(13,807)	(1.1)	(13,807)	100.0
Total operating expenses	\$ 864,061	132.4	\$ 819,320	66.2	\$ (44,741)	(5.2)

* Denotes % of total revenue

** Denotes % change from 2009 to 2010

- **Research and development expense** was adversely affected by \$13.9 million as a result of foreign exchange rates, primarily due to the weakening of the U.S. dollar in relation to the Canadian dollar. The \$137.3 million increase primarily reflects increases of \$65.6 million in employee compensation and related costs, \$34.6 million in professional services and fees, \$17.4 million in facilities and information systems, \$12.2 million in depreciation expense and \$4.9 million in prototype expense related to the development initiatives described above.
- **Selling and marketing expense** benefited from \$1.6 million as a result of favorable foreign exchange rates primarily due to the comparative strength of the U.S. dollar in relation to the previous year. The resulting \$59.0 million net change reflects increases of \$41.8 million in employee compensation and related costs, \$6.4 million in travel-related expenditures, \$4.3 million in facilities and information systems and \$2.8 million in professional services and fees.
- **General and administrative expense** increased by \$21.9 million in consulting service expense, \$17.7 million in facilities and information systems expense and \$11.7 million in employee compensation and related costs.
- **Acquisition and integration costs** principally consist of transaction, consulting and third party service fees related to the integration of the MEN Business into the combined operations.
- **Amortization of intangible assets** increased due to the acquisition of additional intangible assets as a result of the MEN Acquisition. See Note 2 to our Consolidated Financial Statements in Item 8 of Part II of this report.
- **Restructuring costs** primarily reflect the headcount reductions and restructuring activities described in the “Overview - Acquisition of Nortel Metro Ethernet Networks Business and Effect on Results of Operations and Financial Condition” above.
- **Goodwill impairment costs** reflect the impairment of goodwill and resulting charge incurred in fiscal 2009 as described in Note 4 to our Consolidated Financial Statements in Item 8 of Part II of this report.

- **Change in fair value of contingent consideration** is related to the contingent refund right we received as part of the MEN Acquisition relating to the early termination of the Carling lease. See Note 2 to our Consolidated Financial Statements in Item 8 of Part II for additional information.

Other items

The table below (in thousands, except percentage data) sets forth the changes in other items for the periods indicated:

	Fiscal Year				Increase (decrease)	%**
	2009	%*	2010	%*		
Interest and other income (loss), net	\$ 9,487	1.5	\$ 3,917	0.3	\$ (5,570)	(58.7)
Interest expense	\$ 7,406	1.1	\$ 18,619	1.5	\$ 11,213	151.4
Loss on cost method investments	\$ 5,328	0.8	\$ —	0.0	\$ (5,328)	(100.0)
Gain on extinguishment of debt	\$ —	0.0	\$ 4,948	0.4	\$ 4,948	100.0
Provision (benefit) for income taxes	\$ (1,324)	(0.2)	\$ 1,941	0.2	\$ 3,265	(246.6)

* Denotes % of total revenue

** Denotes % change from 2009 to 2010

- **Interest and other income (loss), net** decreased as a result of a \$9.5 million decrease in interest income due to lower interest rates and lower invested balances. Decreased interest and other income, net also reflects a \$2.0 million charge relating to the termination of an indemnification asset upon the expiration of the statute of limitations applicable to one of the uncertain tax contingencies acquired as part of the MEN Acquisition. These items were partially offset by a \$3.8 million gain due to the positive effect of foreign exchange rates on assets and liabilities denominated in a currency other than the relevant functional currency, and a \$2.5 million non-cash gain related to the change in fair value of the redemption feature associated with our 4.0% convertible senior notes due March 15, 2015. See Notes 6 and 14 to the Consolidated Financial Statements found under Item 8 of Part II of this report for more information regarding the issuance of these convertible notes and the fair value of the redemption feature contained therein.
- **Interest expense** increased due to our issuance during fiscal 2010 of \$375.0 million in aggregate principal amount of 4.0% convertible senior notes due March 15, 2015 and \$350.0 million in aggregate principal amount of 3.75% convertible senior notes due October 15, 2018. See Note 14 to the Consolidated Financial Statements found under Item 8 of Part II of this report.
- **Loss on cost method investments** during fiscal 2009 was due to the decline in value of our investments in two privately held technology companies that were determined to be other-than-temporary.
- **Gain on extinguishment of debt** resulted from our repurchase of \$81.8 million in aggregate principal amount of our outstanding 0.25% convertible notes in privately negotiated transactions for \$76.1 million. We recorded a gain on the extinguishment of debt in the amount of \$4.9 million, which consists of the \$5.7 million gain from the repurchase of the notes, less \$0.8 million of associated debt issuance costs.
- **Provision (benefit) for income taxes** increased primarily due to a decrease in refundable federal tax credits.

Segment Profit (Loss)

The table below (in thousands, except percentage data) sets forth the changes in our segment profit (loss) for the respective periods:

	Fiscal Year			Increase (decrease)	%*
	2010	2011			
Segment profit (loss):					
Packet-Optical Transport	\$ 69,319	\$ 191,727	\$ 122,408	176.6	
Packet-Optical Switching	\$ 15,662	\$ 49,286	\$ 33,624	214.7	
Carrier-Ethernet Solutions	\$ 28,742	\$ 10,849	\$ (17,893)	(62.3)	
Software and Services	\$ 56,152	\$ 77,422	\$ 21,270	37.9	

* Denotes % change from 2010 to 2011

- **Packet-Optical Transport segment profit** increased primarily due to higher sales volume. Segment profit during fiscal 2010 was adversely affected by the revaluation of the acquired finished goods inventory of the MEN Business to fair value upon closing and the excess purchase commitment losses on Ciena's pre-acquisition inventory relating to product rationalization decisions described above.
- **Packet-Optical Switching segment profit** increased due to higher sales volume and decreased research and development costs, partially offset by lower product gross margin.
- **Carrier-Ethernet Solutions segment profit** decreased due to lower sales volume, partially offset by higher gross margin and decreased research and development costs.
- **Software and Services segment profit** was significantly affected by the MEN Acquisition. Segment profit increased due to increased sales volume, partially offset by increased research and development costs.

The table below (in thousands, except percentage data) sets forth the changes in our segment profit (loss) for the respective periods:

	Fiscal Year			Increase (decrease)	%*
	2009	2010			
Segment profit (loss):					
Packet-Optical Transport	\$ 21,535	\$ 69,319	\$ 47,784	221.9	
Packet-Optical Switching	\$ 60,302	\$ 15,662	\$ (44,640)	(74.0)	
Carrier-Ethernet Solutions	\$ (9,575)	\$ 28,742	\$ 38,317	(400.2)	
Software and Services	\$ 22,249	\$ 56,152	\$ 33,903	152.4	

* Denotes % change from 2009 to 2010

- **Packet-Optical Transport segment profit** for fiscal 2010 reflects increased sales volume resulting in additional product gross profit, partially offset by increased research and development costs due to the MEN Acquisition.
- **Packet-Optical Switching segment profit** declined due to decreased sales volume resulting in reduced product gross profit, and increased research and development costs.
- **Carrier-Ethernet Solutions segment profit** improved significantly due to increased sales volume resulting in additional gross profit, partially offset by increased research and development costs.
- **Software and Services segment profit** improved due to increased sales volume and improved gross margin, both of which resulted in additional gross profit, partially offset by increased research and development costs.

Liquidity and Capital Resources

At October 31, 2011, our principal sources of liquidity were cash and cash equivalents and long-term investments in marketable debt securities, representing U.S. treasuries. The following table summarizes our cash and cash equivalents and long-term investments (in thousands):

	October 31,		Increase (decrease)
	2010	2011	
Cash and cash equivalents	\$ 688,687	\$ 541,896	\$ (146,791)
Long-term investments in marketable debt securities	—	50,264	50,264
Total cash and cash equivalents and investments in marketable debt securities	<u>\$ 688,687</u>	<u>\$ 592,160</u>	<u>\$ (96,527)</u>

During fiscal 2011, we received \$33.5 million related to the early termination of the Carling lease, of which \$17.1 million reduced cash used by operations and \$16.4 million reduced cash used by investing activities. See Note 2 to our Consolidated Financial Statements in Item 8 of Part II for additional information relating to the valuation of this contingent refund right at the closing of the MEN Acquisition and the early termination of the Carling lease.

The decrease in total cash and cash equivalents and investments in marketable debt securities during fiscal 2011, notwithstanding the effect of the receipt of the early termination payment above, was primarily related to the following:

- \$90.5 million cash used from operations, consisting of \$120.3 million for changes in working capital and \$29.8 million from net losses (adjusted for non-cash charges). Use of cash reflects cash payments of \$63.8 million of acquisition and integration-related expense and restructuring costs, of which \$48.7 million was reflected in net losses (adjusted for non-cash charges) and \$15.1 million was reflected in changes in working capital; and
- \$52.4 million for purchases of equipment, furniture, fixtures and intellectual property.

These decreases were partially offset by:

- \$13.2 million from stock issuances upon sales under our employee stock purchase plan and the exercise of stock options;
- \$10.8 million transferred from restricted cash related to reduced collateral requirements for our standby letters of credit described below; and
- \$6.5 million in proceeds from the sale of a privately held technology company in which we had a minority equity investment.

As expected, our investment in working capital for fiscal 2011 reflects the increased scale of our operations resulting from the MEN Acquisition. We regularly evaluate our liquidity position, debt obligations, and anticipated cash needs to fund our operating plans and may consider capital raising and other market opportunities that may be available to us. Based on past performance and current expectations, we believe that our cash, cash equivalents and investments will satisfy our working capital needs, capital expenditures, and other liquidity requirements associated with our existing operations through at least the next 12 months.

The following sections set forth the components of our \$90.5 million of cash used by operating activities for fiscal 2011:

Net loss (adjusted for non-cash charges)

The following tables set forth (in thousands) our net loss (adjusted for non-cash charges) during the period:

	Year ended October 31, 2011
Net loss	\$ (195,521)
Adjustments for non-cash charges:	
Amortization of premium on marketable debt securities	(38)
Gain on cost method investments	(7,249)
Change in fair value of embedded redemption feature	(2,800)
Depreciation of equipment, furniture and fixtures, and amortization of leasehold improvements	60,154
Share-based compensation costs	37,930
Amortization of intangible assets	95,927
Deferred tax provision	183
Provision for inventory excess and obsolescence	17,334
Provision for warranty	18,451
Other	5,396
Net losses adjusted for non-cash charges	\$ 29,767

Working Capital

Accounts Receivable, Net

Cash used by accounts receivable during fiscal 2011, net of \$1.7 million in provision for doubtful accounts, was \$75.6 million primarily due to increased sales volume. Our days sales outstanding (DSOs) decreased from 100 days for fiscal 2010 to 86 days for fiscal 2011. Our DSOs level for fiscal 2010 largely reflects the timing of the MEN Acquisition and the effect on this calculation of having only a partial year of revenue from the MEN Business.

Utilizing annualized fourth quarter revenue for purposes of this calculation would have resulted in DSOs of 74 days for fiscal 2010 and 83 days for fiscal 2011. Our DSOs increased due to growth in international sales, which generally involve longer payment cycles.

The following table sets forth (in thousands) changes to our accounts receivable, net of allowance for doubtful accounts, from the end of fiscal 2010 through the end of fiscal 2011:

	October 31,		Increase (decrease)
	2010	2011	
Accounts receivable, net	\$ 343,582	\$ 417,509	\$ 73,927

Inventory

Cash generated by inventory during fiscal 2011 was \$14.2 million. Our inventory turns increased from 2.3 turns during fiscal 2010 to 3.6 turns during fiscal 2011. During fiscal 2011, changes in inventory reflect a \$17.3 million reduction related to a non-cash provision for excess and obsolescence. The following table sets forth (in thousands) changes to the components of our inventory from the end of fiscal 2010 through the end fiscal 2011:

	October 31,		Increase (decrease)
	2010	2011	
Raw materials	\$ 30,569	\$ 45,333	\$ 14,764
Work-in-process	6,993	13,851	6,858
Finished goods	177,994	134,998	(42,996)
Deferred cost of goods sold	76,830	67,665	(9,165)
Gross inventory	292,386	261,847	(30,539)
Provision for inventory excess and obsolescence	(30,767)	(31,771)	(1,004)
Inventory	<u>\$ 261,619</u>	<u>\$ 230,076</u>	<u>\$ (31,543)</u>

Prepaid expense and other

Cash used by prepaid expense and other during fiscal 2011 was \$18.3 million . This usage was primarily related to increases in product demonstration units and deferred deployment expense, partially offset by the receipt of the contingent refund receivable related to the Carling Lease termination.

Accounts payable, accruals and other obligations

Cash used by accounts payable, accruals and other obligations during fiscal 2011 was \$59.3 million . Between the end of fiscal 2010 and fiscal 2011 , the change in unpaid equipment purchases was \$1.2 million . Changes in accrued liabilities reflect non-cash provisions of \$18.5 million related to warranties. The following table sets forth (in thousands) changes in our accounts payable, accruals and other obligations from the end of fiscal 2010 through the end of fiscal 2011 :

	October 31,		Increase (decrease)
	2010	2011	
Accounts payable	\$ 200,617	\$ 157,116	\$ (43,501)
Accrued liabilities	193,994	197,004	3,010
Other long-term obligations	16,435	17,263	828
Accounts payable, accruals and other obligations	<u>\$ 411,046</u>	<u>\$ 371,383</u>	<u>\$ (39,663)</u>

Interest Paid on Convertible Notes

Interest on our outstanding 0.25% convertible senior notes, due May 1, 2013, is payable on May 1 and November 1 of each year. We paid \$0.5 million in interest on these convertible notes during fiscal 2011 .

Interest on our outstanding 4.0% convertible senior notes, due March 15, 2015, is payable on March 15 and September 15 of each year. We paid \$15.0 million in interest on these convertible notes during fiscal 2011 .

Interest on our outstanding 0.875% convertible senior notes, due June 15, 2017, is payable on June 15 and December 15 of each year. We paid \$4.4 million in interest on these convertible notes during fiscal 2011 .

Interest on our outstanding 3.75% convertible senior notes, due October 15, 2018, is payable on April 15 and October 15 of each year. We paid \$13.0 million in interest on these convertible notes during fiscal 2011 .

For additional information about our convertible notes, see Note 14 to our Consolidated Financial Statements included in Item 8 of Part II of this report.

Deferred revenue

Deferred revenue increased by \$18.7 million during fiscal 2011 . Product deferred revenue represents payments received in advance of shipment and payments received in advance of our ability to recognize revenue. Services deferred revenue is related to payment for service contracts that will be recognized over the contract term. The following table reflects (in thousands) the balance of deferred revenue and the change in this balance from the end of fiscal 2010 through the end of fiscal 2011 :

	October 31,		Increase (decrease)
	2010	2011	
Products	\$ 31,187	\$ 42,915	\$ 11,728
Services	73,862	80,883	7,021
Total deferred revenue	<u>\$ 105,049</u>	<u>\$ 123,798</u>	<u>\$ 18,749</u>

Contractual Obligations

During fiscal 2011, we received notice from Nortel of the exercise of its early termination rights under the Carling lease, shortening our lease term from ten years to five years. This had the effect of materially reducing our longer term operating lease commitments in the table below as compared to fiscal 2010. We expect such longer term operating lease commitments to increase at such time that a lease for alternative space is identified. The following is a summary of our future minimum payments under contractual obligations as of October 31, 2011 (in thousands):

	Total	Less than one year	One to three years	Three to five years	Thereafter
Interest due on convertible notes	\$ 171,707	\$ 33,041	\$ 65,541	\$ 42,500	\$ 30,625
Principal due at maturity on convertible notes	1,441,210	—	216,210	375,000	850,000
Operating leases (1)	99,970	30,117	48,585	16,008	5,260
Purchase obligations (2)	235,542	235,542	—	—	—
Total (3) (4)	<u>\$ 1,948,429</u>	<u>\$ 298,700</u>	<u>\$ 330,336</u>	<u>\$ 433,508</u>	<u>\$ 885,885</u>

- (1) The amount for operating leases above does not include insurance, taxes, maintenance and other costs required by the applicable operating lease. These costs are variable and are not expected to have a material impact.
- (2) Purchase obligations relate to purchase order commitments to our contract manufacturers and component suppliers for inventory. In certain instances, we are permitted to cancel, reschedule or adjust these orders. Consequently, only a portion of the amount reported above relates to firm, non-cancelable and unconditional obligations.
- (3) As of October 31, 2011, we also had approximately \$8.8 million of other long-term obligations in our Consolidated Balance Sheet for unrecognized tax positions that are not included in this table because the timing or amount of any cash settlement with the respective tax authority cannot be reasonably estimated.
- (4) This table does not reflect the costs associated with our new headquarters lease entered into subsequent to October 31, 2011. See Item 2 of Part I of this annual report for more information.

Some of our commercial commitments, including some of the future minimum payments in operating leases set forth above and certain commitments to customers, are secured by standby letters of credit collateralized by restricted cash. Restricted cash balances are included in other current assets or other long-term assets depending upon the duration of the underlying letter of credit obligation. The following is a summary of our commercial commitments secured by standby letters of credit by commitment expiration date as of October 31, 2011 (in thousands):

	Total	Less than one year	One to three years	Three to five years
Standby letters of credit	<u>\$ 53,543</u>	<u>\$ 24,623</u>	<u>\$ 6,048</u>	<u>\$ 22,872</u>

Off-Balance Sheet Arrangements

We do not engage in any off-balance sheet financing arrangements. In particular, we do not have any equity interests in so-called limited purpose entities, which include special purpose entities (SPEs) and structured finance entities.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expense, and related disclosure of contingent assets and liabilities. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty. On an ongoing basis, we reevaluate our

estimates, including those related to bad debts, inventories, intangible assets, income taxes, warranty obligations, restructuring, derivatives and hedging, and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Among other things, these estimates form the basis for judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. To the extent that there are material differences between our estimates and actual results, our consolidated financial statements will be affected.

We believe that the following critical accounting policies reflect those areas where significant judgments and estimates are used in the preparation of our consolidated financial statements.

Revenue Recognition

We recognize revenue when all of the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the price to the buyer is fixed or determinable; and collectibility is reasonably assured. Customer purchase agreements and customer purchase orders are generally used to determine the existence of an arrangement. Shipping documents and evidence of customer acceptance, when applicable, are used to verify delivery or services rendered. We assess whether the price is fixed or determinable based on the payment terms associated with the transaction and whether the sales price is subject to refund or adjustment. We assess collectibility based primarily on the creditworthiness of the customer as determined by credit checks and analysis, as well as the customer's payment history. Revenue for maintenance services is generally deferred and recognized ratably over the period during which the services are to be performed.

We apply the percentage of completion method to long-term arrangements where we are required to undertake significant production, customizations or modification engineering, and reasonable and reliable estimates of revenue and cost are available. Utilizing the percentage of completion method, we recognize revenue based on the ratio of actual costs incurred to date to total estimated costs expected to be incurred. In instances that do not meet the percentage of completion method criteria, recognition of revenue is deferred until there are no uncertainties regarding customer acceptance.

Software revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectibility is probable. In instances where final acceptance criteria of the software is specified by the customer, revenue is deferred until there are no uncertainties regarding customer acceptance.

We limit the amount of revenue recognition for delivered elements to the amount that is not contingent on the future delivery of products or services, future performance obligations or subject to customer-specified return or refund privileges.

Accounting for multiple element arrangements entered into prior to fiscal 2011

Arrangements with customers may include multiple deliverables, including any combination of equipment, services and software. If multiple element arrangements include software or software-related elements that are essential to the equipment, we allocate the arrangement fee among separate units of accounting. Multiple element arrangements that include software are separated into more than one unit of accounting if the functionality of the delivered element(s) is not dependent on the undelivered element(s), there is vendor-specific objective evidence ("VSOE") of the fair value of the undelivered element(s), and general revenue recognition criteria related to the delivered element(s) have been met. The amount of product and services revenue recognized is affected by our judgment as to whether an arrangement includes multiple elements and, if so, whether VSOE of fair value exists. VSOE is established based on our standard pricing and discounting practices for the specific product or service when sold separately. In determining VSOE, we require that a substantial majority of the selling prices for a product or service fall within a reasonably narrow pricing range. Changes to the elements in an arrangement and our ability to establish VSOE for those elements could affect the timing of revenue recognition. For all other multiple element arrangements, we separate the elements into more than one unit of accounting if the delivered element(s) have value to the customer on a stand-alone basis, objective and reliable evidence of fair value exists for the undelivered element(s), and delivery of the undelivered element(s) is probable and substantially in our control. Revenue is allocated to each unit of accounting based on the relative fair value of each accounting unit or using the residual method if objective evidence of fair value does not exist for the delivered element(s). The revenue recognition criteria described above are applied to each separate unit of accounting. If these criteria are not met, revenue is deferred until the criteria are met or the last element has been delivered.

Accounting for multiple element arrangements entered into or materially modified in fiscal 2011

In October 2009, the Financial Accounting Standards Board, ("FASB") amended the accounting standard for revenue recognition with multiple deliverables which provided guidance on how the arrangement fee should be allocated. The amended

guidance allows the use of management's best estimate of selling price ("BESP") for individual elements of an arrangement when VSOE or third-party evidence ("TPE") is unavailable. Additionally, it eliminates the residual method of revenue recognition in accounting for multiple deliverable arrangements. The FASB also amended the accounting guidance for revenue arrangements with software elements to exclude from the scope of the software revenue recognition guidance, tangible products that contain both software and non-software components that function together to deliver the product's essential functionality.

We adopted the new accounting guidance on a prospective basis for arrangements entered into or materially modified on or after November 1, 2010. Under the new guidance, we separate elements into more than one unit of accounting if the delivered element(s) have value to the customer on a stand-alone basis, and delivery of the undelivered element(s) is probable and substantially in our control. Therefore, the new guidance allows for deliverables, for which revenue was previously deferred due to an absence of fair value, to be separated and recognized as revenue as delivered. Also, because the residual method has been eliminated, discounts offered by us are allocated to all deliverables, rather than to the delivered element(s). Our adoption of the new guidance for revenue arrangements changed the accounting for certain products that consist of hardware and software components, in which these components together provided the product's essential functionality. For transactions involving these products entered into prior to fiscal 2011, we recognized revenue based on software revenue recognition guidance.

Revenue for multiple element arrangements is allocated to each unit of accounting based on the relative selling price of each element, with revenue recognized when the revenue recognition criteria are met for each delivered element. We determine the selling price for each deliverable based upon the selling price hierarchy for multiple-deliverable arrangements. Under this hierarchy, we use VSOE of selling price, if it exists, or TPE of selling price if VSOE does not exist. If neither VSOE nor TPE of selling price exists for a deliverable, we use our BESP for that deliverable.

VSOE is established based on our standard pricing and discounting practices for the specific product or service when sold separately. In determining VSOE, which exists across certain of our service offerings, we require that a substantial majority of the selling prices for a product or service fall within a reasonably narrow pricing range. We have generally been unable to establish TPE of selling price because our go-to-market strategy differs from that of others in our markets, and the extent of customization and differentiated features and functions varies among comparable products or services from our peers. We determine BESP based upon management-approved pricing guidelines, which consider multiple factors including the type of product or service, gross margin objectives, competitive and market conditions, and the go-to-market strategy; all of which can affect pricing practices.

Historically, for arrangements with multiple elements, we were typically able to establish fair value for undelivered elements and so we applied the residual method. As a result, assuming the adoption of the accounting guidance above on a prospective basis for arrangements entered into or materially modified on or after November 1, 2009, the effect on revenue recognized for fiscal 2010 would have been an increase of approximately \$33.0 million.

We expect that this new accounting guidance will facilitate our efforts to optimize our offerings due to the better alignment between the economics of an arrangement and the accounting. This may lead to engaging in new go-to-market practices in the future. In particular, we expect that the new accounting standards will enable us to better integrate products and services without VSOE into existing offerings and solutions. As these go-to-market strategies evolve, we may modify our pricing practices in the future, which could result in changes in selling prices, including both VSOE and BESP. As a result, our future revenue recognition for multiple-element arrangements could differ materially from the results in the current period. We are currently unable to determine the impact that the newly adopted accounting guidance could have on our revenue as these go-to-market strategies evolve.

Our total deferred revenue for products was \$31.2 million and \$42.9 million as of October 31, 2010 and October 31, 2011, respectively. Our services revenue is deferred and recognized ratably over the period during which the services are to be performed. Our total deferred revenue for services was \$73.9 million and \$80.9 million as of October 31, 2010 and October 31, 2011, respectively.

Business Combinations

We record acquisitions using the purchase method of accounting. All of the assets acquired, liabilities assumed, contractual contingencies and contingent consideration are recognized at their fair value as of the acquisition date. The excess of the purchase price over the estimated fair values of the net tangible and net intangible assets acquired is recorded as goodwill. The application of the purchase method of accounting for business combinations requires management to make significant estimates and assumptions in the determination of the fair value of assets acquired and liabilities assumed in order to properly allocate

purchase price consideration between assets that are depreciated and amortized from goodwill. These assumptions and estimates include a market participant's use of the asset and the appropriate discount rates for a market participant. Our estimates are based on historical experience, information obtained from the management of the acquired companies and, when appropriate, includes assistance from independent third-party appraisal firms. Our significant assumptions and estimates can include, but are not limited to, the cash flows that an asset is expected to generate in the future, the appropriate weighted-average cost of capital, and the cost savings expected to be derived from acquiring an asset. These estimates are inherently uncertain and unpredictable. In addition, unanticipated events and circumstances may occur which may affect the accuracy or validity of such estimates. During fiscal 2010, we completed the MEN Acquisition for a purchase price of \$676.8 million. As a result of the purchase price allocation to the assets acquired and liabilities assumed, as well as contingent consideration, there was no value assigned to goodwill. See Note 2 to the Consolidated Financial Statements included in Item 8 of Part II of this report.

Share-Based Compensation

We estimate the fair value of our restricted stock unit awards based on the fair value of our common stock on the date of grant. Our outstanding restricted stock unit awards are subject to service-based vesting conditions and/or performance-based vesting conditions. We recognize the estimated fair value of service-based awards, net of estimated forfeitures, as share-based expense ratably over the vesting period on a straight-line basis. Awards with performance-based vesting conditions require the achievement of certain financial or other performance criteria or targets as a condition to the vesting, or acceleration of vesting. We recognize the estimated fair value of performance-based awards, net of estimated forfeitures, as share-based expense over the performance period, using graded vesting, which considers each performance period or tranche separately, based upon our determination of whether it is probable that the performance targets will be achieved. At each reporting period, we reassess the probability of achieving the performance targets and the performance period required to meet those targets. Determining whether the performance targets will be achieved involves judgment, and the estimate of expense may be revised periodically based on changes in the probability of achieving the performance targets. Revisions are reflected in the period in which the estimate is changed. If any performance goals are not met, no compensation cost is ultimately recognized against that goal, and, to the extent previously recognized, compensation cost is reversed.

Because share-based compensation expense is based on awards that are ultimately expected to vest, the amount of expense takes into account estimated forfeitures. We estimate forfeitures at the time of grant and revise, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Changes in these estimates and assumptions can materially affect the measure of estimated fair value of our share-based compensation. See Note 18 to our Consolidated Financial Statements in Item 8 of Part II of this report for information regarding our assumptions related to share-based compensation and the amount of share-based compensation expense we incurred for the periods covered in this report. As of October 31, 2011, total unrecognized compensation expense was \$59.4 million : (i) \$1.0 million, which relates to unvested stock options and is expected to be recognized over a weighted-average period of 0.6 year; and (ii) \$58.4 million, which relates to unvested restricted stock units and is expected to be recognized over a weighted-average period of 1.6 years.

We recognize windfall tax benefits associated with the exercise of stock options or release of restricted stock units directly to stockholders' equity only when realized. A windfall tax benefit occurs when the actual tax benefit realized by us upon an employee's disposition of a share-based award exceeds the deferred tax asset, if any, associated with the award that we had recorded. When assessing whether a tax benefit relating to share-based compensation has been realized, we follow the tax law "with-and-without" method. Under the with-and-without method, the windfall is considered realized and recognized for financial statement purposes only when an incremental benefit is provided after considering all other tax benefits including our net operating losses. The with-and-without method results in the windfall from share-based compensation awards always being effectively the last tax benefit to be considered. Consequently, the windfall attributable to share-based compensation will not be considered realized in instances where our net operating loss carryover (that is unrelated to windfalls) is sufficient to offset the current year's taxable income before considering the effects of current-year windfalls.

Reserve for Inventory Obsolescence

We make estimates about future customer demand for our products when establishing the appropriate reserve for excess and obsolete inventory. We write down inventory that has become obsolete or unmarketable by an amount equal to the difference between the cost of inventory and the estimated market value based on assumptions about future demand and market conditions. Inventory write downs are a component of our product cost of goods sold. Upon recognition 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. We recorded charges for excess and obsolete inventory of \$13.7 million and \$17.3 million in fiscal 2010 and 2011, respectively. These charges were primarily related to excess inventory due to a change in forecasted sales across our product line. In an effort to limit our exposure to delivery delays and to satisfy customer

needs we purchase inventory based on forecasted sales across our product lines. In addition, part of our research and development strategy is to promote the convergence of similar features and functionalities across our product lines. Each of these practices exposes us to the risk that our customers will not order products for which we have forecasted sales, or will purchase less than we have forecasted. Historically, we have experienced write downs due to changes in strategic direction, discontinuance of a product and declines in market conditions. If actual market conditions worsen or differ from those we have assumed, if there is a sudden and significant decrease in demand for our products, or if there is a higher incidence of inventory obsolescence due to a rapid change in technology, we may be required to take additional inventory write-downs, and our gross margin could be adversely affected. Our inventory net of allowance for excess and obsolescence was \$261.6 million and \$230.1 million as of October 31, 2010 and October 31, 2011, respectively.

Allowance for Doubtful Accounts Receivable

Our allowance for doubtful accounts receivable is based on management's assessment, on a specific identification basis, of the collectibility of customer accounts. We perform ongoing credit evaluations of our customers and generally have not required collateral or other forms of security from customers. In determining the appropriate balance for our allowance for doubtful accounts receivable, management considers each individual customer account receivable in order to determine collectibility. In doing so, we consider creditworthiness, payment history, account activity and communication with such customer. If a customer's financial condition changes, or if actual defaults are higher than our historical experience, we may be required to take a charge for an allowance for doubtful accounts receivable which could have an adverse impact on our results of operations. Our accounts receivable, net of allowance for doubtful accounts, was \$343.6 million and \$417.5 million as of October 31, 2010 and October 31, 2011, respectively. Our allowance for doubtful accounts was \$0.1 million and \$0.7 million as of October 31, 2010 and October 31, 2011, respectively.

Long-lived Assets

Our long-lived assets include: equipment, furniture and fixtures; finite-lived intangible assets; and maintenance spares. As of October 31, 2010 and October 31, 2011 these assets totaled \$600.4 million and \$504.6 million, net, respectively. We test long-lived assets for impairment whenever events or changes in circumstances indicate that the assets' carrying amount is not recoverable from its undiscounted cash flows. Our long-lived assets are assigned to asset groups which represents the lowest level for which we identify cash flows.

Deferred Tax Valuation Allowance

As of October 31, 2011, we have recorded a valuation allowance offsetting nearly all our net deferred tax assets of \$1.5 billion. When measuring the need for a valuation allowance, we assess both positive and negative evidence regarding the realizability of these deferred tax assets. We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. In determining net deferred tax assets and valuation allowances, management is required to make judgments and estimates related to projections of profitability, the timing and extent of the utilization of net operating loss carryforwards, applicable tax rates, transfer pricing methodologies and tax planning strategies. The valuation allowance is reviewed quarterly and is maintained until sufficient positive evidence exists to support a reversal. Because evidence such as our operating results during the most recent three-year period is afforded more weight than forecasted results for future periods, our cumulative loss during this three-year period represents sufficient negative evidence regarding the need for nearly a full valuation allowance. We will release this valuation allowance when management determines that it is more likely than not that our deferred tax assets will be realized. Any future release of valuation allowance may be recorded as a tax benefit increasing net income or as an adjustment to paid-in capital, based on tax ordering requirements.

Warranty

Our liability for product warranties, included in other accrued liabilities, was \$54.4 million and \$47.3 million as of October 31, 2010 and October 31, 2011, respectively. Our products are generally covered by a warranty for periods ranging from one to five years. We accrue for warranty costs as part of our cost of goods sold based on associated material costs, technical support labor costs and associated overhead. Material cost is estimated based primarily upon historical trends in the volume of product returns within the warranty period and the cost to repair or replace the equipment. Technical support labor cost is estimated based primarily upon historical trends and the cost to support the customer cases within the warranty period. The provision for product warranties was \$15.4 million and \$18.5 million for fiscal 2010 and 2011, respectively. As a result of the substantial completion of integration activities related to the MEN Acquisition, we consolidated certain support operations and processes during the first quarter of fiscal 2011, resulting in a reduction in costs to service future warranty obligations. Due to this consolidation and resulting efficiencies, we expect to realize lower failure rate costs and accordingly reversed a \$6.9 million non-cash loss contingency included in our warranty liability. The provision for warranty claims may fluctuate on a

quarterly basis depending upon the mix of products and customers in that period. If actual product failure rates, material replacement costs, service or labor costs differ from our estimates, revisions to the estimated warranty provision would be required. An increase in warranty claims or the related costs associated with satisfying these warranty obligations could increase our cost of sales and negatively affect our gross margin.

Effects of Recent Accounting Pronouncements

See Note 1 to our Consolidated Financial Statements in Item 8 of Part II of this report for information relating to our discussion of the effects of recent accounting pronouncements.

Unaudited Quarterly Results of Operations

The tables below (in thousands, except per share data) set forth the operating results in our consolidated statements of operations for each of the eight quarters in the period ended October 31, 2011 and reflect the impact of our March 19, 2010 acquisition of the MEN Business. This information is unaudited, but in our opinion reflects all adjustments (consisting only of normal recurring adjustments) that we consider necessary for a fair statement of such information in accordance with generally accepted accounting principles. There were no material, retroactive measurement period adjustments related to the MEN Acquisition. The results for any quarter are not necessarily indicative of results for any future period.

	Jan. 31, 2010	Apr. 30, 2010	Jul. 31, 2010	Oct. 31, 2010	Jan. 31, 2011	Apr. 30, 2011	Jul. 31, 2011	Oct. 31, 2011
Revenue:								
Products	\$ 149,054	\$ 206,420	\$ 312,378	\$ 341,387	\$ 352,427	\$ 336,026	\$ 350,030	\$ 368,049
Services	26,822	47,051	77,297	76,227	80,881	81,868	85,283	87,406
Total Revenue	175,876	253,471	389,675	417,614	433,308	417,894	435,313	455,455
Cost of goods sold:								
Products	76,669	118,221	201,559	200,255	214,401	202,665	198,217	210,686
Services	19,047	30,308	44,107	48,969	50,401	49,396	52,199	54,859
Total costs of goods sold	95,716	148,529	245,666	249,224	264,802	252,061	250,416	265,545
Gross profit	80,160	104,942	144,009	168,390	168,506	165,833	184,897	189,910
Operating expenses:								
Research and development	50,033	71,142	100,869	105,582	95,790	99,624	93,216	91,232
Selling and marketing	34,237	45,328	52,127	61,823	57,092	61,768	61,895	71,235
General and administrative	12,763	21,503	32,649	35,777	38,314	32,480	28,172	27,276
Acquisition and integration costs	27,031	39,221	17,033	18,094	24,185	10,741	4,822	2,340
Amortization of intangible assets	5,981	17,121	38,727	37,572	28,784	13,674	13,673	13,534
Restructuring costs	(21)	1,849	2,157	4,529	1,522	3,164	504	591
Change in fair value of contingent consideration	—	—	—	(13,807)	(3,289)	—	—	—
Total operating expenses	130,024	196,164	243,562	249,570	242,398	221,451	202,282	206,208
Loss from operations	(49,864)	(91,222)	(99,553)	(81,180)	(73,892)	(55,618)	(17,385)	(16,298)
Interest and other income (loss), net	(773)	3,748	(2,668)	3,610	6,265	4,229	(3,160)	(1,312)
Interest expense	(1,828)	(4,113)	(5,990)	(6,688)	(9,550)	(9,406)	(9,470)	(9,500)
Gain on cost method investment	—	—	—	—	—	—	—	7,249
Gain on extinguishment of debt	—	—	—	4,948	—	—	—	—
Loss before income taxes	(52,465)	(91,587)	(108,211)	(79,310)	(77,177)	(60,795)	(30,015)	(19,861)
Provision (benefit) for income tax	868	(1,578)	1,644	1,007	1,879	1,891	1,435	2,468
Net loss	\$ (53,333)	\$ (90,009)	\$ (109,855)	\$ (80,317)	\$ (79,056)	\$ (62,686)	\$ (31,450)	\$ (22,329)
Basic net loss per common share	\$ (0.58)	\$ (0.97)	\$ (1.18)	\$ (0.86)	\$ (0.84)	\$ (0.66)	\$ (0.33)	\$ (0.23)
Diluted net loss per potential common share	\$ (0.58)	\$ (0.97)	\$ (1.18)	\$ (0.86)	\$ (0.84)	\$ (0.66)	\$ (0.33)	\$ (0.23)
Weighted average basic common shares outstanding	92,321	92,614	92,906	93,197	94,496	95,360	96,313	97,197
Weighted average dilutive potential common shares outstanding	92,321	92,614	92,906	93,197	94,496	95,360	96,313	97,197

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The following discussion about our market risk disclosures involves forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. We are exposed to market risk related to changes in interest rates and foreign currency exchange rates.

Interest Rate Sensitivity. We currently hold an investment in a U.S. Government obligation that matures in January 2013. See Notes 5 and 6 to our Consolidated Financial Statements for information relating to investments and fair value. This investment is sensitive to interest rate movements and its fair value will decline as interest rates rise and increase as interest rates decline. The estimated impact on this investment of a 100 basis point (1.0%) increase in interest rates across the yield curve from rates in effect as of the balance sheet date would be a \$0.6 million decline in value.

Foreign Currency Exchange Risk. As a global concern, our business and results of operations are exposed to movements in foreign currency exchange rates. Historically, our sales have primarily been denominated in U.S. dollars and the impact of foreign currency fluctuations on revenue had not been material. As a result of our increased global presence, in large part resulting from the MEN Acquisition, a larger percentage of our revenue is non-U.S. dollar denominated with Canadian Dollars and Euros being our most significant foreign currency revenue streams. If the U.S. dollar strengthens against these currencies, our revenues reported in U.S. dollars would decline. For our U.S. dollar denominated sales, an increase in the value of the U.S. dollar would increase the real cost to our customers of our products in markets outside the United States which could impact our competitive position.

With regard to operating expense, our primary exposure to foreign currency exchange risk relates to operating expense incurred in Canadian Dollars, British Pounds, Euros and Indian Rupees. During fiscal 2011, approximately 54.0% of our operating expense was non-U.S. dollar denominated. If these currencies strengthen, costs reported in U.S. dollars will increase, which would increase our expenses. During fiscal 2011, research and development expense was adversely affected by approximately \$12.2 million, net of hedging, due to the weakening of the U.S. dollar in relation to the Canadian Dollar in comparison to fiscal 2010.

From time to time, we use foreign currency forward contracts to reduce part of the variability in certain forecasted non-U.S. dollar denominated cash flows. Generally, these derivatives are for maturities of 12 months or less and are designated as cash flow hedges. We consider several factors when evaluating hedges of our forecasted foreign currency exposures, such as significance of the exposure, offsetting economic exposures, potential costs of hedging, and the potential for hedge ineffectiveness. We do not enter into derivative transactions for purposes other than hedging economic exposures. During fiscal 2011, we entered into forward contracts to reduce the variability in our Canadian Dollar and Indian Rupee denominated operating expenses which principally relate to our research and development activities.

Convertible Debt Outstanding. The fair market value of each of our outstanding issues of convertible notes is subject to interest rate and market price risk due to the convertible feature of the notes and other factors. Generally the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. The fair market value of the notes may also increase as the market price of our stock rises and decrease as the market price of the stock falls. Interest rate and market value changes affect the fair market value of the notes, and may affect the prices at which we would be able to repurchase such notes were we to do so. These changes do not impact our financial position, cash flows or results of operations. For additional information on the fair value of our outstanding notes, see Note 14 to our Consolidated Financial Statements included in Item 8 of Part II of this report.

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Item 8. Financial Statements and Supplementary Data

The following is an index to the consolidated financial statements:

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Ciena Corporation

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Ciena Corporation and its subsidiaries (the "Company") at October 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended October 31, 2011 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of October 31, 2011, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the Report of Management on Internal Control Over Financial Reporting under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for business combinations in fiscal 2010 and revenue in fiscal 2011.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Baltimore, Maryland
December 22, 2011

CIENA CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	October 31,	
	2010	2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 688,687	\$ 541,896
Accounts receivable, net	343,582	417,509
Inventories	261,619	230,076
Prepaid expenses and other	147,680	143,357
Total current assets	1,441,568	1,332,838
Long-term investments	—	50,264
Equipment, furniture and fixtures, net	120,294	122,558
Intangible assets, net	426,412	331,635
Other long-term assets	129,819	114,123
Total assets	\$ 2,118,093	\$ 1,951,418
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 200,617	\$ 157,116
Accrued liabilities	193,994	197,004
Deferred revenue	75,334	99,373
Total current liabilities	469,945	453,493
Long-term deferred revenue	29,715	24,425
Other long-term obligations	16,435	17,263
Convertible notes payable	1,442,705	1,442,364
Total liabilities	1,958,800	1,937,545
Commitments and contingencies		
Stockholders' equity:		
Preferred stock — par value \$0.01; 20,000,000 shares authorized; zero shares issued and outstanding	—	—
Common stock — par value \$0.01; 290,000,000 shares authorized; 94,060,300 and 97,440,436 shares issued and outstanding	941	974
Additional paid-in capital	5,702,137	5,753,236
Accumulated other comprehensive income	1,062	31
Accumulated deficit	(5,544,847)	(5,740,368)
Total stockholders' equity	159,293	13,873
Total liabilities and stockholders' equity	\$ 2,118,093	\$ 1,951,418

The accompanying notes are an integral part of these consolidated financial statements.

CIENA CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year Ended October 31,		
	2009	2010	2011
Revenue:			
Products	\$ 547,522	\$ 1,009,239	\$ 1,406,532
Services	105,107	227,397	335,438
Total revenue	<u>652,629</u>	<u>1,236,636</u>	<u>1,741,970</u>
Cost of goods sold:			
Products	296,170	596,704	825,969
Services	71,629	142,431	206,855
Total cost of goods sold	<u>367,799</u>	<u>739,135</u>	<u>1,032,824</u>
Gross profit	<u>284,830</u>	<u>497,501</u>	<u>709,146</u>
Operating expenses:			
Research and development	190,319	327,626	379,862
Selling and marketing	134,527	193,515	251,990
General and administrative	47,509	102,692	126,242
Acquisition and integration costs	—	101,379	42,088
Amortization of intangible assets	24,826	99,401	69,665
Restructuring costs	11,207	8,514	5,781
Goodwill impairment	455,673	—	—
Change in fair value of contingent consideration	—	(13,807)	(3,289)
Total operating expenses	<u>864,061</u>	<u>819,320</u>	<u>872,339</u>
Loss from operations	<u>(579,231)</u>	<u>(321,819)</u>	<u>(163,193)</u>
Interest and other income (loss), net	9,487	3,917	6,022
Interest expense	(7,406)	(18,619)	(37,926)
Gain (loss) on cost method investments	(5,328)	—	7,249
Gain on extinguishment of debt	—	4,948	—
Loss before income taxes	<u>(582,478)</u>	<u>(331,573)</u>	<u>(187,848)</u>
Provision (benefit) for income taxes	(1,324)	1,941	7,673
Net loss	<u>\$ (581,154)</u>	<u>\$ (333,514)</u>	<u>\$ (195,521)</u>
Basic net loss per common share	<u>\$ (6.37)</u>	<u>\$ (3.58)</u>	<u>\$ (2.04)</u>
Diluted net loss per potential common share	<u>\$ (6.37)</u>	<u>\$ (3.58)</u>	<u>\$ (2.04)</u>
Weighted average basic common shares outstanding	<u>91,167</u>	<u>93,103</u>	<u>95,854</u>
Weighted average dilutive potential common shares outstanding	<u>91,167</u>	<u>93,103</u>	<u>95,854</u>

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except share data)

	Common Stock Shares	Par Value	Additional Paid-in-Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
Balance at October 31, 2008	90,470,803	\$ 905	\$ 5,629,498	\$ (1,275)	\$ (4,630,179)	\$ 998,949
Net loss	—	—	—	—	(581,154)	(581,154)
Changes in unrealized gains and losses on investments, net	—	—	—	1,404	—	1,404
Translation adjustment	—	—	—	1,094	—	1,094
Comprehensive loss	—	—	—	—	—	(578,656)
Exercise of stock options, net	1,567,557	15	1,092	—	—	1,107
Share-based compensation expense	—	—	34,438	—	—	34,438
Balance at October 31, 2009	92,038,360	920	5,665,028	1,223	(5,211,333)	455,838
Net loss	—	—	—	—	(333,514)	(333,514)
Changes in unrealized gains and losses on investments, net	—	—	—	(458)	—	(458)
Translation adjustment	—	—	—	297	—	297
Comprehensive loss	—	—	—	—	—	(333,675)
Exercise of stock options, net	2,021,940	21	1,549	—	—	1,570
Share-based compensation expense	—	—	35,560	—	—	35,560
Balance at October 31, 2010	94,060,300	941	5,702,137	1,062	(5,544,847)	159,293
Net loss	—	—	—	—	(195,521)	(195,521)
Changes in unrealized gains and losses on investments, net	—	—	—	393	—	393
Translation adjustment	—	—	—	(1,424)	—	(1,424)
Comprehensive loss	—	—	—	—	—	(196,552)
Exercise of stock options, net	3,380,136	33	13,169	—	—	13,202
Share-based compensation expense	—	—	37,930	—	—	37,930
Balance at October 31, 2011	97,440,436	974	\$ 5,753,236	\$ 31	\$ (5,740,368)	\$ 13,873

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended October 31,		
	2009	2010	2011
Cash flows from operating activities:			
Net loss	\$ (581,154)	\$ (333,514)	\$ (195,521)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Gain on extinguishment of debt	—	(4,948)	—
Amortization of premium (discount) on marketable debt securities	(907)	574	(38)
Loss (gain) on cost method investments	5,328	—	(7,249)
Change in fair value of embedded redemption feature	—	(2,510)	(2,800)
Change in fair value of contingent consideration	—	(13,807)	—
Depreciation of equipment, furniture and fixtures, and amortization of leasehold improvements	21,933	42,789	60,154
Impairment of goodwill	455,673	—	—
Share-based compensation costs	34,438	35,560	37,930
Amortization of intangible assets	31,429	127,018	95,927
Deferred tax provision	(883)	700	183
Provision for inventory excess and obsolescence	15,719	13,696	17,334
Provision for warranty	19,286	15,353	18,451
Other	2,044	2,296	5,396
Changes in assets and liabilities, net of effect of acquisition:			
Accounts receivable	20,097	(218,196)	(75,623)
Inventories	(10,353)	(40,957)	14,209
Prepaid expenses and other	(9,678)	(34,908)	(18,302)
Accounts payable, accruals and other obligations	2,943	180,814	(59,285)
Deferred revenue	1,506	1,030	18,749
Net cash provided by (used in) operating activities	7,421	(229,010)	(90,485)
Cash flows used in investing activities:			
Payments for equipment, furniture, fixtures and intellectual property	(24,114)	(51,207)	(52,367)
Restricted cash	(4,116)	(24,521)	10,751
Purchase of available for sale securities	(1,214,218)	(63,591)	(49,892)
Proceeds from maturities of available for sale securities	645,119	454,141	—
Proceeds from sales of available for sale securities	523,137	179,531	—
Proceeds from sale of cost method investment	—	—	6,544
Acquisition of business, net of cash acquired	—	(693,247)	—
Receipt of contingent consideration related to business acquisition	—	—	16,394
Net cash used in investing activities	(74,192)	(198,894)	(68,570)
Cash flows from financing activities:			
Proceeds from issuance of senior convertible notes payable	—	725,000	—
Repayment of senior convertible notes payable	—	(76,065)	—
Debt issuance costs	—	(20,301)	—
Proceeds from issuance of common stock and warrants	1,107	1,570	13,202
Net cash provided by financing activities	1,107	630,204	13,202
Effect of exchange rate changes on cash and cash equivalents	700	682	(938)
Net increase (decrease) in cash and cash equivalents	(64,964)	202,982	(146,791)
Cash and cash equivalents at beginning of period	550,669	485,705	688,687
Cash and cash equivalents at end of period	\$ 485,705	\$ 688,687	\$ 541,896
Supplemental disclosure of cash flow information			
Cash paid during the period for interest	\$ 4,748	\$ 12,248	\$ 32,931
Cash paid during the period for income taxes, net	\$ 584	\$ 1,705	\$ 3,204
Non-cash investing and financing activities			
Purchase of equipment in accounts payable	\$ 1,481	\$ 5,259	\$ 6,431
Debt issuance costs in accrued liabilities	\$ —	\$ 206	\$ —
Fixed assets purchased under capital leases	\$ —	\$ —	\$ 1,106

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) CIENA CORPORATION AND SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Description of Business

Ciena Corporation (“Ciena” or the “Company”) is a provider of communications networking equipment, software and services that support the transport, switching, aggregation and management of voice, video and data traffic. Ciena’s Packet-Optical Transport, Packet-Optical Switching and Carrier-Ethernet Solutions products are used, individually or as part of an integrated solution, in networks operated by communications service providers, cable operators, governments and enterprises around the globe. Ciena is a network specialist targeting the transition of disparate, legacy communications networks to converged, next-generation architectures, better able to handle increased traffic and deliver more efficiently a broader mix of high-bandwidth communications services. Ciena’s products, along with its embedded, network element software and unified service and transport management, enable service providers to efficiently and cost-effectively deliver critical enterprise and consumer-oriented communication services. Ciena’s principal executive offices are located at 1201 Winterson Road, Linthicum, Maryland 21090.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Ciena and its wholly owned subsidiaries. All material inter-company accounts and transactions have been eliminated in consolidation.

Acquisition of MEN Business (“MEN Acquisition”)

On March 19, 2010, Ciena completed its acquisition of substantially all of the optical and carrier Ethernet assets of Nortel’s Metro Ethernet Networks Business (the “MEN Business”). Additional details regarding this transaction are set forth in Note 2 below.

Business Combinations

During fiscal 2010, Ciena adopted the new FASB guidance on business combinations, which requires the total purchase price to be allocated to the assets acquired and liabilities assumed based on their estimated fair values. The fair values assigned to the assets acquired and liabilities assumed are based on valuations using management’s best estimates and assumptions. The allocation of the purchase price as reflected in the consolidated financial statements is based on the best information available to management at the time the consolidated financial statements are issued.

Fiscal Year

Ciena has a 52 or 53 week fiscal year, which ends on the Saturday nearest to the last day of October in each year (October 31, 2009, October 30, 2010 and October 29, 2011 for the periods reported). For purposes of financial statement presentation, each fiscal year is described as having ended on October 31.

Use of Estimates

The preparation of the financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires management to make estimates and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. Estimates are used for purchase accounting, bad debts, valuation of inventories and investments, recoverability of intangible assets, other long-lived assets and goodwill, income taxes, warranty obligations, restructuring liabilities, derivatives, contingencies and litigation. Ciena bases its estimates on historical experience and assumptions that it believes are reasonable. Actual results may differ materially from management’s estimates.

Cash and Cash Equivalents

Ciena considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. Restricted cash collateralizing letters of credit is included in other current assets and other long-term assets depending upon the duration of the restriction.

Investments

Ciena’s investments are classified as available-for-sale and are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive income. Ciena recognizes losses when it determines that declines in the fair value of its investments, below their cost basis, are other-than-temporary. In determining whether a decline in fair value is

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other-than-temporary, Ciena considers various factors including market price (when available), investment ratings, the financial condition and near-term prospects of the investee, the length of time and the extent to which the fair value has been less than Ciena's cost basis, and its intent and ability to hold the investment until maturity or for a period of time sufficient to allow for any anticipated recovery in market value. Ciena considers all marketable debt securities that it expects to convert to cash within one year or less to be short-term investments. All others are considered long-term investments.

Ciena had a minority equity investment in a privately held technology company. This investment was carried at cost because Ciena did not have the ability to exercise significant influence over the company. During fiscal 2011, as a result of the sale of this privately held technology company, Ciena recorded a gain of \$7.2 million of which \$1.0 million remained in escrow at October 31, 2011.

Inventories

Inventories are stated at the lower of cost or market, with cost computed using standard cost, which approximates actual cost, on a first-in, first-out basis. Ciena records a provision for excess and obsolete inventory when an impairment has been identified.

Goodwill

Goodwill is the excess of the purchase price over the fair values assigned to the net assets acquired in a business combination. Goodwill is assigned to the reporting units that are expected to benefit from the synergies of the combination. Ciena has determined that its operating segments and reporting units for goodwill assignment are the same. This determination is based on the fact that components below Ciena's operating segment level, such as individual product or service offerings, do not constitute a reporting unit because they do not constitute a business for which discrete financial information is available.

Ciena tests each reporting unit's goodwill for impairment on an annual basis, which Ciena has determined to be the last business day of its fiscal September each year. Testing is required between annual tests if events occur or circumstances change that would, more likely than not, reduce the fair value of the reporting unit below its carrying value.

Segment Reporting

Ciena's chief operating decision maker, its chief executive officer, evaluates performance and allocates resources based on multiple factors, including segment profit (loss) information for the following product categories: (i) Packet-Optical Transport ; (ii) Packet-Optical Switching ; (iii) Carrier-Ethernet Solutions ; and (iv) Software and Services . Operating segments are defined as components of an enterprise: that engage in business activities which may earn revenue and incur expense; for which discrete financial information is available; and for which such information is evaluated regularly by the chief operating decision maker for purposes of allocating resources and assessing performance. Ciena considers the four product categories above to be its operating segments for reporting purposes. See Note 19.

Long-lived Assets

Long-lived assets include: equipment, furniture and fixtures; intangible assets; and maintenance spares. Ciena tests long-lived assets for impairment whenever triggering events or changes in circumstances indicate that the assets' carrying amount is not recoverable from its undiscounted cash flows. An impairment loss is measured as the amount by which the carrying amount of the asset or asset group exceeds its fair value. Ciena's long-lived assets are assigned to asset groups which represent the lowest level for which cash flows can be identified.

Equipment, Furniture and Fixtures

Equipment, furniture and fixtures are recorded at cost. Depreciation and amortization are computed using the straight-line method over useful lives of two years to five years for equipment, furniture and fixtures and the shorter of useful life or lease term for leasehold improvements.

Qualifying internal use software and website development costs incurred during the application development stage that consist primarily of outside services and purchased software license costs, are capitalized and amortized straight-line over the estimated useful lives of two years to five years .

Intangible Assets

Ciena has recorded finite-lived intangible assets as a result of several acquisitions. Finite-lived intangible assets are carried

at cost less accumulated amortization. Amortization is computed using the straight-line method over the expected economic lives of the respective assets, from nine months to seven years, which approximates the use of intangible assets.

Maintenance Spares

Maintenance spares are recorded at cost. Spares usage cost is expensed ratably over four years.

Concentrations

Substantially all of Ciena's cash and cash equivalents are maintained at a small number of major U.S. financial institutions. The majority of Ciena's cash equivalents consist of money market funds. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and, therefore, management believes that they bear minimal risk.

Historically, a significant percentage of Ciena's revenue has been concentrated among sales to a small number of large communications service providers. Consolidation among Ciena's customers has increased this concentration. Consequently, Ciena's accounts receivable are concentrated among these customers. See Note 19 below.

Additionally, Ciena's access to certain materials or components is dependent upon sole or limited source suppliers. The inability of any of these suppliers to fulfill Ciena's supply requirements, or significant changes in their cost, could affect future results. Ciena relies on a small number of contract manufacturers to perform the majority of the manufacturing for its products. If Ciena cannot effectively manage these manufacturers and forecast future demand, or if they fail to deliver products or components on time, Ciena's business and results of operations may suffer.

Revenue Recognition

Ciena recognizes revenue when all of the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the price to the buyer is fixed or determinable; and collectibility is reasonably assured. Customer purchase agreements and customer purchase orders are generally used to determine the existence of an arrangement. Shipping documents and evidence of customer acceptance, when applicable, are used to verify delivery or services rendered. Ciena assesses whether the price is fixed or determinable based on the payment terms associated with the transaction and whether the sales price is subject to refund or adjustment. Ciena assesses collectibility based primarily on the creditworthiness of the customer as determined by credit checks and analysis, as well as the customer's payment history. Revenue for maintenance services is generally deferred and recognized ratably over the period during which the services are to be performed.

Ciena applies the percentage of completion method to long-term arrangements where it is required to undertake significant production, customizations or modification engineering, and reasonable and reliable estimates of revenue and cost are available. Utilizing the percentage of completion method, Ciena recognizes revenue based on the ratio of actual costs incurred to date to total estimated costs expected to be incurred. In instances that do not meet the percentage of completion method criteria, recognition of revenue is deferred until there are no uncertainties regarding customer acceptance.

Software revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectibility is probable. In instances where final acceptance criteria of the software is specified by the customer, revenue is deferred until there are no uncertainties regarding customer acceptance.

Ciena limits the amount of revenue recognition for delivered elements to the amount that is not contingent on the future delivery of products or services, future performance obligations or subject to customer-specified return or refund privileges.

Accounting for multiple element arrangements entered into prior to fiscal 2011

Arrangements with customers may include multiple deliverables, including any combination of equipment, services and software. If multiple element arrangements include software or software-related elements that are essential to the equipment, Ciena allocates the arrangement fee among separate units of accounting. Multiple element arrangements that include software are separated into more than one unit of accounting if the functionality of the delivered element(s) is not dependent on the undelivered element(s), there is vendor-specific objective evidence ("VSOE") of the fair value of the undelivered element(s), and general revenue recognition criteria related to the delivered element(s) have been met. The amount of product and services revenue recognized is affected by Ciena's judgment as to whether an arrangement includes multiple elements and, if so, whether VSOE of fair value exists. VSOE is established based on Ciena's standard pricing and discounting practices for the

specific product or service when sold separately. In determining VSOE, Ciena requires that a substantial majority of the selling prices for a product or service fall within a reasonably narrow pricing range. Changes to the elements in an arrangement and Ciena's ability to establish VSOE for those elements could affect the timing of revenue recognition. For all other multiple element arrangements, Ciena separates the elements into more than one unit of accounting if the delivered element(s) have value to the customer on a stand-alone basis, objective and reliable evidence of fair value exists for the undelivered element(s), and delivery of the undelivered element(s) is probable and substantially in Ciena's control. Revenue is allocated to each unit of accounting based on the relative fair value of each accounting unit or using the residual method if objective evidence of fair value does not exist for the delivered element(s). The revenue recognition criteria described above are applied to each separate unit of accounting. If these criteria are not met, revenue is deferred until the criteria are met or the last element has been delivered.

Accounting for multiple element arrangements entered into or materially modified in fiscal 2011

In October 2009, the Financial Accounting Standards Board ("FASB") amended the accounting standard for revenue recognition with multiple deliverables which provided guidance on how the arrangement fee should be allocated and allows the use of management's best estimate of selling price ("BESP") for individual elements of an arrangement when VSOE or third-party evidence ("TPE") is unavailable. Additionally, it eliminates the residual method of revenue recognition in accounting for multiple deliverable arrangements. The FASB also amended the accounting guidance for revenue arrangements with software elements to exclude from the scope of the software revenue recognition guidance, tangible products that contain both software and non-software components that function together to deliver the product's essential functionality.

Ciena adopted the new accounting guidance on a prospective basis for arrangements entered into or materially modified on or after November 1, 2010. Under the new guidance, Ciena separates elements into more than one unit of accounting if the delivered element(s) have value to the customer on a stand-alone basis, and delivery of the undelivered element(s) is probable and substantially in Ciena's control. Therefore, the new guidance allows for deliverables, for which revenue was previously deferred due to an absence of fair value, to be separated and recognized as revenue as delivered. Also, because the residual method has been eliminated, discounts offered by Ciena are allocated to all deliverables, rather than to the delivered element(s). Ciena's adoption of the new guidance for revenue arrangements changed the accounting for certain Ciena products that consist of hardware and software components, in which these components together provided the product's essential functionality. For arrangements involving these products entered into prior to fiscal 2011, Ciena recognized revenue based on software revenue recognition guidance.

Revenue for multiple element arrangements is allocated to each unit of accounting based on the relative selling price of each delivered element, with revenue recognized when the revenue recognition criteria are met for each delivered element. Ciena determines the selling price for each deliverable based upon the selling price hierarchy for multiple-deliverable arrangements. Under this hierarchy, Ciena uses VSOE of selling price, if it exists, or TPE of selling price if VSOE does not exist. If neither VSOE nor TPE of selling price exists for a deliverable, Ciena uses its BESP for that deliverable.

VSOE is established based on Ciena's standard pricing and discounting practices for the specific product or service when sold separately. In determining VSOE, which exists across certain of Ciena's service offerings, Ciena requires that a substantial majority of the selling prices for a product or service fall within a reasonably narrow pricing range. Ciena has been unable to establish TPE of selling price because its go-to-market strategy differs from that of others in its markets, and the extent of customization and differentiated features and functions varies among comparable products or services from its peers. Ciena determines BESP based upon management-approved pricing guidelines, which consider multiple factors including the type of product or service, gross margin objectives, competitive and market conditions, and the go-to-market strategy; all of which can affect pricing practices.

Historically, for arrangements with multiple elements, Ciena was typically able to establish fair value for undelivered elements and so Ciena applied the residual method. As a result, assuming the adoption of the accounting guidance above on a prospective basis for arrangements entered into or materially modified on or after November 1, 2009, the effect on revenue recognized for fiscal 2010 would have been an increase of approximately \$33.0 million .

Warranty Accruals

Ciena provides for the estimated costs to fulfill customer warranty obligations upon the recognition of the related revenue. Estimated warranty costs include estimates for material costs, technical support labor costs and associated overhead. The warranty liability is included in cost of goods sold and determined based upon actual warranty cost experience, estimates of component failure rates and management's industry experience. Ciena's sales contracts do not permit the right of return of product by the customer after the product has been accepted.

Accounts Receivable, Net

Ciena's allowance for doubtful accounts is based on its assessment, on a specific identification basis, of the collectibility of customer accounts. Ciena performs ongoing credit evaluations of its customers and generally has not required collateral or other forms of security from its customers. In determining the appropriate balance for Ciena's allowance for doubtful accounts, management considers each individual customer account receivable in order to determine collectibility. In doing so, management considers creditworthiness, payment history, account activity and communication with such customer. If a customer's financial condition changes, Ciena may be required to record an allowance for doubtful accounts, which would negatively affect its results of operations.

Research and Development

Ciena charges all research and development costs to expense as incurred. Types of expense incurred in research and development include employee compensation, prototype, consulting, depreciation, facility costs and information technologies.

Government Grants

Ciena accounts for proceeds from government grants as a reduction of expense when there is reasonable assurance that Ciena has complied with the conditions attached to the grant and that the grant proceeds will be received. Grant benefits are recorded to the line item in the Consolidated Statement of Operations to which the grant activity relates. See Note 21 below.

Advertising Costs

Ciena expenses all advertising costs as incurred.

Legal Costs

Ciena expenses legal costs associated with litigation defense as incurred.

Share-Based Compensation Expense

Ciena measures and recognizes compensation expense for share-based awards based on estimated fair values on the date of grant. Ciena estimates the fair value of each option-based award on the date of grant using the Black-Scholes option-pricing model. This model is affected by Ciena's stock price as well as estimates regarding a number of variables including expected stock price volatility over the expected term of the award and projected employee stock option exercise behaviors. Ciena estimates the fair value of each share-based award based on the fair value of the underlying common stock on the date of grant. In each case, Ciena only recognizes expense to its consolidated statement of operations for those options or shares that are expected ultimately to vest. Ciena uses two attribution methods to record expense, the straight-line method for grants with only service-based vesting and the graded-vesting method, which considers each performance period or tranche separately, for all other awards. See Note 18 below.

Income Taxes

Ciena accounts for income taxes using an asset and liability approach that recognizes deferred tax assets and liabilities for the expected future tax consequences attributable to differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, and for operating loss and tax credit carryforwards. In estimating future tax consequences, Ciena considers all expected future events other than the enactment of changes in tax laws or rates. Valuation allowances are provided, if, based upon the weight of the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

In the ordinary course of business, transactions occur for which the ultimate outcome may be uncertain. In addition, tax authorities periodically audit Ciena's income tax returns. These audits examine significant tax filing positions, including the timing and amounts of deductions and the allocation of income tax expenses among tax jurisdictions. Ciena is currently under audit in India for 2007 and 2008, Mexico for 2007 and the United Kingdom for 2009. Management does not expect the outcome of these audits to have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows. Ciena's major tax jurisdictions and the earliest open tax years are as follows: United States (2008), United Kingdom (2005), Canada (2005) and India (2007). However, limited adjustments can be made to Federal tax returns in earlier years in order to reduce net operating loss carryforwards. Ciena classifies interest and penalties related to uncertain tax positions as a component of income tax expense. All of the uncertain tax positions, if recognized, would decrease the effective income tax rate.

Ciena has not provided for U.S. deferred income taxes on the cumulative unremitted earnings of its non-U.S. affiliates as it plans to permanently reinvest cumulative unremitted foreign earnings outside the U.S. and it is not practicable to determine the

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unrecognized deferred income taxes. These cumulative unremitted foreign earnings relate to ongoing operations in foreign jurisdictions and are required to fund foreign operations, capital expenditures and any expansion requirements.

Ciena recognizes windfall tax benefits associated with the exercise of stock options or release of restricted stock units directly to stockholders' equity only when realized. A windfall tax benefit occurs when the actual tax benefit realized by Ciena upon an employee's disposition of a share-based award exceeds the deferred tax asset, if any, associated with the award that Ciena had recorded. When assessing whether a tax benefit relating to share-based compensation has been realized, Ciena follows the tax law "with-and-without" method. Under the with-and-without method, the windfall is considered realized and recognized for financial statement purposes only when an incremental benefit is provided after considering all other tax benefits including Ciena's net operating losses. The with-and-without method results in the windfall from share-based compensation awards always being effectively the last tax benefit to be considered. Consequently, the windfall attributable to share-based compensation will not be considered realized in instances where Ciena's net operating loss carryover (that is unrelated to windfalls) is sufficient to offset the current year's taxable income before considering the effects of current-year windfalls.

Loss Contingencies

Ciena is subject to the possibility of various losses arising in the ordinary course of business. These may relate to disputes, litigation and other legal actions. Ciena considers the likelihood of loss or the incurrence of a liability, as well as Ciena's ability to reasonably estimate the amount of loss, in determining loss contingencies. An estimated loss contingency is accrued when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Ciena regularly evaluates current information available to it in order to determine whether any accruals should be adjusted and whether new accruals are required.

Fair Value of Financial Instruments

The carrying value of Ciena's cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities, approximates fair market value due to the relatively short period of time to maturity. For information related to the fair value of Ciena's convertible notes, see Note 14 below.

Fair value for the measurement of financial assets and liabilities is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. Ciena utilizes a valuation hierarchy for disclosure of the inputs for fair value measurement. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs are quoted prices for identical or similar assets or liabilities in less active markets or model-derived valuations in which significant inputs are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument;
- Level 3 inputs are unobservable inputs based on Ciena's assumptions used to measure assets and liabilities at fair value.

By distinguishing between inputs that are observable in the marketplace, and therefore more objective, and those that are unobservable and therefore more subjective, the hierarchy is designed to indicate the relative reliability of the fair value measurements. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Restructuring

From time to time, Ciena takes actions to better align its workforce, facilities and operating costs with perceived market opportunities, business strategies and changes in market and business conditions. Ciena implements these restructuring plans and incurs the associated liability concurrently. Generally accepted accounting principles require that a liability for the cost associated with an exit or disposal activity be recognized in the period in which the liability is incurred, except for one-time employee termination benefits related to a service period of more than 60 days, which are accrued over the service period. See Note 3 below.

Foreign Currency

Some of Ciena's foreign branch offices and subsidiaries use the U.S. dollar as their functional currency because Ciena, as the U.S. parent entity, exclusively funds the operations of these branch offices and subsidiaries. For those subsidiaries using the local currency as their functional currency, assets and liabilities are translated at exchange rates in effect at the balance sheet date, and the statement of operations is translated at a monthly average rate. Resulting translation adjustments are recorded directly to a separate component of stockholders' equity. Where the monetary assets and liabilities are transacted in a currency other than the entity's functional currency, re-measurement adjustments are recorded in other income. The net gain (loss) on foreign currency re-measurement and exchange rate changes is immaterial for separate financial statement presentation.

Derivatives

Ciena's 4.0% convertible senior notes include a redemption feature that is accounted for as a separate embedded derivative. The embedded redemption feature is recorded at fair value on a recurring basis and these changes are included in interest and other income, net on the Consolidated Statement of Operations.

From time to time, Ciena uses foreign currency forward contracts to reduce variability in certain forecasted non U.S.-dollar denominated cash flows. Generally, these derivatives have maturities of twelve months or less and are designated as cash flow hedges. At the inception of the cash flow hedge, and on an ongoing basis, Ciena assesses whether the forward contract has been effective in offsetting changes in cash flows attributable to the hedged risk during the hedging period. The effective portion of the derivative's net gain or loss is initially reported as a component of accumulated other comprehensive income (loss), and, upon the occurrence of the forecasted transaction, is subsequently reclassified to the line item in the Consolidated Statement of Operations to which the hedged transaction relates. Any net gain or loss associated with the ineffectiveness of the hedging instrument is reported in interest and other income, net. See Note 13 below.

Computation of Net Income (Loss) per Share

Ciena calculates basic earnings per share (EPS) by dividing earnings attributable to common stock by the weighted-average number of common shares outstanding for the period. Diluted EPS includes other potential dilutive shares that would be outstanding if securities or other contracts to issue common stock were exercised or converted into common stock. Ciena uses a dual presentation of basic and diluted EPS on the face of its income statement. A reconciliation of the numerator and denominator used for the basic and diluted EPS computations is set forth in Note 15.

Software Development Costs

Ciena develops software for sale to its customers. Generally accepted accounting principles require the capitalization of certain software development costs that are incurred subsequent to the date technological feasibility is established and prior to the date the product is generally available for sale. The capitalized cost is then amortized straight-line over the estimated life of the product. Ciena defines technological feasibility as being attained at the time a working model is completed. To date, the period between Ciena achieving technological feasibility and the general availability of such software has been short, and software development costs qualifying for capitalization have been insignificant. Accordingly, Ciena has not capitalized any software development costs.

Newly Issued Accounting Standards

In June 2011, the FASB issued an accounting standards update that requires an entity to present total comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements and eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. This guidance is effective for fiscal years and interim periods beginning after December 15, 2011. Early adoption is permitted. Ciena does not expect this new guidance to have any impact on its financial condition, results of operations and cash flows.

In May 2011, the FASB issued an accounting standards update that amends current fair value measurement and disclosure guidance to converge with International Financial Reporting Standards (IFRS). This update provides improved comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRS. This guidance is effective for fiscal years and interim periods, beginning after December 15, 2011. Early application by public companies is not permitted. Ciena does not expect this new guidance to have any impact on its financial condition, results of operations and cash flows.

(2) BUSINESS COMBINATIONS*Acquisition of MEN Business*

On March 19, 2010, Ciena completed its acquisition of the MEN Business. Ciena acquired the MEN Business in an effort to strengthen its technology leadership position in next-generation, converged optical Ethernet networking, accelerate the execution of its corporate and research and development strategies and enable Ciena to better compete with larger equipment vendors. The acquisition expanded Ciena's geographic reach, customer relationships, and portfolio of network solutions.

In accordance with the agreements for the acquisition, the \$773.8 million aggregate purchase price was subsequently adjusted downward by \$80.6 million based upon the amount of net working capital transferred to Ciena at closing. As a result, Ciena paid \$693.2 million in cash for the purchase of the MEN Business.

In connection with the acquisition, Ciena entered into an agreement with Nortel to lease the "Lab 10" building on Nortel's Carling Campus in Ottawa, Canada (the "Carling lease") for a term of ten years. The lease agreement contained a provision that allowed Nortel to reduce the term of the lease, and in exchange, Ciena could receive a payment of up to \$33.5 million. This amount was placed into escrow by Nortel in accordance with the acquisition agreements. The \$16.4 million fair value of this contingent refund right was recorded as a reduction to the consideration paid, resulting in a purchase price of \$676.8 million.

On October 19, 2010, Nortel issued a public announcement that it had entered into a sale agreement of its Carling campus with Publics Works and Government Services Canada (PWGSC) and had been directed to exercise its early termination rights under the Carling lease, shortening the lease term from ten years to five years. As a result, and based on this change in circumstances and expected outcome probability, during the fourth quarter of fiscal 2010 Ciena recorded an unrealized gain of \$13.8 million resulting in a fair value of \$30.2 million for the contingent consideration right. During the first quarter of fiscal 2011, Ciena received notice of early termination from Nortel and the corresponding \$33.5 million payment described above, resulting in a gain of \$3.3 million.

During fiscal 2010, Ciena incurred \$101.4 million in transaction, consulting and third party service fees, \$8.5 million in restructuring expense, and an additional \$12.4 million in costs primarily related to purchases of capitalized information technology equipment. During fiscal 2011, Ciena incurred \$42.1 million in transaction, consulting and third party service fees, \$6.6 million in restructuring expense, and an additional \$10.9 million in costs primarily related to purchases of capitalized information technology equipment.

The following table summarizes the final purchase price allocation related to the MEN Business, based on the estimated fair value of the acquired assets and assumed liabilities (in thousands):

	Final Allocation
Unbilled receivables	\$ 7,136
Inventories	146,272
Prepaid expenses and other	32,517
Other long-term assets	21,924
Equipment, furniture and fixtures	41,213
Developed technology	218,774
In-process research and development	11,000
Customer relationships, outstanding purchase orders and contracts	260,592
Trade name	2,000
Deferred revenue	(28,086)
Accrued liabilities	(33,845)
Other long-term obligations	(2,644)
Total purchase price allocation	\$ 676,853

Unbilled receivables represent unbilled claims for which Ciena will invoice customers upon its completion of the acquired projects.

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Under the acquisition method of accounting, Ciena recorded the acquired finished goods inventory at fair value, which was determined to be most appropriately recognized as the estimated selling price less the sum of (a) costs of disposal, and (b) a reasonable profit allowance for Ciena's selling effort.

Prepaid expenses and other include product demonstration units used to support research and development projects and indemnification assets related to uncertain tax contingencies acquired and recorded as part of other long-term obligations. Other long-term assets represent spares used to support customer maintenance commitments.

Developed technology represents purchased technology that had reached technological feasibility and for which development had been completed as of the date of the acquisition. Developed technology will be amortized on a straight line basis over its estimated useful lives of two to seven years .

In-process research and development represents development projects that had not reached technological feasibility at the time of the acquisition. This in-process research and development was completed during the fourth quarter of fiscal 2010 and is being amortized over a period of seven years . Expenditures to complete the in-process research and development were expensed as incurred.

Customer relationships, outstanding purchase orders and contracts represent agreements with existing customers of the MEN Business. These intangible assets are expected to have estimated useful lives of nine months to seven years , with the exception of \$14.6 million related to a contract asset for acquired in-process projects, to be billed by Ciena and recognized as a reduction in revenue. As of October 31, 2011 , Ciena has billed \$13.8 million of these contract assets. The remaining \$0.8 million will be billed during the first half of fiscal 2012. Trade name represents acquired product trade names that are expected to have a useful life of nine months .

Deferred revenue represents obligations assumed by Ciena to provide maintenance support services for which payment for such services was already made to Nortel.

Accrued liabilities represent assumed warranty obligations, other customer contract obligations, and certain employee benefit plans. Other long-term obligations represent uncertain tax contingencies.

The following unaudited pro forma financial information summarizes the results of operations for the period indicated as if Ciena's acquisition of the MEN Business had been completed as of the beginning of the period presented. These pro forma amounts (in thousands) do not purport to be indicative of the results that would have actually been obtained if the acquisition occurred as of the beginning of the periods presented or that may be obtained in the future.

	Fiscal Year	
	2009	2010
Pro forma revenue	\$ 1,704,037	\$ 1,592,911
Pro forma net loss	\$ (1,008,894)	\$ (536,253)

(3) RESTRUCTURING COSTS

Since the acquisition of the MEN Business, Ciena has undertaken a number of restructuring activities intended to reduce operating expense and better align its workforce and operating costs with market opportunities, product development and business strategies for the combined operations.

The following table displays the activity and balances of the historical restructuring liability accounts for the fiscal years indicated (in thousands):

	Workforce reduction	Consolidation of excess facilities	Total
Balance at October 31, 2008	\$ 982	\$ 3,243	\$ 4,225
Additional liability recorded	4,117 (a)	3,419 (a)	7,536
Adjustment to previous estimates	—	3,670 (a)	3,670
Cash payments	(4,929)	(897)	(5,826)
Balance at October 31, 2009	170	9,435	9,605
Additional liability recorded	9,256 (b)	—	9,256
Adjustment to previous estimates	—	(742) (b)	(742)
Cash payments	(7,850)	(2,301)	(10,151)
Balance at October 31, 2010	1,576	6,392	7,968
Additional liability recorded	6,627 (c)	—	6,627
Adjustment to previous estimates	—	(846) (c)	(846)
Cash payments	(8,043)	(2,253)	(10,296)
Balance at October 31, 2011	\$ 160	\$ 3,293	\$ 3,453
Current restructuring liabilities	\$ 160	\$ 504	\$ 664
Non-current restructuring liabilities	\$ —	\$ 2,789	\$ 2,789

- (a) During fiscal 2009 , Ciena recorded a charge of \$4.1 million of severance and other employee-related costs associated with a workforce reduction of 200 employees, \$3.4 million related to the Acton, MA facility closure and \$3.7 million related to previously restructured facilities.
- (b) During fiscal 2010 , Ciena recorded a charge of \$2.1 million related to a workforce reduction of approximately 70 employees, principally affecting Ciena’s global product group and global field organization outside of the EMEA region and \$7.1 million related to a workforce reduction of 82 employees associated with the restructuring activities in the EMEA region described above and an adjustment of \$0.7 million associated with previously restructured facilities.
- (c) During fiscal 2011 , Ciena recorded a charge of \$6.6 million of severance and other employee-related costs associated with a workforce reduction of approximately 150 employees related to a number of restructuring activities intended to reduce operating expense and better align its workforce with market opportunities. Ciena also recorded an adjustment of \$0.8 million related to its previously restructured Acton, MA facility.

(4) GOODWILL AND LONG-LIVED ASSET IMPAIRMENTS

Goodwill

As of October 31, 2010 and 2011 , Ciena did not have any goodwill on its Consolidated Balance Sheets.

Prior to the acquisition of the MEN Business, Ciena assessed its goodwill based upon a single reporting unit and tested its single reporting unit’s goodwill for impairment annually on the last business day of fiscal September each year. Testing is required between annual tests if events occur or circumstances change that would, more likely than not, reduce the fair value of the reporting unit below its carrying value. Based on a combination of factors, including macroeconomic conditions and a sustained decline in Ciena’s common stock price and market capitalization below net book value, Ciena conducted an interim impairment assessment of goodwill during the second quarter of fiscal 2009 . Ciena performed the step one fair value comparison, and its market capitalization was \$721.8 million and its carrying value, including goodwill, was \$949.0 million . Ciena applied a 25% control premium to its market capitalization to determine a fair value of \$902.2 million . Because step one indicated that Ciena’s fair value was less than its carrying value, Ciena performed the step two analysis. Under the step two analysis, the implied fair value of goodwill requires valuation of a reporting unit’s tangible and intangible assets and liabilities in a manner similar to the allocation of purchase price in a business combination. If the carrying value of a reporting unit’s goodwill exceeds its implied fair value, goodwill is deemed impaired and is written down to the extent of the difference. The implied fair value of the reporting unit’s goodwill was determined to be \$0 , and, as a result, Ciena recorded a goodwill impairment of \$455.7 million , representing the full carrying value of the goodwill.

Long-Lived Assets

Due to effects of difficult macroeconomic conditions on Ciena’s business, including lengthening sales cycles and slowing deployments resulting in lower demand, Ciena performed an impairment analysis of its long-lived assets during the second quarter of fiscal 2009 . Based on Ciena’s estimate of future undiscounted cash flows by asset group, as of April 30, 2009, no impairment was required.

Due to the reorganization as a result of the MEN Acquisition, Ciena performed an impairment analysis of its long-lived assets during the second quarter of fiscal 2010 . Based on Ciena’s estimate of future undiscounted cash flows by asset group, no impairment was required. Due to the lack of a triggering event, no impairment analysis was performed in fiscal 2011.

(5) MARKETABLE DEBT SECURITIES

As of October 31, 2010 , Ciena had no investments in marketable debt securities. As of October 31, 2011 , long-term investments in marketable debt securities are comprised of the following (in thousands):

	October 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
US government obligations	\$ 49,933	\$ 331	\$ —	\$ 50,264
	<u>\$ 49,933</u>	<u>\$ 331</u>	<u>\$ —</u>	<u>\$ 50,264</u>

Gross unrealized losses related to marketable debt investments, included in short-term investments at October 31, 2009 , were immaterial.

The following table summarizes final legal maturities of debt investments at October 31, 2011 (in thousands):

	Amortized Cost	Estimated Fair Value
Less than one year	\$ —	\$ —
Due in 1-2 years	49,933	50,264
	<u>\$ 49,933</u>	<u>\$ 50,264</u>

(6) FAIR VALUE MEASUREMENTS

As of the date indicated, the following table summarizes the fair value of assets that are recorded at fair value on a recurring basis (in thousands):

	October 31, 2010			
	Level 1	Level 2	Level 3	Total
Assets:				
Embedded redemption feature	\$ —	\$ —	\$ 4,220	\$ 4,220
Contingent consideration	—	—	30,195	30,195
Total assets measured at fair value	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 34,415</u>	<u>\$ 34,415</u>

	October 31, 2011			
	Level 1	Level 2	Level 3	Total
Assets:				
U.S. government obligations	\$ 50,264	\$ —	\$ —	\$ 50,264
Embedded redemption feature	—	—	7,020	7,020
Total assets measured at fair value	<u>\$ 50,264</u>	<u>\$ —</u>	<u>\$ 7,020</u>	<u>\$ 57,284</u>

As of the dates indicated, the assets above were presented on Ciena's Consolidated Balance Sheet as follows (in thousands):

	October 31, 2010			
	Level 1	Level 2	Level 3	Total
Assets:				
Prepaid expenses and other	\$ —	\$ —	\$ 30,195	\$ 30,195
Other long-term assets	—	—	4,220	4,220
Total assets measured at fair value	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 34,415</u>	<u>\$ 34,415</u>

	October 31, 2011			
	Level 1	Level 2	Level 3	Total
Assets:				
Long-term investments	\$ 50,264	\$ —	\$ —	\$ 50,264
Other long-term assets	—	—	7,020	7,020
Total assets measured at fair value	<u>\$ 50,264</u>	<u>\$ —</u>	<u>\$ 7,020</u>	<u>\$ 57,284</u>

Ciena's Level 3 assets included in prepaid expenses and other at October 31, 2010 reflect its contingent right to receive a refund of up to \$33.5 million in aggregate purchase price paid in the MEN Acquisition. The fair value was based on the weighted average probabilities of expected cash flows discounted to its present value. Ciena's Level 3 assets included in other long-term assets reflect an embedded redemption feature contained within Ciena's 4.0% convertible senior notes. See Note 14 below. The embedded redemption feature is bifurcated from Ciena's 4.0% convertible senior notes using the "with-and-without" approach. As such, the total value of the embedded redemption feature is calculated as the difference between the value of the 4.0% convertible senior notes (the "Hybrid Instrument") and the value of an identical instrument without the embedded redemption feature (the "Host Instrument"). Both the Host Instrument and the Hybrid Instrument are valued using a modified binomial model. The modified binomial model utilizes a risk free interest rate, an implied volatility of Ciena's stock, the recovery rates of bonds and the implied default intensity of the 4.0% convertible senior notes.

As of the dates indicated, the following table sets forth, in thousands, the reconciliation of changes in Level 3 assets recorded at fair value:

	Level 3
Balance at October 31, 2010	\$ 34,415
Issuances	—
Settlements	(30,195)
Changes in unrealized gain	2,800
Transfers into Level 3	—
Transfers out of Level 3	—
Balance at October 31, 2011	<u>\$ 7,020</u>

During fiscal 2009, a private technology company in which Ciena held a minority equity investment completed a round of equity financing and merged with another private technology company. These events required Ciena to perform an impairment analysis and measure the investment at fair value. In determining fair value, Ciena utilized Level 3 inputs including the recapitalization resulting from both the completion of the merger and the equity financing. Also, during fiscal 2009, a separate

private technology company in which Ciena held a minority equity investment was acquired by a publicly-traded company. This event required Ciena to perform an impairment analysis and measure the investment at fair value. In determining fair value, Ciena utilized Level 2 inputs including the relevant exchange ratio for the acquisition transaction and the market price of the acquirer's common stock. Based on Ciena's ownership interest and the value of its investment following these events, Ciena recorded a non-cash loss on cost method investments of \$5.3 million .

(7) ACCOUNTS RECEIVABLE

Ciena has not historically experienced a significant amount of bad debt expense. The following table summarizes the activity in Ciena's allowance for doubtful accounts for the fiscal years indicated (in thousands):

Year ended October 31,	Balance at beginning of period	Provisions	Net Deductions	Balance at end of period
2009	\$ 124	\$ 93	\$ 101	\$ 116
2010	\$ 116	\$ 1	\$ —	\$ 117
2011	\$ 117	\$ 1,696	\$ 1,112	\$ 701

(8) INVENTORIES

As of the dates indicated, inventories are comprised of the following (in thousands):

	October 31,	
	2010	2011
Raw materials	\$ 30,569	\$ 45,333
Work-in-process	6,993	13,851
Finished goods	177,994	134,998
Deferred cost of goods sold	76,830	67,665
	292,386	261,847
Provision for excess and obsolescence	(30,767)	(31,771)
	\$ 261,619	\$ 230,076

Ciena writes down its inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based on assumptions about future demand and market conditions. During fiscal 2009 , fiscal 2010 and fiscal 2011 , recorded provisions for inventory reserves were primarily related to changes in forecasted sales for certain products. Deductions from the reserve for excess and obsolete inventory relate to disposal activities.

The following table summarizes the activity in Ciena's reserve for excess and obsolete inventory for the fiscal years indicated (in thousands):

Year ended October 31,	Balance at beginning of period	Provisions	Disposals	Balance at end of period
2009	\$ 23,257	\$ 15,719	\$ 14,974	\$ 24,002
2010	\$ 24,002	\$ 13,696	\$ 6,931	\$ 30,767
2011	\$ 30,767	\$ 17,334	\$ 16,330	\$ 31,771

(9) PREPAID EXPENSES AND OTHER

As of the dates indicated, prepaid expenses and other are comprised of the following (in thousands):

	October 31,	
	2010	2011
Prepaid VAT and other taxes	\$ 46,352	\$ 44,969
Deferred deployment expense	6,918	17,839
Product demonstration equipment, net	29,449	46,996
Prepaid expenses	15,087	14,769
Restricted cash	12,994	12,533
Contingent consideration	30,195	—
Other non-trade receivables	6,685	6,251
	<u>\$ 147,680</u>	<u>\$ 143,357</u>

Depreciation of product demonstration equipment was \$4.2 million and \$9.7 million for fiscal 2010 and 2011 , respectively.

(10) EQUIPMENT, FURNITURE AND FIXTURES

As of the dates indicated, equipment, furniture and fixtures are comprised of the following (in thousands):

	October 31,	
	2010	2011
Equipment, furniture and fixtures	\$ 360,908	\$ 396,310
Leasehold improvements	49,595	50,380
	410,503	446,690
Accumulated depreciation and amortization	(290,209)	(324,132)
	<u>\$ 120,294</u>	<u>\$ 122,558</u>

During fiscal 2009 , fiscal 2010 and fiscal 2011 , Ciena recorded depreciation of equipment, furniture and fixtures, and amortization of leasehold improvements of \$21.9 million , \$38.5 million and \$50.5 million , respectively.

(11) INTANGIBLE ASSETS

As of the dates indicated, intangible assets are comprised of the following (in thousands):

	October 31,					
	2010			2011		
	Gross Intangible	Accumulated Amortization	Net Intangible	Gross Intangible	Accumulated Amortization	Net Intangible
Developed technology	\$ 417,833	\$ (186,129)	\$ 231,704	\$ 417,833	\$ (234,393)	\$ 183,440
Patents and licenses	45,388	(45,167)	221	46,538	(45,320)	1,218
Customer relationships, covenants not to compete, outstanding purchase orders and contracts	323,573	(129,086)	194,487	323,573	(176,596)	146,977
Total intangible assets	<u>\$ 786,794</u>	<u>\$ (360,382)</u>	<u>\$ 426,412</u>	<u>\$ 787,944</u>	<u>\$ (456,309)</u>	<u>\$ 331,635</u>

The aggregate amortization expense of intangible assets was \$31.4 million , \$127.0 million and \$95.9 million for fiscal 2009 , fiscal 2010 and fiscal 2011 , respectively. Expected future amortization of intangible assets for the fiscal years indicated is as follows (in thousands):

Year Ended October 31,

2012	\$	74,497
2013		71,309
2014		57,151
2015		52,879
2016		52,879
Thereafter		22,920
	\$	<u>331,635</u>

(12) OTHER BALANCE SHEET DETAILS

As of the dates indicated, other long-term assets are comprised of the following (in thousands):

	October 31,	
	2010	2011
Maintenance spares inventory, net	\$ 53,654	\$ 50,442
Deferred debt issuance costs, net	28,853	23,481
Embedded redemption feature	4,220	7,020
Restricted cash	37,796	27,507
Other	5,296	5,673
	<u>\$ 129,819</u>	<u>\$ 114,123</u>

Deferred debt issuance costs are amortized using the straight line method which approximates the effect of the effective interest rate method through the maturity of the related debt. Amortization of debt issuance costs, which is included in interest expense, was \$2.3 million , \$3.8 million and \$5.3 million for fiscal 2009 , fiscal 2010 and fiscal 2011 , respectively.

As of the dates indicated, accrued liabilities are comprised of the following (in thousands):

	October 31,	
	2010	2011
Warranty	\$ 54,372	\$ 47,282
Compensation, payroll related tax and benefits	39,391	51,808
Vacation	20,412	27,808
Current restructuring liabilities	2,784	664
Interest payable	4,345	4,248
Other	72,690	65,194
	<u>\$ 193,994</u>	<u>\$ 197,004</u>

The following table summarizes the activity in Ciena’s accrued warranty for the fiscal years indicated (in thousands):

Year ended	Beginning		Acquired		Provisions		Settlements		Balance at end	
October 31,	Balance								of period	
2009	\$	37,258	\$	—	\$	19,286	\$	16,348	\$	40,196
2010	\$	40,196	\$	24,041	\$	15,353	\$	25,218	\$	54,372
2011	\$	54,372	\$	—	\$	18,451	\$	25,541	\$	47,282

As a result of the substantial completion of integration activities related to the MEN Business, Ciena consolidated certain support operations and processes during fiscal 2011, resulting in a reduction in costs to service future warranty obligations. As a result of the lower expected costs, Ciena reduced its warranty liability by \$6.9 million , which had the effect of reducing the

provisions in the table above.

As of the dates indicated, deferred revenue is comprised of the following (in thousands):

	October 31,	
	2010	2011
Products	\$ 31,187	\$ 42,915
Services	73,862	80,883
	105,049	123,798
Less current portion	(75,334)	(99,373)
Long-term deferred revenue	<u>\$ 29,715</u>	<u>\$ 24,425</u>

(13) FOREIGN CURRENCY FORWARD CONTRACTS

From time to time, Ciena uses foreign currency forward contracts to reduce variability in certain forecasted non-U.S. dollar denominated cash flows. Generally, these derivatives have maturities of 12 months or less and are designated as cash flow hedges. Ciena considers several factors when evaluating hedges of its forecasted foreign currency exposures, such as significance of the exposure, offsetting economic exposures, potential costs of hedging and the potential for hedge ineffectiveness. During fiscal 2011, Ciena entered into foreign currency forward contracts to hedge certain forecasted CAD and INR denominated cash flows which were designated as cash flow hedges. No portion of the hedging instruments was considered ineffective. Gains and losses from these forward contracts were immaterial during fiscal 2011. Ciena does not enter into derivative transactions for purposes other than hedging economic exposures. As of October 31, 2010 and 2011, there were no foreign currency forward contracts outstanding.

(14) CONVERTIBLE NOTES PAYABLE

Outstanding Convertible Notes Payable

Ciena has four issuances of convertible notes payable outstanding. The notes are senior unsecured obligations of Ciena and rank equally with all of Ciena's other existing and future senior unsecured debt. The indentures governing Ciena's notes provide for customary events of default which include (subject in certain cases to customary grace and cure periods), among others, the following: nonpayment of principal or interest; breach of covenants or other agreements in the indenture; defaults in or failure to pay certain other indebtedness; and certain events of bankruptcy or insolvency. Generally, if an event of default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the notes may declare the principal of, accrued interest on, and premium, if any, on all the notes immediately due and payable. Under the indentures, if Ciena undergoes a "fundamental change" (as that term is defined in the indenture governing the notes to include certain change in control transactions), holders of notes will have the right, subject to certain exemptions, to require Ciena to purchase for cash any or all of their notes at a price equal to the principal amount, plus accrued and unpaid interest. If the holder elects to convert his or her notes in connection with a specified fundamental change, in certain circumstances, Ciena will be required to increase the applicable conversion rate, depending on the price paid per share for Ciena common stock and the effective date of the fundamental change transaction.

0.25% Convertible Senior Notes due May 1, 2013

On April 10, 2006, Ciena completed a public offering of 0.25% convertible senior notes due May 1, 2013, in aggregate principal amount of \$300.0 million. Interest is payable on May 1 and November 1 of each year.

During the fourth quarter of fiscal 2010, Ciena repurchased \$81.8 million in aggregate principal amount of its outstanding 0.25% convertible senior notes in privately negotiated transactions, which resulted in a gain of approximately \$4.9 million. As of October 31, 2011, the outstanding principal on these notes was \$216.2 million.

At the election of the holder, notes may be converted prior to maturity into shares of Ciena common stock at the initial conversion rate of 25.3001 shares per \$1,000 in principal amount, which is equivalent to an initial conversion price of \$39.5255 per share. The notes may be redeemed by Ciena if the closing sale price of Ciena's common stock for at least 20 trading days in any 30 consecutive trading day period ending on the date one day prior to the date of the notice of redemption exceeds 130% of the conversion price. Ciena may redeem the notes in whole or in part, at a redemption price in cash equal to the principal amount to be redeemed, plus accrued and unpaid interest.

Ciena used approximately \$28.5 million of the net proceeds of this offering to purchase a call spread option on its common stock that is intended to limit exposure to potential dilution from the conversion of the notes. See Note 16 below for a

description of this call spread option.

4.0% Convertible Senior Notes, due March 15, 2015

On March 15, 2010, Ciena completed a private placement of 4.0% convertible senior notes due March 15, 2015, in aggregate principal amount of \$375.0 million . Interest is payable on the notes on March 15 and September 15 of each year, beginning on September 15, 2010.

At the election of the holder, the notes may be converted prior to maturity into shares of Ciena common stock at the initial conversion rate of 49.0557 shares per \$1,000 in principal amount, which is equivalent to an initial conversion price of approximately \$20.38 per share. The notes may be redeemed by Ciena on or after March 15, 2013 if the closing sale price of Ciena's common stock for at least 20 trading days in any 30 consecutive trading day period ending on the date one day prior to the date of the notice of redemption exceeds 150% of the conversion price. Ciena may redeem the notes in whole or in part, at a redemption price in cash equal to the principal amount to be redeemed, plus accrued and unpaid interest, including any additional interest to, but excluding, the redemption date, plus a make-whole premium payment. The "make whole premium" payment will be made in cash and equal the present value of the remaining interest payments, to maturity, computed using a discount rate equal to 2.75% . The make-whole premium is paid to holders whether or not they convert the notes following Ciena's issuance of a redemption notice. For accounting purposes, this redemption feature is an embedded derivative that is not clearly and closely related to the notes. Consequently, it was initially bifurcated from the indenture and separately recorded at its fair value as an asset with subsequent changes in fair value recorded through earnings. As of October 31, 2011 , the fair value of the embedded redemption feature was \$7.0 million and is included in other long-term assets on the Consolidated Balance Sheet. Changes in fair value of the embedded redemption feature in the amount of \$2.8 million are reflected as interest and other income (loss), net in the Consolidated Statement of Operations during fiscal 2011 .

The net proceeds from the offering of the notes were \$364.3 million after deducting the placement agents' fees and other fees and expenses. Ciena used \$243.8 million of this amount to fund its payment election to replace its contractual obligation to issue convertible notes to Nortel as part of the aggregate purchase price for the acquisition of the MEN Business. The remaining proceeds were used to reduce the cash on hand required to fund the aggregate purchase price of the MEN Business. See Note 2 above.

0.875% Convertible Senior Notes due June 15, 2017

On June 11, 2007, Ciena completed a public offering of 0.875% convertible senior notes due June 15, 2017, in aggregate principal amount of \$500.0 million . Interest is payable on June 15 and December 15 of each year, beginning on December 15, 2007.

At the election of the holder, notes may be converted prior to maturity into shares of Ciena common stock at the initial conversion rate of 26.2154 shares per \$1,000 in principal amount, which is equivalent to an initial conversion price of approximately \$38.15 per share. The notes are not redeemable by Ciena prior to maturity.

Ciena used approximately \$42.5 million of the net proceeds of this offering to purchase a call spread option on its common stock that is intended to limit exposure to potential dilution from conversion of the notes. See Note 16 below for a description of this call spread option.

3.75% Convertible Senior Notes, due October 15, 2018

On October 18, 2010, Ciena completed a private placement of 3.75% convertible senior notes due October 15, 2018, in aggregate principal amount of \$350.0 million . Interest is payable on the notes on April 15 and October 15 of each year, beginning on April 15, 2011.

At the election of the holder, the notes may be converted prior to maturity into shares of Ciena common stock at the initial conversion rate of 49.5872 shares per \$1,000 in principal amount, which is equivalent to an initial conversion price of approximately \$20.17 per share.

The net proceeds from the offering were approximately \$340.4 million after deducting the placement agents' fees and other fees and expenses. Ciena used \$76.1 million of the net proceeds to effect the repurchase of its 0.25% convertible senior notes due 2013 described above.

The following table sets forth, in thousands, the carrying value and the estimated current fair value of Ciena's outstanding convertible notes:

Description	October 31, 2011	
	Carrying Value	Fair Value
0.25% Convertible Senior Notes due May 1, 2013	\$ 216,210	\$ 215,399
4.0% Convertible Senior Notes, due March 15, 2015 ⁽¹⁾	376,154	388,125
0.875% Convertible Senior Notes due June 15, 2017	500,000	376,875
3.75% Convertible Senior Notes, due October 15, 2018	350,000	347,375
	<u>\$ 1,442,364</u>	<u>\$ 1,327,774</u>

(1) Includes unamortized bond premium related to embedded redemption feature

The fair value reported above is based on the quoted market price for the notes on the date above.

(15) EARNINGS (LOSS) PER SHARE CALCULATION

The following table (in thousands except per share amounts) is a reconciliation of the numerator and denominator of the basic net income (loss) per common share ("Basic EPS") and the diluted net income (loss) per potential common share ("Diluted EPS"). Basic EPS is computed using the weighted average number of common shares outstanding. Diluted EPS is computed using the weighted average number of (i) common shares outstanding, (ii) shares issuable upon vesting of restricted stock units, (iii) shares issuable under Ciena's employee stock purchase plan and upon exercise of outstanding stock options, using the treasury stock method; and (iv) shares underlying Ciena's outstanding convertible notes.

Numerator

	Year Ended October 31,		
	2009	2010	2011
Net loss	<u>\$ (581,154)</u>	<u>\$ (333,514)</u>	<u>\$ (195,521)</u>

Denominator

	Year Ended October 31,		
	2009	2010	2011
Basic weighted average shares outstanding	<u>91,167</u>	<u>93,103</u>	<u>95,854</u>
Dilutive weighted average shares outstanding	<u>91,167</u>	<u>93,103</u>	<u>95,854</u>

EPS

	Year Ended October 31,		
	2009	2010	2011
Basic EPS	<u>\$ (6.37)</u>	<u>\$ (3.58)</u>	<u>\$ (2.04)</u>
Diluted EPS	<u>\$ (6.37)</u>	<u>\$ (3.58)</u>	<u>\$ (2.04)</u>

The following table summarizes the weighted average shares excluded from the calculation of the denominator for Basic and Diluted EPS due to their anti-dilutive effect for the fiscal years indicated (in thousands):

	Year Ended October 31,		
	2009	2010	2011
Shares underlying stock options, restricted stock units and warrants	8,302	7,397	6,141
0.25% Convertible Senior Notes due May 1, 2013	7,539	7,454	5,470
4.00% Convertible Senior Notes due March 15, 2015	—	11,605	18,395
0.875% Convertible Senior Notes due June 15, 2017	13,108	13,108	13,108
3.75% Convertible Senior Notes due October 15, 2018	—	717	17,356
Total excluded due to anti-dilutive effect	<u>28,949</u>	<u>40,281</u>	<u>60,470</u>

(16) STOCKHOLDERS' EQUITY

Call Spread Options

Ciena holds two call spread options on its common stock relating to the shares issuable upon conversion of two issues of convertible notes. These call spread options are designed to mitigate exposure to potential dilution from the conversion of these notes. Ciena purchased a call spread option relating to the 0.25% convertible senior notes due May 1, 2013 for \$28.5 million during the second quarter of fiscal 2006. Ciena purchased a call spread option relating to the 0.875% convertible senior notes due June 15, 2017 for \$42.5 million during the third quarter of fiscal 2007. In each case, the call spread options were purchased at the time of the notes offering from an affiliate of the underwriter. The cost of each call spread option was recorded as a reduction in paid-in capital.

Each call spread option is exercisable, upon maturity of the relevant issue of convertible notes, for such number of shares of Ciena common stock issuable upon conversion of that series of notes in full. Each call spread option has a “lower strike price” equal to the conversion price for the notes and a “higher strike price” that serves to cap the amount of dilution protection provided. At its election, Ciena can exercise the call spread options on a net cash basis or a net share basis. The value of the consideration of a net share settlement will be equal to the value upon a net cash settlement and can range from \$0, if the market price per share of Ciena common stock upon exercise is equal to or below the lower strike price, to approximately \$45.7 million (in the case of the April 2006 call spread option) or approximately \$76.1 million (in the case of the June 2007 call spread option), if the market price per share of Ciena common stock upon exercise is at or above the higher strike price. If the market price on the date of exercise is between the lower strike price and the higher strike price, in lieu of a net settlement, Ciena may elect to receive the full number of shares underlying the call spread option by paying the aggregate option exercise price, which is equal to the original principal outstanding on that series of notes. Should there be an early unwind of the call spread option, the amount of cash or shares to be received by Ciena will depend upon the existing overall market conditions, and on Ciena’s stock price, the volatility of Ciena’s stock and the remaining term of the call spread option. The number of shares subject to the call spread options, and the lower and higher strike prices, are subject to customary adjustments.

(17) INCOME TAXES

For the periods indicated, the provision (benefit) for income taxes consists of the following (in thousands):

	October 31,		
	2009	2010	2011
Provision (benefit) for income taxes:			
Current:			
Federal	\$ (3,488)	\$ (918)	\$ (194)
State	122	223	(518)
Foreign	2,925	1,936	8,202
Total current	(441)	1,241	7,490
Deferred:			
Federal	(860)	700	160
State	(23)	—	23
Foreign	—	—	—
Total deferred	(883)	700	183
Provision (benefit) for income taxes	\$ (1,324)	\$ 1,941	\$ 7,673

For the periods indicated, income (loss) before provision (benefit) for income taxes consists of the following (in thousands):

	October 31,		
	2009	2010	2011
United States	\$ (591,637)	\$ (317,899)	\$ (240,244)
Foreign	9,159	(13,674)	52,396
Total	\$ (582,478)	\$ (331,573)	\$ (187,848)

For the periods indicated, the tax provision (benefit) reconciles to the amount computed by multiplying income or loss

before income taxes by the U.S. federal statutory rate of 35% as follows:

	October 31,		
	2009	2010	2011
Provision at statutory rate	35.00 %	35.00 %	35.00 %
State taxes	(0.02)%	(0.07)%	0.27 %
Foreign taxes	0.05 %	(4.56)%	2.32 %
Research and development credit	0.60 %	2.54 %	11.03 %
Goodwill impairment	(27.38)%	— %	— %
Non-deductible compensation and other	(1.42)%	(1.43)%	(3.96)%
Valuation allowance	(6.60)%	(32.07)%	(48.74)%
Effective income tax rate	0.23 %	(0.59)%	(4.08)%

The significant components of deferred tax assets and liabilities are as follows (in thousands):

	October 31,	
	2010	2011
Deferred tax assets:		
Reserves and accrued liabilities	\$ 30,889	\$ 30,637
Depreciation and amortization	186,716	259,899
NOL and credit carry forward	1,107,059	1,154,571
Other	38,829	22,304
Gross deferred tax assets	1,363,493	1,467,411
Valuation allowance	(1,363,493)	(1,467,411)
Net deferred tax asset	\$ —	\$ —

A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding interest and penalties, is as follows (in thousands):

Unrecognized tax benefits at October 31, 2008	\$ 4,436
Increase related to positions taken in prior period	106
Increase related to positions taken in current period	1,947
Reductions related to expiration of statute of limitations	(300)
Unrecognized tax benefits at October 31, 2009	6,189
Increase related to positions taken in prior period	26
Increase related to positions taken in current period	3,383
Reductions related to expiration of statute of limitations	(2,156)
Unrecognized tax benefits at October 31, 2010	7,442
Increase related to positions taken in prior period	(450)
Increase related to positions taken in current period	1,847
Reductions related to expiration of statute of limitations	(249)
Unrecognized tax benefits at October 31, 2011	\$ 8,590

As of October 31, 2010 and 2011, Ciena had accrued \$1.4 million and \$1.1 million, respectively, of interest and some minor penalties related to unrecognized tax benefits within other long-term liabilities in the Consolidated Balance Sheets. A charge of \$0.2 million and a benefit of \$0.3 million of interest was recorded to the provision for income taxes during fiscal 2010 and 2011, respectively. If recognized, the entire balance of unrecognized tax benefits would impact the effective tax rate. Over the

next 12 months, Ciena does not estimate any material changes in the unrecognized income tax benefits.

During fiscal 2002, Ciena established a valuation allowance against its deferred tax assets. Ciena intends to maintain a valuation allowance until sufficient positive evidence exists to support a reversal. Any future release of valuation allowance may be recorded as a tax benefit increasing net income or as an adjustment to paid-in capital, based on tax ordering requirements. The following table summarizes the activity in Ciena’s valuation allowance against its gross deferred tax assets (in thousands):

Year ended October 31,	Balance at beginning of period	Additions	Deductions	Balance at end of period
2009	\$ 1,164,384	\$ 33,683	\$ —	\$ 1,198,067
2010	\$ 1,198,067	\$ 165,426	\$ —	\$ 1,363,493
2011	\$ 1,363,493	\$ 103,918	\$ —	\$ 1,467,411

As of October 31, 2011, Ciena had a \$2.7 billion net operating loss carry forward and a \$0.1 billion income tax credit carry forward which begin to expire in fiscal year 2018 and 2013, respectively. Ciena’s ability to use net operating losses and credit carry forwards is subject to limitations pursuant to the ownership change rules of the Internal Revenue Code Section 382.

The income tax provision does not reflect the tax savings resulting from deductions associated with Ciena’s equity compensation and the call spread option associated with Ciena’s convertible debt. The cumulative tax benefit through October 31, 2011 of approximately \$79.0 million will be credited to additional paid-in capital when realized. For deductions associated with Ciena’s equity compensation, credits to paid-in capital will be recorded when those tax benefits are used to reduce taxes payable.

(18) SHARE-BASED COMPENSATION EXPENSE

Ciena grants equity awards under its 2008 Omnibus Incentive Plan and 2003 Employee Stock Purchase Plan (“ESPP”). In connection with its acquisition of the MEN Business, Ciena also adopted the 2010 Inducement Equity Award Plan, pursuant to which it has made awards to eligible persons as described below.

2008 Plan

The 2008 Omnibus Incentive Plan (the “2008 Plan”) was approved by Ciena’s Board of Directors on December 12, 2007 and became effective upon the approval of Ciena’s stockholders on March 26, 2008. The 2008 Plan has a ten year term. The 2008 Plan reserves eight million shares of common stock for issuance, subject to increase from time to time by the number of shares: (i) subject to outstanding awards granted under Ciena’s prior equity compensation plans that terminate without delivery of any stock (to the extent such shares would have been available for issuance under such prior plan), and (ii) subject to awards assumed or substituted in connection with the acquisition of another company.

The 2008 Plan authorizes the issuance of awards including stock options, restricted stock units (RSUs), restricted stock, unrestricted stock, stock appreciation rights (SARs) and other equity and/or cash performance incentive awards to employees, directors, and consultants of Ciena. Subject to certain restrictions, the Compensation Committee of the Board of Directors has broad discretion to establish the terms and conditions for awards under the 2008 Plan, including the number of shares, vesting conditions and the required service or performance criteria. Options and SARs have a maximum term of ten years, and their exercise price may not be less than 100% of fair market value on the date of grant. Repricing of stock options and SARs is prohibited without stockholder approval. Certain change in control transactions may cause awards granted under the 2008 Plan to vest, unless the awards are continued or substituted for in connection with the transaction.

Pursuant to Board and stockholder approval, effective April 14, 2010, Ciena amended its 2008 Plan to (i) increase the number of shares available for issuance by five million shares; and (ii) reduce from 1.6 to 1.31 the fungible share ratio used for counting full value awards, such as restricted stock units, against the shares remaining available under the 2008 Plan. As of October 31, 2011, there were approximately 4.0 million shares authorized and remaining available for issuance under the 2008 Plan.

2010 Inducement Equity Award Plan

On December 8, 2009, the Compensation Committee of the Board of Directors approved the 2010 Inducement Equity Award Plan (the “2010 Plan”). The 2010 Plan is intended to enhance Ciena’s ability to attract and retain certain key employees transferred to Ciena in connection with its acquisition of the MEN Business. The 2010 Plan authorizes the issuance of restricted

stock or restricted stock units representing up to 2.25 million shares of Ciena common stock. Upon the March 19, 2011 termination of the 2010 Plan, any shares then remaining available ceased to be available for issuance under the 2010 Plan or any other existing Ciena equity incentive plan.

Stock Options

Outstanding stock option awards to employees are generally subject to service-based vesting restrictions and vest incrementally over a four-year period. The following table is a summary of Ciena's stock option activity for the periods indicated (shares in thousands) :

	Shares Underlying Options Outstanding	Weighted Average Exercise Price
Balance as of October 31, 2008	6,399	\$ 48.84
Granted	234	8.63
Exercised	(107)	2.33
Canceled	(988)	61.40
Balance as of October 31, 2009	5,538	45.80
Granted	86	12.42
Exercised	(103)	5.21
Canceled	(519)	95.00
Balance as of October 31, 2010	5,002	40.96
Granted	—	—
Exercised	(411)	14.88
Canceled	(901)	97.64
Balance as of October 31, 2011	3,690	\$ 30.01

The total intrinsic value of options exercised during fiscal 2009 , fiscal 2010 and fiscal 2011 was \$0.7 million , \$0.9 million and \$3.4 million , respectively. The weighted average fair value of each stock option granted by Ciena during fiscal 2009 and fiscal 2010 was \$4.94 and \$6.94 , respectively. There were no stock options granted by Ciena during fiscal 2011 .

The following table summarizes information with respect to stock options outstanding at October 31, 2011 , based on Ciena's closing stock price on the last trading day of Ciena's fiscal 2011 (shares and intrinsic value in thousands):

Range of Exercise Price	Options Outstanding at October 31, 2011					Vested Options at October 31, 2011				
	Number of Underlying Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Aggregate Intrinsic Value	Number of Underlying Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Aggregate Intrinsic Value		
\$ 0.94 — \$ 16.31	380	6.03	\$ 8.20	\$ 2,161	277	5.43	\$ 7.48	\$ 1,780		
\$ 16.52 — \$ 17.29	404	3.76	16.69	—	393	3.67	16.67	—		
\$ 17.43 — \$ 24.50	555	3.63	20.49	—	545	3.57	20.49	—		
\$ 24.69 — \$ 28.28	422	5.01	26.98	—	414	4.99	26.98	—		
\$ 28.61 — \$ 31.43	284	3.85	29.78	—	276	3.77	29.76	—		
\$ 31.71 — \$ 32.55	524	1.34	31.72	—	521	1.31	31.72	—		
\$ 33.00 — \$ 37.10	350	5.54	35.17	—	337	5.51	35.19	—		
\$ 37.31 — \$ 47.32	511	2.95	44.72	—	508	2.93	44.72	—		
\$ 47.53 — \$ 167.09	257	0.57	66.85	—	257	0.57	66.85	—		
\$267.52 — \$ 267.52	3	0.75	267.52	—	3	0.75	267.52	—		
\$ 0.94 — \$ 267.52	<u>3,690</u>	3.61	\$ 30.01	<u>\$ 2,161</u>	<u>3,531</u>	3.45	\$ 30.64	<u>\$ 1,780</u>		

Assumptions for Option-Based Awards

Ciena recognizes the fair value of service-based options as share-based compensation expense on a straight-line basis over the requisite service period. During fiscal 2009 and fiscal 2010, Ciena estimated the fair value of each option award on the date of grant using the Black-Scholes option-pricing model, with the weighted average assumptions in the table below. Ciena did not grant any option-based awards during fiscal 2011.

	Year Ended October 31,	
	2009	2010
Expected volatility	65.0%	61.9%
Risk-free interest rate	1.7%-3.1%	2.0%-3.0%
Expected term (years)	5.2-5.3	5.3-5.5
Expected dividend yield	0.0%	0.0%

Ciena considered the implied volatility and historical volatility of its stock price in determining its expected volatility, and, finding both to be equally reliable, determined that a combination of both would result in the best estimate of expected volatility.

The risk-free interest rate assumption is based upon observed interest rates appropriate for the expected term of Ciena's employee stock options.

The expected life of employee stock options represents the weighted-average period the stock options are expected to remain outstanding. Ciena uses historical information about specific exercise behavior of its grantees to determine the expected term.

The dividend yield assumption is based on Ciena's history and expectation of dividend payouts.

Because share-based compensation expense is recognized only for those awards that are ultimately expected to vest, the amount of share-based compensation expense recognized reflects a reduction for estimated forfeitures. Ciena estimates forfeitures at the time of grant and revises those estimates in subsequent periods based upon new or changed information. Ciena relies upon historical experience in establishing forfeiture rates. If actual forfeitures differ from current estimates, total unrecognized share-based compensation expense will be adjusted for future changes in estimated forfeitures.

Restricted Stock Units

A restricted stock unit is a stock award that entitles the holder to receive shares of Ciena common stock as the unit vests. Ciena's outstanding restricted stock unit awards are subject to service-based vesting conditions and/or performance-based vesting conditions. Awards subject to service-based conditions typically vest in increments over a three or four-year period. Awards with performance-based vesting conditions require the achievement of certain operational, financial or other performance criteria or targets as a condition of vesting, or the acceleration of vesting, of such awards. Ciena recognizes the estimated fair value of performance-based awards, net of estimated forfeitures, as share-based compensation expense over the performance period, using graded vesting, which considers each performance period or tranche separately, based upon Ciena's determination of whether it is probable that the performance targets will be achieved. At each reporting period, Ciena reassesses the probability of achieving the performance targets and the performance period required to meet those targets.

The following table is a summary of Ciena's restricted stock unit activity for the period indicated, with the aggregate fair value of the balance outstanding at the end of each period, based on Ciena's closing stock price on the last trading day of the relevant period (shares and aggregate fair value in thousands) :

	Restricted Stock Units Outstanding	Weighted Average Grant Date Fair Value Per Share	Aggregate Fair Value
Balance as of October 31, 2008	1,849	\$ 30.85	\$ 17,773
Granted	3,364		
Vested	(1,358)		
Canceled or forfeited	(139)		
Balance as of October 31, 2009	3,716	14.67	43,591
Granted	3,643		
Vested	(1,846)		
Canceled or forfeited	(322)		
Balance as of October 31, 2010	5,191	13.81	71,681
Granted	2,064		
Vested	(2,466)		
Canceled or forfeited	(491)		
Balance as of October 31, 2011	4,298	\$ 16.28	\$ 59,399

The total fair value of restricted stock units that vested and were converted into common stock during fiscal 2009 , fiscal 2010 and fiscal 2011 was \$14.7 million , \$25.7 million and \$45.3 million , respectively. The weighted average fair value of each restricted stock unit granted by Ciena during fiscal 2009 , fiscal 2010 and fiscal 2011 was \$7.02 , \$13.43 and \$19.73 , respectively.

Assumptions for Restricted Stock Unit Awards

The fair value of each restricted stock unit award is based on the closing price on the date of grant. Share-based expense for service-based restricted stock unit awards is recognized, net of estimated forfeitures, ratably over the vesting period on a straight-line basis.

Share-based expense for performance-based restricted stock unit awards, net of estimated forfeitures, is recognized ratably over the performance period based upon Ciena's determination of whether it is probable that the performance targets will be achieved. At each reporting period, Ciena reassesses the probability of achieving the performance targets and the performance period required to meet those targets. The estimation of whether the performance targets will be achieved involves judgment, and the estimate of expense is revised periodically based on the probability of achieving the performance targets. Revisions are reflected in the period in which the estimate is changed. If any performance goals are not met, no compensation cost is ultimately recognized against that goal and, to the extent previously recognized, compensation cost is reversed.

2003 Employee Stock Purchase Plan

In March 2003, Ciena stockholders approved the 2003 Employee Stock Purchase Plan (the "ESPP"), which has a ten-year term. Ciena stockholders subsequently approved an amendment increasing the number of shares available to 3.6 million and

adopting an “evergreen” provision. On December 31 of each year, the number of shares available under the ESPP will increase by up to 0.6 million shares, provided that the total number of shares available at that time shall not exceed 3.6 million . Pursuant to the evergreen provision, the maximum number of shares that may be added to the ESPP during the remainder of its ten-year term is 2.2 million .

Under the ESPP, eligible employees may enroll in a six-month offer period during certain open enrollment periods. Prior to October 1, 2010, new offer periods began March 16 and September 16 of each year and the purchase price reflected a 5% discount off of the lower of the fair market value of Ciena common stock on the day preceding the offer period or the last day of the offer period. Prior to October 1, 2010, the ESPP was non-compensatory for purposes of share-based compensation expense.

Beginning on October 1, 2010, the six-month offer periods begin on December 21 and June 21 of each year with an initial stub period running from October 1, 2010 through December 20, 2010. The purchase price reflects a 15% discount off of the lower of the fair market value of Ciena common stock on the day preceding the offer period or the last day of the offer period. The current ESPP is considered compensatory for purposes of share-based compensation expense.

During fiscal 2009 , fiscal 2010 and fiscal 2011 , Ciena issued 0.1 million, 0.1 million and 0.5 million shares under the ESPP, respectively. At October 31, 2009 , 2010 and 2011 , 3.5 million, 3.5 million and 3.2 million shares remained available for issuance under the ESPP, respectively.

Share-Based Compensation Expense for Periods Reported

The following table summarizes share-based compensation expense for the periods indicated (in thousands):

	Year Ended October 31,		
	2009	2010	2011
Product costs	\$ 2,116	\$ 2,140	\$ 2,269
Service costs	1,599	1,717	1,881
Share-based compensation expense included in cost of goods sold	3,715	3,857	4,150
Research and development	10,006	9,310	10,149
Sales and marketing	10,861	10,950	12,182
General and administrative	10,380	9,959	11,140
Acquisition and integration costs	—	1,342	308
Share-based compensation expense included in operating expense	31,247	31,561	33,779
Share-based compensation expense capitalized in inventory, net	(524)	142	1
Total share-based compensation	\$ 34,438	\$ 35,560	\$ 37,930

As of October 31, 2011 , total unrecognized compensation expense was \$59.4 million : (i) \$1.0 million , which relates to unvested stock options and is expected to be recognized over a weighted-average period of 0.6 year; and (ii) \$58.4 million , which relates to unvested restricted stock units and is expected to be recognized over a weighted-average period of 1.6 years.

(19) SEGMENT AND ENTITY WIDE DISCLOSURES

Segment Reporting

Effective upon the March 19, 2010 completion of Ciena’s acquisition of the MEN Business, Ciena reorganized its internal organizational structure and the management of its business. Ciena’s chief operating decision maker, its chief executive officer, evaluates performance and allocates resources based on multiple factors, including segment profit (loss) information for the following product categories:

- *Packet-Optical Transport* — includes optical transport solutions that increase network capacity and enable more rapid delivery of a broader mix of high-bandwidth services. These products are used by network operators to facilitate the cost effective and efficient transport of voice, video and data traffic in core networks, regional, metro and access networks. Ciena's Packet-Optical Transport products support the efficient delivery of a wide variety of consumer-oriented network services, as well as key managed service and enterprise applications. Ciena's principal products in this segment include the 6500 Packet-Optical Platform, 4200 Advanced Services Platform; Corestream® Agility Optical Transport System, 5100/5200 Advanced Services Platform, Common Photonic Layer (CPL), and 6100 Multiservice Optical Platform. This segment also includes sales from legacy SONET/SDH, transport and data networking products, as well as certain enterprise-oriented transport solutions that support storage and LAN extension,

interconnection of data centers, and virtual private networks. This segment also includes operating system software and enhanced software features embedded in each of these products. Revenue from this segment is included in product revenue on the Consolidated Statement of Operations.

- *Packet-Optical Switching* — includes optical switching platforms that enable automated optical infrastructures for the delivery of a wide variety of enterprise and consumer-oriented network services. Ciena's principal products in this segment include its family of CoreDirector® Multiservice Optical Switches, its 5430 Reconfigurable Switching System and its OTN configuration for the 5410 Reconfigurable Switching System. These products include multiservice, multi-protocol switching systems that consolidate the functionality of an add/drop multiplexer, digital cross-connect and packet switch into a single, high-capacity intelligent switching system. These products address both the core and metro segments of communications networks and support key managed service services, Ethernet/TDM Private Line, Triple Play and IP services. This segment also includes sales of operating system software and enhanced software features embedded in each of these products. Revenue from this segment is included in product revenue on the Consolidated Statement of Operations.
- *Carrier-Ethernet Solutions* - principally includes Ciena's 3000 family of service delivery switches and service aggregation switches, the 5000 series of service aggregation switches, and its Carrier Ethernet packet configuration for the 5410 Service Aggregation Switch. These products support the access and aggregation tiers of communications networks and have principally been deployed to support wireless backhaul infrastructures and business data services. Employing sophisticated Carrier Ethernet switching technology, these products deliver quality of service capabilities, virtual local area networking and switching functions, and carrier-grade operations, administration, and maintenance features. This segment also includes legacy broadband products, including the CNX-5 Broadband DSL System (CNX-5), that transitions legacy voice networks to support Internet-based (IP) telephony, video services and DSL. This segment also includes sales of operating system software and enhanced software features embedded in each of these products. Revenue from this segment is included in product revenue on the Consolidated Statement of Operations.
- *Software and Services* - includes the Ciena One software suite, including OneControl, our integrated network and service management software designed to automate and simplify network management, operation and service delivery. These software solutions can track individual services across multiple product suites, facilitating planned network maintenance, outage detection and identification of customers or services affected by network troubles. In addition to Ciena One, this segment includes our ON-Center® Network & Service Management Suite, and the OMEA and Preside platforms from the MEN Business. This segment also includes a broad range of consulting and support services, including installation and deployment, maintenance support, consulting, network design and training activities. Except for revenue from the software portion of this segment, which is included in product revenue, revenue from this segment is included in services revenue on the Consolidated Statement of Operations.

Reportable segment asset information is not disclosed because it is not reviewed by the chief operating decision maker for purposes of evaluating performance and allocating resources.

The table below (in thousands, except percentage data) sets forth Ciena's segment revenue for the respective periods:

	Fiscal Year		
	2009	2010	2011
Revenues:			
Packet-Optical Transport	\$ 299,088	\$ 705,551	\$ 1,121,811
Packet-Optical Switching	165,705	112,058	148,395
Carrier Ethernet Solutions	75,125	179,083	127,868
Software and Services	112,711	239,944	343,896
Consolidated revenue	<u>\$ 652,629</u>	<u>\$ 1,236,636</u>	<u>\$ 1,741,970</u>

Segment Profit (Loss)

Segment profit (loss) is determined based on internal performance measures used by the chief executive officer to assess the performance of each operating segment in a given period. In connection with that assessment, the chief executive officer excludes the following non-performance items: selling and marketing costs; general and administrative costs; acquisition and integration costs; amortization of intangible assets; restructuring costs; goodwill impairment; change in fair value of contingent consideration; interest and other financial charges (net); interest expense; gains (losses) on cost method investments, gain on extinguishment of debt, and provisions (benefit) for income taxes.

The table below (in thousands) sets forth Ciena's segment profit (loss) and the reconciliation to consolidated net income (loss) during the respective periods:

	Fiscal Year		
	2009	2010	2011
Segment profit:			
Packet-Optical Transport	\$ 21,535	\$ 69,319	\$ 191,727
Packet-Optical Switching	60,302	15,662	49,286
Carrier-Ethernet Solutions	(9,575)	28,742	10,849
Software and Services	22,249	56,152	77,422
Total segment profit	94,511	169,875	329,284
Less: non-performance operating expenses			
Selling and marketing	134,527	193,515	251,990
General and administrative	47,509	102,692	126,242
Acquisition and integration costs	—	101,379	42,088
Amortization of intangible assets	24,826	99,401	69,665
Restructuring costs	11,207	8,514	5,781
Goodwill impairment	455,673	—	—
Change in fair value of contingent consideration	—	(13,807)	(3,289)
Add: other non-performance financial items			
Interest expense and other income (loss), net	2,081	(14,702)	(31,904)
Gain (loss) on cost method investments	(5,328)	—	7,249
Gain on extinguishment of debt	—	4,948	—
Less: Provision (benefit) for income taxes	(1,324)	1,941	7,673
Consolidated net loss	\$ (581,154)	\$ (333,514)	\$ (195,521)

Entity Wide Reporting

The following table reflects Ciena's geographic distribution of revenue based on the location of the purchaser, with any country accounting for a significant percentage of total revenue in the period specifically identified. For fiscal 2010 and 2011, revenue attributable to geographic regions outside of the United States is reflected as "Other International" revenue. For the periods below, Ciena's geographic distribution of revenue was as follows (in thousands, except percentage data):

	Fiscal Year		
	2009	2010	2011
United States	\$ 419,405	\$ 744,232	\$ 930,880
United Kingdom	81,784	n/a	n/a
Other International	151,440	492,404	811,090
Total.	\$ 652,629	\$ 1,236,636	\$ 1,741,970

n/a Denotes revenue representing less than 10% of total revenue for the period

The following table reflects Ciena's geographic distribution of equipment, furniture and fixtures, with any country accounting for a significant percentage of total equipment, furniture and fixtures specifically identified. Equipment, furniture and fixtures attributable to geographic regions outside of the United States and Canada are reflected as "Other International." For the periods below, Ciena's geographic distribution of equipment, furniture and fixtures was as follows (in thousands, except percentage data):

	October 31,		
	2009	2010	2011
United States	\$ 47,875	\$ 63,675	\$ 60,848
Canada	n/a	45,103	47,424
Other International	13,993	11,516	14,286
Total	<u>\$ 61,868</u>	<u>\$ 120,294</u>	<u>\$ 122,558</u>

n/a Denotes equipment, furniture and fixtures representing less than 10% of total equipment, furniture and fixtures

For the periods below, customers accounting for at least 10% of Ciena’s revenue were as follows (in thousands, except percentage data):

	Fiscal Year		
	2009	2010	2011
AT&T	\$ 128,233	\$ 267,422	\$ 269,858

(20) OTHER EMPLOYEE BENEFIT PLANS

Effective March 1, 2010, Ciena has a Defined Contribution Pension Plan that covers all of its Canada-based employees who are not part of an excluded group. Total contributions (employee and employer) cannot exceed the lesser of 18% of participant earnings and an annual dollar limit (\$22,970 CAD for 2011). This plan includes a required employer contribution of 1% for all participants and a 50% matching of participant contributions up to a total annual maximum of \$3,000 CAD per employee. During fiscal 2010 and 2011 , Ciena made matching contributions of approximately \$2.5 million CAD and \$4.3 million CAD, respectively.

Ciena has a 401(k) defined contribution profit sharing plan. The plan covers all U.S. based employees who are not part of an excluded group. Participants may contribute up to 60% of pre-tax compensation, subject to certain limitations. The plan includes an employer matching contribution equal to 50% of the first 6% an employee contributes each pay period. Ciena may also make discretionary annual profit contributions up to the IRS regulated limit. Ciena has made no profit sharing contributions to date. During fiscal 2009 , 2010 and 2011 , Ciena made matching contributions of approximately \$3.2 million , \$3.4 million and \$3.9 million , respectively.

(21) COMMITMENTS AND CONTINGENCIES

Ontario Grant

Ciena was awarded a conditional grant from the Province of Ontario in June 2011. Under this strategic jobs investment fund grant, Ciena can receive up to an aggregate of CAD \$25.0 million in funding for eligible costs relating to certain next-generation, coherent optical transport development initiatives over the period from November 1, 2010 to October 31, 2015 . Ciena anticipates receiving disbursements, approximating CAD \$5.0 million per fiscal year over the period above. Amounts received under the grant are subject to recoupment in the event that Ciena fails to achieve certain minimum investment, employment and project milestones. During fiscal 2011 , Ciena recorded a CAD \$5.3 million benefit as a reduction in research and development expenses because it believes it has complied with the grant conditions entitling it to this amount, of which CAD \$5.0 million was received in fiscal 2011 .

Foreign Tax Contingencies

Ciena has received assessment notices from the Mexican tax authorities asserting deficiencies in payments between 2001 and 2005 related primarily to income taxes and import taxes and duties. Ciena has filed judicial petitions appealing these assessments. As of October 31, 2010 and 2011 , Ciena had accrued liabilities of \$1.4 million related to these contingencies, which are reported as a component of other current accrued liabilities. As of October 31, 2011 , Ciena estimates that it could be exposed to possible losses of up to \$5.8 million , for which it has not accrued liabilities. Ciena has not accrued the additional income tax liabilities because it does not believe that such losses are probable. Ciena has not accrued the additional import taxes and duties because it does not believe the incurrence of such losses are probable. Ciena continues to evaluate the likelihood of probable and reasonably possible losses, if any, related to these assessments. As a result, future increases or decreases to accrued liabilities may be necessary and will be recorded in the period when such amounts are estimable and more

likely than not (for income taxes) or probable (for non-income taxes).

In addition to the matters described above, Ciena is subject to various tax liabilities arising in the ordinary course of business. Ciena does not expect that the ultimate settlement of these liabilities will have a material effect on our results of operations, financial position or cash flows.

Litigation

On July 29, 2011, Cheetah Omni LLC filed a complaint in the United States District Court for the Eastern District of Texas against Ciena and several other defendants, alleging, among other things, that certain of the parties' products infringe upon multiple U.S. Patents relating to certain reconfigurable optical add-drop multiplexer (ROADM) technologies. The complaint seeks injunctive relief and damages. On November 8, 2011, Ciena filed an answer and counterclaims to Cheetah Omni's amended complaint. Ciena believes that it has valid defenses to the lawsuit and intends to defend it vigorously.

On May 29, 2008, Graywire, LLC filed a complaint in the United States District Court for the Northern District of Georgia against Ciena and four other defendants, alleging, among other things, that certain of the parties' products infringe U.S. Patent 6,542,673 (the "673 Patent"), relating to an identifier system and components for optical assemblies. The complaint seeks injunctive relief and damages. Ciena filed an answer to the complaint and counterclaims against Graywire on April 17, 2009. On April 27, 2009, Ciena and certain other defendants filed an application for inter partes reexamination of the '673 Patent with the U.S. Patent and Trademark Office (the "PTO"). On the same date, Ciena and the other defendants filed a motion to stay the case pending reexamination of all of the patents-in-suit. On July 17, 2009, the district court granted the defendants' motion to stay the case. On July 23, 2009, the PTO granted the defendants' application for reexamination with respect to certain claims of the '673 Patent and, on December 17, 2010, the PTO confirmed the validity of some claims and rejected the validity of other claims. On February 28, 2011, Ciena and the other defendants filed an appeal with respect to certain aspects of the PTO's determination. Separately, on March 17, 2011, the PTO granted a third party application for ex parte reexamination with respect to certain claims of the '673 Patent and, on September 2, 2011, the PTO issued a non-final rejection of the validity of those claims. Ciena believes that it has valid defenses to the lawsuit and intends to defend it vigorously in the event the stay of the case is lifted.

As a result of its June 2002 merger with ONI Systems Corp., Ciena became a defendant in a securities class action lawsuit filed in the United States District Court for the Southern District of New York in August 2001. The complaint named ONI, certain former ONI officers, and certain underwriters of ONI's initial public offering (IPO) as defendants, and alleges, among other things, that the underwriter defendants violated the securities laws by failing to disclose alleged compensation arrangements (such as undisclosed commissions or stock stabilization practices) in ONI's registration statement and by engaging in manipulative practices to artificially inflate ONI's stock price after the IPO. The complaint also alleges that ONI and the named former officers violated the securities laws by failing to disclose the underwriters' alleged compensation arrangements and manipulative practices. No specific amount of damages has been claimed. Similar complaints have been filed against more than 300 issuers that have had initial public offerings since 1998, and all of these actions have been included in a single coordinated proceeding. The former ONI officers have been dismissed from the action without prejudice. In July 2004, following mediated settlement negotiations, the plaintiffs, the issuer defendants (including Ciena), and their insurers entered into a settlement agreement. The settlement agreement did not require Ciena to pay any amount toward the settlement or to make any other payments. While the partial settlement was pending approval, the plaintiffs continued to litigate their cases against the underwriter defendants. In October 2004, the district court certified a class with respect to the Section 10(b) claims in six "focus cases" selected out of all of the consolidated cases, which cases did not include Ciena, and which decision was appealed by the underwriter defendants to the U.S. Court of Appeals for the Second Circuit. On February 15, 2005, the district court granted the motion for preliminary approval of the settlement agreement, subject to certain modifications, and on August 31, 2005, the district court issued a preliminary order approving the revised stipulated settlement agreement. On December 5, 2006, the U.S. Court of Appeals for the Second Circuit vacated the district court's grant of class certification in the six focus cases. On April 6, 2007, the Second Circuit denied plaintiffs' petition for rehearing. In light of the Second Circuit's decision, the parties agreed that the settlement could not be approved. On June 25, 2007, the district court approved a stipulation filed by the plaintiffs and the issuer defendants terminating the proposed settlement. On August 14, 2007, the plaintiffs filed second amended complaints against the defendants in the six focus cases. On September 27, 2007, the plaintiffs filed a motion for class certification based on their amended complaints and allegations. On March 26, 2008, the district court denied motions to dismiss the second amended complaints filed by the defendants in the six focus cases, except as to Section 11 claims raised by those plaintiffs who sold their securities for a price in excess of the initial offering price and those who purchased outside the previously certified class period. Briefing on the plaintiffs' motion for class certification in the focus cases was completed in May 2008. That motion was withdrawn without prejudice on October 10, 2008. On April 2, 2009, a stipulation and agreement of settlement between the plaintiffs, issuer defendants and underwriter defendants was submitted to the Court for preliminary approval. The Court granted the plaintiffs' motion for preliminary approval and preliminarily certified

the settlement classes on June 10, 2009. The settlement fairness hearing was held on September 10, 2009. On October 6, 2009, the Court entered an opinion granting final approval to a settlement among the plaintiffs, issuer defendants and underwriter defendants, and directing that the Clerk of the Court close these actions. All appeals of the opinion granting final approval have been either resolved or dismissed, except one. On August 25, 2011, on remand from the Second Circuit, the District Court determined that the last remaining appellant did not have standing to assert his appeal. Due to the inherent uncertainties of litigation and because the settlement remains subject to appeal, the ultimate outcome of the matter is uncertain.

In addition to the matters described above, Ciena is subject to various legal proceedings, claims and litigation arising in the ordinary course of business. Ciena does not expect that the ultimate costs to resolve these matters will have a material effect on its results of operations, financial position or cash flows.

Operating Lease Commitments

Ciena has certain minimum obligations under non-cancelable operating leases expiring on various dates through 2021 for equipment and facilities. Future annual minimum rental commitments under non-cancelable operating leases at October 31, 2011 are as follows (in thousands):

	Year ended October 31,	
2012		\$ 29,884
2013		26,683
2014		21,757
2015		10,969
2016		4,924
Thereafter		5,260
Total		<u>\$ 99,477</u>

Rental expense for fiscal 2009, fiscal 2010 and fiscal 2011 was approximately \$14.7 million, \$22.2 million and \$25.5 million, respectively. In addition, Ciena paid approximately \$2.2 million, \$2.2 million and \$2.4 million during fiscal 2009, fiscal 2010 and fiscal 2011, respectively, related to rent costs for restructured facilities and unfavorable lease commitments, which were offset against Ciena's restructuring liabilities and unfavorable lease obligations. The amount for operating lease commitments above does not include insurance, taxes, maintenance and other costs required by the applicable operating lease. These costs are variable and are not expected to have a material impact on Ciena's financial condition, results of operations or cash flows.

Purchase Commitments with Contract Manufacturers and Suppliers

As of October 31, 2011, Ciena has purchase commitments of \$235.5 million. Purchase commitments relate to purchase order obligations to contract manufacturers and component suppliers for inventory. In certain instances, Ciena is permitted to cancel, reschedule or adjust these orders. Consequently, only a portion of the amount reported as purchase commitments relates to firm, non-cancelable and unconditional obligations.

(22) SUBSEQUENT EVENTS

Ciena performed an evaluation of events that have occurred subsequent to the end of its fiscal year through the date that the consolidated financial statements were issued. Except as described below, there have been no subsequent events that occurred that would require disclosure in the consolidated financial statements.

New Linthicum Headquarters Lease

Ciena has entered into a Lease Agreement (the Lease) dated November 3, 2011, with W2007 RDG Realty, L.L.C. (Landlord), relating to office space for its new corporate headquarters in the building located at 7035 Ridge Road, Hanover, Maryland (Building 1) and a building to be built at 7031 Ridge Road, Hanover, Maryland (Building 2), consisting of an aggregate agreed-upon rentable area of approximately 154,100 square feet.

The Building 1 lease commencement date will be the earlier of the date of Ciena's occupancy or substantial completion of the improvements to the premises in accordance with the terms of the Lease, but in either case no earlier than June 1, 2012. The Building 1 rent commencement date will be the later of September 1, 2013 or substantial completion of improvements to the premises in accordance with the terms of the Lease. The Building 2 lease commencement date and rent commencement date will be upon Landlord's delivery of the premises following substantial completion of the construction of Building 2 and

improvements to the premises in accordance with the terms of the Lease (expected to be no later than November 15, 2012). Subject to adjustment and earlier termination as provided in the Lease, the Lease (which relates to both Building 1 and Building 2) will expire 14 years and eight months from the Building 1 lease commencement date. Ciena has the option to renew the Lease for two additional periods of five years each. Ciena also has a right of first offer relating to additional space in the complex of buildings that includes Building 1 and Building 2.

If the Building 2 rent commencement date coincided with the Building 1 rent commencement date, the initial annual basic rent would be approximately \$3.8 million, exclusive of certain customary operating expenses. The annual basic rent rate will escalate at a rate of two percent (2.0%) each year, and beginning in calendar year 2014 Ciena will be responsible for increases in certain operating expenses and real estate taxes over the amounts incurred in calendar year 2013. The Lease also provides that Landlord will contribute towards costs incurred for certain tenant improvements to Ciena's premises in Building 1 and Building 2 and will bear all costs for the construction of Building 2.

Ciena has the right to terminate the Lease if certain milestones with respect to the construction of Building 2 are not achieved in a timely manner. Ciena also has the one-time right to terminate the Lease with respect to all or a portion of the leased premises at any time after the tenth (10th) year, provided that Ciena has not exercised its renewal option, pays a termination fee to Landlord, and complies with certain requirements as set forth in the Lease. Landlord has the right to terminate the Lease upon an event of default, which includes Ciena's failure to pay rent, failure to provide an estoppel certificate, failure to maintain insurance, failure to release mechanic's liens, uncured breach of its other obligations under the Lease, or insolvency.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

As described elsewhere in this report, we acquired the MEN Business on March 19, 2010 and worked to integrate the MEN Business into our operations during fiscal 2010 and 2011. While the process of integrating the MEN Business resulted in changes to our internal control over financial reporting, there was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during the most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. The MEN Business was part of our evaluation of the effectiveness of internal control over financial reporting in our "Report of Management on Internal Control Over Financial Reporting" below as of October 31, 2011.

Report of Management on Internal Control Over Financial Reporting

The management of Ciena Corporation is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934).

The internal control over financial reporting at Ciena Corporation was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Ciena Corporation;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America;
- provide reasonable assurance that receipts and expenditures of Ciena Corporation are being made only in accordance with authorization of management and directors of Ciena Corporation; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition

of assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Management of Ciena Corporation assessed the effectiveness of the company's internal control over financial reporting as of October 31, 2011 . Management based this assessment on criteria for effective internal control over financial reporting described in "Internal Control — Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management determined that, as of October 31, 2011 , Ciena Corporation maintained effective internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of our Board of Directors.

PricewaterhouseCoopers LLP, independent registered public accounting firm, who audited and reported on the consolidated financial statements of Ciena Corporation included in this annual report, has also audited the effectiveness of Ciena Corporation's internal control over financial reporting as of October 31, 2011 , as stated in its report appearing under Item 8 of Part II of this annual report.

/s/ Gary B. Smith

Gary B. Smith
President and Chief Executive Officer
December 22, 2011

/s/ James E. Moylan, Jr.

James E. Moylan, Jr.
Senior Vice President and Chief Financial Officer
December 22, 2011

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information relating to Ciena’s directors and executive officers is set forth in Part I of this annual report under the caption Item 1. “Business—Directors and Executive Officers.”

Additional information concerning our Audit Committee and regarding compliance with Section 16(a) of the Exchange Act responsive to this item is incorporated herein by reference to Ciena’s definitive proxy statement with respect to our 2012 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-K.

As part of our system of corporate governance, our board of directors has adopted a code of ethics that is specifically applicable to our chief executive officer and senior financial officers. This Code of Ethics for Senior Financial Officers, as well as our Code of Business Conduct and Ethics, applicable to all directors, officers and employees, are available on the corporate governance page of our web site at <http://www.ciena.com>. We intend to satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of the Code of Ethics for Senior Financial Officers, by posting such information on our web site at the address above.

Item 11. Executive Compensation

Information responsive to this item is incorporated herein by reference to Ciena’s definitive proxy statement with respect to our 2012 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information responsive to this item is incorporated herein by reference to Ciena’s definitive proxy statement with respect to our 2012 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information responsive to this item is incorporated herein by reference to Ciena’s definitive proxy statement with respect to our 2012 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-K.

Item 14. Principal Accountant Fees and Services

Information responsive to this item is incorporated herein by reference to Ciena’s definitive proxy statement with respect to our 2012 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-K.

PART IV

Item 15. Exhibits and Financial Statement Schedules

- (a)
 - 1. The information required by this item is included in Item 8 of Part II of this annual report.
 - 2. The information required by this item is included in Item 8 of Part II of this annual report.
 - 3. Exhibits: See Index to Exhibits, which is incorporated by reference in this Item. The Exhibits listed in the accompanying Index to Exhibits are filed or incorporated by reference as part of this annual report.
- (b) Exhibits. See Index to Exhibits, which is incorporated by reference in this Item. The Exhibits listed in the accompanying Index to Exhibits are filed or incorporated by reference as part of this annual report.
- (c) Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on the 22nd day of December 2011 .

Ciena Corporation

By: /s/ Gary B. Smith

Gary B. Smith

President, Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Signatures	Title	Date
<u>/s/ Patrick H. Nettles, Ph.D.</u> Patrick H. Nettles, Ph.D.	Executive Chairman of the Board of Directors	December 22, 2011
<u>/s/ Gary B. Smith</u> Gary B. Smith (Principal Executive Officer)	President, Chief Executive Officer and Director	December 22, 2011
<u>/s/ James E. Moylan, Jr.</u> James E. Moylan, Jr. (Principal Financial Officer)	Sr. Vice President, Finance and Chief Financial Officer	December 22, 2011
<u>/s/ Andrew C. Petrik</u> Andrew C. Petrik (Principal Accounting Officer)	Vice President, Controller	December 22, 2011
<u>/s/ Stephen P. Bradley, Ph.D.</u> Stephen P. Bradley, Ph.D.	Director	December 22, 2011
<u>/s/ Harvey B. Cash</u> Harvey B. Cash	Director	December 22, 2011
<u>/s/ Bruce L. Claflin</u> Bruce L. Claflin	Director	December 22, 2011
<u>/s/ Lawton W. Fitt</u> Lawton W. Fitt	Director	December 22, 2011
<u>/s/ Patrick T. Gallagher</u> Patrick T. Gallagher	Director	December 22, 2011
<u>/s/ Judith M. O'Brien</u> Judith M. O'Brien	Director	December 22, 2011
<u>/s/ Michael J. Rowny</u> Michael J. Rowny	Director	December 22, 2011

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Here- with (X)
		Form and Registration or Commission No.	Exhibit	Filing Date	
2.1	Amended & Restated Asset Sale Agreement by and among Nortel Networks Corporation, Nortel Networks Limited, Nortel Networks, Inc. and certain other entities identified therein as sellers and Ciena Corporation, dated as of November 24, 2009 (“Nortel ASA”)+	10-K (000-21969)	2.1	12/22/2009	
2.2	Amendment No. 1 to Nortel ASA dated as of December 3, 2009+	10-K (000-21969)	2.2	12/22/2009	
2.3	Amendment No. 2 to Nortel ASA dated as of December 23, 2009+	10-Q (000-21969)	2.1	3/5/2010	
2.4	Amendment No. 3 to Nortel ASA dated as of March 15, 2010	10-Q (000-21969)	2.1	6/10/2010	
2.5	Amendment No. 4 to the Nortel ASA dated as of March 15, 2010+	10-Q (000-21969)	2.2	6/10/2010	
2.6	Amendment No. 5 to the Nortel ASA dated as of March 19, 2010+	10-Q (000-21969)	2.3	6/10/2010	
2.7	Asset Sale Agreement (relating to the sale and purchase of certain Nortel assets in Europe, the Middle East and Africa) by and among the Nortel affiliates, Joint Administrators and Joint Israeli Administrators named therein and Ciena Corporation, dated as of October 7, 2009 (“Nortel EMEA ASA”)+	10-K (000-21969)	2.3	12/22/2009	
2.8	Deed of Amendment, dated October 20, 2009, relating to the Nortel EMEA ASA+	10-K (000-21969)	2.4	12/22/2009	
2.9	Amending Agreement dated November 24, 2009 relating to the Nortel EMEA ASA+	10-K (000-21969)	2.5	12/22/2009	
2.1	Amending Agreement dated December 16, 2009 relating to the Nortel EMEA ASA+	10-K (000-21969)	2.6	12/22/2009	
2.11	Deed of Amendment (Amendment No. 4) dated January 13, 2010 relating to Nortel EMEA ASA+	10-Q (000-21969)	2.2	3/5/2010	
2.12	Deed of Amendment (Amendment No. 5) dated March 19, 2010 relating to Nortel EMEA ASA+	10-Q (000-21969)	2.1	6/10/2010	
3.1	Amended and Restated Certificate of Incorporation	8-K (333-17729)	3.1	3/27/2008	
3.2	Amended and Restated By-Laws of Ciena Corporation	8-K (000-21969)	3.1	8/28/2008	
4.1	Specimen Stock Certificate	10-K (000-21969)	4.1	12/27/2007	
4.2	Indenture dated as of April 10, 2006 between Ciena Corporation and The Bank of New York, as trustee, for 0.25% Convertible Senior Notes due 2013, including the Form of Global Note attached as Exhibit A thereto	8-K (000-21969)	4.7	4/10/2006	
4.3	Indenture dated June 11, 2007 between Ciena Corporation and The Bank of New York, as trustee, for 0.875% Convertible Senior Notes due 2017, including the Form of Global Note attached as Exhibit A thereto	8-K (000-21969)	4.7	6/12/2007	

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Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Here- with (X)
		Form and Registration or Commission No.	Exhibit	Filing Date	
4.4	Indenture dated March 15, 2010 between Ciena Corporation and The Bank of New York Mellon, as trustee, for 4.0% Convertible Senior Notes due 2015, including the Form of Global Note attached as Exhibit A thereto	8-K (000-21969)	4.1	3/19/2010	
4.5	Indenture dated as of October 18, 2010 between Ciena Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee, for 3.75% Convertible Senior Notes due 2018, including the Form of Global Note attached as Exhibit A thereto	8-K (000-21969)	4.1	10/21/2010	
10.1	1999 Non-Officer Stock Option Plan and Form of Stock Option Agreement*	10-K (000-21969)	10.22	12/10/1999	
10.2	Amendment No. 1 to 1999 Non-Officer Stock Option Plan*	10-K (000-21969)	10.25	12/3/2001	
10.3	Catena Networks, Inc. 1998 Equity Incentive Plan, as amended*	10-Q (000-21969)	10.38	5/20/2004	
10.4	Internet Photonics, Inc. Amended and Restated 2000 Corporate Stock Option Plan*	10-Q (000-21969)	10.39	5/20/2004	
10.5	Ciena Corporation 2000 Equity Incentive Plan (Amended and Restated ONI Systems Corp. 2000 Equity Incentive Plan)*	10-K (000-21969)	10.37	12/11/2003	
10.6	Form of Stock Option Award Agreement for executive officers under Ciena Corporation 2000 Equity Incentive Plan*	8-K (000-21969)	10.1	11/4/2005	
10.7	Form of Restricted Stock Unit Agreement for executive officers under Ciena Corporation 2000 Equity Incentive Plan*	8-K (000-21969)	10.2	11/4/2005	
10.8	Form of Performance Stock Unit Award Agreement for executive officers under Ciena Corporation 2000 Equity Incentive Plan*	8-K (000-21969)	10.3	11/4/2005	
10.9	Form of Stock Option Award Agreement for directors under Ciena Corporation 2000 Equity Incentive Plan*	8-K (000-21969)	10.4	11/4/2005	
10.10	Form of Restricted Stock Unit Award Agreement for directors under Ciena Corporation 2000 Equity Incentive Plan*	8-K (000-21969)	10.5	11/4/2005	
10.11	Amended and Restated 2003 Employee Stock Purchase Plan (as amended on May 30, 2006 and September 10, 2010)*	10-K (000-21969)	10.11	12/22/2011	
10.12	1996 Outside Directors Stock Option Plan*	S-1 (333-17729)	10.4	12/12/1996	
10.13	Forms of 1996 Outside Directors Stock Option Agreement*	S-1 (333-17729)	10.5	12/12/1996	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Here- with (X)
		Form and Registration or Commission No.	Exhibit	Filing Date	
10.14	Third Amended and Restated 1994 Stock Option Plan*	S-1 (333-17729)	10.2	12/12/1996	
10.15	Amended and Restated 1994 Stock Option Plan Forms of Employee Stock Option Agreement*	S-1 (333-17729)	10.3	12/12/1996	
10.16	2008 Omnibus Incentive Compensation Plan*	8-K (000-21969)	10.1	3/27/2008	
10.17	Amendment to Ciena Corporation 2008 Omnibus Incentive Plan*	8-K (000-21969)	10.1	4/15/2010	
10.18	Form of 2008 Omnibus Incentive Plan Restricted Stock Unit Agreement (Employee)*				X
10.19	Form of 2008 Omnibus Incentive Plan Non-Qualified Stock Option Agreement (Employee)*	10-Q (000-21969)	10.2	6/4/2009	
10.20	Form of 2008 Omnibus Incentive Plan Restricted Stock Unit Agreement (Director)*	10-Q (000-21969)	10.3	6/4/2009	
10.21	World Wide Packets, Inc. 2000 Stock Incentive Plan, as amended*	S-8 (333-149520)	10.1	3/4/2008	
10.22	Form of Indemnification Agreement with Directors and Executive Officers*	10-Q (000-21969)	10.1	3/3/2006	
10.23	Amended and Restated Change in Control Severance Agreement between Ciena Corporation and Gary B. Smith*	10-K (000-21969)	10.23	12/22/2011	
10.24	Form of Amended and Restated Change in Control Severance Agreement between Ciena and Executive Officers*	10-K (000-21969)	10.24	12/22/2011	
10.25	Ciena Corporation Directors Restricted Stock Deferral Plan*	10-Q (000-21969)	10.1	8/31/2007	
10.26	Ciena Corporation Amended and Restated Incentive Bonus Plan, as amended December 15, 2011*				X
10.27	Ciena Corporation 2010 Inducement Equity Award Plan*	10-K (000-21969)	10.35	12/22/2009	
10.28	Form of 2010 Inducement Equity Award Plan Restricted Stock Unit Agreement*	10-Q (000-21969)	10.2	3/25/2009	
10.29	U.S. Executive Severance Benefit Plan*	10-Q (000-21969)	10.1	6/9/2011	
10.30	Lease Agreement dated as of March 19, 2010 between Ciena Canada, Inc. and Nortel Networks Technology Corp.#	10-Q (000-21969)	10.1	6/10/2010	
10.31	Transition Services Agreement, dated as of March 19, 2010 between Ciena Corporation and Nortel Networks Corporation and certain affiliated entities#	10-Q (000-21969)	10.2	6/10/2010	
10.32	Intellectual Property License Agreement dated as of March 19, 2010 between Ciena Luxembourg S.a.r.l. and Nortel Networks Limited#	10-Q (000-21969)	10.3	6/10/2010	

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Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Here-with (X)
		Form and Registration or Commission No.	Exhibit	Filing Date	
10.33	Employee Stock Purchase Plan Enrollment Agreement*	—	—	—	X
10.34	Lease Agreement dated November 3, 2011 between Ciena Corporation and W2007 RDG Realty, L.L.C.	—	—	—	X
12.1	Computation of Earnings to Fixed Charges	—	—	—	X
21.1	Subsidiaries of registrant	—	—	—	X
23.1	Consent of Independent Registered Public Accounting Firm	—	—	—	X
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	—	—	—	X
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	—	—	—	X
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	—	—	—	X
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	—	—	—	X
101.INS**	XBRL Instance Document	—	—	—	X
101.SCH**	XBRL Taxonomy Extension Schema Document	—	—	—	X
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document	—	—	—	X
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document	—	—	—	X
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document	—	—	—	X
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document	—	—	—	X

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- * Represents management contract or compensatory plan or arrangement
- ** In accordance with Regulation S-T, XBRL (Extensible Business Reporting Language) related information in Exhibit No. (101) to this Annual Report on Form 10-K shall be deemed “furnished” and not “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, and shall not be incorporated by reference into any registration statement pursuant to the Securities Act of 1933, as amended.
- + Pursuant to Item 601(b)(2) of Regulation S-K certain schedules and exhibits referenced in the table of contents have been omitted. Ciena hereby agrees to furnish supplementally a copy of any omitted exhibit or schedule to the SEC upon request. In addition, representations and warranties included in these asset sale agreements, as amended, were made by the parties to one another in connection with a negotiated transaction. These representations and warranties were made as of specific dates, only for purposes of these agreements and for the benefit of the parties thereto. These representations and warranties were subject to important exceptions and limitations agreed upon by the parties, including being qualified by confidential disclosures, made for the purposes of allocating contractual risk between the parties rather than establishing these matters as facts. These agreements are filed with this report only to provide investors with information regarding its terms and conditions, and not to provide any other factual information regarding Ciena or any other party thereto. Accordingly, investors should not rely on the representations and warranties contained in these agreements or any description thereof as characterizations of the actual state of facts or condition of any party, its subsidiaries or affiliates. The information in these agreements should be considered together with Ciena’s public reports filed with the SEC.
- # Certain portions of these documents have been omitted based on a request for confidential treatment submitted to the SEC. The non-public information that has been omitted from these documents has been separately filed with the SEC. Each redacted portion of these documents is indicated by a “[*]” and is subject to the request for confidential treatment submitted to the SEC. The redacted information is confidential information of the Registrant.

**CIENA CORPORATION
2008 OMNIBUS INCENTIVE PLAN**

RESTRICTED STOCK UNIT AGREEMENT

Ciena Corporation, a Delaware corporation, (the "Company"), hereby grants restricted stock units ("Restricted Stock Units") relating to shares of its common stock, \$.01 par value, (the "Stock"), to the individual named below as the Grantee, subject to the vesting conditions set forth in this Agreement. This grant is subject to the terms and conditions set forth in (i) this Restricted Stock Unit Agreement, including any appendix attached hereto (with supplemental or distinct terms or notices applicable for non-U.S. employees) (the "Agreement"), (ii) the 2008 Omnibus Incentive Plan (the "Plan") and (iii) the grant details for this Award contained in your account with the Company's selected broker. Capitalized terms not defined in this Agreement are defined in the Plan, and have the meaning set forth in the Plan.

Grant Date: _____, 20__

Grant Number: _____

Name of Grantee: _____

Grantee's Employee Identification Number: _____

Number of Restricted Stock Units Covered by Grant: _____

Vesting Start Date (if other than Grant Date): _____

Vesting Schedule:

One-sixteenth of this Award will vest on March 20, June 20, September 20 and December 20 of each calendar year following the Grant Date, provided you remain in Service with the Company or any Affiliate on each applicable vesting date unless otherwise provided in this Agreement.

By accepting this grant (whether by signing this Agreement or accepting the grant electronically via the website of the Company's selected broker), you agree to the terms and conditions in this Agreement and in the Plan and agree that the Plan will control in the event any provision of this Agreement should appear to be inconsistent unless otherwise stated herein.

Holder:

(Signature)

Ciena Corporation:

By: David M. Rothenstein
Senior Vice President and General Counsel

CIENA CORPORATION
2008 OMNIBUS INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT

**Restricted Stock Unit
Transferability**

This grant is an Award of Restricted Stock Units in the number of Restricted Stock Units set forth on the first page of this Agreement (or, in the case of electronic delivery, as set forth in the grant details for this Award set forth in the Company's selected broker's website), subject to the vesting conditions described in this Agreement. Your Restricted Stock Units may not be transferred, assigned, pledged or hypothecated, whether by operation of law or otherwise, nor may the Restricted Stock Units be made subject to execution, attachment or similar process.

Vesting

Your Restricted Stock Units will vest as indicated on the first page of this Agreement (or, in the case of electronic delivery, in accordance with the grant details for this Award set forth the Company's selected broker's website) provided you remain in Service with the Company or any Affiliate on each applicable vesting date and meet any applicable vesting requirements set forth in this Agreement. Except as provided in this Agreement, or in any other agreement between you and the Company, no additional Restricted Stock Units will vest after your Service has terminated.

**Share Delivery; Vested
Units; Tax-Related Items**

Shares of Stock underlying the vested portion of the Restricted Stock Units will be delivered to you by the Company as soon as practicable following the applicable vesting date for those shares of Stock, but in no event beyond 2½ months after the end of the calendar year in which the shares would have been otherwise delivered. On the vesting date (or as soon as practicable thereafter), a brokerage account in your name will be credited with shares of Stock representing the number of shares that vested under this grant (the "Vested Shares"). If the vesting date is not a trading day, the Vested Shares will be delivered on the next trading day (or as soon as practicable thereafter).

Regardless of any action the Company or the Affiliate to whom you provide Services (the "Employer") takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to the Restricted Stock Units and/or your participation in the Plan and legally applicable to you ("Tax-Related Items"), you acknowledge that the ultimate liability for all Tax-Related Items is and remains your responsibility and may exceed the amount actually withheld by the Company or the Employer. You further acknowledge that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the issuance of shares of Stock upon settlement of the Restricted Stock Units, the subsequent sale of shares of Stock acquired pursuant to such issuance and the receipt of any dividends and/or any dividend equivalents; and (2) do not commit to and are under no obligation to structure the terms of the Award or any aspect of the Restricted Stock Units to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you have become subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, as applicable, you acknowledge that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

By accepting this Award, you agree to establish a brokerage account with the Company's designated broker and irrevocably (i) instruct the Company to deliver the Vested Shares to your account with such broker, or its agents; and (ii) authorize and direct the Company and its broker, or their respective agents, in their discretion, to effect a mandatory sale ("Automatic Sale"), on your behalf, of such portion of the Vested Shares that the Company determines is necessary to satisfy Tax-Related Items (the "Withholding Shares"), with such sale to be effected at the market price per Share at the time of such sale, and (iii) expressly consent to the delivery of the proceeds of the sale of Withholding Shares to the Company, or its agents, to be used as it determines advisable for purposes of funding any applicable Tax-Related Items (whether on behalf of the Company or you as Award holder or Plan participant) with respect to the Restricted Stock Units and your participation in the Plan. You further acknowledge that this irrevocable written instruction is intended to constitute an instruction pursuant to Rule 10b5-1 of the Exchange Act with the Automatic Sale intended to comply with these requirements. As such, all provisions hereof shall be interpreted consistent with Rule 10b5-1 and shall be automatically modified to the extent necessary to comply therewith.

The Company shall be responsible for the payment of any brokerage commissions relating to the sale of the Withholding Shares.

You acknowledge that until the first trading day following the broker's sale of the Withholding Shares, you shall not be entitled to effect transactions in the net Vested Shares, net of any Withholding shares, credited to your brokerage account.

To avoid negative accounting treatment, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. For tax purposes, you are deemed to have been issued the full number of shares of Stock subject to the Vested Shares, notwithstanding that a number of the shares of Stock have been sold, or otherwise withheld, for the purpose of paying the Tax-Related Items due as a result of any aspect of your participation in the Plan.

By accepting this Award you agree to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means of the Automatic Sale. The Company may refuse to issue or deliver the shares of Stock or the proceeds of the sale of shares of Stock, if you fail to comply with your obligations in connection with the Tax-Related Items.

Forfeiture of Unvested Units	Except as specifically provided in this Agreement or as may be provided in other agreements between you and the Company, no additional Restricted Stock Units will vest after your Service with the Company, the Employer or any Affiliate has terminated for any reason and you will forfeit to the Company all of the Restricted Stock Units that have not yet vested or with respect to which all applicable restrictions and conditions have not lapsed.
Death	If your Service terminates because of your death, the Restricted Stock Units granted under this Agreement will automatically vest as to the number of Restricted Stock Units that would have vested had you remained in Service for the 12 month period immediately following your death.
Disability	If your Service terminates because of your Disability, the Restricted Stock Units granted under this Agreement will automatically vest as to the number of Restricted Stock Units that would have vested had you remained in Service for the 12 month period immediately following your Disability.
Termination For Cause	If your Service is terminated for Cause, then you shall immediately forfeit all rights to your Restricted Stock Units and this Award shall immediately terminate.
Leaves of Absence	For purposes of this grant, your Service does not terminate when you go on a <i>bona fide</i> leave of absence approved by the Company, if the terms of your leave provide for continued Service crediting, or when continued Service crediting is required by applicable law. The Company will determine, in its sole discretion, whether and when a leave of absence constitutes a termination of Service under the Plan.
Retention Rights	Neither your Restricted Stock Units nor this Agreement give you the right to be retained by the Company, the Employer or any Affiliate in any capacity and your Service may be terminated at any time and for any reason.
Shareholder Rights	You have no rights as a shareholder unless and until the shares of Stock relating to the Restricted Stock Units have been issued to you (or an appropriate book entry has been made). Except as described in the Plan or herein, no adjustments are made for dividends or other rights if the applicable record date occurs before your shares of Stock are issued (or an appropriate book entry has been made). If the Company pays a dividend on its shares of Stock, you will, however, be entitled to receive a cash payment equal to the per-share dividend paid on the shares of Stock times the number of vested Restricted Stock Units that you hold as of the record date for the dividend.

Nature of Grant

In accepting the Award and the Restricted Stock Units, you acknowledge, understand and agree that:

- (1) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time;
 - (2) the grant of the Restricted Stock Units is voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted repeatedly in the past;
 - (3) all decisions with respect to future Restricted Stock Unit grants, if any, will be at the sole discretion of the Company;
 - (4) your participation in the Plan is voluntary;
 - (5) the Restricted Stock Units and the shares of Stock subject to the Restricted Stock Units are not intended to replace any pension rights;
 - (6) the Restricted Stock Units and the shares of Stock subject to the Restricted Stock Units are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end of Service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;
 - (7) the Restricted Stock Unit grant and your participation in the Plan will not be interpreted to form a Service contract or relationship with the Company, the Employer or any Affiliate;
 - (8) the future value of the underlying shares of Stock is unknown and cannot be predicted with certainty;
 - (9) no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock Units resulting from termination of your Service relationship with the Company or the Employer (for any reason whatsoever and whether or not in breach of contract or local employment laws in the country where you reside, even if otherwise applicable to your employment benefits from the Employer, and/or later found to be invalid), and in consideration of the grant of the Restricted Stock Units to which you are otherwise not entitled, you irrevocably agree never to institute any claim against the Company, the Employer or any Affiliate, waive your ability, if any, to bring any such claim, and release the Company, the Employer or any Affiliate from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by accepting this award of Restricted Stock Units, you shall be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claims;
 - (10) in the event of termination of your Service relationship (whether or not in breach of contract or local employment laws in the country where you reside, even if otherwise applicable to your employment benefits from the Employer, and/or later found to be invalid), your right to vest in the Restricted Stock Units under the Plan, if any, will terminate effective as of the date that you are no longer actively providing Services to the Company, the Employer or any Affiliate as a Service Provider and will not be extended by any notice period mandated under local law (*e.g.* , active Service as a Service Provider would not include a period of "garden leave" or similar period); the Committee shall have the exclusive discretion to determine when you are no longer actively providing Services for purposes of your Restricted Stock Units grant;
 - (11) the Restricted Stock Units and the benefits evidenced by this Agreement do not create any entitlement, not otherwise specifically provided for in the Plan or by the Company in its discretion, to have the Restricted Stock Units or any such benefits transferred to, or assumed by, another company, nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Stock; and
 - (12) the following provisions apply only if you are providing Services outside the United States:
 - (A) the Restricted Stock Units and the shares of Stock subject to the Restricted Stock Units are not part of normal or expected compensation or salary for any purpose and in no event should be considered as compensation for, or relating in any way to, past Services for the Company, the Employer or any Affiliate;
 - (B) you acknowledge and agree that neither the Company, the Employer nor any Affiliate shall be liable for any foreign exchange rate fluctuation between the Employer's local currency and the United States dollar that may affect the value of any proceeds from the sale of shares of Stock acquired under the Plan.
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Data Privacy	<p><i>You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this Agreement and any other Restricted Stock Unit grant materials by and among, as applicable, the Employer, the Company and its Affiliates for the exclusive purpose of implementing, administering and managing your participation in the Plan.</i></p> <p><i>You understand that the Company and the Employer may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social security or social insurance number or other identification number, salary, nationality, job title, any shares of Stock or directorships held in the Company, details of all Restricted Stock Units or any other entitlement to shares of Stock awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the exclusive purpose of implementing, administering and managing the Plan (“Data”).</i></p> <p><i>You understand that Data will be transferred to E*Trade Financial Services, Inc., or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. You understand that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the Company, E*Trade Financial Services, Inc. and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing your participation in the Plan. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative or the Company's stock administration. You understand, however, that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative or the Company's stock administration.</i></p>
No Advice Regarding Grant	<p>The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, or your acquisition or sale of the Stock underlying your Restricted Stock Units. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.</p>
Applicable Law and Venue	<p>The Restricted Stock Units and the provisions of this Agreement are governed by, and subject to, the laws of the State of Delaware, without regard to the conflict of law provisions. For purposes of litigating any dispute that arises under this Award or the Agreement, the parties hereby submit to and consent to the jurisdiction of the State of Delaware, and agree that such litigation shall be conducted in the state courts of Delaware, or the federal courts for the District of Delaware, and no other courts, where this grant is made and/or to be performed. You agree to waive your rights to a jury trial for any claim or cause of action based upon or arising out of this Agreement or the Plan.</p>
Language	<p>If you have received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.</p>
Electronic Delivery and Acceptance	<p>The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means or request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company, the Company's designated broker, or their respective third parties.</p>
Severability	<p>The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.</p>

Appendix A

Notwithstanding any provisions in this Agreement, this Award of Restricted Stock Units shall be subject to any special terms and conditions set forth in Appendix A to this Agreement for your country. Moreover, if you relocate to one of the countries included in Appendix A, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law with regard to the issuance or sale of shares of Stock or to facilitate the administration of the Plan. Appendix A constitutes part of this Agreement.

Imposition of Other Requirements

The Company reserves the right to impose other requirements on your participation in the Plan, on the Award, Restricted Stock Units and on any shares of Stock acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law with regard to the issuance or sale of shares of Stock or to facilitate the administration of the Plan, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

This Agreement is not a stock certificate or a negotiable instrument.

**APPENDIX A
TO
RESTRICTED STOCK UNIT AGREEMENT
FOR GRANTEES LOCATED OUTSIDE THE U.S**

Terms and Conditions

This Appendix A includes special terms and conditions that govern the Restricted Stock Units granted to Grantees who reside in the countries listed herein. These terms and conditions are in addition to or, if so indicated, in replacement of the terms and conditions set forth in the Agreement.

Notifications

This Appendix A also includes information regarding exchange control, securities and other laws in effect in the respective countries as of December 2011. Such laws are often complex and change frequently. As a result, the Company strongly recommends that you not rely on the information herein as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date at the time your Restricted Stock Units vest or you sell shares of Stock. In addition, the information is general in nature and might not apply to your particular situation, and the Company is not in a position to assure you of any particular result. Accordingly, you are advised to seek appropriate professional advice as to how the relevant laws in your country may apply to your situation.

Finally, note that if you are a citizen or resident of a country other than the one in which you are currently working, or are considered a resident of another country for local law purposes or if you transfer employment and/or residency to another country after the Grant Date, the information contained herein may not be applicable to you in the same manner. In addition, the Company shall, in its sole discretion, determine to what extent the additional terms and conditions included herein will apply to you under these circumstances.

ARGENTINA

Notifications

Securities Law Information. Neither the Restricted Stock Units nor the issuance of shares of Stock are publicly offered or listed on any stock exchange in Argentina. The offer is private and not subject to the supervision of any Argentine governmental authority.

AUSTRALIA

Notifications

Restricted Stock Units Payable Only in Shares of Stock. Notwithstanding any discretion in the Plan or the Agreement to the contrary, Restricted Stock Units granted to Grantees in Australia shall be paid in shares of Stock only and do not provide any right for you to receive a cash payment.

Securities Law Information. If you acquire shares of Stock under the Plan and subsequently offer the shares for sale to a person or entity resident in Australia, such an offer may be subject to disclosure requirements under Australian law and you should obtain legal advice regarding any applicable disclosure requirements prior to making any such offer.

AUSTRIA

Notifications

Consumer Protection Information . If the provisions of the Austrian Consumer Protection Act are applicable to the Agreement and the Plan, you acknowledge that you may be entitled to revoke your acceptance of the Restricted

Stock Units under the conditions listed below:

(i) If you accept the Restricted Stock Units outside the business premises of the Company or an Affiliate, you may be entitled to revoke your acceptance, provided the revocation is made within one week after you accept the offer.

(ii) The revocation must be in written form to be valid. It is sufficient if you return the Agreement to the Company or the Company's representative with language which can be understood as your refusal to conclude or honor the terms in the Agreement, provided the revocation is sent within the period set forth above.

Exchange Control Information . When shares of Common Stock are sold, you understand that you may have exchange control obligations if you hold the cash proceeds from the sale outside Austria.

BELGIUM

Notifications

Tax Compliance. You are required to report any taxable income attributable to the Restricted Stock Units on your annual tax return. In addition, you are required to report any bank accounts opened and maintained outside Belgium on your annual tax return.

BRAZIL

Notifications

Compliance with the Law. In accepting the grant of the Restricted Stock Units, you acknowledge your agreement to comply with applicable Brazilian laws and to pay any and all applicable tax associated with the Restricted Stock Units and the sale of any shares of Stock acquired under the Plan.

Exchange Control Information . If you hold assets and rights outside Brazil with an aggregate value exceeding US\$100,000, you will be required to prepare and submit to the Central Bank of Brazil an annual declaration of such assets and rights, including: (i) bank deposits; (ii) loans; (iii) financing transactions; (iv) leases; (v) direct investments; (vi) portfolio investments, including shares of Stock acquired under the Plan; (vii) financial derivatives investments; and (viii) other investments, including real estate and other assets. Please note that foreign individuals holding Brazilian visas are considered Brazilian residents for purposes of this reporting requirement and must declare at least the assets held abroad that were acquired subsequent to the date of admittance as a resident of Brazil. Individuals holding assets and rights outside Brazil valued at less than US\$100,000 are not required to submit a declaration. Please note that the US\$100,000 threshold may be changed annually.

CANADA

Terms and Conditions

Restricted Stock Units Payable Only in Shares of Stock. Notwithstanding any discretion in the Plan or the Agreement to the contrary, Restricted Stock Units granted to Grantees in Canada shall be paid in shares of Stock only and do not provide any right for you to receive a cash payment.

Securities Law Information . You are permitted to sell shares of Stock acquired through the Plan through the designated broker appointed under the Plan, if any, provided the resale of shares of Stock acquired under the Plan takes place outside of Canada through the facilities of a stock exchange on which the Stock is listed. Currently, the Stock is listed on the Nasdaq Global Select Market.

The following provisions will apply if you are a resident of Quebec:

Language Consent . The parties acknowledge that it is their express wish that the Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention, ainsi que de tous documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à, la présente convention.

Data Privacy . This provision supplements the Data Privacy section of the Agreement:

You hereby authorize the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the Plan. You further authorize the Company, the Employer, any Affiliate and the administrator of the Plan to disclose and discuss the Plan with their advisors. You further authorize the Company, the Employer, any Affiliate and the administrator of the Plan to record such information and to keep such information in your employee file.

CHINA

Terms and Conditions

The following applies only to Grantees who are exclusively citizens of the People's Republic of China ("China") and who reside in mainland China, as determined by the Company in its sole discretion.

Exchange Control Restriction. You understand and agree to comply with exchange control laws in China and to immediately repatriate the proceeds from the sale of shares of Stock and any dividends received in relation to the shares of Stock to China. You further understand that such repatriation of the sale proceeds and dividends may need to be effected through a special foreign exchange control account established by the Company, the Employer or an Affiliate and you hereby consent and agree that the proceeds from the sale of shares of Stock and any dividends received may be transferred to such special account prior to being delivered to you.

Furthermore, to facilitate compliance with any applicable laws or regulations in China, the Company reserves the right to (i) mandate the immediate sale of shares of Stock to which you are entitled on any applicable vesting date, or (ii) mandate the sale of shares of Stock in the event of a termination of Service. In either case, the proceeds of the sale of such shares of Stock, less any Tax-Related Items and broker's fees or commissions, will be remitted to you in accordance with applicable exchange control laws and regulations, as described above. The proceeds may be paid to you in U.S. dollars or in local currency at the Company's discretion. If the proceeds are paid in U.S. dollars, you understand that you will be required to set up a U.S. dollar account in China so that the proceeds may be deposited into this account. If the proceeds are paid in local currency, you acknowledge that the Company is under no obligation to secure any particular exchange control conversion rate and that the Company may face delays in converting the proceeds to local currency due to exchange control requirements. You agree to bear any currency fluctuation risk between the time the shares of Stock are sold or a dividend is paid and the time the (i) Tax-Related Items are converted to local currency and remitted to the tax authorities, and (ii) net proceeds are converted to local currency and distributed to you. You further agree to comply with any other requirements that may be imposed by the Company in the future to facilitate compliance with exchange control requirements in China.

COLOMBIA

Notifications

Exchange Control Information. Investments in assets located abroad (including shares of Stock) are subject to registration with the Central Bank (Banco de la República) if your aggregate investments held abroad (as of December 31 of the applicable calendar year) equal or exceed US\$500,000. If funds are remitted from Colombia

through an authorized local financial institution, the authorized financial institution will automatically register the investment on your behalf.

DENMARK

Terms and Conditions

Stock Options Act. You acknowledge that you received an Employer Statement in Danish which sets forth the terms of your Restricted Stock Units under the Act on Stock Options.

Notifications

Exchange Control and Tax Reporting Information . You may hold shares of Stock acquired under the Plan in a safety-deposit account (*e.g.* , a brokerage account) with either a Danish bank or with an approved foreign broker or bank. If the shares are held with a non-Danish broker or bank, you are required to inform the Danish Tax Administration about the safety-deposit account. For this purpose, you must file a Declaration V (*Erklaering V*) with the Danish Tax Administration. You and the bank/broker must sign the Declaration V. By signing the Declaration V, the broker or bank undertakes an obligation, without further request each year, to forward information to the Danish Tax Administration concerning the shares in the account. By signing the Declaration V, you authorize the Danish Tax Administration to examine the account.

In addition, when you open a deposit account or a brokerage account with a foreign bank for the proceeds of the sale of shares of Stock, the bank or brokerage account, as applicable, will be treated as a deposit account because cash can be held in the account. Therefore, you must also file a Declaration K (*Erklaering K*) with the Danish Tax Administration. You and the bank/broker must sign the Declaration K. By signing the Declaration K, the bank/broker undertakes an obligation, without further request each year, to forward information to the Danish Tax Administration concerning the content of the deposit account. By signing the Declaration K, you authorize the Danish Tax Administration to examine the account.

FRANCE

Terms and Conditions

Tax Information. The Restricted Stock Units are not intended to be French tax-qualified Awards.

French Language Provision. By signing and returning this Agreement, you confirm having read and understood the documents relating to the Plan which were provided to you in the English language. You accept the terms of those documents accordingly.

French translation: *En signant et renvoyant ce Contrat vous confirmez ainsi avoir lu et compris les documents relatifs au Plan qui vous ont été communiqués en langue anglaise. Vous en acceptez les termes en connaissance de cause.*

GERMANY

There are no country-specific provisions.

HONG KONG

Terms and Conditions

Restricted Stock Units Payable Only in Shares of Stock. Notwithstanding any discretion in the Plan or the Agreement to the contrary, Restricted Stock Units granted to Grantees in Hong Kong shall be paid in shares of

Stock only and do not provide any right for you to receive a cash payment.

Securities Law Information. Warning: The Restricted Stock Units and the shares of Stock to be issued upon vesting of the Restricted Stock Units do not constitute a public offer of securities and are available only for Service Providers of the Company or an Affiliate. The Agreement, Plan, and other communication materials that you may receive have not been prepared in accordance with and are not intended to constitute a “prospectus” for a public offering of securities under applicable securities laws in Hong Kong. Furthermore, none of the documents related to the Plan have been reviewed by any regulatory authority in Hong Kong. The Restricted Stock Units are intended only for the personal use of each eligible Service Provider of the Employer, the Company and its Affiliates and may not be distributed to any other person. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of the Agreement, Plan or any other communication materials, you should obtain independent professional advice.

Notifications

Nature of Scheme. The Company specifically intends that the Plan will not be an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance (“**ORSO**”). Notwithstanding the foregoing, if the Plan is deemed to constitute an occupational retirement scheme for the purposes of ORSO, the grant of the Restricted Stock Units shall be void.

INDIA

Exchange Control Notification. You must repatriate all proceeds resulting from the sale of shares of Stock issued upon vesting of the Restricted Stock Units to India within a reasonable time (i.e., ninety (90) days after receipt). You will receive a foreign inward remittance certificate (“FIRC”) from the bank where you deposit the foreign currency. You should maintain the FIRC as evidence of the repatriation of funds in the event the Reserve Bank of India or the Employer requests proof of repatriation.

IRELAND

Director Notification Information. Directors and secretaries of an Irish Affiliate and their respective spouses and children under 18 years of age and family-held companies or trusts who receive Restricted Stock Units under the Plan or sell shares of Stock acquired under the Plan must notify the Irish Affiliate in writing within five business days of (i) receiving or disposing of an interest in the Company (e.g., Restricted Stock Units, shares of Stock), (ii) becoming aware of the event giving rise to the notification requirement, or (iii) becoming a director or secretary if such an interest exists at the time. This notification rule applies as well to a shadow director of the Irish Affiliate (i.e., an individual who is not on the board of the Irish Affiliate but who has sufficient control so that the board of directors acts in accordance with the “directions or instructions” of the individual).

ISRAEL

Terms and Conditions

Tax Requirements. To facilitate compliance with tax withholding obligations in Israel, the Company reserves the right to immediately sell all shares of Stock issued upon vesting of the Restricted Stock Units (on your behalf and at your direction pursuant to this authorization). In such event, the proceeds of the sale of the shares, less any Tax-Related Items and broker's fees or commissions, will be remitted to you.

ITALY

Terms and Conditions

Data Privacy. This provision replaces the Data Privacy section of the Agreement in its entirety:

You understand that the Company and the Employer are the Privacy Representatives of the Company in Italy

*and may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance or other identification number, salary, nationality, job title, any shares of Stock or directorships held in the Company or any Affiliate, details of all Restricted Stock Units or any other entitlement to shares of Stock awarded, canceled, vested, unvested or outstanding in your favor, and that the Company and the Employer will process said data and other data lawfully received from third parties (“Personal Data”) for the exclusive purpose of managing and administering the Plan and complying with applicable laws, regulations and Community legislation. You also understand that providing the Company with Personal Data is mandatory for compliance with laws and is necessary for the performance of the Plan and that your refusal to provide Personal Data would make it impossible for the Company to perform its contractual obligations and may affect your ability to participate in the Plan. You understand that Personal Data will not be publicized, but it may be accessible by the Employer as the Privacy Representative of the Company and within the Employer's organization by its internal and external personnel in charge of processing, and by E*Trade Financial Services, Inc. or any other data processor appointed by the Company. The updated list of Processors and of the subjects to which Data are communicated will remain available upon request from the Employer. The Controller of Personal Data processing is Ciena Corporation, with registered offices at 1201 Winterson Road, Linthicum, Maryland 21090, United States of America, and, pursuant to Legislative Decree no. 196/2003, its Privacy Representative in Italy is Ciena Ltd. Piazzale Biancamano, 8 Milano 20121 Italy.*

*Furthermore, Personal Data may be transferred to banks, other financial institutions or brokers involved in the management and administration of the Plan. The employee understands that Personal Data may also be transferred to the independent registered public accounting firm engaged by the Company, and also to the legitimate addressees under applicable laws. The employee further understands that the Company and its Affiliates will transfer Personal Data amongst themselves as necessary for the purpose of implementation, administration and management of your participation in the Plan, and that the Company and its participating Affiliates may each further transfer Personal Data to third parties assisting the Company in the implementation, administration and management of the Plan, including any requisite transfer of Personal Data to E*Trade Financial Services, Inc. or any other third party with whom the employee may elect to deposit any shares of Stock acquired under the Plan or any proceeds from the sale of such shares. Such recipients may receive, possess, use, retain and transfer Personal Data in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan. You understand that these recipients may be acting as Controllers, Processors or persons in charge of processing, as the case may be, according to applicable privacy laws, and that they may be located in or outside the European Economic Area, such as in the United States or elsewhere, in countries that do not provide an adequate level of data protection as intended under Italian privacy law.*

Should the Company exercise its discretion in suspending all necessary legal obligations connected with the management and administration of the Plan, it will delete Personal Data as soon as it has accomplished all the necessary legal obligations connected with the management and administration of the Plan.

You understand that Personal Data processing related to the purposes specified above shall take place under automated or non-automated conditions, anonymously when possible, that comply with the purposes for which Personal Data is collected and with confidentiality and security provisions as set forth by applicable Italian data privacy laws and regulations, with specific reference to Legislative Decree no. 196/2003.

The processing activity, including communication, the transfer of Personal Data abroad, including outside of the European Economic Area, as specified herein and pursuant to applicable Italian data privacy laws and regulations, does not require the employee's consent thereto as the processing is necessary to performance of law and contractual obligations related to implementation, administration and management of the Plan. You understand that, pursuant to section 7 of the Legislative Decree no. 196/2003, you have the right at any moment to, including, but not limited to, obtain confirmation that Personal Data exists or not, access, verify its contents, origin and accuracy, delete, update, integrate, correct, block or stop, for legitimate reason, the Personal Data processing. To exercise privacy rights, you should contact the Employer. Furthermore, you are aware that Personal Data will not be used for direct marketing purposes. In addition, Personal Data provided can be reviewed and questions or complaints can be addressed by contacting your human resources department.

Plan Document Acknowledgment. By accepting the Restricted Stock Units, you acknowledge that you have received and reviewed a copy of the Plan, the Agreement and this Appendix A in their entirety and fully accept all provisions thereof. You further acknowledge that you have read and specifically and expressly approve the following provisions of the Agreement: Restricted Stock Unit Transferability; Vesting; Share Delivery; Vested Units; Tax-Related Items; Forfeiture of Unvested Units; Retention Rights; Shareholder Rights; Nature of Grant; Applicable Law and Venue; Language; Electronic Delivery and Acceptance; Severability; Imposition of Other Requirements and the Data Privacy section included in this Appendix A.

Exchange Control Information. You must report in your annual tax return: (i) any transfers of cash or shares of Stock to or from Italy exceeding €10,000; (ii) any foreign investments or investments held outside of Italy exceeding €10,000 if such investment(*e.g.* , Restricted Stock Units, cash, shares of Stock) may give rise to taxable income in Italy; and (iii) the amount of transfers to and from Italy which have had an impact during the calendar year on your foreign investments or investments held outside of Italy. You may be exempt from the formalities in (i) if the transfer is made through an authorized broker resident in Italy, as the broker will generally comply with the reporting obligation on your behalf.

JAPAN

There are no country-specific provisions.

KOREA

Notifications

Exchange Control Information. Exchange control laws require Korean residents who realize US\$500,000 or more from the sale of shares of Stock (including shares of Stock acquired under the Plan) or the receipt of dividends to repatriate the proceeds to Korea within eighteen months of the sale/receipt.

MEXICO

Terms and Conditions

Acknowledgement of the Agreement. By accepting the Restricted Stock Units, you acknowledge that you have received a copy of the Plan and the Agreement, including this Appendix A, which you have reviewed. You further acknowledge that you accept all the provisions of the Plan and the Agreement, including this Appendix A. You also acknowledge that you have read and specifically and expressly approve the terms and conditions set forth in the “Nature of Grant” section of the agreement, which clearly provide as follows:

- (1) Your participation in the Plan does not constitute an acquired right;
- (2) The Plan and your participation in the Plan are offered by the Company on a wholly discretionary basis;
- (3) Your participation in the Plan is voluntary; and
- (4) The Company and its Affiliates are not responsible for any decrease in the value of any shares of Stock acquired at vesting of the Restricted Stock Units.

Labor Law Acknowledgement and Policy Statement. By accepting the Restricted Stock Units, you acknowledge that Ciena Corporation, with registered offices at 1201 Winterson Road, Linthicum, Maryland 21010, U.S.A., is solely responsible for the administration of the Plan. You further acknowledge that your participation in the Plan, the grant of Restricted Stock Units and any acquisition of shares of Stock under the Plan do not constitute a Service relationship between you and the Company because you are participating in the Plan on a wholly commercial basis and your sole employer is Ciena Communications Mexico S.A. de C.V. or Ciena Mexico S.A. de C.V. (“Ciena-Mexico”). Based on

the foregoing, you expressly acknowledge that the Plan and the benefits that you may derive from participation in the Plan do not establish any rights between you and Ciena-Mexico, and do not form part of the employment conditions and/or benefits provided by Ciena-Mexico, and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of the Service relationship between you and the Employer.

You further understand that your participation in the Plan is the result of a unilateral and discretionary decision of the Company, therefore, the Company reserves the absolute right to amend and/or discontinue your participation in the Plan at any time, without any liability to you.

Finally, you hereby declare that you do not reserve any action or right to bring any claim against the Company or any Affiliate for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and that you therefore grant a full and broad release to the Company, its Affiliates, branches, representation offices, shareholders, officers, agents and legal representatives, with respect to any claim that may arise.

Spanish Translation

Términos y Condiciones.

Reconocimiento del Contrato. Al aceptar las Acciones usted reconoce que ha recibido una copia del Plan y del Contrato, incluyendo el presente Anexo A, el cuál ha sido revisado por usted. Asimismo usted acepta todas y cada una de las condiciones del Plan y del Contrato, así como del presente Anexo A. Usted también acepta que ha leído y aprobado en todos y cada uno de sus términos lo establecido en el apartado de "Naturaleza del Otorgamiento" del Contrato, el cuál claramente establece que:

- (1) Su participación en el Plan no constituye un derecho adquirido;*
- (2) El Plan y su participación en el mismo son ofrecidos por la Empresa sobre una base enteramente discrecional;*
- (3) Su participación en el Plan es voluntaria; y*
- (4) La Empresa y sus Afiliadas no son responsables por cualquier descenso en el valor de las Acciones adquiridas al momento de maduración de dichas Acciones.*

Reconocimiento de la Ley Laboral y Condiciones de la Política. Al aceptar las Acciones, usted reconoce que Ciena Corporation, con oficinas registradas en Winterson Road, Linthicum, Maryland, 21010, E.E.U.U., es la única responsable de la administración del Plan. Asimismo usted reconoce que su participación en el Plan, el otorgamiento de Acciones y cualquier adquisición de Capital bajo el Plan no constituye una relación de Servicios entre usted y la Empresa, ya que usted está participando en el Plan sobre una base netamente comercial, y su único y exclusivo patrón lo es Ciena Communications México, S.A. de C.V. ó Ciena México, S.A. de C.V. ("Ciena-México").

En relación con lo anterior, usted expresamente reconoce que el Plan y los beneficios que deriven de su participación en el mismo no establecen o constituyen ningún derecho entre usted y Ciena-México, y tampoco forman parte de sus condiciones de trabajo y/o beneficios o prestaciones otorgadas por Ciena-México, y cualquier modificación al Plan o la terminación del mismo no generarán cambios o impedimentos a los términos y condiciones de la relación de Servicios entre usted y su Patrón.

Asimismo usted acepta que su participación en el Plan es el resultado de una decisión unilateral y discrecional de la Empresa, por lo tanto la Empresa se reserva el derecho para modificar y/o descontinuar su participación en el Plan en cualquier momento, y sin que lo anterior le ocasione un perjuicio a usted.

Finalmente, usted declara y acepta que no se reserva acción o derecho alguno que ejercitar con posterioridad en contra de la Empresa o cualquier Afiliada por alguna compensación o daños y perjuicios relacionado con alguna cláusula del Plan o de los beneficios derivados del mismo, por lo que en este acto usted otorga el más amplio finiquito

que en derecho proceda en favor de la Empresa, sus Afiliadas, sucursales, oficinas de representación, accionistas, agentes y representantes legales, en relación con cualquier posible contingencia que pudiera derivarse del presente.

NETHERLANDS

Notifications

Securities Law Information. You should be aware of the Dutch insider trading rules which may impact the sale of shares of Stock acquired under the Plan. In particular, you may be prohibited from effecting certain transactions if you have inside information regarding the Company.

Under Article 5:56 of the Dutch Financial Supervision Act, anyone who has “inside information” related to an issuing company is prohibited from effectuating a transaction in securities in or from the Netherlands. “Inside information” is defined as knowledge of specific information concerning the Company to which the securities relate that is not public and which, if published, would reasonably be expected to affect the stock price, regardless of the development of the price. The insider could be any employee of the Company or an Affiliate in the Netherlands who has inside information as described above. Given the broad scope of the definition of inside information, certain employees of the Company working at an Affiliate in the Netherlands (including you) may have inside information and, thus, would be prohibited from effectuating a transaction in securities in the Netherlands at a time when you have such inside information.

By accepting the Restricted Stock Units and the underlying shares of Stock, you acknowledge having read and understood the notification above and acknowledge that it is your responsibility to comply with the Dutch insider trading rules, as discussed herein. If you are uncertain whether the insider-trading rules apply to you, you should consult your personal legal advisor.

POLAND

Notifications

Exchange Control Information. Polish residents are obligated to transfer funds via bank accounts if the transferred amount in a particular transaction exceeds €15,000. Polish residents are also required to store the documents connected with foreign exchange transactions for a period of five years, counting from the end of the year when the foreign exchange transactions were made. In addition, Polish residents holding foreign securities (including shares of Stock) abroad have certain reporting requirements to the National Bank of Poland. Polish residents holding foreign securities will be required to file quarterly reports with information on transactions and balances regarding foreign securities if the value (calculated individually or together with other assets/liabilities possessed abroad) exceeds PLN 7 million. The reports must be filed on special forms available on the website of the National Bank of Poland. It is the employee's responsibility to comply with all applicable exchange control regulations.

RUSSIA

Terms and Conditions

U.S Transaction . You understand that the acceptance of the grant of the Restricted Stock Units through E*Trade's on-line grant agreement response page results in a contract between you and the Company completed in the United States and that the Agreement is governed by the laws of the State of Delaware, without giving effect to the conflict of law principles thereof.

Payment After Vesting . You agree that the Company is authorized, at its discretion, to instruct its designated broker to assist with the sale of the shares of Stock issued upon the vesting of the Restricted Stock Units (on your behalf pursuant to this authorization) should the Company determine that such sale is necessary or advisable under local

law. You expressly authorize the Company's designated broker to complete the sale of such shares of Stock and acknowledge that the Company's designated broker is under no obligation to arrange for the sale of the shares of Stock at any particular price. Upon the sale of the shares of Stock, the Company agrees to pay you the cash proceeds from the sale of the shares, less any brokerage fees, commissions or Tax-Related Items.

Securities Law Information . You acknowledge that the Restricted Stock Units, the Agreement, the Plan and all other materials that you may receive regarding participation in the Plan do not constitute advertising or an offering of securities in Russia. The issuance of shares of Stock pursuant to the Plan has not and will not be registered in Russia and therefore, neither the Restricted Stock Units nor the shares of Stock may be used for offering or public circulation in Russia. You acknowledge that you may hold shares of Stock issued upon vesting of the Restricted Stock Units in your account with the Company's third party broker/administrator in the U.S. However, in no event will shares of Stock issued to you under the Plan be delivered to you in Russia. Further, you are not permitted to sell shares of Stock directly to other Russian individuals.

Notifications

Exchange Control Information . Proceeds from the sale of shares of Stock and any dividends received in relation to the shares must be repatriated to Russia within a reasonably short period after receipt. The sale proceeds and any dividends received must be initially credited to you through a foreign currency account opened in your name at an authorized bank in Russia. After the funds are initially received in Russia, they may be further remitted to a foreign bank subject to the following limitations: (i) the foreign account may be opened only for individuals; (ii) the foreign account may not be used for business activities; and (iii) the Russian tax authorities must be given notice about the opening/closing of each foreign account within one month of the account opening/closing.

Labor Law Information . If you continue to hold shares of Stock acquired at vesting of the Restricted Stock Units after an involuntary termination of your employment, you will not be eligible to receive unemployment benefits in Russia.

SAUDI ARABIA

Notifications

Securities Law Information. This Appendix A, the Agreement and any other Plan materials related to the grant of Restricted Stock Units under the Plan, may not be distributed in the Kingdom except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority.

The Capital Market Authority does not make any representation as to the accuracy or completeness of the Agreement, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of the Agreement including this Appendix A, the Plan or any other document relating to the offer of Restricted Stock Units under the Plan. You are hereby advised to conduct your own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of the Agreement including this Appendix A or any other document relating to the offer of Restricted Stock Units under the Plan, you should consult an authorized financial advisor.

SINGAPORE

Notifications

Securities Law Information. The grant of the Restricted Stock Units is being made pursuant to the "Qualifying Person" exemption" under section 273(1)(f) of the Securities and Futures Act (Chapter 289, 2006 Ed.) ("SFA"). The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore. You should note that the Restricted Stock Units are subject to section 257 of the SFA and you will not be able to make (i) any subsequent sale of the shares of Stock in Singapore or (ii) any offer of such subsequent sale of the shares of Stock subject to the

Restricted Stock Units in Singapore, unless such sale or offer is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA.

Director Notification Requirement. Directors of a Singaporean Affiliate are subject to certain notification requirements under the Singapore Companies Act. Directors must notify the Singaporean Affiliate in writing of an interest (e.g. , Restricted Stock Units, shares of Stock, etc.) in the Company or any related companies within two days of (i) its acquisition or disposal, (ii) any change in a previously disclosed interest (e.g. , when the shares of Stock are sold), or (iii) becoming a director.

Insider Trading Information . You should be aware of the Singapore insider trading rules, which may impact the acquisition or disposal of shares of Stock or rights to shares of Stock under the Plan. Under the Singapore insider-trading rules, you are prohibited from selling shares of Stock when you are in possession of information concerning the Company, which is not generally available and which you know or should know will have a material effect on the price of the shares once such information is generally available.

SPAIN

Nature of Grant. In accepting the Restricted Stock Units, you consent to participate in the Plan and acknowledge that you have received a copy of the Plan, the Agreement and this Appendix A.

You understand that the Company has unilaterally, gratuitously and discretionally decided to grant Restricted Stock Units under the Plan to individuals who may be Service Providers of the Company or any Affiliate throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not economically or otherwise bind the Company or any Affiliate. Consequently, you understand that the Restricted Stock Units are granted on the assumption and condition that the Restricted Stock Units and any shares of Stock issued upon vesting of the Restricted Stock Units are not part of any employment contract (either with the Company or any Affiliate) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. Further, you understand that the Restricted Stock Units would not be granted to you but for the assumptions and conditions referred to herein; thus, you acknowledge and freely accept that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then the grant of the Restricted Stock Units and any right to the Restricted Stock Units shall be null and void.

You understand and agree that, as a condition of the grant of the Restricted Stock Units, the termination of your status as a Service Provider for any reason (including the reasons below) will automatically result in the loss of the Restricted Stock Units to the extent the Restricted Stock Units have not vested as of the date you are no longer actively providing Service to the Company or the Employer. In particular, you understand and agree that any unvested Restricted Stock Units as of the date you are no longer actively providing Service will be forfeited without entitlement to the underlying shares of Stock or to any amount of indemnification in the event of a termination of your status as a Service Provider by reason of, but not limited to, resignation, retirement, disciplinary dismissal adjudged to be with cause, disciplinary dismissal adjudged or recognized to be without cause, individual or collective dismissal adjudged or recognized to be without cause, individual or collective dismissal on objective grounds, whether adjudged or recognized to be with or without cause, material modification of the terms of employment under Article 41 of the Workers' Statute, relocation under Article 40 of the Workers' Statute, Article 50 of the Workers' Statute, unilateral withdrawal by the Employer and under Article 10.3 of the Royal Decree 1382/1985. You acknowledge that you have read and specifically accept the conditions referred to in the following provisions of the Agreement: Vesting, Share Delivery; Vested Units, Tax-Related Items and Nature of Grant.

Exchange Control Information. If you acquire shares of Stock under the Plan, you must declare the shares to the *Dirección General de Comercio e Inversiones* (“DGCI”) of the Ministry of Industry, Tourism and Commerce. After the initial declaration, you also must declare ownership of any shares by filing a D-6 form with the DGCI. Generally, the D-6 form must be filed each January while the shares are owned or to report the sale of shares of Stock.

When receiving foreign payments exceeding €50,000 derived from the ownership of shares of Stock (*i.e.*, dividends or sale proceeds), you must inform the financial institution receiving the payment of the basis upon which such payment is made. You will need to provide the institution with the following information: (i) name, address, and fiscal identification number; (ii) the name and corporate domicile of the Company; (iii) the amount of the payment; the currency used; (iv) the country of origin; (v) the reasons for the payment; and (vi) further information that may be required.

SWEDEN

There are no country-specific provisions.

SWITZERLAND

Notifications

Securities Law Information. The grant of Restricted Stock Units under the Plan is considered a private offering in Switzerland and is, therefore, not subject to registration in Switzerland.

UNITED ARAB EMIRATES

Notifications

Securities Law Information . The Restricted Stock Units are only being offered to qualified employees and are in the nature of providing equity incentives to employees of the Company's Affiliates in the United Arab Emirates. Any documents related to the Restricted Stock Units, including the Plan, the Agreement and other grant documents (“Restricted Stock Unit Documents”), are intended for distribution only to such employees and must not be delivered to, or relied on by, any other person. You, as a prospective stockholder, should conduct your own due diligence on the securities. If you do not understand the contents of the Restricted Stock Unit Documents, you should consult an authorized financial advisor.

The relevant securities authorities have no responsibility for reviewing or verifying any Restricted Stock Unit Documents. United Arab Emirates securities or financial/economic authorities have not approved the Restricted Stock Unit Documents, nor taken steps to verify the information set out in them, and thus, are not responsible for their content.

You as a prospective stockholder should conduct your own due diligence on the securities.

UNITED KINGDOM

Terms and Conditions

Restricted Stock Units Payable Only in Shares of Stock . Notwithstanding any discretion in the Plan or the Agreement to the contrary, Restricted Stock Units granted to Grantees in the United Kingdom shall be paid in shares of Stock only and do not provide any right for you to receive a cash payment.

Taxes. This section supplements the Share Delivery; Vested Units, Tax-Related Items section of the Agreement:

If payment or withholding of the income tax due in connection with your participation in the Plan is not made within ninety (90) days of the event giving rise to the income tax liability or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the “Due Date”), the amount of any uncollected income tax will constitute a loan owed by you to the Employer, effective on the Due Date. You agree that the loan will bear interest at the then current Official Rate of Her Majesty's Revenue and Customs (“HMRC”),

it will be immediately due and repayable, and the Company or the Employer may recover it at any time thereafter by any of the means referred to in the Agreement.

Notwithstanding the foregoing, if you are a director or executive officer of the Company (within the meaning of Section 13(k) of the U.S. Securities Exchange Act of 1934, as amended), you will not be eligible for such a loan to cover the income tax. In the event that you are a director or executive officer and the income tax is not collected from or paid by you by the Due Date, the amount of any uncollected income tax will constitute a benefit to you on which additional income tax and National Insurance Contributions ("NICs") (including the Employer NICs, as defined below) will be payable. you will be responsible for reporting and paying any income tax and NICs (including the Employer NICs, as defined below) due on this additional benefit directly to HMRC under the self assessment regime.

Joint Election. As a condition of your participation in the Plan and of the vesting of the Restricted Stock Units, you agree to accept any liability for secondary Class 1 National Insurance Contributions which may be payable by the Company and/or the Employer with respect to the Chargeable Event ("Employer NICs").

Without limitation to the foregoing, you agree to execute a joint election with the Company or the Employer, the form of such joint election being formally approved by HMRC (the "Joint Election"), and any other required consents or elections as provided to you by the Company or the Employer. You further agree to execute such other joint elections as may be required between you and any successor to the Company or the Employer.

If you do not enter into a Joint Election, or if the Joint Election is revoked at any time by HMRC, the Restricted Stock Units shall cease vesting and become null and void, and no shares of Stock shall be acquired under the Plan, without any liability to the Company, the Employer and/or any Affiliate.

You further agree that the Company and/or the Employer may collect the Employer NICs by any of the means set forth in the Share Delivery; Vested Units, Tax-Related Items section of the Agreement, as supplemented above.

CIENA CORPORATION

AMENDED AND RESTATED INCENTIVE BONUS PLAN

Article 1

Purpose and Applicability

1.1 Name/Date. Ciena Corporation, a Delaware corporation (the “Company”) has adopted the Ciena Corporation Amended and Restated Incentive Bonus Plan (the “Plan”), effective as of December 15, 2011.

1.2 Purpose. The Company sponsors the Plan in order to foster its profitable growth and to promote a “pay-for-performance” culture by rewarding employees for achieving results critical to the Company's short-term and long-term success, as measured by the accomplishment of assigned performance goals at the corporate, functional and/or individual levels.

1.3 Applicability. The Plan will be applicable to and for Bonus Periods beginning on October 30, 2011.

Article 2

Definitions

2.1 “Actual Bonus Payable” means the amount, if any, actually paid to a Participant for a Bonus Period, which amount may be equal to, greater than or less than the Target Bonus, as determined in the sole discretion of the relevant manager of such Participant (as approved by Company management, up to the functional senior vice president), based upon the Participant's achievement of assigned Individual Performance Goals for the Bonus Period.

2.2 “Base Salary” means the annual base salary payable to a Participant at the rate in effect as of the last day of a Bonus Period. Base Salary shall not be reduced for any salary reduction contributions (i) to deferred arrangements under Section 401(k) of the Code, (ii) to a cafeteria plan under Section 125 of the Code, or (iii) to a nonqualified deferred compensation plan. Base Salary shall not take into account any bonuses, reimbursed expenses, credits or benefits (including benefits under any plan of deferred compensation), or any additional cash compensation or compensation payable in a form other than cash.

2.3 “Bonus Award” means the award of an incentive cash bonus to a Participant under the Plan, with the actual amount awarded, if any, being the “Actual Bonus Payable.”

2.4 “Bonus Period” means any Company fiscal period with respect to which the Committee determines that a Bonus Award will be payable in accordance with the terms of the Plan.

2.5 “CEO” means the Chief Executive Officer of the Company.

2.6 “Committee” means the Compensation Committee of the Board of Directors of the Company.

2.7 “Corporate Performance Goals” means specific financial or non-financial measures of performance of the Company or a function or operating unit of the Company as determined by the Committee for each Bonus Period, which measures may consist of a range. The meeting of all or a portion of the Corporate Performance Goals is a condition for the payment of Bonus Awards for each Bonus Period.

2.8 “Eligible Employee” means, for each Bonus Period, a person who:

- (a) is regularly employed by the Company or a Subsidiary on a full-time basis, or who, under conditions approved by the Committee, is regularly employed by the Company or a Subsidiary on a part-time basis;
 - (b) has been employed by the Company or a Subsidiary for either (i) the entire Bonus Period, if
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the Bonus Period is a fiscal quarter or (ii) at least the last full fiscal quarter of the Bonus Period, if the Bonus Period is a half or full fiscal year;

- (c) is employed by the Company or a Subsidiary on the last day of the Bonus Period (including a person who is on authorized leave from the Company or a Subsidiary under applicable company policy on the last day of the Bonus Period);
- (d) is not eligible for the payment of sales commissions or to participate under a similar cash incentive arrangement put forth by a Subsidiary; and
- (e) has not engaged in conduct that the Committee determines to be against the best interests of the Company.

2.9 “Executive Officer” means an employee who serves or has served as an Executive Officer of the Company (as such term is defined under Rule 3b-7 of the Securities Exchange Act of 1934, as amended) during a Bonus Period.

2.10 “Funded Bonus Pool” means the aggregate amount of Bonus Awards actually to be paid for the relevant Bonus Period, if any.

2.11 “Individual Performance Goals” means specific measures of performance expected of each Participant as assigned and assessed by the relevant Company managers for each Bonus Period. The meeting of all or a portion of the Individual Performance Goals is a condition for Participant's receipt of a Bonus Award for the applicable Bonus Period.

2.12 “Participant” means an Eligible Employee who the Committee designates to be a Participant for the applicable Bonus Period in accordance with Article 3.

2.13 “Subsidiary” means any corporation or other entity (a) in which the Company owns, directly or indirectly, stock possessing 50 percent or more of the total combined voting power of all classes of stock, (b) over which the Company has effective operating control, or (c) in which the Company has a material interest as determined by the Committee.

2.14 “Target Bonus” means each Participant's targeted Bonus Award amount, expressed as a percentage of each Participant's Base Salary corresponding to his or her position or salary grade level in effect as of the last day of a Bonus Period, based on an assumed achievement of 100% of the Corporate Performance Goal(s) established by the Committee for the applicable Bonus Period.

2.15 “Total Target Bonus” means the total targeted amount of Bonus Awards for each Bonus Period, as determined by the Committee.

Article 3 Designation of Participants

3.1 For each Bonus Period, the Committee shall designate the Participants under the Plan. Designation of a person as an Eligible Employee, or a Participant for any Bonus Period, shall not bind the Committee to designate such person as a Participant in any future Bonus Period and such person shall have no claim or entitlement to compensation arising from his or her not participating in the Plan in any prospective Bonus Periods.

Article 4 Establishment of Performance Goals

4.1 For each Bonus Period, the Committee shall establish in writing:

4.1.1 The Total Target Bonus;

4.1.2 The Corporate Performance Goal(s); and

4.1.3 Any formulae for calculating the Funded Bonus Pool, including application of any performance factors or multipliers and any adjustments for over-achievement or under-achievement of the

Corporate Performance Goal(s).

4.2 In determining whether, and to what extent, the Company has met the Corporate Performance Goal(s) for a Bonus Period, the Committee shall determine, in its discretion, the nature and amount of any adjustments that should be made in order reasonably and equitably to reflect the intent and purpose of the Plan.

4.3 For each Bonus Period, the officers of the Company shall direct the relevant managers of Participants to establish Individual Performance Goals for each Participant.

Article 5 Determination of Bonus Awards

5.1 Evaluation of Performance Against Corporate Performance Goal(s). As soon as practicable after the end of each Bonus Period, the Committee shall determine whether and to what extent the Corporate Performance Goal(s) for the Bonus Period were achieved and, if so, at what level of achievement under the formulae established for the Bonus Period.

5.2 Approval of Funded Bonus Pool. If the Committee determines that one or more of the Corporate Performance Goals has been achieved, the Committee shall approve the amount of the Funded Bonus Pool in accordance with the relevant calculation for the Bonus Period and authorize the relevant officers of the Company to approve the payment of Bonus Awards corresponding to the level of achievement of the Individual Performance Goals for each Participant as set forth in Section 5.3 below.

5.3 Determination of Actual Bonus Payable. Based upon the level of achievement of the Individual Performance Goals established for each Participant, as determined in the sole discretion of each Participant's relevant manager (as approved by Company management, up to the functional senior vice president), Participants shall be eligible to receive a Bonus Award to be paid from the Funded Bonus Pool, if any. The Actual Bonus Payable to any Participant, if any, shall be determined in the sole discretion of the Participant's manager (as approved by Company management, up to the functional senior vice president) and may be equal to, greater than or less than the Target Bonus for the Participant. Except as determined by the Committee, however, the aggregate Actual Bonus Payable to all Participants in a Bonus Period shall not exceed the Funded Bonus Pool. For the avoidance of doubt, and notwithstanding any Funded Bonus Pool for a Bonus Period, a Participant's Actual Bonus Payable for that Bonus Period may be zero, as determined in the sole discretion of the Participant's manager (as approved by Company management, up to the functional senior vice president) based upon the level of achievement of the Individual Performance Goals established for such Participant.

Article 6 Vesting and Payment of Bonus Awards

6.1 For any Bonus Period, Bonus Awards shall be payable to a Participant who remains an Eligible Employee throughout the Bonus Period, even if the Participant has ceased to be an employee of the Company or a Subsidiary on the payment date for the Bonus Award. Any Bonus Award payable to a Participant shall be made no later than March 15 of the year following the end of the applicable Bonus Period.

6.2 Except to the extent the Participant is or becomes ineligible to receive a Bonus Award pursuant to Section 6.1 or otherwise, the Funded Bonus Pool (including any Bonus Awards payable thereunder in accordance with this Plan) shall be immediately and fully vested upon the Committee's authorization of the Funded Bonus Pool and payment of awards therefrom for the applicable Bonus Period. In general, Bonus Awards shall be paid to Participants within a reasonable time after the Committee's authorization of such awards.

6.3 Bonus Awards shall be payable solely from the general assets of the Company and its Subsidiaries. No Participant shall have any right to, or interest in, any specific assets of the Company or any Subsidiary in respect of Bonus Awards.

Article 7 Recoupment of Bonus Awards

7.1 In the event that the Company is required to prepare an accounting restatement due to the material non-compliance of the Company with any financial reporting requirement under the securities laws as a result of misconduct, then the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002 and any Participant who knowingly engaged in the misconduct, was grossly negligent in engaging in the misconduct, knowingly failed to prevent the misconduct, or was grossly negligent in failing to prevent the misconduct, shall reimburse the Company the amount of any Bonus Awards paid under this Plan during the three-year period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document that contained such material non-compliance.

Article 8
No Assignment

8.1 Bonus Awards authorized under this Plan shall be paid only to Participants (or, in the event of a Participant's death, to the Participant's heirs) in accordance with the terms hereof. No Bonus Award, nor any part thereof, and no right or claim to any of the monies payable pursuant to this Plan shall be anticipated, assigned, or otherwise encumbered, nor be subject to attachment, garnishment, execution or levy of any kind, prior to the actual payment and delivery of said amount to the Participant and any attempted assignment or other encumbrance or attachment, garnishment, execution or levy shall be of no force or effect, except as otherwise provided by law. Notwithstanding the above, if a Participant is adjudged incompetent, the Committee may direct that any amounts payable be paid to the Participant's guardian or legal representative.

Article 9
Administration and Authority

9.1 Administration. Unless otherwise determined by the Company's Board of Directors, and except as otherwise provided herein, the Committee shall administer the Plan.

9.2 Powers. The Committee shall have all powers necessary to administer the Plan, including, without limitation, the sole powers and discretionary authority:

- 9.2.1 to designate the Participants for each Bonus Period;
 - 9.2.2 to establish the Total Target Bonus for each Bonus Period;
 - 9.2.3 to establish the Corporate Performance Goal(s) for each Bonus Period;
 - 9.2.4 to establish any formulae for calculating the Funded Bonus Pool for each Bonus Period;
 - 9.2.5 to approve Target Bonus percentages for the CEO and the Executive Officers;
 - 9.2.6 to adopt, amend and rescind rules for the administration of the Plan and to prescribe any forms required to administer the Plan;
- and
- 9.2.7 to decide all questions and settle all controversies and disputes that may arise in connection with the Plan.

9.3 Actions of the Company. No Participant shall receive a Bonus Award under this Plan unless the Company has determined in its discretion that the Participant is entitled to the same. All determinations, interpretations, rules, and decisions of the Committee, the Company, the CEO or their delegates shall be conclusive and binding upon all persons having or claiming to have any interest or right under the Plan.

9.4 Delegation. The Committee shall have the power to delegate such specific duties and responsibilities under the Plan to the CEO as it may determine to be necessary or desirable. Any delegation by the Committee may allow further delegations by the CEO. The Committee may rescind any delegation at any time. Each person or entity to which a duty or responsibility has been delegated shall be responsible for the exercise of such duty or responsibility

and shall not be responsible for any act or failure to act of any other person or entity. Notwithstanding the foregoing, nothing in this Section 9.4 shall permit the Committee to delegate any duties or responsibilities under the Plan to the CEO with respect to the Executive Officers.

Article 10
Miscellaneous

10.1 Employment and Plan Rights. The Plan shall not be deemed to give any Eligible Employee or Participant the right to be retained in the employ of the Company or any Subsidiary, nor shall the Plan interfere with the right of the Company or any Subsidiary to discharge any employee at any time, nor shall the Plan be deemed to give any employee any right to any Bonus Award until such award is authorized in accordance with Section 5.

10.2 Amendment and Termination. The Company may amend or terminate the Plan, in full or in part, at any time and from time to time, provided that no such amendment or termination shall adversely affect the rights of any Participant to any Bonus Award previously earned or paid.

10.3 Nonalienation. No benefit payable at any time under this Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge, attachment, or encumbrance of any kind.

10.4 Tax Withholding. The Company shall withhold any applicable income or employment taxes that are required to be withheld from any Bonus Awards provided under this Plan.

10.5 Limitation on Liability. The Company does not guarantee benefits payable under any insurance coverage described or referred to herein, and any benefits thereunder shall be the exclusive responsibility of the insurer that is required to provide such benefits under such policy.

10.6 Assignment to Successor. The Company shall assign its rights and obligations under this Plan to any successor organization resulting from a merger, acquisition or affiliation involving the Company, or resulting from a sale of substantially all of the Company's assets.

10.7 Controlling Law. This Plan shall in all respects be governed by, and construed in accordance with, the laws of the State of Delaware (without regard to the principles of conflicts of laws).

10.8 Savings Clause. If the Participant is a "specified employee," as such term is defined pursuant to Section 409A of the Code and the regulations and guidance issued thereunder, and an amount payable under this Plan constitutes deferred compensation (within the meaning of Section 409A) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A in order to avoid taxes or penalties under Section 409A, then such Payments shall not be made until the earlier of the Participant's death or six months and one day after the Participant's last day of employment.

**Ciena Employee Stock Purchase Plan
Enrollment Form
&
Supplemental Term and Notifications for International Employees**

The Employee Stock Purchase Plan (“ESPP”) is made available to eligible employees of Ciena Corporation (“Ciena”) and its participating Affiliates. A description of the ESPP can be found in the Prospectus and other materials available on MyCiena and the ESPP enrollment platform. By enrolling in the ESPP, you acknowledge receipt of the ESPP, Plan and this “Enrollment Form” and agree to be bound by the terms thereof as a condition of enrollment.

Employees outside of the U.S., or who are subject to tax jurisdictions outside the U.S., should carefully evaluate their participation in this U.S.-based program to ensure they understand its impact on their personal income tax situations. Special considerations for International employees are set forth below, including any country-specific appendix. Capitalized terms not defined herein shall have the meanings assigned to such terms in the ESPP and the Prospectus.

Contribution Limits

Each pay period, employees may contribute up to 10% or a flat payment amount specified in their local currency. In either case, an employee will not be allowed to purchase more than USD\$ 25,000 worth of Common Stock in a calendar year based on the fair market value of Ciena's Common Stock on an employee's Offer Date. If an employee purchases the maximum number of shares of Common Stock allowed before using all of the funds they contributed to the ESPP, the excess will be refunded to the employee.

Payroll Deductions

Many employees outside of the U.S. are paid at the end of each month. Contributions for the U.S.-based June purchase will be withheld from amounts received in the international December through May payrolls on a monthly basis. Contributions for the December purchase will be withheld from amounts received in the international June - November payrolls on a monthly basis.

Exchange Rate

ESPP contributions in non-U.S. dollars will be converted to U.S. dollars at the end of each Purchase Period using the exchange rate in effect at the end of the fiscal month immediately preceding the Purchase Date. For example, the exchange rate in effect on November 25, 2011, would be used for the December 20, 2011, ESPP purchase. Neither Ciena nor any participating Affiliate shall be liable for any foreign exchange rate fluctuation between the local currency of the employee's employer (“Employer”) and the U.S. dollar that may affect (i) the conversion of the employee's ESPP contributions to purchase shares of Common Stock; (ii) the proceeds due to the employee upon purchase of the shares of Common Stock; or (iii) the sale of the shares of Common Stock acquired at purchase.

Sale of Shares of Common Stock Acquired through the ESPP

Shares of Common Stock acquired through the ESPP are placed in a limited purpose brokerage account with E*TRADE Securities, LLC (E*TRADE). E*TRADE will e-mail a Welcome Packet to newly enrolled ESPP participants prior to their first purchase. Before the employee will be allowed to sell shares of Common Stock acquired through the ESPP, he or she must complete and return the required tax identification and account set-up forms with original signatures to E*TRADE. Questions about these forms and the sale process should be directed to E*TRADE Securities, LLC at: 001-800-775-2793.

Responsibility for Taxes

Regardless of any action Ciena and/or the Employer takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to the employee's participation in the ESPP and legally applicable to the employee (“Tax-Related Items”), the employee acknowledges that the ultimate liability for all Tax-Related Items is and remains his or her responsibility and may exceed the amount actually withheld by Ciena or the Employer. The employee further acknowledges that Ciena and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the ESPP, including but not limited to, the purchase of shares of Common Stock, the issuance of shares of Common Stock pursuant to the purchase, the sale of shares of Common Stock acquired under the ESPP or the receipt of any dividends; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the employee's ESPP participation to reduce or eliminate the employee's liability for Tax-Related Items or achieve any particular tax result. Further, if the employee has become subject to tax in more than one jurisdiction between the Offer Date and the date of any relevant taxable or tax withholding event, as applicable, the employee acknowledges that Ciena and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, the employee will pay or make adequate arrangements satisfactory to Ciena and/or the Employer to satisfy all Tax-Related Items. In this regard, the employee authorizes Ciena and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following:

- (1) requiring the employee to pay an amount necessary to pay the Tax-Related Items to Ciena and/or the Employer in the form of cash, check or other cash equivalent; or
- (2) withholding from the employee's wages or other cash compensation paid to the employee by Ciena and/or the Employer; or
- (3) withholding from proceeds of the sale of shares of Common Stock acquired upon purchase either through a voluntary sale or through a mandatory sale arranged by Ciena (on employee's behalf pursuant to this authorization); or
- (4) withholding in shares of Common Stock to be issued upon purchase.

If the employee is subject to the short-swing profit rules of Section 16(b) of the U.S. Securities and Exchange Act of 1934, as amended, then the Committee shall establish the method of withholding from alternatives (1) - (4) above.

To avoid negative accounting treatment, Ciena may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding in shares of Common Stock, for tax purposes, employee is deemed to have been issued the full number of shares of Common Stock subject to the purchase, notwithstanding that a number of the shares of Common Stock are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the employee's participation in the ESPP.

Finally, the employee shall pay to Ciena or the Employer any amount of Tax-Related Items that Ciena or the Employer may be required to withhold or account for as a result of the employee's participation in the ESPP that cannot be satisfied by the means previously described. Ciena may refuse to purchase or deliver the shares of Common Stock or the proceeds of the sale of shares of Common Stock, if employee fails to comply with his or her obligations in connection with the Tax-Related Items.

Nature of Grant

By enrolling and participating in the ESPP, the employee acknowledges, understands and agrees that:

- (a) the ESPP is established voluntarily by Ciena, it is discretionary in nature and it may be modified, amended, suspended or terminated by Ciena at any time as described in the ESPP;
 - (b) the grant of the offer to purchase Common Stock under the ESPP ("Purchase Right") is voluntary and occasional and does not create any contractual or other right to participate in any future ESPP offerings, or benefits in lieu of the ESPP, even if the ESPP has been granted repeatedly in the past;
 - (c) all decisions with respect to future ESPP offerings, if any, will be at the sole discretion of Ciena;
 - (d) the employee's participation in the ESPP shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate employee's employment or service relationship at any time;
 - (e) the employee is voluntarily participating in the ESPP;
 - (f) the Purchase Rights and the shares of Common Stock subject to the Purchase Rights are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to Ciena or the Employer, and which are outside the scope of employee's employment or service contract, if any;
 - (g) the Purchase Rights and the shares of Common Stock subject to the Purchase Rights are not intended to replace any pension rights;
 - (h) the Purchase Rights and the shares of Common Stock subject to the Purchase Rights are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation,
-

termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for Ciena, the Employer or any participating Affiliate;

- (i) the Purchase Rights and employee's participation in the ESPP will not be interpreted to form an employment or service contract or relationship with Ciena or any participating Affiliate;
- (j) the future value of the underlying shares of Common Stock is unknown and cannot be predicted with certainty;
- (k) the value of the shares of Common Stock purchased under the ESPP, may increase or decrease, even below the Purchase Price;
- (l) no claim or entitlement to compensation or damages shall arise from forfeiture of the Purchase Rights resulting from termination of employee's employment by Ciena or the Employer (for any reason whatsoever and whether or not in breach of contract or any employment law in the country where the employee resides, even if otherwise applicable to the employee's employment benefits from the Employer, and whether or not later found to be invalid) and in consideration of the grant of the Purchase Rights to which the employee is otherwise not entitled, the employee irrevocably agrees never to institute any claim against Ciena, the Employer or any Affiliate, waives his or her ability, if any, to bring any such claim, and releases Ciena, the Employer and any Affiliate from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the ESPP, the employee shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claims;
- (m) in the event of termination of employee's employment (whether or not in breach of contract or any employment law in the country where the employee resides, even if otherwise applicable to the employee's employment benefits from the Employer, and whether or not later found to be invalid), the employee's right to participate in the ESPP and his or her right to receive shares of Common Stock, if any, will terminate effective as of the date that the employee is no longer actively employed and will not be extended by any notice period mandated under local law (e.g., active employment would not include a period of "garden leave" or similar period); the Board and/or the Committee, as applicable, shall have the exclusive discretion to determine when the employee is no longer actively employed for purposes of his or her participation in the ESPP; and
- (n) the right to purchase shares of Common Stock and participate in the ESPP do not create any entitlement, not otherwise specifically provided for in the ESPP or by Ciena in its discretion, to have the right to purchase share of Common Stock or the Common Stock acquired upon purchase transferred to, or assumed by, another company, nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Common Stock;

Data Privacy

The employee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of employee's personal data as described in this Enrollment Form or any other ESPP materials by and among, as applicable, the Employer, Ciena and its participating Affiliates for the exclusive purpose of implementing, administering and managing employee's participation in the ESPP.

The employee understands that Ciena and the Employer hold certain personal information about the employee, including, but not limited to, employee's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of Common Stock or directorships held in Ciena, details of all Purchase Rights or any other entitlement to shares of Common Stock awarded, canceled, exercised, vested, unvested or outstanding in the employee's favor, for the exclusive purpose of implementing, administering and managing the ESPP ("Data").

The employee understands that Data may be transferred to E*Trade Financial Services, Inc., or such other stock plan service provider as may be selected by Ciena in the future, which is assisting Ciena with the implementation, administration and management of the ESPP. The employee understands that the recipients may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than employee's country. The employee understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. The employee authorizes Ciena, E*Trade Financial Services, Inc. and any other possible recipients which may assist Ciena (presently or in the future) with implementing, administering and managing the ESPP to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the ESPP. The employee understands that Data will be held only as long as is necessary to implement, administer and manage the employee's participation in the ESPP. The Employee understands that he or she may, at any time, view Data, request

additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. The employee understands, however, that refusing or withdrawing his or her consent may affect employee's ability to participate in the ESPP. For more information on the consequences of employee's refusal to consent or withdrawal of consent, the employee understands that he or she may contact his or her local human resources representative.

No Advice Regarding Grant

Ciena is not providing any tax, legal or financial advice, nor is Ciena making any recommendations regarding employee's participation in the ESPP, or employee's acquisition or sale of the underlying shares of Common Stock. The employee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the ESPP before taking any action related to the ESPP.

Governing Law and Venue

The ESPP and the provisions of this Enrollment Form are governed by, and subject to, the laws of the State of Delaware, without regard to the conflict of law provisions. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by this grant of Purchase Rights or this Enrollment Form, the parties hereby submit to and consent to the exclusive jurisdiction of the State of Maryland and agree that such litigation shall be conducted only in the courts of Maryland, or the federal courts for the District of Maryland and no other courts, where this offer is made and/or to be performed.

Electronic Delivery

Ciena may, in its sole discretion, decide to deliver any documents related to current or future participation in the ESPP by electronic means. The employee hereby consents to receive such documents by electronic delivery and agrees to participate in the ESPP through an on-line or electronic system established and maintained by Ciena or another third party designated by Ciena.

Language

If the employee has received this Enrollment Form or any other document related to the ESPP translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

Severability

The provisions of this Enrollment Form are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

Appendix A

Notwithstanding any provisions in this Enrollment Form, the ESPP shall be subject to any special terms and conditions set forth in any Appendix A to this Enrollment Form for employee's country. Moreover, if the employee relocates to one of the countries included in the Appendix A, the special terms and conditions for such country will apply to the employee, to the extent Ciena determines that the application of such terms and conditions are necessary or advisable in order to comply with local law with regard to the issuance or sale of shares of Common Stock or to facilitate the administration of the ESPP. The Appendix A constitutes part of this Enrollment Form.

Imposition of Other Requirements

Ciena reserves the right to impose other requirements on employee's participation in the ESPP, on the ESPP offering and on any shares of Common Stock purchased under the ESPP, to the extent Ciena determines it is necessary or advisable in order to comply with local law with regard to the issuance or sale of shares of Common Stock or to facilitate the administration of the ESPP, and to require the employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

THE EMPLOYEE UNDERSTANDS THAT THIS ENROLLMENT FORM SHALL REMAIN IN EFFECT THROUGHOUT SUCCESSIVE OFFERING PERIODS UNLESS TERMINATED BY CIENA OR THE EMPLOYEE, OR THE EMPLOYEE BECOMES INELIGIBLE TO PARTICIPATE IN THE ESPP DUE TO TERMINATION OF EMPLOYMENT OR OTHERWISE. UPON TERMINATION OF EMPLOYMENT, THE EMPLOYEE'S ACCUMULATED PAYROLL DEDUCTIONS, IF ANY, SHALL BE RETURNED WITHOUT INTEREST.

The employee's acceptance of this offer and participation in the ESPP indicates that he or she has read the information provided to the employee regarding the ESPP, including the Enrollment Form and Appendix A, and authorizes deductions of employee's contribution from his or her base salary allocable to the Offering Period on an after-tax basis as indicated above and agrees to be

bound by the terms and conditions of the ESPP and the Enrollment Form, including Appendix A. Any changes to the above instruction must be provided in writing and sent to the appropriate benefits department for processing.

For additional information about the ESPP, please refer to the ESPP Prospectus or FAQ available on myCiena. The employee may also contact Ciena's Benefits Department at 410-981-7322 or via email at benefits@ciena.com.

Ciena Employee Stock Purchase Plan
Appendix A to Enrollment Form
Country-Specific Provisions for International Employees

Terms and Conditions

The following sections of this Appendix A include special terms and conditions applicable to ESPP participants in the countries covered by the following sections. These terms and conditions are in addition to or, if so indicated, in replacement of the terms and conditions set forth in the Enrollment Form.

Notifications

The information in this Appendix A is based on the exchange control, securities and other laws in effect in the respective countries as of October 2011. Such laws are often complex and change frequently. As a result, Ciena strongly recommends that the employee should not rely on the information herein as the only source of information relating to the consequences of participation in the ESPP because the information may be out of date at the time shares of Common Stock are purchased under the ESPP or are sold. If the employee resides outside of the U.S. or is on assignment outside of the U.S., exchange control reporting or filing obligations (especially with respect to currency transfers) may apply at the time of the purchase of shares of Common Stock or sale of the shares of Common Stock. The employee should determine whether these obligations, if any, apply prior to the purchase and sale of shares of Common Stock. In addition, the information is general in nature and might not apply to the employee's particular situation, and Ciena is not in a position to assure the employee of any particular result. Accordingly, the employee is advised to seek appropriate professional advice as to how the relevant laws in the employee's country may apply to his or her situation.

Finally, note that if the employee is a citizen or resident of a country other than the one he or she is working in, or is considered a resident of another country for local law purposes or if the employee transfers employment and/or residency to another country after the offer to participate in the ESPP has been granted to the employee, the information contained herein may not be applicable to the employee in the same manner. In addition, Ciena shall, in its sole discretion, determine to what extent the additional terms and conditions included herein will apply to the employee under these circumstances.

AUSTRIA

Terms and Conditions

Interest Waiver. By participating in the ESPP and accepting the ESPP offer, the employee unambiguously consents to waive his or her right to any interest arising in relation to the payroll deductions taken from the employee's base salary allocable to the Offering Period in connection with his or her participation in the ESPP.

Notifications

Consumer Protection Information. If the provisions of the Austrian Consumer Protection Act are applicable to the Enrollment Form and the ESPP, the employee acknowledges that he or she may be entitled to revoke his or her acceptance of the ESPP offer under the conditions listed below:

- (i) If the employee accepts the ESPP offer outside the business premises of Ciena or a participating Affiliate, the employee may be entitled to revoke his or her acceptance of the ESPP offering, provided the revocation is made within one week after the employee accepts the offer.
- (ii) The revocation must be in written form to be valid. It is sufficient if the employee returns the Enrollment Form to Ciena or Ciena's representative with language which can be understood as the employee's refusal to conclude or honor the terms in the Enrollment Form, provided the revocation is sent within the period set forth above.

Exchange Control Information. When shares of Common Stock are sold, the employee understands that he or she may have exchange control obligations if the employee holds the cash proceeds from the sale outside Austria.

BELGIUM

Notifications

Tax Reporting. The employee is required to report any bank accounts opened and maintained outside Belgium on his or her annual tax return.

Authorization to Remit Eligible Cash Earnings. For Belgian law purposes, “payroll deductions” means a specific instruction by the employee to the Employer to pay out part of his or her base salary allocable to the Offering Period in order to fund the Purchase Price for the shares of Common Stock, in accordance with the terms and conditions of the ESPP.

Undertaking. Under current Belgian tax law, employees may execute an undertaking to hold the shares of Common Stock for two years from the Purchase Date to obtain certain tax treatment for the ESPP income. If an employee is interested in finding out more information about the tax treatment of the ESPP income, he or she should check with his or her personal tax advisor.

If an employee wishes to take advantage of this two-year hold agreement, he or she should complete the Undertaking form available on the next page. The employee should keep a copy of the Undertaking for his or her records and include a copy of the Undertaking when filing his or her income tax return. (Undertaking on next page)

**Ciena Corporation
2003 Employee Stock Purchase Plan**

Undertaking

For Participants in Belgium

The undersigned has been offered the possibility to participate in the Ciena Corporation 2003 Employee Stock Purchase Plan (the "ESPP") and has therefore the possibility, on each Purchase Date of the Offering Period (as defined in the Prospectus), to purchase a certain number of shares of Common Stock in Ciena Corporation.

For Belgian tax purposes, the undersigned hereby undertakes to hold the shares of Common Stock purchased on each respective Purchase Date for a period of at least two years commencing on the respective Purchase Date.

Name: _____

Address: _____

Date: _____

Signature

CANADA

Terms and Conditions

Termination of Employment. This provision replaces the Nature of Grant subsection (m) provision of the Enrollment Form:

In the event of the employee's termination of employment or service to Ciena or any of its participating Affiliates for any reason (whether or not in breach of local labor laws and whether or not later found to be invalid), the employee's right to participate in the ESPP and his or her right to receive shares of Common Stock, if any, will terminate effective as of the date that is the earlier of (1) the date the employee receives notice of termination of employment from his or her Employer, or (2) the date the employee is no longer actively employed, regardless of any notice period or period of pay in lieu of such notice required for Canadian employment law purposes (including, but not limited to Canadian statutory law, regulatory law and/or common law), even if otherwise applicable to the employee's employment benefits from the Employer; Ciena shall have the exclusive discretion to determine when the employee is no longer actively employed for purposes of his or her participation in the ESPP.

The following provisions will apply to the employee if he or she is a resident of Quebec:

Language Consent. The parties acknowledge that it is their express wish that the Enrollment Form, including this Appendix A, as well as all documents, notices, and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention («Enrollment Form») ainsi que cette Annexe A, ainsi que de tous documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à, la présente convention.

Data Privacy Notice and Consent. This provision supplements the Data Privacy section of the Enrollment Form:

The employee hereby authorizes Ciena and Ciena's representatives to discuss with and obtain all relevant information from all personnel, professional or non-professional, involved in the administration of the ESPP. The employee further authorizes Ciena, its participating Affiliates and any stock plan service provider that may be selected by Ciena to assist with the ESPP to disclose and discuss the ESPP with their advisors. The employee also authorizes Ciena and its participating Affiliates to record such information and to keep such information in his or her file.

DENMARK

Terms and Conditions

Stock Options Act. The employee acknowledges that he or she received an Employer Statement in Danish which sets forth the terms of the Purchase Rights under the Act on Stock Options.

Notifications

Exchange Control and Tax Reporting Information. The employee may hold shares of Common Stock acquired under the ESPP in a safety-deposit account (e.g., a brokerage account) with either a Danish bank or with an approved foreign broker or bank. If the shares of Common Stock are held with a non-Danish broker or bank, the employee is required to inform the Danish Tax Administration about the safety-deposit account. For this purpose, the employee must file a Declaration V (Erklæring V) with the Danish Tax Administration. Both the employee and the bank/broker must sign the Declaration V. By signing the Declaration V, the broker or bank undertakes an obligation, without further request each year, to forward information to the Danish Tax Administration concerning the shares of Common Stock in the account. By signing the Declaration V, the employee authorizes the Danish Tax Administration to examine the account.

In addition, when the employee opens a deposit account or a brokerage account with a foreign bank for his or her shares of Common Stock and/or the proceeds of the sale of shares of Common Stock, the bank or brokerage account, as applicable, will be treated as a deposit account because cash can be held in the account. Therefore, the employee must also file a Declaration K (Erklæring K) with the Danish Tax Administration. Both the employee and the bank/broker must sign the Declaration K. By signing the Declaration K, the bank/broker undertakes an obligation, without further request each year, to forward information to the Danish Tax Administration concerning the content of the deposit account. By signing the Declaration K, the employee authorizes the Danish Tax Administration to examine the account.

FRANCE

Terms and Conditions

Payroll Deduction Authorization. The employee hereby authorizes payroll deductions from each paycheck in that percentage of his or her base salary or flat payment amount (if permitted by Ciena) allocable to the Offering Period (up to 10%) as selected during the enrollment process and in accordance with the terms and conditions of the ESPP, and as the employee may change from time to time in accordance with the ESPP.

Autorisation Relative Aux Retenues Sur Salaire. L'employé par ceci autorise les retenues sur salaire de chaque paie en ce pourcentage du salaire de base alloué à la Période D'offre (jusqu'à 10%), ainsi élu lors de la souscription et en conformité avec les termes et conditions du Plan d'Achat d'Actions, et comme l'employé peut le changer de temps en temps en conformité avec le Plan d'Achat d'Actions.

Language Consent. By accepting the terms and conditions of the Enrollment Form, the employee confirms having read and understood the documents relating to this grant of the offer to purchase shares of Common Stock (the ESPP, the Enrollment Form, and this Appendix A) which were provided to the employee in the English language. The employee accepts the terms of those documents accordingly.

Consentement Relatif à la Langue Utilisée.: En acceptant les termes et conditions du Contrat de Souscription, l'employé confirme ainsi avoir lu et compris les documents relatifs à cette attribution du droit d'achat d'Actions Cotées en Bourse (le Plan d'Achat d'Actions, le Contrat de Souscription, et la présente Annexe A) qui ont été fournis à l'employé dans la langue anglaise. L'employé accepte les termes de ces documents en connaissance de cause.

GERMANY

There are no country-specific provisions.

IRELAND

Terms and Conditions

Nature of Grant. This provision supplements the Nature of Grant section of the Enrollment Form:

By participating in the ESPP and making enrollment elections, the employee acknowledges, understands and agrees that the benefits received under the ESPP will not be taken into account for any redundancy or unfair dismissal claim.

Notifications

Director Notification Information. Directors and secretaries of an Irish participating Affiliate and their respective spouses and children under 18 years of age and family-held companies or trusts who receive Purchase Rights under the ESPP or sell shares of Common Stock acquired under the ESPP must notify the Irish participating Affiliate in writing within five business days of (i) receiving or disposing of an interest in Ciena (e.g., Purchase Rights, shares of Common Stock), (ii) becoming aware of the event giving rise to the notification requirement, or (iii) becoming a director or secretary if such an interest exists at the time. This notification rule applies as well to a shadow director of the Irish participating Affiliate (*i.e.* , an individual who is not on the board of the Irish participating Affiliate but who has sufficient control so that the board of directors acts in accordance with the “directions or instructions” of the individual).

ISRAEL

Terms and Conditions

Tax Requirements. To facilitate compliance with tax withholding obligations in Israel, Ciena reserves the right to immediately sell all shares of Common Stock issued to the employee upon purchase (on the employee's behalf and at the employee's direction pursuant to this authorization). In such event, the proceeds of the sale of the shares of Common Stock, less any Tax-Related Items and broker's fees or commissions, will be remitted to the employee.

MEXICO

Terms and Conditions

Acknowledgement of the Enrollment Form. By accepting the grant of Purchase Rights, the employee acknowledges that he or she has received a copy of the ESPP and the Enrollment Form, including this Appendix A, which the employee has reviewed. The employee acknowledges further that he or she accepts all the provisions of the ESPP and the Enrollment Form, including this Appendix A. The employee also acknowledges that he or she has read and specifically and expressly approves the terms and conditions set forth in the Nature of Grant section of the Enrollment Form, which clearly provide as follows:

- (1) The employee's participation in the ESPP does not constitute an acquired right;
- (2) The ESPP and the employee's participation in it are offered by Ciena on a wholly discretionary basis;
- (3) The employee's participation in the ESPP is voluntary; and
- (4) Ciena and its participating Affiliates are not responsible for any decrease in the value of any shares of Common Stock acquired at purchase.

Labor Law Acknowledgement and Policy Statement. By accepting the grant of Purchase Rights, the employee acknowledges that Ciena Corporation, with registered offices at Winterson Road, Linthicum, Maryland 21010, U.S.A., is solely responsible for the administration of the ESPP. The employee further acknowledges that his or her participation in the ESPP, the grant of Purchase Rights and any acquisition of shares of Common Stock under the ESPP do not constitute an employment relationship between the employee and Ciena Corporation because the employee is participating in the ESPP on a wholly commercial basis and his sole employer is Ciena Communications Mexico S.A. de C.V. or Ciena Mexico S.A. de C.V. ("Ciena-Mexico"). Based on the foregoing, the employee expressly acknowledges that the ESPP and the benefits that the employee may derive from his or her participation in the ESPP do not establish any rights between the employee and the his or her Employer, Ciena-Mexico, and do not form part of the employment conditions and/or benefits provided by Ciena-Mexico, and any modification of the ESPP or its termination shall not constitute a change or impairment of the terms and conditions of the employee's employment.

The employee further understands that his or her participation in the ESPP is the result of a unilateral and discretionary decision of Ciena Corporation and therefore, Ciena Corporation reserves the absolute right to amend and/or discontinue his or her participation in the ESPP at any time, without any liability to the employee.

Finally, the employee hereby declares that he or she does not reserve to him- or herself any action or right to bring any claim against Ciena Corporation for any compensation or damages regarding any provision of the ESPP or the benefits derived under the ESPP, and the employee therefore grants a full and broad release to Ciena Corporation, its subsidiaries, affiliates, branches, representation offices, shareholders, officers, agents and legal representatives, with respect to any claim that may arise.

Spanish Translation

Reconocimiento del Acuerdo de Inscripción

Al aceptar el otorgamiento de derechos de compra, usted reconoce que ha recibido una copia del ESPP y del Acuerdo de Inscripción, incluyendo este Anexo A, mismos que usted ha revisado. Usted reconoce, además, que acepta todas las disposiciones del ESPP y del acuerdo de inscripción, incluyendo este Anexo A. Usted también reconoce que ha leído y, específica y expresamente aprueba los términos y condiciones establecidos en el apartado intitulado Naturaleza del Otorgamiento del Acuerdo de Inscripción, que claramente dispone lo siguiente:

- (1) *Su participación en el ESPP no constituye un derecho adquirido;*
- (2) *El ESPP y su participación en el ESPP son ofrecidos por Ciena sobre una base totalmente discrecional;*
- (3) *Su participación en el ESPP es voluntaria; y*
- (4) *Ciena y sus afiliadas no son responsables de ninguna disminución en el valor de cualesquiera de las Acciones adquiridas al momento de la compra.*

Reconocimiento de Ley Laboral y Declaración de Política

Al aceptar el otorgamiento de los derechos de compra, usted reconoce que Ciena Corporation, con oficinas registradas en 701 Winterson Road, Linthicum, Maryland 21010, Estados Unidos de América, es únicamente responsable por la administración del ESPP. Además, usted reconoce que su participación en el ESPP, el otorgamiento de derechos de compra y cualquier adquisición de acciones de conformidad con el ESPP no constituyen una relación laboral entre usted y Ciena Corporation, porque usted está participando en el ESPP sobre una base totalmente comercial y su único patrón es Ciena Communications Mexico S.A. de C.V. or Ciena Mexico S.A. de C.V (“Ciena-México”). Con base en lo anterior, usted expresamente reconoce que el ESPP y los beneficios que le pueden derivar de la participación en el ESPP no establecen ningún derecho entre usted y su Patrón, Ciena-México, y no forman parte de las condiciones de trabajo y/o prestaciones otorgadas por Ciena-México, y cualquier modificación al ESPP o su terminación no constituirá un cambio o deterioro de los términos y condiciones de su trabajo.

Además, usted entiende que su participación en el ESPP es resultado de una decisión discrecional y unilateral de Ciena Corporation.; por lo que Ciena Corporation se reserva el derecho absoluto a modificar y/o discontinuar su participación en el ESPP en cualquier momento, sin responsabilidad alguna para con usted.

Finalmente, usted manifiesta que no se reserva ninguna acción o derecho para presentar una reclamación o demanda en contra de Ciena Corporation por cualquier compensación o daños en relación con cualquier disposición del ESPP o de los beneficios derivados del ESPP y, por lo tanto, usted otorga un amplio y total finiquito a Ciena Corporation, sus subsidiarias, afiliadas, sucursales, oficinas de representación, accionistas, directores, funcionarios, agentes y representantes legales con respecto a cualquier reclamación o demanda que pudiera surgir.

NETHERLANDS

Terms and Conditions

Nature of Grant. By participating in the ESPP, the employee acknowledges that the Purchase Rights granted under the ESPP are intended as an incentive for the employee to remain in service with the Employer and are not intended as remuneration for labor performed.

Notifications

Insider Trading Notification. The employee should be aware of the Dutch insider trading rules, which may impact the employee's sale of shares of Common Stock under the ESPP. In particular, the employee may be prohibited from effectuating certain transactions involving shares of Common Stock if he or she has inside information about Ciena.

Under Article 5:56 of the Dutch Financial Supervision Act, anyone who has “insider information” related to an issuing company is prohibited from effectuating a transaction in securities in or from the Netherlands. “Inside information” is defined as knowledge of specific information concerning the issuing company to which the securities relate or the trade in securities issued by such company, which has not been made public and which, if published, would reasonably be expected to affect the share price, regardless of the development of the price. The insider could be any employee of Ciena or its participating Affiliates in the Netherlands who has inside information as described herein. Given the broad scope of the definition of inside information, certain employees working at of Ciena or its participating Affiliates in the Netherlands may have inside information and, thus, would be prohibited from effectuating a transaction in securities in the Netherlands at a time when they have such inside information.

By accepting the offer and the underlying shares of Common Stock, the employee acknowledges having read and understood the notification above and acknowledges that it is the employee's responsibility to comply with the Dutch insider trading rules, as discussed herein. If the employee is uncertain whether the insider-trading rules apply to him or her, the employee should consult his or her personal legal advisor.

POLAND

Notifications

Exchange Control Information. Polish residents are obligated to transfer funds via bank accounts if the transferred amount in a particular transaction exceeds €15,000. Polish residents are also required to store the documents connected with foreign exchange transactions for a period of five years, counting from the end of the year when the foreign exchange transactions were

made. In addition, Polish residents holding foreign securities (including shares of Common Stock) abroad have certain reporting requirements to the National Bank of Poland. Polish residents holding foreign securities will be required to file quarterly reports with information on transactions and balances regarding foreign securities if the value (calculated individually or together with other assets/liabilities possessed abroad) exceeds PLN 7 million. The reports must be filed on special forms available on the website of the National Bank of Poland. It is the employee's responsibility to comply with all applicable exchange control regulations.

SINGAPORE

Notifications

Securities Law Information. The grant of the Purchase Rights is being made pursuant to the "Qualifying Person" exemption under Section 273 (1)(f) of the Securities and Futures Act (Chapter 289, 2006 Ed.) ("SFA"). The ESPP has not been lodged or registered as a prospectus with the Monetary Authority of Singapore. The employee should note that the grant is subject to section 257 of the SFA and he or she will not be able to make (i) any subsequent sale of shares of Common Stock in Singapore or (ii) any offer of such subsequent sale of shares of Common Stock in Singapore, unless such sale or offer in Singapore is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA.

Director Notification Requirements. If an employee is a director, associate director or shadow director of a Singapore participating Affiliate, the employee must notify the Singapore participating Affiliate in writing within two days of the employee receiving or disposing of an interest (e.g., Purchase Rights, Common Stock) in Ciena or any participating Affiliate, or within two days of the employee becoming a director if such an interest exists at the time.

Insider Trading Information. The employee should be aware of the Singapore insider trading rules, which may impact the employee's acquisition or disposal of shares of Common Stock or rights to shares of Common Stock under the ESPP. Under the Singapore insider trading rules, the employee is prohibited from acquiring or selling shares of Common Stock or rights to shares of Common Stock (e.g., Purchase Rights) when he or she is in possession of information which is not generally available and which the employee knows or should know will have a material effect on the price of the shares of Common Stock once such information is generally available.

SPAIN

Terms and Conditions

Nature of Grant. This provision supplements the Nature of Grant section in the Enrollment Form:

In accepting the Purchase Rights, the employee consents to participate in the ESPP and acknowledges that he or she has received a copy of the ESPP.

The employee understands and agrees that in accepting the Purchase Rights, the employee will cease to be a participant in the ESPP upon the termination of his or her status as an eligible employee for any reason (including for the reasons listed below) and the employee's payroll deductions shall cease and be returned to the employee, without interest, as soon as administratively possible.

The employee understands that Ciena has unilaterally, gratuitously and discretionally decided to grant Purchase Rights under the ESPP to individuals who may be eligible employees. The decision is a limited decision that is entered into upon the express assumption and condition that any offer will not economically or otherwise bind Ciena or any participating Affiliate on an ongoing basis. Consequently, the employee understands that the Purchase Rights are granted on the assumption and condition that the ESPP and any shares of Common Stock purchased under the ESPP are not part of any employment contract either with Ciena or a participating Affiliate and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, the employee understands that the Purchase Rights would not be granted to the employee but for the assumptions and conditions referred to herein; thus, the employee acknowledges and freely accepts that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then the Purchase Rights shall be null and void.

Further, the employee's participation in the ESPP is expressly conditioned on his or her continued and active employment, such that if his or her employment terminates for any reason whatsoever, the employee's participation in the ESPP will cease immediately, effective on the date of his or her termination of employment (or as of the end of the Purchase Period following

termination as provided in the ESPP where the employee retires, dies, becomes disabled, or is laid off or on authorized leave). This will be the case, for example, even if (1) the employee is considered to be unfairly dismissed without good cause; (2) the employee is dismissed for disciplinary or objective reasons or due to a collective dismissal; (3) the employee terminates employment due to a unilateral breach of contract by Ciena or any of its participating Affiliates; or (3) the employee's employment terminates for any reason other than those set forth in the preceding sentence.

Notifications

Exchange Control Information. The acquisition of shares of Common Stock under the ESPP must be declared for statistical purposes to the Spanish Dirección General de Comercio e Inversiones (the "DGCI"), the Bureau for Commerce and Investments, which is a department of the *Ministerio de Industria, Turismo y Comercio*. The employee also must declare ownership of any shares by filing a D-6 form with the DGCI. Generally, the D-6 form must be filed each January while the shares are owned or to report the sale of shares of Common Stock.

When receiving foreign payments exceeding €50,000 derived from the ownership of shares of Common Stock (*i.e.*, dividends or sale proceeds), the employee must inform the financial institution receiving the payment of the basis upon which such payment is made. The employee will need to provide the institution with the following information: (i) name, address, and fiscal identification number; (ii) the name and corporate domicile of Ciena; (iii) the amount of the payment; the currency used; (iv) the country of origin; (v) the reasons for the payment; and (vi) further information that may be required.

SWEDEN

There are no country-specific provisions.

SWITZERLAND

Notifications

Securities Law Information. The offering of the ESPP is considered a private offering in Switzerland; therefore, it is not subject to registration in Switzerland.

UNITED ARAB EMIRATES

Notifications

Securities Law Information. The ESPP is only being offered to qualified employees and is in the nature of providing equity incentives to employees of Ciena's participating Affiliates in the United Arab Emirates. Any documents related to the ESPP, including the ESPP, the Prospectus and other grant documents ("ESPP Documents"), are intended for distribution only to such employees and must not be delivered to, or relied on by, any other person. The employee, as a prospective stockholder, should conduct his or her own due diligence on the securities. If the employee does not understand the contents of the ESPP Documents, he or she should consult an authorized financial adviser.

The relevant securities authorities have no responsibility for reviewing or verifying any ESPP Documents. United Arab Emirates securities or financial/economic authorities have not approved the ESPP Documents, nor taken steps to verify the information set out in them, and thus, are not responsible for their content.

The employee as a prospective stockholder should conduct their own due diligence on the securities.

UNITED KINGDOM

Terms and Conditions

Taxes. This section supplements the Responsibility for Taxes section of the Enrollment Form:

If payment or withholding of the income tax due in connection with the employee's participation in the ESPP is not made within ninety (90) days of the event giving rise to the income tax liability or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the "Due Date"), the amount of any uncollected income tax will constitute a loan owed by the employee to the Employer, effective on the Due Date. The employee agrees that the loan will

bear interest at the then-current Official Rate of Her Majesty's Revenue and Customs ("HMRC"), it will be immediately due and repayable, and Ciena or the Employer may recover it at any time thereafter by any of the means referred to in the Responsibility for Taxes section of the Enrollment Form.

Notwithstanding the foregoing, if the employee is a director or executive officer of Ciena (within the meaning of Section 13(k) of the U.S. Securities Exchange Act of 1934, as amended), the employee will not be eligible for such a loan to cover the income tax liability. In the event that the employee is such a director or executive officer and the income tax is not collected from or paid by the employee by the Due Date, the amount of any uncollected income tax will constitute a benefit to the employee on which additional income tax and National Insurance Contributions ("NICs") will be payable. The employee acknowledges that Ciena or the Employer may recover any such additional income tax and NICs at anytime thereafter by any of the means referred to in the Responsibility for Taxes section of the Enrollment Form. The employee understands that he or she is responsible for reporting and paying any income tax and NICs due on this additional benefit directly to HMRC under the self-assessment regime.

LEASE AGREEMENT BETWEEN

**W2007 RDG REALTY, L.L.C.,
A DELAWARE LIMITED LIABILITY COMPANY,
AS LANDLORD,**

AND

**CIENA CORPORATION,
A DELAWARE CORPORATION,**

AS TENANT

DATED NOVEMBER 3, 2011

BASIC LEASE INFORMATION

Lease Date: November 3, 2011

Landlord: W2007 RDG REALTY, L.L.C., a Delaware limited liability company

Tenant: CIENA CORPORATION, a Delaware corporation

Premises: (1) All of the rentable area of the first, second and third floors, containing 88,405 rentable square feet and further identified on Exhibit A attached hereto (the “**Building 1 Premises**”), in the office building commonly known as Station Ridge Building 1 (“**Building 1**”), and whose street address is 7035 Ridge Road, Hanover, Maryland.

(2) A portion of the rentable area on each of the first and second floors and all of the rentable area on the third floor, containing 65,695 rentable square feet and further identified on Exhibit A attached hereto (the “**Building 2 Premises**”), and, together with the Building 1 Premises, the “**Premises**”), in the office building commonly known as a to-be-built building of Station Ridge (“**Building 2**”, and, together with Building 1, the “**Buildings**”), and whose street address is 7031 Ridge Road, Hanover, Maryland.

The Premises are outlined on the plan attached to the Lease as Exhibit A. The land on which the Buildings are located (the “**Land**”) is described on Exhibit B. The term “**Complex**” means the office building complex commonly known as Station Ridge, which is now or will be comprised of the Buildings and certain additional office buildings (commonly known as “Building 3” and having a street address of 7037 Ridge Road, Hanover, Maryland, and “Building 4” and having a street address of 7033 Ridge Road, Hanover, Maryland, and together, the “**Secondary Buildings**”), the land on which the Complex is located, and the driveways, parking facilities and similar improvements and easements associated with the foregoing or the operation thereof.

Term: Approximately fourteen (14) years and eight (8) months, starting on the Building 1 Lease Commencement Date, and ending at 11:59 PM local time on the last day of the fifteenth (15th) Lease Year, subject to adjustment and earlier termination as provided in the Lease.

Building 1 Lease Commencement Date: The earlier of (a) the date on which Tenant occupies any portion of the Building 1 Premises to operate its business (excluding mere installation of furniture, computer lab testing and other related activities that do not constitute business operations), or (b) Substantial Completion (as defined in Exhibit D) of the Building 1 Work (as defined in Exhibit D) and Landlord’s delivery to Tenant thereof; however, in no event shall the Building 1 Lease Commencement Date be prior to June 1, 2012.

Building 1 Rent Commencement Date: The later of (a) September 1, 2013, or (b) the Substantial Completion (as defined in Commencement Date: Exhibit D) of the Building 1 Work (as defined in Exhibit D).

Building 2 Lease Commencement Date: The earlier of (a) the date on which Tenant occupies any portion of the Building 2 Premises to operate its business in Building 2 (excluding mere installation of furniture, computer lab testing and other related activities that do not constitute business operations), or (b) Substantial Completion (as defined in Exhibit J) of the Building 2 Base Building and the Building 2 Tenant Improvements (as defined in Exhibit J) and Landlord’s delivery to Tenant thereof. The Building 1 Lease Commencement Date and/or the Building 2 Lease Commencement Date are sometimes collectively referred to as the “**Lease Commencement Date**” or the “**Lease Commencement Dates**.”

Building 2 Lease Commencement Date: The Building 2 Lease Commencement Date.

Basic Rent: Basic Rent shall be Twenty-Five Dollars (\$25.00) per rentable square foot, net of all charges for electricity, payable on or before the first day of each Lease Month. Basic Rent shall automatically escalate at a rate of two percent (2.0%) per Lease Year.

Lease Year	Lease Month	Annual Basic Rent Rate Per Rentable Square Foot	Monthly Basic Rent*
1	1 - 12	\$25.00	\$321,041.67
2	13 - 24	\$25.50	\$327,462.50
3	25 - 36	\$26.01	\$334,011.75
4	37 - 48	\$26.53	\$340,689.42
5	49 - 60	\$27.06	\$347,495.00
6	61 - 72	\$27.60	\$354,430.00
7	73 - 84	\$28.15	\$361,492.92
8	85 - 96	\$28.72	\$368,812.67
9	97 - 108	\$29.29	\$376,132.42
10	109 - 120	\$29.88	\$383,709.00
11	121 - 132	\$30.47	\$391,285.58
12	133 - 144	\$31.08	\$399,119.00
13	145 - 156	\$31.71	\$407,209.25
14	157 - 168	\$32.34	\$415,299.50
15**	169 - 176	\$32.99	\$423,646.58

*Note: Landlord and Tenant acknowledge that the figures shown for Monthly Basic Rent assume the Building 1 Rent Commencement Date and Building 2 Rent Commencement Date occur simultaneously.

**Note: Landlord and Tenant acknowledge that the fifteenth Lease Year will only contain eight (8) calendar months.

As used herein, the term "Lease Month" means each calendar month during the Term (and if the first Lease Month does not occur on the first day of a calendar month, the period from Lease Commencement Date to the first day of the next calendar month shall be included in the first Lease Month for purposes of determining the duration of the Term and the monthly Basic Rent rate applicable for such partial month).

As used herein, the term "Lease Year" means twelve (12) consecutive Lease Months, the first Lease Year being Lease Months 1-12, inclusive, the second Lease Year being Lease Months 13-24, inclusive, and so on; provided, however, the fifteenth (15th) Lease Year will only contain eight (8) calendar months.

Security Deposit: N/A

Rent: Basic Rent, Tenant's Proportionate Share of Taxes and Electrical Costs, Tenant's share of Additional Rent, and all other sums that Tenant may owe to Landlord or otherwise be required to pay under the Lease.

Security Deposit: N/A

Rent: Basic Rent, Tenant's Proportionate Share of Taxes and Electrical Costs, Tenant's share of Additional Rent, and all other sums that Tenant may owe to Landlord or otherwise be required to pay under the Lease.

Permitted Use: (i) General office use and (ii) research and development computer labs and customer computer demonstration labs, and any uses reasonably ancillary thereto, all in accordance with the Laws.

Tenant's Proportionate Share: The percentage obtained by dividing (a) the number of rentable square feet in the Building 1 Premises and the Building 2 Premises, as applicable, as stated above by (b) the total rentable square feet in Building 1 and Building 2, respectively. As of the date of this Lease, Tenant's Proportionate Share for Building 1 is 100% and Tenant's Proportionate Share for Building 2 is 69.25%. Landlord and Tenant stipulate that the number of rentable square feet in each of the Building 1 Premises and the Building 2 Premises, and Building 1 and Building 2, set forth above is conclusive and shall be binding upon them.

Expense Stop: Operating Costs for the calendar year 2013 (grossed up as provided in Section 4(b)(6) of the Lease).

Base Tax Year: The calendar year 2013, which Taxes for such calendar year shall be increased to reflect fully assessed Buildings. Tenant shall owe no Taxes or Operating Costs until January 1, 2014.

Initial Liability Insurance Amount: \$3,000,000

Tenant's Address: Prior to Lease Commencement Date:
Ciena Corporation
1201 Winterson Road
Linthicum, MD 21090
Attention: William Parker, Director, Regional Property Management & Facilities
Telephone: 410-694-3067
Telecopy: 410-694-5802

and
Ciena Corporation
1201 Winterson Road
Linthicum, MD 21090
Attention: General Counsel
Telephone: 410-981-7303
Telecopy: 410-694-5802

Following Lease Commencement Date:
Ciena Corporation
7035 Ridge Road,
Hanover, MD 21076
Attention: Director, Regional Property Management & Facilities
Telephone: 410-694-3067
Telecopy: 410-694-5802

and
Ciena Corporation
1201 Winterson Road
Linthicum, MD 21090
Attention: General Counsel
Telephone: 410-981-7303
Telecopy: 410-865-8001

and
Ciena Corporation
7035 Ridge Road
Hanover, MD 21076
Attention: General Counsel
Telephone: 410-981-7303
Telecopy: 410-694-5802

Landlord's Address: For all Notices:
W2007 RDG REALTY, L.L.C.

c/o Cassidy Turley
7 E. Redwood Street
Suite 401
Baltimore, MD 21202
Attention: Lynn White-Huggins, Property Manager
Telephone: 410-752-0550
Telecopy: 410-752-2502

For Rent Payment:
c/o Cassidy Turley
721 Emerson, Suite 505
St. Louis, MO 63141

With a copy to:
W2007 RDG REALTY, L.L.C.
c/o Archon Group, L.P.
6011 Connection Drive
Irving, Texas 75039
Attention: General Counsel - Station Ridge
Telephone: 972-368-2200
Telecopy: 972-368-3199

The foregoing Basic Lease Information is incorporated into and made a part of the Lease identified above. If any conflict exists between any Basic Lease Information and the Lease, then the Lease shall control.

LANDLORD:

W2007 RDG REALTY, L.L.C. , a Delaware limited liability company

By: /s/ Robert Milkovich
Name: Robert Milkovich
Title: Authorized Signatory

TENANT:

CIENA CORPORATION , a Delaware corporation

By: /s/ James E. Moylan, Jr.
Name: James E. Moylan, Jr.
Title: C.F.O.

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LEASE

This Lease Agreement (this "**Lease**") is entered into as of November 3, 2011, between **W2007 RDG REALTY, L.L.C.**, a Delaware limited liability company ("**Landlord**"), and **CIENA CORPORATION**, a Delaware corporation ("**Tenant**").

1. **Definitions and Basic Provisions.** The definitions and basic provisions set forth in the Basic Lease Information (the "**Basic Lease Information**") executed by Landlord and Tenant contemporaneously herewith are incorporated herein by reference for all purposes. Additionally, the following terms shall have the following meanings when used in this Lease: "**Affiliate**" means any person or entity which, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the party in question; "**Buildings' Structure**" means the Buildings' exterior walls, roofs, elevator shafts, footings, foundations, structural portions of load-bearing walls, exterior windows, structural floors and subfloors, and structural columns and beams; "**Buildings' Systems**" means the Buildings' HVAC, life-safety, access control, plumbing, electrical, and mechanical systems; "**including**" means including, without limitation; "**Laws**" means all federal, state, and local laws, ordinances, rules and regulations, all court orders, governmental directives, and governmental orders and all governmental interpretations of the foregoing, and all restrictive covenants affecting the Complex, and "**Law**" means any of the foregoing; "**Tenant's Off-Premises Equipment**" means any of Tenant's equipment or other property that may be located on or about the Complex (other than inside the Premises); and "**Tenant Party**" means any of the following persons: Tenant; any assignees claiming by, through, or under Tenant; any subtenants claiming by, through, or under Tenant; and Tenant's respective agents, contractors, employees, licensees, guests and invitees.

2. **Lease Grant.** Subject to the terms of this Lease, Landlord leases to Tenant, and Tenant leases from Landlord, the Premises. This Lease shall be in full force and effect and binding on the parties from the date first written above (even though the Lease Commencement Date may not have occurred as of such date).

3. **Tender of Possession.**

(a) **Building 1 Estimated Delivery Dates.**

(i) Landlord and Tenant presently anticipate that Landlord will have achieved Substantial Completion of the Building 1 Premises in the condition suitable for Tenant's installation of its fixtures, furniture, and equipment (the "**Building 1 FF&E Condition**") in accordance with the approved plans therefor on or before June 1, 2012 (the "**Building 1 FF&E Estimated Delivery Date**"). Landlord and Tenant agree that the definition of "Substantial Completion" as used in this Section 3(a)(i) shall not include Landlord's obligation to connect any systems furniture to Building infrastructure, including electrical supply.

(ii) Landlord and Tenant presently anticipate that Landlord will have achieved Substantial Completion of the data center space located in Building 1 (as further identified on Exhibit A-1) (the "**Building 1 Data Center Space**") in accordance with the approved plans therefor on or before June 15, 2012 (the "**Building 1 Data Center Space Estimated Delivery Date**").

(iii) Landlord and Tenant presently anticipate that Landlord will have achieved Substantial Completion of the computer laboratory space located in Building 1 (as further identified on Exhibit A-1) (the "**Building 1 Lab Space**") in accordance with the approved plans therefor on or before June 8, 2012 (the "**Building 1 Lab Space Estimated Delivery Date**").

(iv) Landlord and Tenant presently anticipate that Landlord will have achieved Substantial Completion of the Building 1 Tenant Improvements, on or about June 29, 2012 (the "**Building 1 Estimated Delivery Date**").

(v) If Landlord is unable to achieve Substantial Completion of (a) the Building 1 FF&E Condition by the Building 1 FF&E Estimated Delivery Date, (b) the Building 1 Data Center Space by the Building 1

Data Center Space Estimated Delivery Date, (c) the Building 1 Lab Space by the Building 1 Lab Space Estimated Delivery Date, and/or (d) the Building 1 Tenant Improvements by the Building 1 Estimated Delivery Date, then
(x) the validity of this Lease shall not be affected or impaired thereby, and (y) Landlord shall not be in default hereunder or be liable for damages therefor.

(b) Building 1 Delayed Delivery.

(i) Notwithstanding the foregoing terms of Section 3(a), if, and only if, Landlord fails to achieve Substantial Completion of the Building 1 FF&E Condition in the condition required by this Lease on or before the Building 1 FF&E Estimated Delivery Date (as such date shall automatically be extended on a day-for-day basis for Tenant Delay (as defined below) but shall not be extended for events of force majeure), then Tenant shall be entitled to an abatement of Basic Rent from the Building 1 Rent Commencement Date equal to 25,000 rentable square feet times the daily Basic Rent for such 25,000 rentable square feet (on a per square foot basis) during the first Lease year, on a day-for-day basis through and including the date prior to the date Landlord has achieved Substantial Completion of the Building 1 FF&E Condition. By way of example only of the foregoing terms of this Section 3(b)(i), assuming 365 days in the first Lease year, and assuming Landlord's delay under the terms of this Section 3(b)(i) aggregates ten (10) days, then Tenant would receive a rent abatement of \$17,123.29 (or \$1,712.33 per day) of Landlord's delay in Substantially Completing the Building 1 FF&E Condition. Any abatement of Basic Rent under the terms of this Section 3(b)(i) shall (a) be applied to Tenant's obligation to pay Basic Rent for the Building 1 Premises from and after the Building 1 Rent Commencement Date, and (b) be Tenant's sole and exclusive remedy for Landlord's failure to timely deliver the Building 1 FF&E Condition in the condition required by this Lease (Tenant hereby waiving any other right or remedy it may have).

(ii) Notwithstanding the foregoing terms of Section 3(a), if, and only if, Landlord fails to achieve Substantial Completion of the Building 1 Data Center Space in the condition required by this Lease on or before the Building 1 Data Center Space Estimated Delivery Date (as such date shall automatically be extended on a day-for-day basis for Tenant Delay but shall not be extended for events of force majeure), then Tenant shall be entitled to an abatement of Basic Rent from the Building 1 Rent Commencement Date equal to three (3) times the number of rentable square feet in the Building 1 Data Center Space times the daily Basic Rent for the Building 1 Data Center Space (on a per square foot basis) during the first Lease year, on a day-for-day basis through and including the date prior to the date Landlord has achieved Substantial Completion of the Building 1 Data Center Space. By way of example only of the foregoing terms of this Section 3 (b)(ii), assuming that the square footage of the Building 1 Data Center Space is 2,000 square feet, assuming 365 days in the first Lease year, and assuming Landlord's delay under the terms of this Section 3(b)(ii) aggregates ten (10) days, then Tenant would receive a rent abatement of \$4,109.59 (or \$410.96 per day) of Landlord's delay in Substantially Completing the Building 1 Data Center Space. Any abatement of Basic Rent under the terms of this Section 3 (b) (ii) shall (a) be applied to Tenant's obligation to pay Basic Rent for the Building 1 Premises from and after the Building 1 Rent Commencement Date, and (b) be Tenant's sole and exclusive remedy for Landlord's failure to timely deliver the Building 1 Data Center Space in the condition required by this Lease (Tenant hereby waiving any other right or remedy it may have). Solely for the purpose of determining any abatement of rent under the terms of this Section 3(b) (ii) (if any), the rentable square footage of the Building 1 Data Center Space will be the actual rentable square footage of the Building 1 Data Center Space (measured in accordance with the same method as the rentable square footage of the Buildings under this Lease) as shown on the approved Working Drawings for Building 1, but in no event greater than 3,300 rentable square feet.

(iii) Notwithstanding the foregoing terms of Section 3(a), if, and only if, Landlord fails to achieve Substantial Completion of the Building 1 Lab Space in the condition required by this Lease on or before the Building 1 Lab Space Estimated Delivery Date (as such date shall automatically be extended on a day-for-day basis for Tenant Delay but shall not be extended for events of force majeure), then Tenant shall be entitled to an abatement of Basic Rent from the Building 1 Rent Commencement Date equal to three (3) times the number of rentable square feet in the Building 1 Lab Space times the daily Basic Rent for the Building 1 Lab Space (on a per square foot basis) during the first Lease year, on a day-for-day basis through and including the date prior to the date Landlord has achieved Substantial Completion of the Building 1 Lab Space. Any abatement of Basic Rent under the terms of this Section 3(b)(iii) shall (a) be applied to Tenant's obligation to pay Basic Rent for the Building 1 Premises from and after the Building 1 Rent Commencement Date, and (b) be Tenant's sole and exclusive remedy for Landlord's failure to timely deliver the Building 1 Lab Space in the condition required by this Lease (Tenant hereby waiving any other right or remedy it may have). Solely for the purpose of determining any abatement of rent

under the terms of this Section 3(b)(iii) (if any), the rentable square footage of the Building I Lab Space will be the actual rentable' square footage of the Building 1 Lab Space (measured in accordance with the same method as the' rentable square footage of the Buildings under this Lease) as shown on the approved Working Drawings for Building 1, but in no event greater than 11,000 rentable square feet.

(iv) Notwithstanding the foregoing terms of Section 3(a), if, and only if, Landlord fails to achieve Substantial Completion of the Building 1 Work in the condition required by this Lease o:q. before the Building 1 Estimated Delivery Date (as such date shall automatically be extended on a day-for-day basis for Tenant Delay (as defined below) but shall not be extended for events of force majeure), then Tenant shall be entitled to a day-for-day abatement of Basic Rent applicable to the Building 1 Premises through and including the date prior to the date Landlord delivers the Building 1 Premises (is to Tenant in the condition required by this Lease, including, but not limited to, Substantial Completion of the Building 1 Work. Any abatement of Basic Rent under the terms of this Section 3(b)(iv) shall (a) be applied to Tenant's obligation to pay Basic Rent for the Building 1 Premises from and after the Building 1 Rent Commencement Date, and (b) be Tenant's sole and exclusive remedy for Landlord's failure to timely deliver the Building 1 Premises in the condition required by this Lease (Tenant hereby waiving any other right or remedy it may have).

(v) Any abatement of Basic Rent with respect to the Building I' Premises set forth in Sections 3(b)(i) -(iv) shall be cumulative. For the purpose Sections 3 (a)" and (b) of this Lease, "Substantial Completion" has the meaning set forth in Exhibit D.

(c) Building 2 Estimated Delivery Dates.

(i) Landlord and Tenant presently anticipate that Landlord will have achieved the substantial commencement of the pouring of concrete for the footings or foundation for Building 2 (the "**First Milestone**") on or before April 20, 2012 (and such date shall not be extended for events of force majeure) (the "**First Milestone Estimated Delivery Date**"). If Landlord is unable to achieve the substantial commencement of the First Milestone by the First Milestone Estimated Delivery Date, then Tenant's sole and exclusive remedy shall be to terminate this Lease upon written notice to Landlord, whereupon this Lease will terminate on the date that is thirty (30) days after receipt of such notice (the "**Termination Date**") as if the Termination Date was the last day of the Lease Term. If Tenant terminates this Lease pursuant to the terms of this Section 3(c)(i), Landlord shall reimburse Tenant for Tenant's actual, out-of-pocket documented costs incurred through and including the date of termination for architectural, engineering and attorneys' fees, provided, however, that in no event shall such reimbursement for such reimbursable costs exceed Two Hundred Fifty Thousand Dollars (\$250,000) in the aggregate: If this Lease is terminable under the terms of this Section 3(c)(i) and Tenant does not deliver a termination notice under the terms of this Section 3(c)(i) within fifteen (15) days after the First Milestone Date, then such termination right set forth in this Section 3(c)(i) shall automatically expire, terminate and be of no further force and effect. Tenant's termination rights under the terms of this Section 3(c)(i) shall be Tenant's sole and exclusive remedy under this Section 3(c)(i) for Landlord's failure to timely achieve the First Milestone (Tenant hereby waiving any other right or remedy it may have).

(ii) Landlord and Tenant presently anticipate that Landlord will have achieved the substantial completion (as reasonably determined by Landlord's architect) of the structural steel infrastructure of Building 2 (the "**Second Milestone**") on or before September 22, 2012 (and such date shall not be extended for events of force majeure) (the "**Second Milestone Estimated Delivery Date**"). If Landlord is unable to achieve the substantial completion of the Second Milestone by the Second Milestone Estimated Delivery Date, then Tenant's sole and exclusive remedy shall be to terminate this Lease upon written notice t6 Landlord, whereupon this Lease will terminate on the date that is thirty (30) days after receipt of such notice (the "**Termination Date**") as if the Termination Date was the last day of the Lease Term. If Tenant terminates this Lease pursuant to the terms of this Section 3(c)(ii), Landlord shall reimburse Tenant for Tenant's actual, out-of-pocket documented costs incurred through and including the date of termination for architectural, engineering and attorneys' fees, provided, however, that in no event shall such reimbursement for such reimbursable costs exceed Two Hundred Fifty Thousand Dollars (\$250,000) in the aggregate: If this Lease is terminable under the terms of this Section 3(c)(ii) and Tenant does not deliver a termination notice under the terms of this Section 3(c)(ii) within fifteen (15) days after the Second Milestone Date, then such termination right set forth in this Section 3 (c)(ii) shall automatically expire, terminate and be of no further force and effect. Tenant's termination rights under the terms of this Section 3(c)(ii) shall be

Tenant's sole and exclusive remedy under this Section 3(c)(ii) for Landlord's failure to timely achieve the Second Milestone (Tenant hereby waiving any other right or remedy it may have):

(iii) If, and only if, Tenant terminates this Lease in accordance with Section 3(c)(i) or Section 3(c)(ii) above and Landlord is obligated to reimburse Tenant for architectural, engineering and attorneys' fees as set forth in such Section 3(c)(i) or Section 3(c)(ii) above, then any such reimbursement will be reduced on a dollar for dollar basis for any amount of the Construction Allowance previously delivered by Landlord to Tenant for such costs pursuant to the terms of Section 9 of Exhibit D.

(iv) Landlord and Tenant presently anticipate that Landlord will have achieved Substantial Completion of the Building 2 Premises in the condition suitable for Tenant's installation of its fixtures, furniture, and equipment (the "**Building 2 FF&E Condition**") in accordance with the approved plans therefor on or before November 2, 2012 (the "**Building 2 FF&E Estimated Delivery Date**"). Landlord and Tenant agree that the definition of "Substantial Completion" as used in this Section 3(c)(iv) shall not include Landlord's obligation to connect any systems furniture to Building infrastructure, including electrical supply.

(v) Intentionally omitted.

(vi) Landlord and Tenant presently anticipate that Landlord will have achieved Substantial Completion of the computer laboratory space located in Building 2 (as further identified on Exhibit A-1) (the "**Building 2 Lab Space**"). in accordance with the approved plans therefor on or before October 26, 2012 (the "**Building 2 Lab Space Estimated Delivery Date**").

(vii) Landlord and Tenant presently anticipate that Landlord will have achieved Substantial Completion of the Building 2 Tenant Improvements, on or about November 15, 2012 (the "**Building 2 Estimated Delivery Date**").

(viii) If Landlord is unable to achieve Substantial Completion of (a) the Building 2 Lab Space by the Building 2 Lab Space Estimated Delivery Date, (b) intentionally omitted, (c) the Building 2 Lab Space by the Building 2 Lab Space Estimated Delivery Date, and/or (d) the Building 2 Tenant Improvements by the Building 2 Estimated Delivery Date, then (x) the validity of this Lease shall not be affected or impaired thereby, and (y) Landlord shall not be in default hereunder or be liable for damages therefor.

(d) Building 2 Delayed Delivery.

(i) Notwithstanding the foregoing terms of Section 3(c), if, and only if, Landlord fails to achieve Substantial Completion of the Building 2 FF&E Condition in the condition required by this Lease on or before the Building 2 FF&E Estimated Delivery Date (as such date shall automatically be extended on a day-for-day basis for Tenant Delay (as defined below) but shall not be extended for events of force majeure), then Tenant shall be entitled to an abatement of Basic Rent from the Building 2 Rent Commencement Date equal to 25,000 rentable square feet times the daily Basic Rent for such 25,000 rentable square feet (on a per square foot basis) during the first Lease year, on a day-for-day basis through and including the date prior to the date Landlord has achieved Substantial Completion of the Building 2 FF&E Condition. Any abatement of Basic Rent under the terms of this Section 3(d)(i) shall (a) be applied to Tenant's obligation to pay Basic Rent for the Building 2 Premises from and after the Building 2 Rent Commencement Date, and (b) be Tenant's sole and exclusive remedy for Landlord's failure to timely deliver the Building 2 FF&E Condition in the condition required by this Lease (Tenant hereby waiving any other right or remedy it may have).

(ii) Intentionally omitted.

(iii) Notwithstanding the foregoing terms of Section 3(c), if, and only if, Landlord fails to achieve Substantial Completion of the Building 2 Lab Space in the condition required by this Lease on or before the Building 2 Lab Space Estimated Delivery Date (as such date shall automatically be extended on a day-for-day basis for Tenant Delay (as defined below) but shall not be extended for events of force majeure), then Tenant shall be entitled to an abatement of Basic Rent from the Building 2 Rent Commencement Date equal to three (3) times the

number of rentable square feet in the Building 2 Lab Space times the daily Basic Rent for the Building 2 Lab Space (on a per square foot basis) during the first Lease year, on a day-for-day basis through and including the date prior to the date Landlord has achieved Substantial Completion of the Building 2 Lab Space. Any abatement of Basic Rent under the telIDs of this Section 3 (d) (iii) shall (a) be applied to Tenant's obligation to pay Basic Rent for the Building 2 Premises from and after the Building 2 Rent Commencement Date, and (b) be Tenant's sole and exclusive remedy for Landlord's failure to timely deliver the Building 2 Lab Space in the condition required by this Lease (Tenant hereby waiving any other right or remedy it may have). Solely for the purpose of detelIDing any abatement of rent under the telIDs of this Section 3 (d) (iii) (if any), the rentable square footage of the Building 2 Lab Space will be the actual rentable square footage of the Building 2 Lab Space (measured in accordance with the same method as the rentable square footage of the Buildings under this Lease) as shown on the approved Working Drawings for Building 2, but in no event greater than (x) 13,200 rentable square feet with respect to the portion of the Building 2 Lab Space on the first floor of Building 2, and (y) 2,200 rentable square feet with respect to the portion of the Building 2 Lab Space on the second floor of Building 2.

(iv) Notwithstanding the foregoing telIDs of Section 3(c), if, and only if, Landlord fails to achieve Substantial Completion of the Building 2 Base Building and the Building 2 Tenant Improvements on before the Building 2 Estimated Delivery Date (as such date shall automatically be extended on a day-for-day basis for Tenant Delay (as defined below) but shall not be extended for events of force majeure), then Tenant shall be entitled to a day-for-day abatement of Basic Rent applicable to the Building 2 Premises through and including the date prior to the date Landlord delivers the Building 2 Premises to Tenant in the condition required by this Lease, including, but not limited to, Substantial Completion of the Building 2 Base Building and the Building 2 Tenant Improvements. Any abatement of Basic Rent under the telIDs of this Section 3(d)(iv) shall (a) be applied to Tenant's obligation to pay Basic Rent for the Building 2 Premises from and after the Building 2 Rent Commencement Date, and (b) be Tenant's sole and exclusive remedy for Landlord's failure to timely deliver the Building 2 Premises in the condition required by this Lease (Tenant hereby waiving any other right or remedy it may have).

(v) Any abatement of Basic Rent with respect to the Building 2 Premises set forth in Sections 3 (d) (i) -(iv) shall be cumulative.

(e) **Acceptance**. By occupying any part of the Premises in any Building, Tenant shall be deemed to have accepted such part of the Premises in such Building in its condition as of the date of such occupancy, subject in all cases to warranty claims from the improvements constructed by or on behalf of Landlord; defects in construction from the improvements constructed by or on behalf of Landlord; subsequent acts of Landlord during construction of the Premises, the Buildings, other tenants' premises or the Complex; and latent defects, and subject to the prompt performance of punch-list items that remain to be performed by or on behalf of Landlord under this Lease, if any. Prior to occupying for its business operations each of the Building 1 Premises and the Building 2 Premises, Tenant shall execute and deliver to Landlord a letter substantially in the form of Exhibit E hereto containing (1) the Lease Commencement Date(s) and the expiration date of the initial TelID, (2) that Tenant has accepted the Building 1 Premises or Building 2 Premises, as applicable, and (3) that Landlord has performed all of its obligations with respect to the Building 1 Premises or Building 2 Premises, as applicable (except for punch-list items); however, the failure of the parties to execute such letter shall not defer the Lease Commencement Date or otherwise invalidate this Lease. Occupancy of the Premises by Tenant prior to the Lease Commencement Date shall be subject to all of the provisions of this Lease excepting only those requiring the payment of Basic Rent, Additional Rent, Taxes and Electrical Costs (each as defined herein).

(f) **Tenant Delay**. For the purpose of this Lease, "**Tenant Delay**" means delay in the substantial completion of the Building(s) or the work to be performed by or on behalf of Landlord (including without limitation the completion of the Building 1 Tenant Improvements or the Building 2 Tenant Improvements) that occurs solely (a) because Tenant fails to meet any of the deadlines set forth in Exhibit D or Exhibit J (such as, but not limited to, the deadline for delivery of Space Plans or Working Drawings (whether preliminary, interim revisions or final), (b) because of any change by Tenant to the Space Plans or Working Drawings after that date which is ten (10) days prior to the date bid packages have been delivered to prospective contractors pursuant to Exhibit D or Exhibit J (including without limitation change orders), (c) any rejection in the approval of plans and specifications prepared by or on behalf of Tenant by any governmental entity due solely to the fact that such plans do not comply with law, (d) Tenant's request or inclusion in the applicable plans for improvements that are not customary for a typical office

user that combines office, data center and computer laboratory uses, and/or (e) because of any specification or requirement by Tenant of "long-lead" materials or equipment; provided, however, in such case (i) Landlord shall reasonably notify Tenant, in detail, of such "long-lead" item, (ii) Tenant shall have five (5) business days to elect to (A) omit such "long-lead" items, (B) substitute such items for another item(s) that do not constitute a "long-lead" item, or (C) retain such "long-lead" item (provided that if Tenant fails to timely specify whether it will retain such "long-lead" item, Tenant will be deemed to have elected to retain the same). Only if Tenant elects (or is deemed to have elected) (C) shall the delay arising from such "long-lead" item constitute Tenant Delay.

4. Rent.

(a) **Payment.** Tenant shall timely pay to Landlord Rent, without notice, demand, deduction or set off (except as otherwise expressly provided herein), by good and sufficient check drawn on a national banking association at Landlord's address for rent payment provided for in the Basic Lease Information Section of this Lease or as otherwise specified by Landlord, or by wire transfer (per Landlord's wiring instructions set forth in Exhibit 0). The obligations of Tenant to pay Basic Rent and other sums to Landlord and the obligations of Landlord under this Lease are independent obligations. Basic Rent, adjusted as herein provided, shall be payable monthly in advance. The first monthly installment of Basic Rent for the Building 1 Premises and Building 2 Premises shall be payable contemporaneously with the execution of this lease; thereafter, Basic Rent shall be payable on the first day of each calendar month beginning on the first day of the calendar month(s) next following the Building 1 Rent Commencement Date and the Building 2 Rent Commencement Date, respectively. The monthly Basic Rent for any partial month at the beginning of the Term shall equal the product of 1/365 of the annual Basic Rent in effect during the partial month and the number of days in the partial month and shall be due on the Building 1 Rent Commencement Date or the Building 2 Rent Commencement Date, as applicable. Payments of Basic Rent for any fractional calendar month at the end of the Term shall be similarly prorated. Tenant shall pay Additional Rent at the same time and in the same manner as Basic Rent, provided that, in all instances, Tenant shall have no less than twenty (20) days' prior written notice of the amount of Additional Rent then due and payable (except (i) as expressly set forth to the contrary in this Lease, and (ii) regarding the estimated payments required by Section 4(b)). Landlord and Tenant acknowledge that the Building 1 Lease Commencement Date and/or the Building 2 Lease Commencement Date (sometimes collectively referred to as the "Lease Commencement Date" or the "Lease Commencement Dates") may occur prior to the Building 1 Rent Commencement Date and/or the Building 2 Rent Commencement Date, and that under the terms of the Lease, Tenant shall not (except in an Event of Default) be required to pay Basic Rent or Additional Rent (except for its Electrical Costs) during such period with respect to the Building 1 Premises and/or the Building 2 Premises, as applicable. Accordingly, Landlord and Tenant agree that to the extent the Lease Commencement Date occurs prior to the Building 1 Rent Commencement Date and/or the Building 2 Rent Commencement Date, as applicable, such period shall be deemed to be a conditional abatement of Basic Rent. Notwithstanding such abatement of Basic Rent (a) all other sums due under this Lease, including Additional Rent, shall be payable as provided in this Lease, and (b) any increases in Basic Rent set forth in this Lease shall occur on the dates scheduled therefor. The abatement of Basic Rent provided for in this Section 4(a) is conditioned upon Tenant's full and timely performance of all of its obligations under this Lease. If at any time during the Term a monetary Event of Default by Tenant occurs, and the result of which is that this Lease terminates, then the abatement of Basic Rent provided for in this Section 4(a) shall immediately become void, and Tenant shall promptly pay to Landlord, in addition to all other amounts due to Landlord under this Lease, the full unamortized (on a straight line basis over the initial Term) pro rata amount of all Basic Rent herein abated.

(b) Operating Costs; Taxes; Electrical Costs.

(1) Commencing January 1, 2014, Tenant shall pay to Landlord the amount (per each rentable square foot in each of the Building 1 Premises and Building 2 Premises) ("**Additional Rent**") by which the annual Operating Costs (defined below) per rentable square foot in each of Building 1 and Building 2, as applicable, exceed the Expense Stop (per rentable square foot in each of Building 1 and Building 2, as applicable). Landlord may make a good faith estimate of the Additional Rent to be due by Tenant for any calendar year or part thereof during the Term. Landlord shall endeavor in good faith to deliver the first estimate of Operating Costs and Taxes not later than September 30, 2013. Commencing January 1, 2014, during each calendar year or partial calendar year of the Term, Tenant shall pay to Landlord, in advance concurrently with each monthly installment of Basic Rent, an amount equal to the estimated Additional Rent for such calendar year or part thereof divided by the number of months therein.

From time to time (but no more than twice in any calendar year), Landlord may in good faith estimate and re-estimate the Additional Rent to be due by Tenant and deliver a copy of the estimate or re-estimate to Tenant. Thereafter, the monthly installments of Additional Rent payable by Tenant shall be appropriately adjusted in accordance with the estimations so that, by the end of the calendar year in question, Tenant shall have paid all of the Additional Rent as estimated by Landlord. Any amounts paid based on such an estimate shall be subject to adjustment as herein provided when actual Operating Costs are available for each calendar year.

(2) The term "**Operating Costs**" means all expenses and disbursements (subject to the limitations set forth below) that Landlord incurs in connection with the ownership, operation, and maintenance of Building 1 and Building 2, as applicable, determined in accordance with generally accepted accounting principles consistently applied (as customarily adjusted by the real estate industry), including the following costs: (A) wages and salaries of all on-site employees at or below the grade of senior building manager engaged in the operation, maintenance or security of the Buildings (together with a reasonable allocation of expenses of off-site employees at or below the grade of senior building manager who perform (A) portion of their services in connection with the operation, maintenance or security of the Buildings), including taxes, insurance and benefits relating thereto; (B) all supplies and materials used in the operation, maintenance, repair, non-capital replacements, and security of the Buildings; (C) costs for improvements made to the Buildings which, although capital in nature, are reasonably expected to reduce the relevant operating costs of the Buildings, as amortized at an interest rate of the Prime Rate plus 3.5% over the useful economic life (using OEM specifications) of such improvements, as well as capital improvements made in order to comply with any Law hereafter promulgated after the date of this Lease by any governmental authority or any interpretation hereafter rendered with respect to any existing Law, as amortized at an interest rate of the Prime Rate plus 3.5% over the useful economic life (using OEM specifications) of such improvements, provided, however, in no event shall any such costs for capital improvements to the Buildings be Operating Costs if incurred due to breakage, wear and tear, casualty or condemnation; (D) cost of all utilities, except Electrical Costs and the cost of other utilities reimbursable to Landlord by the Buildings' tenants other than pursuant to a provision similar to this Section; (E) insurance expenses; (F) repairs, non-capital replacements, and general maintenance of the Buildings, including without limitation, painting of common areas, replacement of carpet in elevator lobbies (if included in the Base Year) and the like; (G) fair market rental and other costs with respect to the management office for the Complex containing not more than 3,500 rentable square feet in the aggregate if included in the Base Year (excluding all furniture, fixture and equipment costs); and (H) service, maintenance and management contracts with independent contractors for the operation, maintenance, management, repair, non-capital replacement, or security of the Buildings (including alarm service, window cleaning, and elevator maintenance). As the Buildings are part of a multi-building office complex, Operating Costs (including management office overhead charges), Taxes and Electrical Costs for the Complex shall be prorated among the Buildings and Secondary Buildings of the Complex on a pro rata basis based on the square footage as reasonably determined by Landlord, unless such Operating Costs, Taxes and Electrical Costs are reasonably and equitably allocable in a different manner, e.g., to one or more specific Buildings, on a lineitem basis, as reasonably determined by Landlord.

Operating Costs shall not include costs for (i) capital improvements made to each of Building 1 or Building 2, as applicable, other than capital improvements described in Section 4(b)(2)(C); (ii) repair, replacements and general maintenance paid by proceeds of insurance or by Tenant or other third parties; (iii) interest, amortization or other payments on loans to Landlord; (iv) depreciation; (v) leasing commissions and marketing expenses of any kind or nature; (vi) legal expenses, other than those related to or incurred in connection with tax disputes; (vii) renovating or otherwise improving space for occupants of the Buildings or vacant space in the Buildings; (viii) Taxes; (ix) federal income taxes imposed on or measured by the income of Landlord from the operation of the Buildings; and (x) the matters set forth in Exhibit P attached hereto. If the Expense Stop is calculated on a base year basis, Operating Costs for the base year only shall not include amortized costs relating to capital improvements (except elevator lobby carpet and management office furniture, fixtures and equipment).

For purposes of calculating Additional Rent under this Section 4(b), the maximum increase in the amount of Controllable Operating Costs (as defined below) that may be included in calculating such Additional

Rent for each calendar year after 2013 shall be limited to five percent (5%) per calendar year on a simple, non-cumulative, non-compounded basis over the amount thereof in the immediately preceding calendar year. "**Controllable Operating Costs**" means all Operating Costs except Taxes (as defined below); insurance; utilities rates and costs; costs incurred to comply with new governmental requirements promulgated after the date of this Lease; snow and ice prevention and removal surcharges or additions associated with abnormal or unusual weather events; and costs of providing services not previously provided in a Building, provided that such services are approved by Tenant (such approval not to be unreasonably withheld, conditioned or delayed) and are reasonably similar to those services that being customarily implemented in similar buildings in the market area in which the Buildings are located.

(3) Commencing January 1, 2014, Tenant shall also pay Tenant's Proportionate Share of any increase in Taxes for each year and partial year falling within the Term over the Taxes for the Base Tax Year. Tenant shall pay Tenant's Proportionate Share of Taxes in the same manner as provided above for Tenant's Proportionate Share of Operating Costs. "**Taxes**" means taxes, assessments, and governmental charges or fees whether federal, state, county or municipal, and whether they be by taxing districts or authorities presently taxing or by others, subsequently created or otherwise, and any other taxes and assessments (including non-governmental assessments for common charges under a restrictive covenant or other private agreement that are not treated as part of Operating Costs) now or hereafter attributable to the Buildings, excluding, however, penalties and interest thereon and taxes on income (if the present method of taxation changes so that in lieu of or in addition to the whole or any part of any Taxes, there is levied on Landlord a tax directly on the rents received therefrom or an assessment based upon such rents for the Buildings, then such assessments shall be deemed to be included within the term "Taxes" for purposes hereof). Taxes shall include the reasonable costs of consultants retained in an effort to lower taxes and all reasonable costs incurred in disputing any taxes or in seeking to lower the tax valuation of the Buildings. For property tax purposes, Tenant waives all rights to protest or appeal the appraised value of the Premises, as well as the Buildings, and all rights to receive notices of reappraisal, except that Tenant shall have the right, so long as Tenant (or a Permitted Transferee) is leasing at least seventy-five percent (75%) of the initial Premises, in good faith, to compel Landlord to appeal the tax valuation or the assessment of Taxes, in which event Landlord shall so appeal and diligently prosecute such appeal, subject to the following conditions: (i) Tenant makes a timely request for such appeal (and in no event more than one (1) time in any three (3) calendar year period, (ii) all costs of such appeal shall be Operating Costs, and (iii) at Landlord's option any appeal may be pursued through counselor service provider on a contingency basis. Tenant's right to compel Landlord to appeal the tax valuation under this Section 4(b)(3) are personal to Ciena Corporation and any Permitted Transferee that has assumed in writing all of Ciena Corporation's obligations under this Lease in its entirety, and may be exercised only by Ciena Corporation and such Permitted Transferee and not by any other assignee or other subtenant of Ciena Corporation.

(4) Tenant shall also pay to Landlord Tenant's Proportionate Share of the cost of all electricity used by Building 1 and Building 2, as applicable ("**Electrical Costs**"), unless any applicable portion of the Premises is submetered, in which case Tenant shall pay the actual cost of all electricity used by such submetered portion of the Premises, without mark up by, or any profit to, Landlord. Such amount shall be payable in monthly installments commencing, as to the Building 1 Premises and the Building 2 Premises, on the respective Lease Commencement Date and on the first day of each calendar month thereafter. Each installment shall be based on Landlord's good faith estimate of the amount due for each month. From time to time during any calendar year (but not more than twice in any calendar year), Landlord may in good faith estimate or re-estimate the Electrical Costs to be due by Tenant for that calendar year and deliver a copy of the estimate or re-estimate to Tenant. Thereafter, the monthly installments of Electrical Costs payable by Tenant shall be appropriately adjusted in accordance with the estimations.

(5) By April 1 of each calendar year, or as soon thereafter as practicable, Landlord shall furnish to Tenant a statement of Operating Costs and Electrical Costs for the previous year, &s adjusted, and of the Taxes for the previous year (the "**Operating Costs and Tax Statement**"). If Tenant's estimated payments of Operating Costs, Electrical Costs or Taxes under this Section for the year covered by the Operating Costs and Tax Statement exceed Tenant's Proportionate Share of such items as indicated in the Operating Costs and Tax Statement, then Landlord shall credit or reimburse Tenant for such excess

within thirty (30) days; likewise, if Tenant's estimated payments of Operating Costs, Electrical Costs or Taxes under this Section for such year are less than Tenant's Proportionate Share of such items as indicated in the Operating Costs and Tax Statement, then Tenant shall pay Landlord such deficiency within thirty (30) days.

(6) With respect to any calendar year or partial calendar year (including Base Year 2013) in which Building 1 or Building 2, as applicable, is not occupied to the extent of 95% of the rentable area thereof, or Landlord is not supplying services to 95% of the rentable area thereof, the Operating Costs and Electrical Costs for such period which vary with the occupancy of the applicable Building shall, for the purposes hereof, be increased (i.e., "grossed up") to the amount which would have been incurred had the applicable Building been occupied to the extent of 95% of the rentable area thereof and Landlord had been supplying services to 95% of the rentable area thereof, but with respect to calendar years after the Base Year in no event shall Landlord receive more than (a) the amount by which Operating Costs for such calendar year or partial year in question exceed Operating Costs for the Base-Year, or (b) the amount by which Taxes for such calendar year or partial year in question exceed Taxes for the Base Year.

(7) Provided no monetary Event of Default then exists, after receiving an annual Operating Costs -and Tax Statement and giving Landlord at least thirty (30) days' prior written notice thereof, Landlord shall make available and Tenant may inspect or audit Landlord's records relating to Operating Costs and Taxes for the period of time covered by such Operating Costs, Electrical Costs and Tax Statement and for the immediately prior two (2) years in accordance with the following provisions. In no event will Tenant have the right to audit such costs for any calendar year more than one (1) time. If Tenant fails to object to the calculation of Operating Costs, Electrical Costs or Taxes on an allDual Operating Costs and Tax Statement within ninety (90) days after the statement has been delivered to Tenant, or if Tenant fails to conclude its audit or inspection within one hundred twenty (120) days after the statement has been delivered to Tenant (provided Landlord promptly shall have made available all of Landlord's records as required in this paragraph), then Tenant shall have waived its right to object to the calculation of Operating Costs and Taxes for the year(s) in question and the calculation of Operating Costs and Taxes set forth on such statement shall be final. Tenant's audit or inspection shall be conducted where Landlord maintains its books and records, shall not unreasonably interfere with the conduct of Landlord's business, and shall be conducted only during business hours of 8 AM until 7 PM local time. If the total Operating Costs or Taxes for any calendar year in question is determined to be in error by more than four percent (4%) in the aggregate, and, as a result thereof, Tenant paid to Landlord more than four percent (4%) of the actual Operating Costs or Taxes due for such period, then in such case Landlord shall pay the audit cost (including reasonable attorneys' fees). Tenant may not conduct an inspection or have an audit performed more than once during any calendar year. Tenant or the accounting firm conducting such audit shall, at no charge to Landlord, submit its audit report in draft form to Landlord for Landlord's review and comment before the final approved audit report is submitted to Landlord. Landlord shall provide comments, if any, within ten (10) business days after receipt. If such inspection or audit reveals that an error was made in the Operating Costs or Taxes previously charged to Tenant, then Landlord shall refund to Tenant any overpayment of any such costs, or Tenant shall pay to Landlord any underpayment of any such costs, as the case may be, plus interest at a rate of the Prime Rate plus 2%, within thirty (30) days after notification thereof. If the audit determines an expense or cost should not be included in Operating Costs or Taxes, an adjustment shall be made to both the year subject to the inspection or audit and the Base Year (if appropriate) so costs and expenses for each year are consistently applied. Tenant and Landlord shall maintain the results of each such audit or inspection confidential. Tenant shall not be permitted to use any third party to perform such audit or inspection, other than (A) an independent firm of certified public accountants reasonably acceptable to Landlord, (B) an independent firm of certified public accountants belonging to the "Big Four" accounting firms, or (C) a firm otherwise designated on Exhibit R attached hereto, and in no event will Tenant engage an auditor that is compensated on a contingency fee basis or in any other manner which is dependent upon the results of such audit or inspection. In all events, Tenant shall deliver a copy of the fee agreement or other similar evidence of such fee arrangement with Tenant's auditor to Landlord upon request, and any such firm must agree with Landlord and Tenant in writing to maintain the results of such audit or inspection confidential. Notwithstanding the foregoing, however, Tenant shall have the one-time right to conduct an audit or inspection on a contingency basis or on a basis which is dependent upon the results of such audit or inspection, which audit (a) shall be performed, if at all,

after the end of the second (2nd) (or any subsequent) Lease Year, but may include the calendar year in question and the immediately prior two (2) years, (b) in no event will include an audit of the Base Year notwithstanding anything to the contrary, and (c) shall be performed by an accounting firm, a lease auditing firm or such other person or entity approved by Landlord (a "**Permitted Contingency Auditor**"), which approval shall not be unreasonably withheld, conditioned or delayed and shall be deemed to have been given with respect to each of the firms listed in Exhibit R attached hereto and the "Big Four" accounting firms. Any Permitted Contingency Auditor must agree not to solicit other tenants of the Complex and not to use any information obtained from Landlord in such Permitted Contingency Auditor's representation of Tenant for the benefit of any other person or entity. Tenant agrees to adequately supervise in a reasonable manner any such Permitted Contingency Auditor, to cause any such Permitted Contingency Auditor to be reasonable in its requests of Landlord and otherwise to cause any such Permitted Contingency Auditor to conduct itself in the same professional manner as would be expected of a reputable auditor retained on a non-contingency fee basis. In connection therewith, Tenant, such accountants and all other persons to whom Tenant gives any of the information obtained in connection with such review shall execute and deliver to Landlord a confidentiality agreement, in form and substance reasonably satisfactory to Landlord and Tenant, whereby such parties agree not to disclose to any third party any of the information obtained in connection with such review.

5. Delinquent Payment; Handling Charges. All past due payments required of Tenant hereunder shall bear interest from the date due until paid at the lesser of twelve percent (12%) per annum or the maximum lawful rate of interest (such lesser amount is referred to herein as the "**Default Rate**"); additionally, Landlord, in addition to all other rights and remedies available to it, may charge Tenant a fee equal to three and one-half percent (3.5%) of the delinquent payment to reimburse Landlord for its cost and inconvenience incurred as a consequence of Tenant's delinquency. In no event, however, shall the charges permitted under this Section 5 or elsewhere in this Lease, to the extent they are considered to be interest under applicable Law, exceed the maximum lawful rate of interest. Notwithstanding the foregoing, the late fee referenced above shall not be charged with respect to the first occurrence (but not any subsequent occurrence) during any 12-month period that Tenant fails to make payment when due, unless such failure continues following the expiration of five (5) days after Landlord delivers written notice of such delinquency to Tenant.

6. Security Deposit. Intentionally Omitted.

7. Landlord's Obligations.

(a) **Services.** Landlord shall furnish to a standard of a first-class office building in the BWI corridor market to Tenant (1) hot and cold water in lavatories and the showers in the restrooms on the first floor of each Building and cold water at those points of supply provided for general use of tenants of the Building; (2) heated and refrigerated air conditioning ("**HVAC**") as appropriate, at such temperatures and in such amounts as are standard for comparable first class office buildings in the vicinity of the Building (and Landlord covenants and represents that the Buildings are designed to provide HVAC per the outdoor and indoor temperature specifications set forth on Schedule 1 of Exhibit J attached hereto under the subheading of "Design Conditions"); (3) janitorial service to the Premises on weekdays, other than holidays, for Building-standard installations and such window washing as may from time to time be reasonably required, pursuant to the provisions of Exhibit K attached hereto; (4) elevators for ingress and egress to the floors on which the Premises are located, in common with other tenants, provided that Landlord may reasonably limit the number of operating elevators during non-business hours and holidays; (5) building access control via electronic key cards for all exterior doors to the Building(s) and (6) fire and life safety systems. Landlord shall manage the Complex, provide services and utilities, and maintain the Buildings, Buildings Systems, Buildings Structure and common areas of the Buildings all in a first class manner consistent with similar first class buildings in the same general geographic area as the Buildings and in good order and condition, except for uninsured damage caused by the gross negligence of a Tenant Party. Landlord shall cause one (1) full time building engineer to be available at the Complex during normal business hours on business days (other than the holidays listed below). Tenant may use the internal fire stairs of Building 1 and Building 2 for employee movement between the floors of the Building 1 Premises and Building 2 Premises, respectively, and Landlord shall cause Tenant's electronic access cards on internal doorways to such internal stairs to provide such access for Tenant. If Tenant desires any of the services specified in Section 7(a)(2) on a business day (other than a holiday) at any time other than between 8:00 AM and 6:00 PM, then Tenant shall provide a written request no later than 3:00 PM on

such business day and such services shall be supplied to Tenant. If Tenant desires any of such services on nonbusiness days other than between 9:00 AM and 1:00 PM on Saturdays (other than a holiday), or on Sundays or holidays, then such services shall be supplied to Tenant upon the written request of Tenant delivered to Landlord before 3:00 PM on the business day preceding such day of extra usage, and Tenant shall pay to Landlord the actual cost of such services (without mark up or profit) within thirty (30) days after Landlord has delivered to Tenant an invoice therefor. The costs incurred by Landlord in providing after-hour HVAC service to Tenant shall include reasonable costs for electricity, water, sewage, water treatment, labor, metering, filtering, and maintenance reasonably allocated by Landlord to providing such service. Notwithstanding the foregoing terms of this paragraph, Tenant shall not be required to request such additional services to selected areas that have such services provided on a 24/7 basis pursuant to a separate sub-meter or other arrangement whereby Tenant pays for such service(s) directly (e.g., electricity that is provided to data or computer laboratory center space pursuant to a separate sub-meter). As of the date of this Lease, the current after-hour HVAC service rate is Fifty-Five Dollars \$55.00 per hour, per floor, per zone, as such amount may be reasonably escalated from time to time by Landlord in accordance with Landlord's then-existing schedule for such rate. The legal holidays as of the date of this Lease are New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans' Day, Thanksgiving Day, and Christmas Day and shall include also any additional day(s) observed as a holiday by the Federal Government. Notwithstanding the foregoing sentence, so long as Tenant (or a Permitted Transferee) is leasing at least half of the rentable square footage leased by Tenant as of the date of this Lease in each Building, then the holidays for such Building(s) in which Tenant is then leasing at least half of the rentable square footage as of the date of this Lease shall be limited to New Year's Day, Spring Holiday (Good Friday), Memorial Day, Independence Day, Labor Day, Thanksgiving Day, the day after Thanksgiving, Christmas Eve Day and Christmas Day. Landlord shall (as an Operating Cost) use commercially reasonable efforts to keep the pedestrian bridge to the train adjacent to the Complex open, subject to the terms of any applicable agreement related to the use and/or operation of such pedestrian bridge, but in no event will Landlord be required to institute a suit or action against any third party for the use or operation of the pedestrian bridge.

(b) **Excess Utility Use.** Landlord shall not be required to furnish electrical current for equipment that requires more than 110 volts (except 208 volts for certain kitchen, lab, data center and office equipment) or other equipment whose electrical energy consumption exceeds normal office usage. If Tenant's requirements for or consumption of electricity exceed the electricity to be provided by Landlord as described in Section 7(a), Landlord shall, at Tenant's expense, make reasonable efforts to supply such service through the then-existing feeders and risers serving the Building and the Premises, and Tenant shall pay to Landlord the actual cost of such service within thirty (30) days after Landlord has delivered to Tenant an invoice therefor. Landlord shall determine the amount of such additional consumption and potential consumption by a reasonable, verifiable method, including installation of a separate submeter in the Premises installed, maintained, and read by Landlord, at Tenant's expense. Tenant shall not install any electrical equipment requiring special wiring or requiring voltage in excess of 110 volts (except 208 volts for certain kitchen, lab, data center and office equipment) unless approved in advance by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed. Except as otherwise set forth in this Lease; Tenant shall not install any electrical equipment requiring voltage in excess of Building capacity unless approved in advance by Landlord, which approval may be withheld in Landlord's sole discretion. Notwithstanding the foregoing or Section 9 of this Lease, Tenant's use of electricity for normal and customary office and kitchen equipment in reasonable and customary amounts for those spaces of the Building 1 Premises and Building 2 Premises to be used by Tenant as normal and customary office and kitchen space shall not require Landlord's prior approval. Notwithstanding the foregoing or Section 9 of this Lease, Tenant's use of electricity in the designated spaces in the Building 1 Premises and Building 2 Premises as lab and/or data center facilities shall not be a violation of this Lease provided that such usage, in the aggregate, does not exceed the amperage, voltage or other specifications set forth in this Lease, which Landlord agrees that it shall provide to each such area. Any risers or wiring required to meet Tenant's excess electrical requirements shall, upon Tenant's written request, be installed by Landlord, at Tenant's cost, if the same are necessary or appropriate and shall not cause permanent damage to the Building or the Premises, cause or create a dangerous or hazardous condition or interfere with or disturb other tenants of the Buildings, all in Landlord's reasonable determination. Except as permitted above, if Tenant uses machines or equipment in the Premises which demonstrably and materially affect the temperature otherwise maintained by the air conditioning system in ways or amounts not found in office space, Landlord, upon thirty (30) days' prior notice to Tenant (during which time Tenant shall not have discontinued such use or installed appropriate supplemental air conditioning), may install supplemental air conditioning units or other supplemental equipment in the Premises, and the reasonable cost thereof, including the cost of installation, operation, use, and maintenance, in each case plus an administrative fee of

one (1 %) of such cost, shall be paid by Tenant to Landlord within thirty (30) days after Landlord has delivered to Tenant an invoice therefor.

(c) **Restoration of Services; Abatement.** Landlord shall promptly restore any service required of it that becomes unavailable; however, absent Landlord's gross negligence, such unavailability shall not render Landlord liable to Tenant for any damages caused thereby, and in any event (i) shall not be a constructive eviction of Tenant, (ii) shall not constitute a breach of any implied warranty, or, (iii) except as provided in the next sentence, shall not entitle Tenant to any abatement of Tenant's obligations hereunder. If, however, the Premises (or any substantial portion thereof in either Building) are rendered substantially untenable because of the unavailability of any such service, or if the Premises (or any substantial portion thereof in either Building) are not reasonably accessible, for a period of five (5) consecutive business days following Landlord's receipt from Tenant of a written notice regarding such unavailability (regardless of the cause and regardless of force majeure), and such unavailability or inaccessibility was not caused by the gross negligence or willful misconduct of a Tenant Party, then Tenant shall, as its exclusive remedy, be entitled to a reasonable abatement of Rent for each consecutive day (after such 5-business day period) that Tenant is so prevented from using the Premises.

(d) **Access; Services.** Subject to the rules and regulations of the Buildings attached as Exhibit C hereto and the other provisions of this Lease, Tenant will be provided access to and services at the Premises twentyfour (24) hours per day, seven (7) days per week.

(e) **Change in Cleaning Services.** In the event that Tenant is dissatisfied with standard of cleanliness or costs associated with the janitorial services provided to the Premises as set forth in Section 7(a) above (a "**Janitorial Complaint**"), Tenant may send written notification, containing a reasonably detailed explanation of such Janitorial Complaint, to Landlord. Landlord may elect to use commercially reasonable efforts to cure such Janitorial Complaint within thirty (30) days of receipt of Tenant's notification. If Landlord elects not to cure, or fails to cure to Tenant's reasonable satisfaction (which shall not be a default by Landlord hereunder), within such thirty (30) day period, then Tenant may thereafter send written notification of Tenant's election, in its sole discretion, to contract separately for janitorial services for the Premises effective on that date which is ninety (90) days or more following the date of the Janitorial Complaint, which notice shall include the name of Tenant's janitorial services contractor. Tenant's janitorial services contractor shall be subject to Landlord's approval, which approval shall not be unreasonably withheld, conditioned or delayed. If Landlord fails to approve or disapprove of Tenant's janitorial services contractor within ten (10) business days following Tenant's notice of the name of Tenant's janitorial services contractor, Tenant shall send, within five (5) business days after the expiration of such ten (10) business day period, to Landlord a second such notice, prominently including the words "**THIS IS A SECOND NOTICE AND REQUEST FOR APPROVAL**" in all capital letters and bold font, and if Landlord shall fail to object in writing to Tenant's janitorial services contractor within three (3) business-days after Landlord's receipt of Tenant's second such notice, Landlord shall be deemed to have approved of Tenant's janitorial services contractor. Upon Landlord's approval of Tenant's proposed replacement janitorial service, Tenant shall no longer be required to pay Tenant's Proportionate Share of janitorial services as part of its Operating Costs as set forth in Section 4(b) above, and instead Tenant shall pay the costs therefor directly, and Tenant shall cause the Premises to be cleaned by such replacement janitorial service contractor in accordance with the terms of this Lease, including, without limitation, the terms of Exhibit K attached hereto.

8. Improvements; Alterations; Repairs; Maintenance.

(a) **Improvements; Alterations.** Improvements to the Premises shall be installed at Tenant's expense only (except for the Construction Allowances set forth in Exhibits D and D in accordance with plans and specifications which have been previously submitted to and approved in writing by Landlord, which approval shall be governed by the provisions set forth in this Section Sea). No alterations or physical additions in or to the Premises may be made without Landlord's prior written consent, which shall not be unreasonably withheld, conditioned or delayed; however, Landlord may withhold its consent to any alteration or addition that would adversely affect (1) the Buildings' Structure or the Buildings' Systems (including the Buildings' restrooms or mechanical rooms), (2) the exterior appearance of the Buildings, (3) the appearance of the Buildings' common areas or elevator lobby areas, or (4) the provision of services to other occupants of the Buildings. Subject to the provisions of Section 25(dd), Tenant shall not paint or install lighting or decorations, signs, window or door lettering, or advertising media of any type visible from the exterior of the Premises without the prior written consent

of Landlord, which consent may be withheld in Landlord's sole and absolute discretion. All alterations, additions, and improvements shall be constructed, maintained, and used by Tenant, at its risk and expense, in accordance with all Laws; Landlord's consent to or approval of any alterations, additions or improvements (or the plans therefor) shall not constitute a representation or warranty by Landlord, nor Landlord's acceptance, that the same comply with sound architectural and/or engineering practices or with all applicable Laws, and Tenant shall be solely responsible for ensuring all such compliance. Notwithstanding the foregoing, Tenant may make, with at least ten (10) business days' prior written notice to Landlord (but without Landlord's consent), Minor Alterations costing up to Ten Dollars (\$10.00) per rentable square foot of the Premises (at Tenant's sole cost and expense). As used herein, the term "Minor Alterations" means those alterations which (A) are not visible from the exterior of the Buildings or from the common areas within the Buildings, (B) are cosmetic in nature, (C) will not affect the mechanical, electrical, plumbing or life-safety systems within the Buildings, (D) are undertaken in conformance with all applicable Legal Requirements, (E) if they involve paint, carpet or wallpaper, utilize reasonably customary building-standard colors or design constraints, and (F) do not exceed One Hundred Fifty Thousand Dollars (\$150,000.00) for the applicable individual improvement project.

(b) Repairs: Maintenance. Tenant shall maintain the Premises in a clean, safe, and operable condition, and shall not cause or voluntarily allow to remain any waste or damage to any portion of the Premises. Additionally, Tenant, at its sole expense, shall repair, replace and maintain in good condition and in accordance with all Laws, all portions of the Premises, and Tenant's Off-Premises Equipment. Tenant shall repair or replace, subject to Landlord's reasonable direction and supervision, any damage to the Buildings outside of the Premises caused solely by the gross negligence or willful misconduct of a Tenant Party. If Tenant fails to commence to make such repairs or replacements within fifteen (15) days after the occurrence of such damage, and to diligently complete such repairs, then Landlord may make the same at Tenant's cost. If any such damage caused solely by the gross negligence or willful misconduct of a Tenant Party occurs outside of the Premises, then Landlord may elect to repair such damage at Tenant's expense, rather than having Tenant repair such damage. The cost of all maintenance, repair or replacement work performed by Landlord under this Section 8(b) shall be paid by Tenant to Landlord within thirty (30) days after Landlord has invoiced Tenant therefor.

(c) Performance of Work. All work described in this Section 8 shall be performed only by Landlord or by contractors and subcontractors reasonably approved in writing by Landlord. Landlord hereby approves the contractors listed in Schedule 1 to Exhibit D for the construction of the initial tenant improvements. Tenant shall cause all contractors and subcontractors to procure and maintain insurance coverage naming Landlord, Landlord's property management company and Landlord's asset management company as additional insureds against such risks, in such amounts, and with such companies as Landlord may reasonably require. Tenant shall provide Landlord with the identities, mailing addresses and telephone numbers of all persons performing work or supplying materials prior to beginning such construction and Landlord may post on and about the Premises notices of non-responsibility pursuant to applicable Laws. All such work shall be performed in accordance with all Laws and in a good and workmanlike manner so as not to damage the Buildings (including the Premises, the Buildings' Structure and the Buildings' Systems). All such work which may affect the Buildings' Structure or the Buildings' Systems must be approved by the Buildings' engineer of record, at Tenants expense and, at Landlord's election, must be performed by Landlord's usual contractor for such work. All work affecting the roofs of the Buildings must be performed by Landlord's roofing contractor and no such work will be permitted if it would void or reduce the warranty on the roofs.

(d) Mechanics' Liens. All work performed, materials furnished, or obligations incurred by or at the request of a Tenant Party shall be deemed authorized and ordered by Tenant only, and Tenant shall not permit any mechanics' liens to be filed against the Premises or the Complex in connection therewith. Upon completion of any such work (other than Minor Alterations), Tenant shall deliver to Landlord final lien waivers from all contractors, subcontractors and material men who performed such work. If such a lien is filed, then Tenant shall, within ten days after Landlord has delivered notice of the filing thereof to Tenant (or such earlier time period as may be necessary to prevent the forfeiture of the Premises, the Complex or any interest of Landlord therein or the imposition of a civil or criminal fine with respect thereto), either (1) pay the amount of the lien and cause the lien to be released of record, (2) insure over or bond off such lien to Landlord's reasonable satisfaction, or (3) diligently contest such lien and deliver to Landlord a bond or other security reasonably satisfactory to Landlord. If Tenant fails to timely take any such action, then Landlord may pay the lien claim, and any amounts so paid, including expenses and interest, shall be paid by Tenant to Landlord within ten (10) days after Landlord has invoiced Tenant.

therefor. Landlord and Tenant acknowledge and agree that their relationship is and shall be solely that of "landlord tenant" (thereby excluding a relationship of "owner-contractor," "owner-agent" or other similar relationships). Accordingly, all material men, contractors, artisans, mechanics, laborers and any other persons now or hereafter contracting with Tenant, any contractor or subcontractor of Tenant or any other Tenant Party for the furnishing of any labor; services, materials, supplies or equipment with respect to any portion of the Premises, at any time from the date hereof until the end of the Term, are hereby charged with notice that they look exclusively to Tenant to obtain payment for same. Nothing herein shall be deemed a consent by Landlord to any liens being placed upon the Premises, the Complex or Landlord's interest therein due to any work performed by or for Tenant or deemed to give any contractor or subcontractor or material man any right or interest in any funds held by Landlord to reimburse Tenant for any portion of the cost of such work. Tenant shall defend, indemnify and hold harmless Landlord and its agents and representatives from and against all claims, demands, causes of action, suits, judgments, damages and expenses (including attorneys' fees) in any way arising from or relating to the failure by any Tenant Party to pay for any work performed, materials furnished, or obligations incurred by or at the request of a Tenant Party. This indemnity provision shall survive termination or expiration of this Lease.

(e) **SCIF Space**. Landlord agrees that the use and maintenance of one (1) Sensitive Compartmented Information Facilities ("**SCIF**") of not more than five thousand (5,000) square feet in each of the Building 1 Premises and the Building 2 Premises that contain or may contain from time to time, as Tenant designates, U.S. Government classified information (collectively "**SCIF Areas**"), shall be deemed a Permitted Use pursuant to the this of this Lease. The installation of any SCIF Areas in the Premises shall be subject to Landlord's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed, except in the event that any such installation will or may affect the exterior or structure of the Building(s) or will or may materially adversely affect the mechanical, electrical, plumbing, HVAC or other systems or the exterior or structure of the Building(s), in which event such consent may be withheld by Landlord in its sole discretion, and shall otherwise be performed in accordance with the terms and provisions of the Lease, including the this of Exhibit D, if included as part of the initial Tenant Improvements, or shall be performed in accordance with the this and provisions of this Section 8, to the extent not included as part of the initial Tenant Improvements. Notwithstanding anything in this Lease to the contrary, Tenant may, at its own expense, provide its own locks and electronic or non-electronic controlled-access and alarm systems in connection with the SCIF Areas; provided, however, that Tenant shall furnish Landlord with a key, badges or other methods of access to any SCIF Areas within two (2) days after installation of any such locks or electronic or non-electronic controlled-access and alarm system and that upon the expiration or earlier termination of the Lease, Tenant shall surrender all such keys (and badges, if Tenant leaves the access control system in the Premises) to Landlord. Landlord shall comply with all reasonable security measures pertaining to the SCIF Areas. Landlord shall have no obligation to provide any services, including janitorial service or cleaning, in the SCIF Areas unless such SCIF Areas are unlocked and made available to Landlord's cleaning personnel at the time such personnel are in the Premises. If Landlord must access a SCIF Area, Tenant shall promptly provide Landlord access thereto, subject to such reasonable requirements as are required by third parties; provided, however, nothing in this Paragraph will be deemed or construed to limit Landlord's right of entry without Tenant's consent or prior notice in the case of a real or apparent emergency as provided in Section 23(a).

9. Use. Tenant shall use the Premises only for the Permitted Use and shall comply with all Laws relating to the use, condition, access to, and occupancy of the Premises and will not commit waste, overload the Buildings' Structure or the Buildings' Systems (subject to the provisions of Section 7(b)). Tenant and its employees shall have the non-exclusive right to use the fire stairs, lobbies and common areas of the building as reasonably necessary to conduct Tenant's business operations at the Premises. Tenant may use the Premises after normal business hours, so long as Tenant is not generally conducting business from the Premises after normal business hours. Notwithstanding anything in this Lease to the contrary, as between Landlord and Tenant, (a) Tenant shall bear the risk of complying with Title III of the Americans With Disabilities Act of 1990, any state laws governing handicapped access or architectural barriers, and all rules, regulations, and guidelines promulgated under such laws, as amended from time to time (the "**Disabilities Acts**") in the Premises, and (b) Landlord shall bear the risk of complying with the Disabilities Acts in the common areas of the Buildings and Complex, other than compliance that is necessitated by the use of the Premises for other than the Permitted Use or as a result of any alterations or additions, including any initial tenant improvement work, made by or on behalf of a Tenant Party (which risk and responsibility shall be borne by Tenant). The Premises shall not be used for any use which is disreputable, creates extraordinary fire hazards, or results in an increased rate of insurance on the Buildings or their contents, or for the storage of any Hazardous Materials (as defined below) (other than typical office and computer lab supplies [e.g.,

photocopier toner] and then only in compliance with all Laws). Tenant shall not use any substantial portion of the Premises for a "call center," any other telemarketing use, or any credit processing use. If, because of a Tenant Party's acts in violation of this Section, or because Tenant vacates the Premises and does not provide reasonable access control thereafter, the rate of insurance on the Buildings or their contents increases, then Tenant shall pay to Landlord the amount of such increase on demand, and acceptance of such payment shall not waive any of Landlord's other rights. Tenant shall conduct its business and use commercially reasonable efforts to control each other Tenant Party so as not to create any nuisance or unreasonably interfere with other tenants or Landlord in its management of the Buildings.

10. Assignment and Subletting .

(a) **Transfers** . Except as provided in Section IOCh), Tenant shall not, without the prior written consent of Landlord, (1) assign, transfer, or encumber this Lease or any estate or interest herein, whether directly or by operation of law, (2) permit any other entity to become Tenant hereunder by merger, consolidation, or other reorganization; (3) if Tenant is an entity other than a corporation whose stock is publicly traded, permit the transfer of an ownership interest in Tenant so as to result in a change in the current control of Tenant, (4) sublet any portion of the Premises, (5) grant any license, concession, or other right of occupancy of any portion of the Premises, or (6) permit the use of the Premises by any parties other than Tenant (any of the events listed in Section 10(a)(1) through 10(a)(6) being a "**Transfer**").

(b) **Consent Standards** . Landlord shall not unreasonably withhold, delay or condition its consent to any assignment or subletting of the Premises, provided that the proposed transferee (1) is financially capable of assuming the obligations of tenant hereunder, (2) is reputable, (3) will use the Premises for the Permitted Use (thus, excluding, without limitation, uses for credit processing and telemarketing) and will not use the Premises in any manner that would conflict with any exclusive use agreement or other similar agreement entered into by Landlord with any other tenant of the Buildings or Complex, (4) will not use the Premises, Buildings or Complex in a manner that would materially increase the pedestrian or vehicular traffic to the Premises, Buildings or Complex; (5) is not a governmental entity, or subdivision or agency thereof, and (6) is not another occupant of the Buildings or Complex and Landlord is able to provide reasonably equivalent space within the Buildings or the Complex; otherwise, Landlord may withhold its consent in its sole discretion. Additionally, Landlord may withhold its consent in its sole discretion to any proposed Transfer if any monetary Event of Default by Tenant then exists. The consent standards and procedures described in this Section 10 shall also apply to any subsequent Transfers.

(c) **Request for Consent** . If Tenant requests Landlord's consent to a Transfer, then, at least fifteen (15) business days prior to the effective date of the proposed Transfer, Tenant shall provide Landlord with a written description of all terms and conditions of the proposed Transfer, copies of the proposed documentation, and the following information about the proposed transferee: name and address; reasonably satisfactory information about its business and business history; its proposed use of the Premises; banking, financial, and other credit information; and general references sufficient to enable Landlord to determine the proposed transferee's creditworthiness and character ("**Tenant's Request Notice**"). Concurrently with Tenant's notice of any request for consent to a Transfer, Tenant shall pay to Landlord a fee of \$1,000 to defray Landlord's expenses in reviewing such request, and Tenant shall also reimburse Landlord immediately upon request for its reasonable attorneys' fees incurred in connection with considering any request for consent to a Transfer; provided, however, in no event will the reimbursements by Tenant to Landlord under the terms of this Section 10(c) exceed Three Thousand Five Hundred Dollars (\$3,500) in the aggregate for any individual request for consent.

(d) **Conditions to Consent** . If Landlord consents to a proposed Transfer, then the proposed transferee shall deliver to Landlord a written agreement whereby it expressly assumes Tenant's obligations hereunder; however, any transferee of less than all of the space in the Premises shall be liable only for obligations under this Lease that are properly allocable to the space subject to the Transfer for the period of the Transfer. No Transfer shall release Tenant from its obligations under this Lease, but rather Tenant and its transferee shall be jointly and severally liable therefor. Landlord's consent to any Transfer shall not waive Landlord's rights as to any subsequent Transfers. If an Event of Default occurs while the Premises or any part thereof are subject to a Transfer, then Landlord, in addition to its other remedies, may collect directly from such transferee all rents becoming due to Tenant and apply such rents against Rent. Tenant authorizes its transfer fees to make payments of rent directly to Landlord upon receipt of notice from Landlord to do so following the occurrence of an Event of Default hereunder.

Tenant shall pay for the cost of any demising walls or other improvements necessitated by a proposed subletting or assignment.

(e) **Attornment by Subtenants.** Each sublease by Tenant hereunder shall be subject and subordinate to this Lease and to the matters to which this Lease is or shall be subordinate, and each subtenant by entering into a sublease is deemed to have agreed that in the event of termination, re-entry or dispossession by Landlord under this Lease, Landlord may, at its option, take over all of the right, title and interest of Tenant, as sublandlord, under such sublease, and such subtenant shall, at Landlord's option, attorn to Landlord pursuant to the then executory provisions of such sublease, except that Landlord shall not be (1) liable for any previous act or omission of Tenant under such sublease, (2) subject to any counterclaim, offset or defense that such subtenant might have against Tenant, (3) bound by any previous modification of such sublease not approved by Landlord in writing or by any rent or additional rent or advance rent which such subtenant might have paid for more than the current month to Tenant, and all such rent shall remain due and owing, notwithstanding such advance payment, (4) bound by any security or advance rental deposit made by such subtenant which is not delivered or paid over to Landlord and with respect to which such subtenant shall look solely to Tenant for refund or reimbursement, or (5) obligated to perform any work in the subleased space or to prepare it for occupancy, and in connection with such attornment, the subtenant shall execute and deliver to Landlord any instruments Landlord may reasonably request to evidence and confirm such attornment. Each subtenant or licensee of Tenant shall be deemed, automatically upon and as a condition of its occupying or using the Premises or any part thereof, to have agreed to be bound by the terms and conditions set forth in this Section 10(e). The provisions of this Section 10(e) shall be self-operative, and no further instrument shall be required to give effect to this provision.

(f) **Recapture.** Landlord may, within thirty (30) days after receipt of Tenant's Request Notice with respect to (i) sublease for any period of time (only space on a floor of a Building for which Tenant (or a Permitted Transferee) is not leasing all of the rentable square footage on such floor (but expressly excluding any first floor computer lab space in the Building 2 Premises, for which Landlord's recapture right shall not apply), and/or (ii) any request to assign or sublease all or any other Premises for the remainder of the Term (i) and/or (ii), as applicable, a "**Recapturable Sublease**"), at the time of such request, recapture and cancel this Lease as to the portion of the Premises proposed to be sublet or assigned as of the date the proposed Transfer is to be effective. Additionally, notwithstanding anything to the contrary in this Section 10, if at any time during the Lease Term Tenant desires in good faith to sublet any of the Premises when Tenant delivers Tenant's Request Notice, such notice will specify that it is sent for the additional purpose of determining whether Landlord will exercise its recapture rights, and not have to contain the identity of the proposed assignee, subtenant or other party, the proposed documentation, the certification stating whether or not any premium or other consideration is being paid, and a description of its business or the most recent financial statement or other evidence of financial responsibility of such proposed assignee, subtenant or other party notwithstanding the terms of Section 10(c) above. Landlord shall have the right in its sole and absolute discretion to recapture and cancel this Lease with respect to the proposed Transfer space that is a Recapturable Sublease by sending Tenant written notice of such termination within thirty (30) days after Landlord's receipt of Tenant's Request Notice. If Landlord does not cancel this Lease with respect to the proposed Transfer space that is a Recapturable Sublease (or if Landlord fails to send a notice to Tenant electing to recapture and cancel this Lease with respect to such space), then, at any time prior to the date that is one hundred eighty (180) days after the date Landlord receives Tenant's Request Notice, Tenant may sublease the proposed Transfer space described in Tenant's Request Notice to a third party sublease without Landlord's right to recapture, but still subject to the terms of this Article 10. After the expiration of such one hundred eighty (180) day period, Landlord's right to recapture in accordance with the terms of this Lease will once again be applicable, subject to Tenant's right to then again deliver Tenant's Request Notice seeking a determination of whether Landlord will exercise its recapture rights. The cost of any construction required to permit the operation of the proposed Transfer space separate from the balance of the Building 1 Premises or Building 2 Premises, as applicable, shall be paid by Tenant to Landlord as Additional Rent under this Lease, unless the separation of such space results solely from Landlord's exercise of its recapture rights (in which case Landlord shall pay such cost of construction required to permit the operation of the proposed Transfer space separate from the balance of the Building 1 Premises or Building 2 Premises, as applicable). If Landlord recaptures and cancels this Lease as to any portion of the Premises, then this Lease shall cease for such portion of the Premises and Tenant shall pay to Landlord all Rent accrued through the cancellation date relating to the portion of the Premises covered by the proposed Transfer, and as to that portion of the Premises which is not part of the proposed Transfer space, this Lease shall remain in full force and

effect. Thereafter, Landlord may lease such portion of the Premises to the prospective transferee (or to any other person) without liability to Tenant.

(g) **Additional Compensation.** While no monetary Event of Default exists, Tenant shall pay to Landlord, immediately upon receipt thereof, fifty percent (50%) of the excess of (1) all compensation received by Tenant for a Transfer (excluding any consideration for the business being transferred) less the following actual out-of-pocket costs reasonably incurred by Tenant with unaffiliated third parties: free rent, work allowances, "hard" and "soft" costs of construction (to the extent not duplicative of work allowance amounts), brokerage commissions, reasonable legal fees, marketing costs and unamortized leasehold improvements, operating expense escalations and pass-throughs in connection with such Transfer (collectively "Transfer Costs") over (2) the Rent allocable to the portion of the Premises covered thereby. While any monetary Event of Default exists, Tenant shall pay to Landlord, immediately upon receipt thereof, one hundred percent (100%) of the excess of (A) all compensation received by Tenant for a Transfer (minus the Transfer Costs) over (B) the Rent allocable to the portion of the Premises covered thereby.

(h) **Permitted Transfers.** Notwithstanding Section 10(a), provided any such transaction is not a "sham" transaction intended solely to avoid the requirements of this Section 10, Tenant may Transfer all or part of its interest in this Lease or all or part of the Premises (a "Permitted Transfer") to the following types of entities (a "Permitted Transferee") without the written consent of Landlord:

(1) an Affiliate of Tenant;

(2) any corporation, limited partnership, limited liability partnership, limited liability company or other business entity in which or with which Tenant, or its corporate successors or assigns, is merged or consolidated, in accordance with applicable statutory provisions governing merger and consolidation of business entities, so long as (A) Tenant's obligations hereunder are assumed by the entity surviving such merger or created by such consolidation; and (B) if and only if Tenant is not a publicly traded entity or company, the Tangible Net Worth of the surviving or created entity is not less than the Tangible Net Worth of Tenant as of the date hereof; or

(3) any corporation, limited partnership, limited liability partnership, limited liability company or other business entity acquiring all or substantially all of Tenant's assets, so long as (A) Tenant's obligations hereunder are assumed by the entity surviving such merger or created by such consolidation; and (B) if and only if Tenant is not a publicly traded entity or company immediately prior to such Transfer, the Tangible Net Worth of the surviving or created entity is not less than the Tangible Net Worth of Tenant as of the date hereof. Tenant shall promptly notify Landlord of any such Permitted Transfer. Tenant shall remain liable for the performance of all of the obligations of Tenant hereunder, or if Tenant no longer exists because of a merger, consolidation, or acquisition, the surviving or acquiring entity shall expressly assume in writing the obligations of Tenant hereunder. Additionally, the Permitted Transferee shall comply with all of the terms and conditions of this Lease, including the Permitted Use, and the use of the Premises by the Permitted Transferee may not violate any other agreements affecting the Premises, the Buildings, the Complex, Landlord or other tenants of the Buildings or Complex. No later than thirty (30) days after the effective date of any Permitted Transfer, Tenant agrees to furnish Landlord with (A) copies of the instrument effecting any of the foregoing Transfers, (B) documentation establishing Tenant's satisfaction of the requirements set forth above applicable to any such Transfer, and (C) evidence of insurance as required under this Lease with respect to the Permitted Transferee. The occurrence of a Permitted Transfer shall not waive Landlord's rights as to any subsequent Transfers. "Tangible Net Worth" means the excess of total assets over total liabilities, in each case as determined in accordance with generally accepted accounting principles consistently applied ("GAAP"), excluding goodwill, but including the value of licenses, patents, trademarks, trade names, copyrights, and franchises. Any subsequent Transfer by a Permitted Transferee shall be subject to the terms of this Section 10.

11. Insurance; Waivers; Subrogation; Indemnity.

(a) **Tenant's Insurance.** Effective as of the earlier of (1) the date Tenant enters or occupies the Premises, or (2) the Lease Commencement Date, and continuing throughout the Term, Tenant shall maintain the following insurance policies: (A) commercial general liability insurance in amounts of \$3,000,000 per occurrence or, following the expiration of the initial Term, such other amounts as Landlord may from time to time reasonably require and are consistent with requirements of prudent landlords of similar buildings in the general geographic area and market of the Complex (and, if the use and occupancy of the Premises include any activity or matter that is or may be excluded from coverage under a commercial general liability policy [e.g., the sale, service or consumption of alcoholic beverages], Tenant shall obtain such endorsements to the commercial general liability policy or otherwise obtain insurance to insure against liability arising from such activity or matter [including liquor liability, if applicable] in such amounts as Landlord may reasonably require), insuring Tenant, Landlord, Landlord's property management company, Landlord's asset management company and, if requested in writing by Landlord, Landlord's Mortgagee (as defined below), against liability for injury to or death of a person or persons or damage to property arising from the use and occupancy of the Premises and (without implying any consent by Landlord to the installation thereof) the installation, operation, maintenance, repair or removal of Tenant's Off-Premises Equipment, (B) insurance covering the full value of all alterations and improvements and betterments in the Premises, naming Landlord as an additional named insured and Landlord's Mortgagee an additional named insured as their interests may appear, (C) insurance covering the full value of all furniture, trade fixtures and personal property (including property of Tenant or others) in the Premises or otherwise placed in the Complex by or on behalf of a Tenant Party (including Tenant's Off-Premises Equipment), (D) contractual liability insurance sufficient to cover Tenant's indemnity obligations hereunder (but only if such contractual liability insurance is not already included in Tenant's commercial general liability insurance policy), (E) worker's compensation insurance, and (F) business interruption insurance in an amount reasonably acceptable to Landlord, but in no event for more than twelve (12) months of (i) then-current Basic Rent plus (ii) all then-current pass-throughs of Operating Costs and Taxes. Tenant's insurance shall provide primary coverage to Landlord when any policy issued to Landlord provides duplicate or similar coverage, and in such circumstance Landlord's policy will be excess over Tenant's policy but only to the extent of Tenant's indemnity obligations pursuant to this Lease. Tenant shall furnish to Landlord certificates of such insurance on an industry-standard form or, as reasonably requested by Landlord, additional evidence, reasonably satisfactory to Landlord of the maintenance of all insurance coverages required hereunder ("**Insurance Evidence**") at least ten (10) days prior to the earlier of the Lease Commencement Date or the date Tenant enters or occupies the Premises. Tenant shall furnish Insurance Evidence to Landlord at least fifteen (15) days prior to each renewal of said insurance (the "**Renewal Date**"); provided, however, if Tenant has not renewed such insurance on or before such Renewal Date, then such failure shall not be a default by Tenant hereunder so long as Tenant provides written notice to Landlord on or before (x) the Renewal Date that Tenant is negotiating the applicable terms of Tenant's insurance and that Tenant continues to maintain all required insurance hereunder, and (y) the date that is five (5) business days prior to each Renewal Date of the Insurance Evidence (including the renewal thereof, as applicable). Tenant shall endeavor to obtain a written obligation on the part of each insurance company to notify Landlord at least thirty (30) days before cancellation or a material reduction in coverage of any such insurance policies, provided that if each insurance company will not affirmatively agree in writing to provide Landlord such thirty (30) day prior notice of cancellation or material reduction in coverage, then Tenant shall provide no less than ten (10) business days prior written notice to Landlord of any cancellation or material reduction in coverage. All such insurance policies shall be in an industry-standard form, and issued by companies with an A.M. Best rating of A-:VII or better, and, if applicable, contain a commercially reasonable deductible. If Tenant fails to comply with the foregoing insurance requirements or to deliver to Landlord the certificates or evidence of coverage required herein, Landlord, in addition to any other remedy available pursuant to this Lease or otherwise, may, but shall not be obligated to, obtain such insurance upon five (5) business days' notice to Tenant, and Tenant shall pay to Landlord on demand the premium costs thereof, plus an administrative fee of two percent (2%) of such cost.

(b) **Landlord's Insurance.** Throughout the Term of this Lease, Landlord shall maintain, as a minimum, the following insurance policies: (1) property insurance for the Buildings' replacement value (excluding property required to be insured by Tenant), less a commercially-reasonable deductible if Landlord so chooses, (2) commercial general liability insurance in an amount of not less than \$3,000,000, and (3) contractual liability insurance sufficient to cover Landlord's indemnity obligations hereunder (but only if such contractual liability insurance is not already included in Landlord's commercial general liability insurance policy). All such insurance policies shall be in customary form and issued by companies with an A.M. Best rating of A-:VII or better. Landlord

may, but is not obligated to, maintain such other insurance and additional coverages as it may deem necessary. The cost of all insurance carried by Landlord with respect to the Complex shall be included in Operating Costs.

(c) **No Subrogation: Waiver of Property Claims**. Landlord and Tenant each waives any claim it might have against the other for any damage to or theft, destruction, loss, or loss of use of any property, to the extent the same is insured against under any insurance policy of the types described in this Section 11 that covers the Complex, the Premises, Landlord's or Tenant's fixtures, personal property, leasehold improvements, or business, or is required to be insured against under the terms hereof, regardless of whether the negligence of the other party caused such Loss (defined below). Additionally, Tenant and Landlord each waives any claim it may have against the other for any Loss to the extent such Loss is caused by a terrorist act. other party shall cause its insurance carrier to endorse all applicable policies waiving the carrier's rights of recovery under subrogation or otherwise against the other party. Notwithstanding any provision in this Lease to the contrary, Landlord, its agents, employees and contractors shall not be liable to Tenant or to any party claiming by, through or under Tenant for (and Tenant hereby releases Landlord and its servants, agents, contractors, employees and invitees from any claim or responsibility for) any damage to or destruction, loss, or loss of use, or theft of any property of any Tenant Party located in or about the

Complex, caused by casualty, theft, fire, third parties or any other matter or cause, regardless of whether the negligence of any party caused such loss in whole or in part, except if caused by the gross negligence or willful misconduct of a Landlord Party. Tenant acknowledges that Landlord shall not carry insurance on, and shall not be responsible for damage to, any property of any Tenant Party located in or about the Complex (other than damage caused by the gross negligence or willful misconduct of a Landlord Party).

(d) **Indemnity**. Subject to Section 11(c), Tenant shall defend, indemnify, and hold harmless Landlord and its representatives and agents from and against all claims, demands, liabilities, causes of action, suits, judgments, damages, and expenses (including reasonable attorneys' fees) arising from any injury to or death of any person or the damage to or theft, destruction, loss, or loss of use of, any property or inconvenience (a " **Loss** ") (1) occurring in the Premises to the extent caused by the negligence or willful misconduct of any Tenant Parties, (2) for so long as Tenant is leasing all of the rentable square footage in Building 1, then occurring in Building 1 to the extent caused by the negligence or willful misconduct of any Tenant Parties, (3) arising out of the installation, operation, maintenance, repair or removal by a Tenant Party of any property of any Tenant Party located in the Premises, including Tenant's Off-Premises Equipment or (4) any breach or default by Tenant in the performance or observance of its covenants or obligations under this Lease. Subject to Section 11(c), Landlord shall defend, indemnify, and hold harmless Tenant and its representatives and agents from and against all claims, demands, liabilities, causes of action, suits, judgments, damages, and expenses (including reasonable attorneys' fees) arising from any injury to or death of any person or for any Loss (i) arising from any occurrence in or on (x) the common areas of Building 2, (y) if at any time Tenant is leasing less than all of the rentable square footage in Building 1, then the common areas of Building 1, or (z) the Complex (excluding the Premises) to the extent caused by the negligence or willful misconduct of a Landlord Party, (ii) arising out of the installation, operation, maintenance, repair or removal of any property by any Landlord Party located in the Complex (excluding the Premises), or (iii) any breach or default by Landlord in the performance or observance of its covenants or obligations under this Lease. The indemnities set forth in this Lease shall survive termination or expiration of this Lease and shall not terminate or be waived, diminished or affected in any manner by any abatement or apportionment of Rent under any provision of this Lease. If any proceeding is filed for which indemnity is required hereunder, the indemnifying party agrees, upon request therefor, to defend the indemnified party in such proceeding at its sole cost utilizing counsel satisfactory to the indemnified party. " **Landlord Party** " means any of the following persons: Landlord, its property manager, and any of their respective agents, contractors, employees, licensees, guests and invitees.

12. Subordination: Attornment: Notice to Landlord's Mortgagee .

(a) **Subordination**. This Lease shall be subordinate to any deed of trust, mortgage, or other security instrument (each, a " **Mortgage** "), or any ground lease, master lease, or primary lease (each, a " **Primary Lease** "), that now or hereafter covers all or any part of the Premises (the mortgagee under any such Mortgage, beneficiary under any such deed of trust, or the lessor under any such Primary Lease is referred to herein as a " **Landlord's Mortgagee** "). Landlord shall use reasonable efforts to obtain a subordination, non-disturbance and attornment agreement from the current Landlord's Mortgagee within fifteen (15) days from the date hereof; however, Landlord's failure to deliver any such subordination, non-disturbance and attornment agreement shall not constitute a default by Landlord hereunder nor affect the subordination of this Lease as provided in this Section.

Any Landlord's Mortgagee may elect, at any time, unilaterally, to make this Lease superior to its Mortgage, Primary Lease, or other interest in the Premises by so notifying Tenant in writing. The provisions of this Section shall be self-operative and no further instrument of subordination shall be required; however, in confirmation of such subordination, Tenant shall execute and return to Landlord (or such other party designated by Landlord) within ten (10) days after written request therefor such documentation, in recordable form if required, as a Landlord's Mortgagee may reasonably request to evidence the subordination of this Lease to such Landlord's Mortgagee's Mortgage or Primary Lease (including a subordination, non-disturbance and attornment agreement) or, if the Landlord's Mortgagee so elects, the subordination of such Landlord's Mortgagee's Mortgage or Primary Lease to this Lease.

(b) **Attornment**. Tenant shall attorn to any party succeeding to Landlord's interest in the Premises, whether by purchase, foreclosure, deed in lieu of foreclosure, power of sale, termination of lease, or otherwise, upon such party's request, and shall execute such agreements confirming such attornment as such party may reasonably request.

(c) **Notice to Landlord's Mortgagee**. Tenant shall not seek to enforce any remedy it may have for any default on the part of Landlord without first giving written notice by certified mail, return receipt requested, specifying the default in reasonable detail, to any Landlord's Mortgagee whose address has been given to Tenant, and affording such Landlord's Mortgagee a reasonable opportunity (not to exceed sixty (60) days) to perform Landlord's obligations hereunder.

(d) **Landlord's Mortgagee's Protection Provisions**. If Landlord's Mortgagee shall succeed to the interest of Landlord under this Lease, Landlord's Mortgagee shall not be: (1) liable for any act or omission of any prior lessor (including Landlord); (2) bound by any rent or additional rent or advance rent which Tenant might have paid for more than the current month to any prior lessor (including Landlord), and all such rent shall remain due and owing, notwithstanding such advance payment; (3) bound by any security or advance rental deposit made by Tenant which is not delivered or paid over to Landlord's Mortgagee and with respect to which Tenant shall look solely to Landlord for refund or reimbursement; (4) bound by any termination, amendment or modification of this Lease made without Landlord's Mortgagee's consent and written approval, except for those terminations, amendments and modifications permitted to be made by Landlord without Landlord's Mortgagee's consent pursuant to the terms of the loan documents between Landlord and Landlord's Mortgagee; (5) subject to the defenses which Tenant might have against any prior lessor (including Landlord); and (6) subject to the offsets which Tenant might have against any prior lessor (including Landlord) except for those offset rights which (A) are expressly provided in this Lease, (B) relate to periods of time following the acquisition of the Buildings by Landlord's Mortgagee, and (C) Tenant has provided written notice to Landlord's Mortgagee and provided Landlord's Mortgagee a reasonable opportunity to cure the event giving rise to such offset event. Landlord's Mortgagee shall have no liability or responsibility under or pursuant to the terms of this Lease or otherwise after it ceases to own an interest in the Complex. Nothing in this Lease shall be construed to require Landlord's Mortgagee to see to the application of the proceeds of any loan, and Tenant's agreements set forth herein shall not be impaired on account of any modification of the documents evidencing and securing any loan.

(e) **Exceptions**. Notwithstanding anything to the contrary in the foregoing provisions of this Section 12, if (and only if) Tenant (or a Permitted Transferee) leases more than all of the rentable square footage of an entire floor of Building 1 and/or Building 2 (as applicable), subsections 12(a) and 12(d), above, shall not be applicable with respect to the Building 1 Premises and/or Building 2 Premises (as applicable) (otherwise the terms of this Section 12(e) shall not be applicable with respect to the Building 1 Premises and/or the Building 2 Premises (as applicable)). In such instance, the following subsections 12(e)(1) and 12(e)(2) shall apply (in lieu of subsections 12(a) and 12(d)) to the Building 1 Premises and/or the Building 2 Premises (as applicable):

(1) This Lease shall be subordinate to any deed of trust, mortgage, or other security instrument (each, a "**Mortgage**"), or any ground lease, master lease, or primary lease (each, a "**Primary Lease**"), that now or hereafter covers all or any part of the Building 1 Premises and/or Building 2 Premises (as applicable) (the mortgagee under any such Mortgage, beneficiary under any such deed of trust, or the lessor under any such Primary Lease is referred to herein as a "**Landlord's Mortgagee**"), subject to the execution of an SNDA (defined below) by any then-current Landlord's Mortgagee and Tenant (or any Permitted Transferee, as applicable). Landlord has obtained a subordination, non-disturbance and attornment agreement ("**SNDA**") from the current

Landlord's Mortgagee, and Tenant and Landlord's Mortgagee (existing as of the date of this Lease) executed and delivered such SNDA concurrently with the execution and delivery of this Lease). Any Landlord's Mortgagee may elect, at any time, unilaterally, to make this Lease superior to its Mortgage, Primary Lease, or other interest in the Premises by so notifying Tenant in writing. If at any time Landlord refinances the Building 1 Premises and/or the Building 2 Premises, as applicable, Tenant shall from time to time, within ten (10) business days after written request therefor execute and return to Landlord (or such other party designated by Landlord) an SNDA on such future Landlord's Mortgagee's form, in recordable form if required, subject to such reasonable modifications as a Landlord's Mortgagee and Tenant may reasonably request and subsequently agree to evidence the subordination to, and non-disturbance of this Lease (the "**Mortgage Form**"). If Landlord's Mortgagee and Tenant cannot agree on the Mortgagee Form within such ten (10) business day period, the SNDA shall be substantially in the form of Exhibit M attached hereto (the "**Prescribed Form**"), subject to (i) changes which are necessary to conform such SNDA to the actual facts and state of affairs of the Lease, and (ii) if all of the Landlord's initial construction obligations under Exhibit D and I of this Lease are complete, then the removal of all applicable terms within the Prescribed Form attached as Exhibit M relating to the construction of improvements (including without limitation the LIC (as defined therein)), and ensuring that, regardless of actions or defaults by Landlord or any other party and exercise of remedies by such current or future Mortgage holder, provided that no Event of Default exist under this Lease, Tenant shall continue to enjoy all rights and privileges conveyed in this Lease and shall not have its tenancy disturbed. Tenant shall, within five (5) business days after Landlord's request therefor, execute and deliver such Prescribed Form, and if Tenant fails timely to do so, the same shall constitute an immediate Event of Default and this Lease shall automatically be deemed to be subordinate to such Mortgage.

(2) If Landlord's Mortgagee shall succeed to the interest of Landlord under this Lease, the Mortgagee Form shall contain such protections of Landlord's Mortgagee and Tenant as are customary for a Lease of this size, scope and importance. Landlord's Mortgagee shall have no liability or responsibility under or pursuant to the terms of this Lease or otherwise after it ceases to own an interest in the Complex. Nothing in this Lease shall be construed to require Landlord's Mortgagee to see to the application of the proceeds of any loan, and Tenant's agreements, rights and benefits set forth herein shall not be impaired on account of any modification of the documents evidencing and securing any loan.

13. Rules and Regulations. Tenant shall comply with the rules and regulations of the Complex which are attached hereto as Exhibit C. Landlord may, from time to time, reasonably change such rules and regulations for the safety, care, or cleanliness of the Complex and related facilities, provided that such changes are applicable to all tenants of the Complex, will not unreasonably interfere with Tenant's use of the Premises and are enforced by Landlord in non-discriminatory manner. Tenant shall be responsible for the compliance with such rules and regulations by each Tenant Party. In the event of any conflict between the rules and regulations attached hereto as Exhibit C and this Lease, the terms of this Lease shall control.

14. Condemnation.

(a) **Total Taking.** If the entirety of one Building or the entirety of the Building 1 Premises or the Building 2 Premises, as applicable, are taken by right of eminent domain or conveyed in lieu thereof (a "**Taking**"), this Lease with respect to the Building, Building 1 Premises or Building 2 Premises, as applicable, shall terminate as of the date of the Taking.

(b) **Partial Taking - Tenant's Rights.** If any part of the Buildings leased by Tenant under this Lease becomes subject to a Taking and such Taking will prevent Tenant from conducting on a permanent basis its business in the Premises in a manner reasonably comparable to that conducted immediately before such Taking, then Tenant may terminate this Lease with respect to such Building only as of the date of such Taking by giving written notice to Landlord within thirty (30) days after the Taking, and Basic Rent and Additional Rent shall be apportioned as of the date of such Taking. If Tenant does not terminate this Lease with respect to such Building only, then Rent shall be abated on a reasonable basis as to that portion of the Premises within the applicable Building rendered untenable by the Taking.

(c) **Partial Taking - Landlord's Rights.** If any material portion, but less than all, of the Building 1 Premises or the Building 2 Premises, as applicable, becomes subject to a Taking, or if Landlord is required to pay any of the proceeds arising from a Taking to a Landlord's Mortgagee, then Landlord may terminate

this Lease by delivering written notice thereof to Tenant within thirty (30) days after such Taking, and Basic Rent and Additional Rent shall be apportioned as of the date of such Taking. If Landlord does not so terminate this Lease, then this Lease will continue, but if any portion of the Premises has been taken, Rent shall abate as provided in the last sentence of Section 14(b).

(d) **Temporary Taking**. If all or any portion of the Building 1 Premises or the Building 2 Premises, as applicable, becomes subject to a Taking for a limited period of time, this Lease shall remain in full force and effect and Tenant shall continue to perform all of the terms, conditions and covenants of this Lease, including the payment of Basic Rent and all other amounts required hereunder. If any such temporary Taking terminates prior to the expiration of the Term, Tenant shall restore the Building 1 Premises or the Building 2 Premises, as applicable, as nearly as possible to the condition prior to such temporary Taking, at Tenant's sole cost and expense. Landlord shall be entitled to receive the entire award for any such temporary Taking, except that Tenant shall be entitled to receive the portion of such award which (1) compensates Tenant for its loss of use of the Premises (or applicable portion thereof) within the Term and (2) reimburses Tenant for the reasonable out-of-pocket costs actually incurred by Tenant to restore the Premises as required by this Section.

(e) **Award**. If any Taking occurs, then Landlord shall receive the entire award or other compensation for the Land, the Buildings, and other improvements taken; however, Tenant may separately pursue a claim (to the extent it will not reduce Landlord's award) against the condemnor for the value of Tenant's personal property which Tenant is entitled to remove under this Lease, moving costs, loss of business, and other claims it may have.

(f) **Clarification**. For the purposes of clarification, in the event of any Taking which affects Building 1 but not Building 2 (or vice versa), the provisions of this Section 14 shall apply only to the portion of the Building 1 Premises (or Building 2 Premises, as applicable) affected by such Taking and the Lease with respect to the unaffected portion of the Premises shall remain unmodified and in full force and effect.

15. Fire or Other Casualty.

(a) **Repair Estimate**. If the Building 1 Premises and/or the Building 2 Premises, as applicable, or a Building (in which the Tenant is leasing space) is damaged by fire or other casualty (a "**Casualty**"), Landlord shall, within ninety (90) days after such Casualty, deliver to Tenant a good faith estimate (the "**Damage Notice**") of the time needed to repair the damage caused by such Casualty.

(b) **Tenant's Rights**. If a material portion of the Building 1 Premises and/or the Building 2 Premises, as applicable, is damaged by Casualty such that Tenant reasonably determines that it cannot reasonably conduct its business in the Building 1 Premises and/or the Building 2 Premises, as applicable, in a manner reasonably comparable to that conducted immediately before such Casualty and Landlord reasonably estimates that the damage caused thereby cannot be repaired within 270 days after the date of the Casualty (the "**Repair Period**"), then Tenant may terminate this Lease with respect to Building 1 Premises and/or the Building 2 Premises, as applicable, by delivering written notice to Landlord of its election to terminate within thirty (30) days after the Damage Notice has been delivered to Tenant.

(c) **Landlord's Rights**. If a Casualty damages the Building 1 Premises and/or the Building 2 Premises, as applicable, or a material portion of a Building (in which Tenant is leasing space) and (1) Landlord reasonably estimates that the damage to the Building 1 Premises and/or the Building 2 Premises; as applicable, cannot be repaired within the Repair Period, (2) the damage to the Building 1 Premises and/or the Building 2 Premises, as applicable, exceeds fifty percent (50%) of the replacement cost thereof (excluding foundations and footings), as reasonably estimated by Landlord, and such damage occurs during the last two years of the Term, (3) regardless of the extent of damage to the Building 1 Premises and/or the Building 2 Premises, as applicable, the damage is not fully covered by Landlord's insurance policies (or by the insurance Landlord is required to maintain pursuant to the provisions of this Lease), without regard to any deductible, or (4) Landlord is required to pay any insurance proceeds arising out of the Casualty to a Landlord's Mortgagee, then, for items (1) and (2) only, Landlord may terminate this Lease with respect to the Building 1 Premises and/or the Building 2 Premises, as applicable, by giving written notice of its election to terminate within thirty (30) days after the Damage Notice has been delivered to Tenant, and, for items (3) and (4) only, Landlord or Tenant may terminate this Lease with respect to the Building

1 Premises and/or the Building 2 Premises, as applicable, by giving written notice of its election to terminate within thirty (30) days after the Damage Notice has been delivered to Tenant. Notwithstanding the foregoing terms of this Section 15(c), if Tenant timely terminates this Lease pursuant to the terms of part (3) or (4) of the preceding sentence, but Landlord, within thirty (30) days after Tenant's written notice of termination, provides reasonable evidence of capital or funds necessary (along with any applicable insurance proceeds) to repair or restore the Premises (or applicable part thereof), then Tenant's notice to terminate this Lease will be void and of no further force and effect and this Lease will continue in full force and effect as if it was not terminated. If Tenant has the right to terminate this Lease pursuant to part (3) or (4) of the first sentence of this Section 15(c) but does not exercise such termination right within such thirty (30) day period after delivery of the Damage Notice, then Tenant's right to terminate shall automatically expire and be of no further force or effect. If pursuant to this Section 15(c) Landlord or Tenant shall terminate with respect to either Building 1 or Building 2, Tenant shall have the option to terminate for the other Building, which option shall be exercised within thirty (30) days following receipt of Landlord's notice of termination, and if Tenant fails to exercise such right within such thirty (30) day period, such termination right shall automatically lapse and be of no further force or effect.

(d) **Repair Obligation** . If neither party elects to terminate this Lease with respect to the Building 1 Premises and/or the Building 2 Premises, as applicable, following a Casualty, then Landlord shall, within a reasonable time after such Casualty, begin to repair the Building 1 Premises and/or the Building 2 Premises, as applicable, and shall proceed with reasonable diligence to restore the Building 1 Premises and/or the Building 2 Premises, as applicable, to substantially the same condition as they existed immediately before such Casualty; however, Landlord shall not be required to repair or replace any alterations or betterments within the Building 1 Premises and/or the Building 2 Premises, as applicable (which shall be promptly and with due diligence repaired and restored by Tenant at Tenant's sole cost and expense), or any furniture, equipment, trade fixtures or personal property of Tenant or others in the Building 1 Premises and/or the Building 2 Premises, as applicable, or Building 1 and/or Building 2, as applicable, and Landlord's obligation to repair or restore the Building 1 Premises and/or the Building 2 Premises, as applicable, shall be limited to Building 1 Premises and/or the Building 2 Premises, as applicable, to the extent of the insurance proceeds actually received by Landlord for the Casualty in question. If this Lease with respect to the Building 1 Premises and/or the Building 2 Premises, as applicable, is terminated under the provisions of this Section 15, Landlord shall be entitled to the full proceeds of the Landlord's insurance policies providing coverage for all alterations, improvements and betterments in the Building 1 Premises and/or the Building 2 Premises, as applicable (but not the insurance that Tenant acquires for the Building(s)).

(e) **Abatement of Rent** . If the Building 1 Premises and/or the Building 2 Premises, as applicable, are damaged by Casualty, Rent for the portion of the Building 1 Premises and/or the Building 2 Premises, as applicable, rendered untenantable by the damage shall be abated on a reasonable basis from the date of damage until the completion of Landlord's repairs (or until the date of termination of this Lease by Landlord or Tenant as provided above, as the case may be), unless such damage was caused by the gross negligence or willful misconduct of Tenant or a Tenant Party, in which case, Tenant shall continue to pay Rent without abatement.

(f) **Clarification** . For the purposes of clarification, in the event of any Casualty which affects Building 1 but not Building 2 (or vice versa), the provisions of this Section 15 shall apply only to the portion of the Building 1 Premises (or Building 2 Premises, as applicable) affected by such Casualty and the Lease with respect to the unaffected portion of the Premises shall remain unmodified and in full force and effect, except as expressly provided in this Section 15.

16. Personal Property Taxes . Tenant shall be liable for all taxes levied or assessed against personal property, furniture, or fixtures placed by Tenant in the Premises or in or on the Buildings or Complex. If any taxes for which Tenant is liable are levied or assessed against Landlord or Landlord's property and Landlord elects to pay the same, or if the assessed value of Landlord's property is increased by inclusion of such personal property, furniture or fixtures and Landlord elects to pay the taxes based on such increase, then Tenant shall pay to Landlord, within thirty (30) days following written request, the part of such taxes for which Tenant is primarily liable hereunder; however, Landlord shall not pay such amount if Tenant notifies Landlord that it will contest the validity or amount of such taxes before Landlord makes such payment, and thereafter diligently proceeds with such contest in accordance with Law and if the non-payment thereof does not pose a threat of loss or seizure of the Complex or interest of Landlord therein or impose any fee or penalty against Landlord.

17. Events of Default. Each of the following occurrences shall be an "**Event of Default**":

(a) **Payment Default.** Tenant's failure to pay Rent within five (5) business days after Landlord has delivered written notice to Tenant that the same is due; however, an Event of Default shall occur hereunder without any obligation of Landlord to give any notice if Tenant fails to pay Rent when due and, during the 12-month interval preceding such failure, Landlord has given Tenant one (1) written notice of failure to pay Rent;

(b) **Abandonment.** Tenant abandons or vacates the Premises and fails to provide reasonable access control therefor;

(c) **Estoppel.** Tenant fails to provide any estoppel certificate after Landlord's written request therefor pursuant to Section 25(e) and such failure shall continue for five (5) business days after Landlord's second written notice thereof to Tenant;

(d) **Insurance.** Tenant fails to procure, maintain and deliver to Landlord evidence of the insurance policies and coverages as required under Section 11(a) and such failure shall continue for five (5) business days after Landlord's written notice thereof to Tenant;

(e) **Mechanic's Liens.** Tenant fails to pay and release of record, or diligently contest and bond around, any mechanic's lien filed against the Premises or the Complex for any work performed, materials furnished, or obligation incurred by or at the request of Tenant, within the time and in the manner required by Section 8 (d);

(f) **Other Defaults.** Tenant's failure to perform, comply with, or observe any other agreement or obligation of Tenant under this Lease and the continuance of such failure for a period of more than thirty (30) days after Landlord has delivered to Tenant written notice thereof; provided, however, if such default is not reasonably curable within such thirty (30) day period, then provided Tenant actually commences such cure within such thirty (30) day period and thereafter proceeds diligently to cure the same, Tenant shall have an additional period of time reasonably necessary to effectuate such cure, but in no event will Tenant have more than ninety (90) days in the aggregate (from the date of the first notice) to effectuate such cure; and

(g) **Insolvency.** The filing of a petition by or against Tenant (the term "Tenant" shall include; for the purpose of this Section 17(g), any guarantor of Tenant's obligations hereunder) (1) in any bankruptcy or other insolvency proceeding; (2) seeking any relief under any state or federal debtor relief law; (3) for the appointment of a liquidator or receiver for all or substantially all of Tenant's property or for Tenant's interest in this Lease; (4) for the reorganization or modification of Tenant's capital structure; or (5) in any assignment for the benefit of creditors proceeding; however, if such a petition is filed against Tenant, then such filing shall not be an Event of Default unless Tenant fails to have the proceedings initiated by such petition dismissed within ninety (90) days after the filing thereof.

18. Remedies. Upon any Event of Default, Landlord may, in addition to all other rights and remedies afforded Landlord hereunder or by law or equity, take anyone or more of the following actions:

(a) **Termination of Lease.** Terminate this Lease by giving Tenant written notice thereof, in which event Tenant shall pay to Landlord the sum of (1) all Rent accrued hereunder through the date of termination, (2) all amounts due under Section 19(a), and (3) an amount equal to (A) the total Rent that Tenant would have been required to pay for the remainder of the Term discounted to present value at a per annum rate equal to the "Prime Rate" as published on the date this Lease is terminated by *The Wall Street Journal*, Eastern Edition, in its listing of "Money Rates", minus (B) the then present fair rental value of the Premises for such period, similarly discounted;

(b) **Termination of Possession.** Terminate Tenant's right to possess the Premises without terminating this Lease by giving written notice thereof to Tenant, in which event Tenant shall pay to Landlord (1) all Rent and other amounts accrued hereunder to the date of termination of possession, (2) all amounts due from time to time under Section 19(a), and (3) all Rent and other net sums required hereunder to be paid by Tenant during the remainder of the Term, diminished by any net sums thereafter received by Landlord through reletting the Premises during such period, after deducting all costs incurred by Landlord in reletting the Premises. If Landlord elects to

proceed under this Section 18(b), Landlord may remove all of Tenant's property from the Premises and store the same in a public warehouse or elsewhere at the cost of, and for the account of, Tenant, without becoming liable for any loss or damage which may be occasioned thereby. Landlord shall use reasonable efforts to relet the Premises on such terms as Landlord in its sole discretion may determine (including a term different from the Term, rental concessions, and alterations to, and improvement of, the Premises); however, Landlord shall not be obligated to relet the Premises before leasing other portions of the Building or Complex and Landlord shall not be obligated to accept any prospective tenant proposed by Tenant unless such proposed tenant meets all of Landlord's leasing criteria. Landlord shall not be liable for, nor shall Tenant's obligations hereunder be diminished because of, Landlord's failure to relet the Premises or to collect rent due for such reletting. Tenant shall not be entitled to the excess of any consideration obtained by reletting over the Rent due hereunder. Reentry by Landlord in the Premises shall not affect Tenant's obligations hereunder for the unexpired Term; rather, Landlord may, from time to time, bring an action against Tenant to collect amounts due by Tenant, without the necessity of Landlord's waiting until the expiration of the Term. Unless Landlord delivers written notice to Tenant expressly stating that it has elected to terminate this Lease, all actions taken by Landlord to dispossess or exclude Tenant from the Premises shall be deemed to be taken under this Section 18(b). If Landlord elects to proceed under this Section 18(b), it may at any time elect to terminate this Lease under Section 18(a); or

(c) **Perform Acts on Behalf of Tenant** . Perform any act Tenant is obligated to perform under the terms of this Lease (and enter upon the Premises in connection therewith if necessary) in Tenant's name and on Tenant's behalf, without being liable for any claim for damages therefor, and Tenant shall reimburse Landlord on demand for any expenses which Landlord may incur in thus effecting compliance with Tenant's obligations under this Lease (including, but not limited to, collection costs and legal expenses), plus interest thereon at the Default Rate. In all instances, Landlord shall use commercial reasonable efforts to mitigate its damages.

19. Payment by Tenant; Non-Waiver; Cumulative Remedies .

(a) **Payment by Tenant** . Upon any Event of Default, Tenant shall pay to Landlord all-reasonable costs incurred by Landlord (including court costs and reasonable attorneys' fees and expenses) in (1) obtaining possession of the Premises, (2) removing and storing Tenant's or any other occupant's property, (3) repairing, restoring, altering, remodeling, or otherwise putting the Premises into condition acceptable to a new tenant, (4) if Tenant is dispossessed of the Premises and this Lease is not terminated, reletting all or any part of the Premises (including brokerage commissions, cost of tenant finish work, and other costs incidental to such reletting), (5) performing Tenant's obligations which Tenant failed to perform, and (6) enforcing, or advising Landlord of, its rights, remedies, and recourses arising out of the default. To the full extent permitted by law, Landlord and Tenant agree the federal and state courts of the state in which the Premises are located shall have exclusive jurisdiction over any matter relating to or arising from this Lease and the parties' rights and obligations under this Lease.

(b) **No Waiver** . Landlord's acceptance of Rent following an Event of Default shall not waive Landlord's rights regarding such Event of Default. No waiver by Landlord of any violation or breach of any of the terms contained herein shall waive Landlord's rights regarding any future violation of such term. Landlord's acceptance of any partial payment of Rent shall not waive Landlord's rights with regard to the remaining portion of the Rent that is due, regardless of any endorsement or other statement on any instrument delivered in payment of Rent or any writing delivered in connection therewith; accordingly, Landlord's acceptance of a partial payment of Rent shall not constitute an accord and satisfaction of the full amount of the Rent that is due.

(c) **Tenant's Right to Redeem the Premises** . Tenant hereby waives any and all rights to redeem the Premises which may accrue to Tenant prior to any eviction proceeding. Tenant's waiver shall apply to any right of redemption that may be presently, or in the future, provided by law. .

(d) **Cumulative Remedies** . Any and all remedies set forth in this Lease: (1) shall be in addition to any and all other remedies Landlord may have at law and/or in equity, (2) shall be cumulative, and (3) may be pursued successively or concurrently as Landlord may elect. The exercise of any remedy by Landlord shall not be deemed an election of remedies or preclude Landlord from exercising any other remedies in the future.

20. Landlord's Lien. Landlord hereby forever waives all liens, security interests, encumbrances, and rights of distraint that do or may arise under or in connection with this Lease, whether by statute, contract, common law or otherwise.

21. Surrender of Premises. No act by Landlord shall be deemed an acceptance of a surrender of the Premises, and no agreement to accept a surrender of the Premises shall be valid unless it is in writing and signed by Landlord. At the expiration or termination of this Lease, Tenant shall deliver to Landlord the Premises with all improvements located therein in good condition, free of Hazardous Materials placed on the Premises during the Term in violation of Laws, broom-clean, reasonable wear and tear (and condemnation and Casualty damage, as to which Sections 14 and 15 shall control) excepted, and shall deliver to Landlord all keys to the Premises. Tenant may remove all trade fixtures, furniture, and personal property placed in the Premises or elsewhere in the Buildings by Tenant (but Tenant may not remove any wiring or cabling unless Landlord requires such removal). Additionally, Tenant shall remove such alterations, additions, improvements, trade fixtures, personal property, equipment, wiring, conduits, cabling, and furniture (including Tenant's Off-Premises Equipment) as Landlord designated in writing for removal as part of or in connection with Landlord's approval of any applicable plans (including, without limitation, Tenant's Working Drawings, as set forth in Exhibit D and/or Exhibit J attached hereto (but Landlord shall not unreasonably require removal of customary office fixtures and improvements)); however, Tenant shall not be required to remove any additions, fixtures or improvements to the Premises or the Complex if Landlord has not specifically elected in writing that the improvement or addition in question needs to be removed. Tenant shall repair all damage caused by such removal. All items not so removed shall, at Landlord's option, be deemed to have been abandoned by Tenant and may be appropriated, sold, stored, destroyed, or otherwise disposed of by Landlord without notice to Tenant and without any obligation to account for such items; any such disposition shall not be considered a strict foreclosure or other exercise of Landlord's rights in respect of the security interest granted under Section 20. The provisions of this Section 21 shall survive the end of the Term.

22. Holding Over.

(a) **Holdover Remedies.** If Tenant fails to vacate the Premises at the end of the Term, Tenant shall be a tenant at sufferance and, in addition to all other damages and remedies to which Landlord may be entitled for such holding over, (a) Tenant shall pay, in addition to the other Rent, Basic Rent equal to 150% of the Rent payable during the last month of the Term, and (b) Tenant shall otherwise continue to be subject to all of Tenant's obligations under this Lease. The provisions of this Section 22(a) shall not be deemed to limit or constitute a waiver of any other rights or remedies of Landlord provided herein or at law. If Tenant fails to surrender the Premises upon the termination or expiration of this Lease, in addition to any other liabilities to Landlord accruing therefrom, Tenant shall protect, defend, indemnify and hold Landlord harmless from all loss, costs (including reasonable attorneys' fees) and liability resulting from such failure, including any claims made by any succeeding tenant founded upon such failure to surrender, and any lost profits to Landlord resulting therefrom.

(b) **Seventy-Five Percent of Initial Premises.** If, and only if, Tenant is leasing more than seventy-five percent (75%) of the entire initial Premises (based on a per rentable square foot basis), and Tenant fails to vacate the Premises at the end of the Term, Tenant shall be a tenant at sufferance and, in addition to all other damages and remedies to which Landlord may be entitled for such holding over, then during the first three (3) calendar month period of such holdover (and only during such first three (3) calendar month period), as Landlord's sole and exclusive remedy, (a) Tenant shall pay Basic Rent and Additional Rent in the amounts payable immediately prior to the end of the Term, and (b) Tenant shall otherwise continue to be subject to all of Tenant's obligations under this Lease. The provisions of this Section 22(b) (other than the proviso in the immediately preceding sentence) shall not be deemed to limit or constitute a waiver of any other rights or remedies of Landlord provided herein or at law. Except for the first sentence of this Section 22(b), for the first three (3) calendar month period of a holdover, if Tenant fails to surrender the Premises upon the termination or expiration of this Lease, in addition to any other liabilities to Landlord accruing therefrom, Tenant shall protect, defend, indemnify and hold Landlord harmless from all loss, costs (including reasonable attorneys' fees) and liability resulting from such failure, ... including any claims made by any succeeding tenant founded upon such failure to surrender, and any lost profits to Landlord resulting therefrom. For the avoidance of confusion, if Tenant is leasing more than seventy-five percent (75%) of the entire initial Premises (based on a per rentable square foot basis), and Tenant fails to vacate the Premises at the end of such first three (3) calendar month period of a holdover, the provisions of this Section 22(b) shall no longer be applicable and the provisions of Section 22(a) shall automatically apply.

23. Certain Rights Reserved by Landlord . Provided that the exercise of such rights does not unreasonably interfere with Tenant's occupancy, access, rights, benefits or privileges of, to or from the Premises, Landlord shall have the following rights:

(a) **Building Operations .** To decorate and to make inspections, repairs, alterations, additions, changes, or improvements, whether structural or otherwise, in and about the Complex, or any part thereof; to enter upon the Premises (after giving Tenant reasonable notice thereof, which Landlord will endeavor to provide at least twenty-four (24) hours in advance and may be oral, except in cases of real or apparent emergency, in which case no notice shall be required) and, during the continuance of any such work, to temporarily close doors, entryways, public space, and corridors in the Buildings; to interrupt or temporarily suspend services and facilities in and around the Buildings; to change the name of the Buildings or Complex; and to change the arrangement and location of entrances or passageways, doors, and doorways, corridors, elevators, stairs, restrooms, or other public parts of the Buildings or Complex;

(b) **Security .** To take such reasonable measures as Landlord deems advisable for the security of the Buildings and their occupants; evacuating the Buildings for cause, suspected cause, or for drill purposes; temporarily denying access to the Buildings or Complex; and closing the Buildings after normal business hours and on Sundays and holidays, subject, however, to Tenant's right to enter when the Buildings are closed after normal business hours under such reasonable regulations as Landlord may prescribe from time to time;

(c) **Prospective Purchasers and Lenders .** After giving reasonable prior notice to Tenant (which may be oral), to enter the Premises at all reasonable hours to show the Premises to prospective purchasers or lenders; and

(d) **Prospective Tenants .** At any time during the last twelve (12) months of the Term, or at any time following the occurrence of an Event of Default, to enter the Premises at all reasonable hours to show the Premises to prospective tenants.

24. Substitution Space . Intentionally omitted.

25. Miscellaneous .

(a) **Landlord Transfer .** Landlord may transfer any portion of the Complex and any of its rights under this Lease. If Landlord assigns its rights under this Lease, then Landlord shall thereby be released from any further obligations hereunder arising after the date of transfer, provided that the assignee assumes in writing in writing Landlord's obligations hereunder arising from and after the transfer date. In furtherance of the foregoing, Tenant acknowledges that (i) as of the date of this Lease the Buildings and Secondary Buildings are all owned by Landlord, and (ii) some or any of the Buildings or Secondary Buildings may be on separately subdivided lots. Tenant further acknowledges that Landlord has the right to convey either or both of Building 1 and/or Building 2 to a third party at any time.

(b) **Landlord's Liability .** The liability of Landlord (and its partners, shareholders or members) to Tenant (or any person or entity claiming by, through or under Tenant) for any default by Landlord under the terms of this Lease or any matter relating to, or arising out of the occupancy or use of the Premises and/or other areas of the Buildings shall be limited to Tenant's actual direct, but not consequential, damages therefor and shall be recoverable only from the interest of Landlord in the Complex, and Landlord (and its partners, shareholders or members) shall not be personally liable for any deficiency.

(c) **Force Majeure .** Other than the Building 1 Rent Commencement Date, the Building 2 Rent Commencement Date, and any of Landlord's or Tenant's obligations under this Lease that can be performed by the payment of money (e.g., payment of Rent and maintenance of insurance), whenever a period of time is herein prescribed for action to be taken by either party hereto, such party shall not be liable or responsible for, and there shall be excluded from the computation of any such period of time, any delays due to strikes, riots, acts of God,

shortages of labor or materials, war, terrorist acts or activities, governmental laws, regulations, or restrictions, or any other causes of any kind whatsoever which are beyond the control of such party.

(d) **Brokerage**. Neither Landlord nor Tenant has dealt With any broker or agent in connection with the negotiation or execution of this Lease, other than CB Richard Ellis, Inc., whose commission shall be paid by Landlord pursuant to a separate written agreement. Tenant and Landlord shall each indemnify the other against all costs, expenses, attorneys' fees, liens and other liability for commissions or other compensation claimed by any broker or agent claiming the same by, through, or under the indemnifying party.

(e) **Estoppel Certificates**. From time to time, Tenant shall furnish to any party reasonably designated by Landlord, within ten (10) business days after Landlord has made a request therefor, a certificate signed by Tenant confirming and containing the factual certifications and representations as to this Lease listed below or otherwise reasonably requested by Landlord (Tenant hereby approving the form of estoppel attached hereto as Exhibit F). If Tenant does not deliver to Landlord the certificate signed by Tenant within such required time period, Landlord, Landlord's Mortgagee and any prospective purchaser or mortgagee, may conclusively presume and rely upon the following facts and Tenant shall be estopped from denying the truth of such presumed facts: (1) this Lease is in full force and effect; (2) the terms and provisions of this Lease have not been changed except as otherwise represented by Landlord; (3) not more than one monthly installment of Basic Rent and other charges have been paid in advance; (4) to Tenant's knowledge, there are no claims against Landlord nor any defenses or rights of offset against collection of Rent or other charges (except as listed); and (5) to Tenant's knowledge, Landlord is not in default under this Lease (except as noted). From time to time, Landlord shall furnish to any party reasonably designated by Tenant, within ten (10) business days after Tenant has made a request therefor, a certificate signed by Landlord confirming and containing the following factual certifications and representations as to this Lease: (1) this Lease is in full force and effect; (2) the terms and provisions of this Lease have not been changed except as otherwise represented by Tenant; (3) not more than one monthly installment of Basic Rent and other charges have been collected in advance; (4) to Landlord's knowledge, there are no claims against Tenant nor any defenses or rights of offset against collection of Rent or other charges (except as listed); and (5) to Landlord's knowledge, Tenant is not in default under this Lease.

(f) **Notices**. All notices and other communications given pursuant to this Lease shall be in writing and shall be (1) mailed by first class, United States Mail, postage prepaid, certified, with return receipt requested, and addressed to the parties hereto at the address specified in the Basic Lease Information, (2) hand delivered to the intended addressee, (3) sent by a nationally recognized overnight courier service, or (4) sent by facsimile transmission during normal business hours followed by a confirmatory letter sent in another manner permitted hereunder. All notices shall be effective upon delivery to the address of the addressee (even if such addressee refuses delivery thereof). The parties hereto may change their addresses by giving notice thereof to the other in conformity with this provision. .

(g) **Separability**. If any clause or provision of this Lease is illegal, invalid, or unenforceable under present or future laws, then the remainder of this Lease shall not be affected thereby and in lieu of such clause or provision, there shall be added as a part of this Lease a clause or provision as similar in terms to such illegal, invalid, or unenforceable clause or provision as may be possible and be legal, valid, and enforceable.

(h) **Amendments; Binding Effect; No Electronic Records**. This Lease may not be amended except by instrument in writing signed by Landlord and Tenant. No provision of this Lease shall be deemed to have been waived unless such waiver is in writing signed by the waiving party, and no custom or practice which may evolve between the parties in the administration of the terms hereof shall waive or diminish the right of either party to insist upon the performance in strict accordance with the terms hereof. Landlord and Tenant hereby agree not to conduct the transactions or communications contemplated by this Lease by electronic means, except by facsimile transmission as specifically set forth in Section 25(f); nor shall the use of the phrase "in writing" or the word "written" be construed to include electronic communications except by facsimile transmissions as specifically set forth in Section 25(f). The terms and conditions contained in this Lease shall inure to the benefit of and be binding upon the parties hereto, and upon their respective successors in interest and legal representatives, except as otherwise herein expressly provided. This Lease is for the sole benefit of Landlord and Tenant, and no third party shall be deemed a third party beneficiary hereof.

(i) **Quiet Enjoyment**. Tenant shall peaceably and quietly hold and enjoy the Premises for the Term, without hindrance or interference from Landlord or any party claiming by, through, or under Landlord, but not otherwise, subject to the terms and conditions of this Lease.

(j) **No Merger**. There shall be no merger of the leasehold estate hereby created with the fee estate in the Premises or any part thereof if the same person acquires or holds, directly or indirectly, this Lease or any interest in this Lease and the fee estate in the leasehold Premises or any interest in such fee estate.

(k) **No Offer**. The submission of this Lease (or a draft thereof) to Tenant shall not be construed as an offer, and Tenant shall not have any rights under this Lease unless Landlord executes a copy of this Lease and delivers it to Tenant.

(l) **Entire Agreement**. This Lease constitutes the entire agreement between Landlord and Tenant regarding the subject matter hereof and supersedes all oral statements and prior writings relating thereto. Except for those set forth in this Lease, no representations, warranties, or agreements have been made by Landlord or Tenant to the other with respect to this Lease or the obligations of Landlord or Tenant in connection therewith. The normal rule of construction that any ambiguities be resolved against the drafting party shall not apply to the interpretation of this Lease or any exhibits or amendments hereto.

(m) **Governing Law**. This Lease shall be governed by and construed in accordance with the laws of the state in which the Premises are located.

(n) **Recording**. Tenant shall not record this Lease or any memorandum of this Lease without the prior written consent of Landlord, which consent may be withheld or denied in the sole and absolute discretion of Landlord, and any recordation by Tenant shall be a material breach of this Lease. Tenant grants to Landlord a power of attorney to execute and record a release releasing any such recorded instrument of record that was recorded without the prior written consent of Landlord. If Landlord records this Lease or any memorandum hereof, Landlord shall pay all taxes and charges of recording.

(o) **Water or Mold Notification**. To the extent Tenant or its agents or employees discover any water leakage, water damage or mold in or about the Premises or Complex, Tenant shall promptly notify Landlord thereof in writing.

(p) **Joint and Several Liability**. If either party is comprised of more than one party, each such party shall be jointly and severally liable for the respective obligations under this Lease. All unperformed obligations of Tenant and Landlord hereunder not fully performed at the end of the Term shall survive the end of the Term, including payment obligations with respect to Rent and all obligations concerning the condition and repair of the Premises.

(q) **Financial Reports**. Within fifteen (15) days after Landlord's request, Tenant will furnish Tenant's most recent audited financial statements (including any notes to them) to Landlord, or, if no such audited statements have been prepared, such other financial statements (and notes to them) as may have been prepared by an independent certified public accountant or, failing those, Tenant's internally prepared financial statements. If Tenant is a publicly traded corporation, Tenant may satisfy its obligations hereunder by providing to Landlord a reference to Tenant's most recently filed annual and quarterly reports. Tenant will answer Landlord's reasonable questions regarding its financial statements. Landlord will not disclose any aspect of Tenant's financial statements except (1) to Landlord's Mortgagee or prospective mortgagees or purchasers of the Buildings, (2) in litigation between Landlord and Tenant, and/or (3) if required by court order. Tenant shall not be required to deliver the financial statements required under this Section 25(q) more than once in any 12-month period unless an Event of Default occurs.

(r) **Landlord's Fees**. Whenever Tenant requests Landlord to take any action not required of it hereunder or give any consent required or permitted under this Lease, except as expressly limited or set forth to the contrary in this Lease, and except for construction to which Exhibit D and/or Exhibit J applies, Tenant will reimburse Landlord for Landlord's reasonable, out-of-pocket costs up to Five Thousand Dollars (\$5,000) per event

or request payable to third parties and incurred by Landlord in reviewing the proposed action or consent, including reasonable attorneys', engineers' or architects' fees, within thirty (30) days after Landlord's delivery to Tenant of a statement of such costs. Tenant will be obligated to make such reimbursement without regard to whether Landlord consents to any such proposed action.

(s) **Telecommunications** . Tenant and its telecommunications companies, including local exchange telecommunications companies and alternative access vendor services companies, shall have (A) for so long as Tenant is leasing space in both Building 1 and Building 2, the exclusive right of access to those certain two (2) four inch (4") conduits running between the Buildings as described in Schedule 1 to Exhibit J and (B) the limited and non-exclusive right of access to and within the Buildings (to the extent Tenant is then leasing space in both such Buildings, otherwise to just the applicable Building) (including a designated pathway to one of the Buildings, which shall be underground), for the installation and operation of wired and wireless telecommunications systems, including voice, fiber optic, video, data, and Internet ("**Telecommunications Services**"), for part or all of Tenant's telecommunications within the Buildings (including reasonable non-exclusive use of the Buildings' roofs (subject to the terms of Section 25(t) below), chase ways (not to exceed Tenant's Proportionate Share of chase ways) and common areas, as reasonably necessary) and from the Buildings (to the extent Tenant is then leasing space in both such Buildings, otherwise to just the applicable Building) to any other location, subject to Landlord's approval, not to be unreasonably withheld, conditioned or delayed. For so long as Tenant is leasing at least 50,000 rentable square feet, Tenant shall have the limited and non-exclusive right of access to and use of one additional conduit (i.e., two (2) total conduits) from the street in front of the Complex to a Building in which Tenant leasing space to establish service; from a second telecommunications provider. All providers of Telecommunications Services shall be required to comply with the rules and regulations of the Buildings, applicable Laws and Landlord's policies and practices for the Buildings reasonably established by Landlord from time to time, including, prior to any such access, installation or operation, the execution of a license agreement in form and substance reasonably acceptable to Landlord. Tenant acknowledges that Landlord shall not be required to provide or arrange for any Telecommunications Services and that Landlord shall have no liability to any Tenant Party in connection with the installation, operation or maintenance of Telecommunications Services or any equipment or facilities relating thereto. Tenant, at its cost and for its own account, shall be solely responsible for obtaining all Telecommunications Services.

(t) **Roof Rights** . Subject to the satisfaction, in Landlord's reasonable judgment, of all of the conditions set forth in this Section, Tenant shall have the right to use throughout the Lease Term (including any extensions thereof) a reasonable portion of the roof area, at no additional rental cost, to install and maintain, at Tenant's sole expense, reasonable amounts and types of equipment (a) to support Tenant's Telecommunications Services (the "**Communications Equipment**"), and/or (b) supplemental HVAC equipment ("**HVAC Equipment**") on the roofs of the Buildings for use in connection with Tenant's business in the Premises. Notwithstanding anything in this Section to the contrary, Tenant shall not be permitted to install the Communications Equipment and/or HV AC Equipment, as applicable, unless (i) Tenant's Communications Equipment and/or HVAC Equipment, as applicable, shall not interfere with any other satellite dish or antenna of any other current tenant in the Buildings as of the date of this Lease- (ii) (A) such Communications Equipment conforms to the specifications and requirements set forth in the drawings and specifications prepared by a licensed professional (the "**Communications Equipment Drawings**"), which Communications Equipment Drawings shall be subject to the prior written approval of Landlord, which approval shall not be unreasonably withheld, conditioned or delayed, and/or (B) such HV AC Equipment conforms to the specifications and requirements set forth in the drawings and specifications prepared by a licensed professional (the "**HVAC Equipment Drawings**"), which HVAC Equipment Drawings shall be subject to the prior written approval of Landlord, which approval shall not be unreasonably withheld, conditioned or delayed, (iii) Landlord approves, which approval shall not be unreasonably conditioned, withheld or delayed, the size, capacity, power, location and proposed placement and method of installation of such Communications Equipment and/or HV AC Equipment, as applicable, and (iv) Tenant obtains, at its sole cost and expense, and provides copies to Landlord of all necessary governmental permits and approvals, including, without limitation, special exception permits, if applicable, for the installation of the Communications Equipment and/or HVAC Equipment, as applicable, upon the Buildings. Tenant, at Landlord's discretion, shall cause the Communications Equipment and/or HVAC Equipment, as applicable, to be painted in a nonmetallic paint to match the materials on the roof. In addition, Tenant shall not be permitted to install the Communications Equipment and/or HV AC Equipment, as applicable, unless (I) Tenant contracts with Landlord's roofing contractor to retain the warranties and guaranties for the roofs to the extent that Landlord will lose the warranties and guaranties with respect to the roofs,

(II) Landlord approves, in writing, any such effect on the Buildings' Structure or Buildings' Systems or any such structural alteration, which approval may be granted or withheld by Landlord in its reasonable discretion, and (III) Tenant pays the cost of any structural support or alterations necessary to secure the Communications Equipment and/or HVAC Equipment, as applicable, to the Buildings. The Communications Equipment and/or HVAC Equipment, as applicable, shall be installed by a contractor reasonably acceptable to both Landlord and Tenant and thereafter shall be properly maintained by Tenant, all at Tenant's sole expense. On or prior to the expiration or earlier termination of the Lease Term (or the earlier termination of this Lease with respect to either Building), unless otherwise specifically designated to remain on the Premises by Landlord at the time of Landlord's approval thereof, the Communications Equipment and the HVAC Equipment shall be removed from the roof (s) of the applicable Building(s) at Tenant's sole cost and expense and those portions of the roofs of the Buildings that have been affected by the Communications Equipment and the HV AC Equipment shall be returned to the condition they were in prior to the installation of the Communications Equipment and the BVAC Equipment. Tenant shall pay all subscription fees, usage charges and hookup and disconnection fees associated with Tenant's use of the Communications Equipment and/or HV AC Equipment, as applicable, and Landlord shall have no liability therefor. All of the provisions of this Lease, including, without limitation, the insurance, maintenance, repair, release and indemnification provisions shall apply and be applicable to Tenant's installation, operation, maintenance and removal of the Communications Equipment and the HVAC Equipment. Except as shown on the Communications Equipment Drawings and/or HVAC Equipment Drawings, as applicable, as reasonably approved by Landlord, Tenant shall not make any modification to the design, structure or systems of the Buildings required in connection with the installation of the Communications Equipment and/or HV AC Equipment, as applicable, without Landlord's prior written approval of such modification and the plans therefor, which approval may be granted, conditioned or withheld by Landlord in its reasonable discretion. Tenant agrees that, in addition to any indemnification provided Landlord in this Lease, Tenant shall indemnify and shall hold Landlord and Landlord's managing agent, and their employees, shareholders, partners, officers and directors, harmless from and against all costs, damages, claims, liabilities and expenses (including attorneys' fees and any costs of litigation) suffered by or claimed against Landlord, directly or indirectly, based on, arising out of or resulting from Tenant's use of the Communications Equipment, the HV AC Equipment and/or access to the roof (including, without limitation, Emergency Roof Access (defined below)), as applicable, and/or the conduits to connect the Premises to the Communications Equipment and/or the BVAC Equipment, as applicable. In addition, Tenant shall be liable to Landlord for any actual damages suffered by Landlord for any cessation or shortages of electrical power or any other systems failure arising from Tenant's use of the conduits to connect the Premises to the Communications Equipment and/or HV AC Equipment, as applicable. The terms of the two immediately preceding sentences will survive the expiration or termination of this Lease. Tenant, at its sole cost and expense, shall secure all necessary permits and approvals from all applicable governmental agencies with respect to the size, placement and installation of the Communications Equipment and/or BVAC Equipment, as applicable. In the event Tenant is unable to obtain the necessary approvals and permits from any applicable party, including federal, state, county or other local governing authorities for the Communications Equipment and/or HV AC Equipment, as applicable, Tenant shall have no remedy, claim, cause of action or recourse against Landlord, nor shall such failure or inability to obtain any necessary permits or approvals provide Tenant the opportunity to terminate this Lease. Landlord makes no representations or warranties concerning the suitability of the roofs of the Buildings for the installation operation, maintenance and repair of the Communications Equipment and/or HV AC Equipment, as applicable, Tenant having satisfied itself concerning such matters. Tenant's access to the roof shall be subject to reasonable rules and regulations relating thereto established from time to time by Landlord, including, without limitation, rules and regulations prohibiting such access unless Tenant is accompanied by Landlord's representative and Tenant's agreement to reimburse Landlord for costs incurred by Landlord to make Landlord's representative available to accompany Tenant if after normal business hours. Notwithstanding the preceding sentence, solely in the event of an emergency after normal business hours and if a building engineer is not then reasonably available, then provided that Tenant has given notice to Landlord that it intends to access the access the roof without being accompanied (which notice may be telephonic) Tenant shall have the right to access the roof of a Building without being accompanied for the sole purpose of remedying such emergency (" **Emergency Roof Access** "). Upon at least thirty (30) days' prior written notice to Tenant, Landlord shall have the right to require Tenant to relocate the Communications Equipment and/or BVAC Equipment, as applicable, if in Landlord's opinion the Communications Equipment and/or HV AC Equipment, as applicable, is interfering with any other satellite dish or antenna of any other tenant in the Buildings occupying a portion of the Buildings as of the Effective Date. Landlord shall use commercially reasonable efforts to cause any other tenant's communication equipment and/or HVAC equipment installed after Tenant's Communication Equipment that is interfering with Tenant's Communications Equipment to promptly relocate the same or otherwise cease such interference. In all events

Tenant will reasonably cooperate to initially locate all Communication Equipment and HV AC Equipment in a manner that will reasonably limit the potential interference with any other communication or HV AC equipment on the roof; and accordingly, Landlord shall use reasonable efforts to cause any other tenant installing communication or HVAC equipment on the roof to initially locate the same in a manner that will minimize the potential interference. Nothing in this Section shall be construed as granting Tenant any line of sight easement with respect to such Communications Equipment and/or HV AC Equipment, as applicable. By granting Tenant the rights under this Section, Landlord makes no representation as to the legality of such Communications Equipment and/or HV AC Equipment, as applicable, or its/their installation. In the event that any federal, state, county, regulatory or other authority requires the removal or relocation of such Communications Equipment and/or HV AC Equipment, as applicable, Tenant shall remove or relocate the same at Tenant's sole cost and expense, and Landlord shall under no circumstances be liable to Tenant therefor. The Communications Equipment and/or HV AC Equipment, as applicable, may be used by Tenant only in the conduct of Tenant's customary business in the Premises and shall not be made available by Tenant for use by any other tenant in the Buildings or unrelated parties (e.g., a cellular telecommunications provider). No assignee or subtenant (other than a Permitted Transferee) or any other tenant in the Buildings shall have any rights pursuant to this Section, except that any approved sublessee or assignee of Tenant that occupies more than twenty thousand (20,000) rentable square feet of the Premises shall have the benefit of Tenant's express rights under the terms of this Section 25(t) (but in no event will any subtenant or assignee have the right to install telecommunications equipment for unrelated parties. Landlord and Tenant agree that Tenant's rights under the terms of this Section 25(t) to access the roof of the "Buildings" applies to both Buildings so long as Tenant is leasing space in both Buildings, but if Tenant is only leasing space in one (1) Building, then "Buildings" hereunder is deemed to mean the one (1) specific Building in which Tenant is leasing space. Except as expressly set forth to the contrary, the provisions of this Section 25(t) are personal to Ciena Corporation and any Permitted Transferee that has assumed in writing all of Ciena Corporation's obligations under this Lease in its entirety, and may be exercised only by Ciena Corporation and such Permitted Transferee and not by any assignee or other subtenant of Ciena Corporation.

(u) **Confidentiality**. Tenant and Landlord each acknowledge that the terms and conditions of this Lease are to remain confidential for both parties' benefit, and may not be disclosed by Tenant or Landlord to anyone, by any manner or means, directly or indirectly, without Landlord's or Tenant's (as applicable) prior written consent; however, Tenant and Landlord may disclose the terms and conditions of this Lease if required by Law or court order, and to their respective attorneys, accountants, investors, employees and existing or prospective financial partners and purchasers provided same are advised by Tenant or Landlord (as applicable) of the confidential nature of such terms and conditions and agree to maintain the confidentiality thereof (in each case, prior to disclosure). Tenant and Landlord each shall be liable for any disclosures made in violation of this Section by Tenant or Landlord (as applicable) or by any entity or individual to whom the terms of and conditions of this Lease were disclosed or made available by Tenant or Landlord (as applicable). The consent by Landlord or Tenant to any disclosures shall not be deemed to be a waiver on the part of Landlord or Tenant of any prohibition against any future disclosure. Notwithstanding anything in this Section to the contrary, the parties may disclose the fact that they have entered into this Lease for the Premises.

(v) **Authority**. Tenant (if a corporation, partnership or other business entity) hereby represents and warrants to Landlord that Tenant is a duly formed and existing entity qualified to do business in the state in which the Premises are located, that Tenant has full right and authority to execute and deliver this Lease, and that each person signing on behalf of Tenant is authorized to do so. Landlord hereby represents and warrants to Tenant that Landlord is a duly formed and existing entity qualified to do business in the state in which the Premises are located, that Landlord has full right and authority to execute and deliver this Lease, and that each person signing on behalf of Landlord is authorized to do so.

(w) **Hazardous Materials**. The term "**Hazardous Materials**" means any substance, material, or waste which is now or hereafter classified or considered to be hazardous, toxic, or dangerous under any Law relating to pollution or the protection or regulation of human health, natural resources or the environment, or poses or threatens to pose a hazard to the health or safety of persons on the Premises or in the Complex. Tenant shall not use, generate, store, or dispose of Hazardous Materials on or about the Premises or the Complex except in a manner and quantity necessary or reasonably customary for the ordinary performance of Tenant's business, and then in compliance with all Laws. If Tenant breaches its obligations under this Section 25(w), Landlord may immediately take any and all action reasonably appropriate to remedy the same, including taking all appropriate action to clean

up or remediate any contamination resulting from Tenant's use, generation, storage or disposal of Hazardous Materials. Notwithstanding Landlord's indemnity contained in Section 11ed), Tenant shall defend, indemnify, and hold harmless Landlord and its representatives and agents from and against any and all claims, demands, liabilities, causes of action, suits, judgments, actual damages and expenses (including reasonable attorneys' fees and cost of clean up and remediation) suffered by or claimed against Landlord arising from Tenant's failure to comply with the provisions of this Section 25(w). This indemnity provision shall survive termination or expiration of this Lease.

(x) **List of Exhibits.** All exhibits and attachments attached hereto are incorporated herein by this reference.

Exhibit A -	Outline of Premises
Exhibit A - 1 -	Building 1 Data Center Space, Building 1 Lab Space, and Building 2 Lab Space
Exhibit B -	Description of the Land
Exhibit C -	Rules and Regulations of the Buildings
Exhibit D -	Tenant Finish-Work: Allowance for Building 1 Premises
Exhibit E -	Form of Confirmation of Lease Commencement Date Letter
Exhibit F -	Form of Tenant Estoppel Certificate
Exhibit G -	Parking
Exhibit H -	Renewal Option
Exhibit I -	Right of First Offer
Exhibit J -	Building 2 Work Letter and Building 2 Base Building Description
Exhibit K -	Cleaning
Exhibit L -	Intentionally Omitted
Exhibit M -	SNDA Prescribed Form
Exhibit N -	Competitors List
Exhibit O -	Landlord's Wiring Instructions
Exhibit P -	Operating Cost Exclusions
Exhibit Q -	Approved Signage
Exhibit R -	Auditing Firms

(y) **Litigation.** In any proceeding commenced in order to enforce the provisions of this Lease, the prevailing party shall receive its reasonable attorneys' fees and court costs.

(z) **No Counterclaims.** Tenant waives all rights to bring a counterclaim in any action brought by Landlord for the non-payment of Rent or any other summary proceeding thereon. Nothing herein shall be deemed to prevent Tenant from commencing a separate action or proceeding against Landlord.

(aa) **Prohibited Persons and Transactions.** Tenant represents and warrants that neither Tenant nor any of its affiliates, nor any of their respective partners, members, shareholders or other equity owners, and none of their respective employees, officers, directors, representatives or agents is, nor will they become, a person or entity with whom U.S. persons or entities are restricted from doing business under regulations of the Office of Foreign Asset Control ("**OFAC**") of the Department of the Treasury (including those named on OFAC's Specially Designated and Blocked Persons List) or under any "statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action and is not and will not Transfer this Lease to, contract with or otherwise engage in any dealings or transactions or be otherwise associated with such persons or entities. Landlord represents and warrants that Landlord is not, nor will it become, a person or entity with whom U.S. persons or entities are restricted from doing business under regulations of OFAC (including those named on OFAC's Specially Designated and Blocked Persons List) or under any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action and is not and will not Transfer this Lease to, contract with or otherwise engage in any dealings or transactions or be otherwise associated with such persons or entities.

(bb) **Compliance with Laws.**

(1) Landlord represents and warrants to Tenant that, to Landlord's knowledge (including the current, actual knowledge of Landlord's asset manager and property manager, as of the date of this Lease (i) the Premises and the Buildings' Structure and the Buildings' common areas, as constructed by Landlord (but specifically excluding all Tenant Improvements and modifications to the base-building caused by or as a result of Tenant's construction or Work at the Premises), are, or, in the case of Building 2, will be upon substantial completion of the Building 2 Base Building by Landlord, in compliance in all material respects with all applicable Laws in existence as of the date of this Lease (including, but not limited to, the Disabilities Acts), (ii) Tenant's use of the Premises for the Permitted Uses complies with all applicable zoning laws, ordinances and regulations, and (iii) use of the Buildings and Secondary Buildings for office and research and design purposes is permitted under the "WI" zoning of the Complex by the appropriate governmental zoning authorities. In the event that, prior to Tenant's occupancy of the Building 1 Premises or the Building 2 Premises, as applicable, any aspect of the base building of Building 1 and/or Building 2, as constructed by Landlord, is not in compliance in all material respects with applicable Laws, then Landlord shall promptly cure such non-compliance at its sole cost and expense (and not as an Operating Expense) (but specifically excluding all Tenant Improvements and modifications to the base building caused by or as a result of Tenant's construction or Work at the Premises). Notwithstanding the foregoing terms of this Section 25(bb), nothing herein will be deemed or construed to include any representation or warranty (or related matter) by Landlord with respect to Hazardous Materials and/or the existence (or non-existence of Hazardous Materials) on the Premises, Buildings or Complex (which matters are exclusively governed by subsection (2) immediately below)

(2) Landlord represents as of the date of this Lease that, except as identified in that certain Phase I Environmental Site Assessment of BWI Corporate Center prepared by ATC Associates, Inc. and dated October 2, 2006 (the "**Report**"), to Landlord's knowledge as of the date of this Lease, based solely and exclusively on the Report and no further or additional inspection or inquiry made, neither Building 1, nor the property on which Building 2 will be constructed, contain Hazardous Materials in violation of environmental Laws. Landlord shall not use, generate, store, or dispose of Hazardous Materials on or about the Complex except in a manner and quantity necessary or reasonably customary for the ordinary performance of Landlord's business; and then in compliance with all Laws. Notwithstanding Tenant's indemnities contained in Section 11(d), Landlord shall defend, indemnify and hold Tenant harmless from and against any and all claims, demands, liabilities, causes of action, suits, judgments, actual damages and expenses (including reasonable attorneys' fees and cost of clean up and remediation) suffered by or claimed against Tenant arising out of (i) Landlord's failure to comply with the terms of . Section 25(w) above, and (ii) Landlord's breach of its representation set forth in the first sentence of this Section 25(bb)(2).

(cc) **Security System .**

(A) Tenant may, at its sole cost and expense, after obtaining Landlord's approval of all applicable plans and specifications therefor, including approval of any vendor associated with providing or monitoring such electronic card key systems (any such approval not to be unreasonably withheld, conditioned or delayed), install an electronic card key system within the Premises, which system may be connected to the Buildings' security systems. Tenant shall furnish Landlord with a copy of all key codes or access cards and Tenant shall ensure that Landlord shall have access to the Premises at all times. Landlord shall, at Landlord's sole cost and expense, provide the initial set of access cards to the electronic security system (the number of such access cards provided not to exceed 4.5 per 1,000 rentable square feet), provided, however, that Tenant, at Tenant's sole cost and expense, shall provide any additional or replacement access cards thereafter issued. Additionally, Tenant shall ensure that such system shall comply with all Laws, including all fire safety laws, and in no event shall Landlord be liable for any claims, demands, liabilities, causes of action, suits, judgments, damages and expenses arising from, such system or the malfunctioning thereof. The foregoing provisions of this Lease shall govern the installation, maintenance and Landlord's removal rights with respect to such security system. '

(B) Notwithstanding the foregoing provisions of this Section 25(cc), from and after the Building I Lease Commencement Date and for as long as Tenant leases all of the rentable square footage of Building 1, Tenant shall have the right to manage and administer the electronic access and electronic card key system controlling the exterior and interior doors to (and within) Building 1; provided, however, that (i) Landlord

may maintain physical (non-electronic) keys to all exterior and interior doors to and within Building 1 and may access the same in accordance with the terms of this Lease, (ii) Tenant shall ensure that Landlord and Landlord's designees have access to Building 1 at all times, including providing Landlord with a reasonable number of electronic card keys, (iii) in no event shall Tenant prevent Landlord's full physical access to Building 1 or any part thereof, (iv) Tenant shall, upon the request of Landlord from time to time, (x) verify that Tenant has neither modified the applicable plans and specifications approved by Landlord pursuant to Subsection 25(cc)(A) above nor changed the vendor providing such security services (provided that Tenant may change such vendor from time to time after obtaining Landlord's written approval thereof (such approval not to be unreasonably withheld, conditioned or delayed) and (y) provide all pertinent information about such security system, including, without limitation, account manager information, (v) in the event Landlord (or a Landlord Party) is delayed or prevented from providing any service to Tenant, Building 1 or the Building 1 Premises (or otherwise prevented from meeting its obligations under this Lease) solely as the result of Tenant's control of such access system, then Landlord shall automatically be excused from providing any such service (or otherwise meeting its obligations hereunder) until such failure is remedied and, therefore, will not be in default as the result of such failure, and (vi) Tenant releases Landlord from any and all liability resulting from or related to Tenant's admission of anyone other than Landlord or a Landlord Party to Building 1, Landlord's failure to provide security for Building 1 and/or to evacuate Building 1 for cause, suspected cause, or for drill purposes: In such instances where Tenant controls electronic access to the Building 1 Premises, any janitorial or cleaning staff shall use Tenant's electronic card keys in order to gain access to the Building 1 Premises.

(dd) **Signage**.

(A) Tenant, at Tenant's sole cost and expense, shall, subject to Landlord's approval which will not be unreasonably withheld, conditioned or delayed, shall have the following rights to install exterior identification signage (identifying Tenant's name and/or logo) in a reasonably prominent location on the exterior facade of a Building.

(1) With respect to Building 1: (x) for so long as Tenant (or a Permitted Transferee) is leasing and occupying no less than all of the rentable area on two (2) full floors of Building 1, the exclusive right to exterior signage on Building 1; (y) for so long as Tenant (or a Permitted Transferee) is leasing and occupying less than all of the rentable area on two (2) full floors of Building 1, but at least all of the rentable area of one (1) full floor of Building 1, the non-exclusive right to exterior signage on Building 1; and (z) if at any time Tenant (or a Permitted Transferee) is leasing and occupying less than all of the rentable area on one (1) full floor of Building 1, then Tenant shall have no right to exterior signage on Building 1.

(2) With respect to Building 2: (j) for so long as Tenant (or a Permitted Transferee) is leasing and occupying at least fifty thousand (50,000) rentable square feet of the Building 2 Premises, the exclusive right to exterior signage on Building 2; (k) for so long as Tenant (or a Permitted Transferee) is leasing and occupying less than all of the Building 2 Premises leased by Tenant on the date of this Lease, but at least the sum of all of the rentable area of one (1) full floor and at least half of the rentable area on another floor of Building 2, the non-exclusive right to exterior signage on Building 2; and (l) if at any time Tenant (or a Permitted Transferee) is leasing and occupying less than the rentable area of Building 2 set forth in (k) immediately above, then Tenant shall have no right to exterior signage on Building 2.

(B) For so long as Tenant (or a Permitted Transferee) is leasing and occupying at least all of the rentable square footage on a full floor of Building 2, Tenant shall have the non-exclusive right to install reasonable identification signage in the main lobby and elevator lobby of Building 2: For so long as Tenant (or a Permitted Transferee) is leasing and occupying all of the rentable square footage in Building 1, (i) Tenant shall, subject to Landlord's right to install and maintain signage required by law or regulation, have the exclusive (i.e., exclusive as to any other tenant of the Building) right to install reasonable identification signage in the main lobby and elevator lobby of Building 1, and (ii) Landlord will not unreasonably, withhold condition or delay approval of Tenant's signage in the main lobby and elevator lobby of Building 1. If at any time Tenant (or a Permitted Transferee) is leasing and occupying less than all of the rentable square footage in Building 1, then (a) Tenant shall, at Tenant's sole cost and expense, promptly remove all signage, decorations or finishes installed, erected or maintained by Tenant in the main lobby and elevator lobby, and return the same to building standard finishes and decorations as reasonably determined by Landlord, and (b) thereafter provided Tenant (or a Permitted Transferee) is

leasing and occupying at least all of the rentable square footage on a full floor of Building 1, Tenant shall have the non-exclusive right to install reasonable identification signage in the main lobby and elevator lobby of Building 1.

(C) All signs shall be in a size, design and location reasonably approved by Landlord, and provided that all such signs are in accordance with any applicable state or local building code or zoning regulations and that, in the event that any of Tenant's exterior signs shall be illuminated, Tenant shall, at Tenant's sole cost and expense, install a meter to separately monitor the electricity consumption for such signs and shall be responsible for cost of the electricity required to illuminate such signs. Landlord hereby approves the size, design and location of the signs shown on Exhibit Q attached hereto; provided, however, that if Exhibit Q is not attached to this Lease, such failure of approval is not a default by Landlord and solely means that Tenant failed to provide sketches of its proposed signage as of the date of this Lease. No other sign, advertisement or notice referring to Tenant shall be inscribed, painted, affixed or otherwise displayed on any part of the exterior or the interior of the Buildings except on the directories and doors of offices and such other areas as are designated by Landlord, and then only in such place, number, size, color and style as are reasonably approved by Landlord and are in accordance with any applicable state or local building code or zoning regulations. All of Tenant's signs that are approved by Landlord, other than building standard interior signage, shall, at Landlord's election, be installed by Landlord at Tenant's sole cost and expense. All of Tenant's signs that are approved by Landlord shall be removed by Tenant at Tenant's sole cost and expense upon the expiration or earlier termination of the Term (or, with respect to the termination of the Lease with respect to applicable space in one Building, removed from that Building) (and Tenant shall repair any damage to the Buildings or the Premises caused by such removal). Landlord's approval of any sign pursuant to the terms of this Section 25(dd), may include, but will not be limited to reasonable approval of the method of attachment, design, appearance, illumination, any installation contractor and its insurance (if applicable), and size. If any sign, advertisement or notice that has not been approved by Landlord is exhibited or installed by Tenant, then, if either the Lease Term has expired or Tenant fails to remove the same within five (5) business days after receiving written notice from Landlord, Landlord shall have the right to remove the same at Tenant's expense. Landlord shall, at Tenant's cost, provide building standard suite entry signage identifying Tenant in a location designated by Landlord and in such place, number, size, color and style as are reasonably approved by Landlord, and Landlord also shall list Tenant's name in the Buildings' lobbies' directories based on the proportionate share of the Building 1 Premises or the Building 2 Premises, as applicable, to the rentable square footage in each of the Buildings, respectively. If Tenant requests Landlord to change the names on such directories, then Tenant shall reimburse Landlord for all out-of-pocket third-party costs incurred by Landlord therefor. Landlord's acceptance of any name for listing on the Buildings' directories will not be deemed, nor will it substitute for, Landlord's consent, as required by this Lease, to any sublease, assignment or other occupancy of the Premises. Landlord shall have the right to prohibit any advertisement of or by Tenant which in its opinion tends to impair the reputation of the Buildings or their desirability as office buildings, and upon notice from Landlord, Tenant shall immediately refrain from and discontinue any such advertisement, except as expressly set forth to the contrary in this Lease (including the terms of Section 29). Landlord reserves the right to affix, install and display signs, advertisements and notices on any part of the exterior or interior of the Buildings but not in the Premises (except as maybe required by law or in emergency situations). Notwithstanding anything to the contrary in this Section, (i) to the extent Tenant has exterior signage rights, Tenant shall only have the right to install one (1) exterior sign on a particular Building, and (ii) in the event that Tenant terminates or assigns its interest in this Lease with respect to, or sublets, any portion of the leased Premises such that Tenant does not qualify for exclusive or non-exclusive exterior signage rights hereunder, Tenant's exterior identification signage rights set forth in this Section with respect to such Building shall immediately and automatically terminate or be reduced, as applicable, and Tenant, at its sole cost and expense, shall remove or reduce, as applicable, all such exterior identification signs bearing Tenant's name (and Tenant shall repair any damage to such Building caused by such removal).

The provisions of this Section 25(dd) are personal to Ciena Corporation and any Permitted Transferee that has assumed in writing all of Ciena Corporation's obligations under this Lease in its entirety, and may be exercised only by Ciena Corporation and such Permitted Transferee and not by any assignee or other subtenant of Ciena Corporation. For the purpose of this Section 25(dd), "exclusive" means that only Tenant and not any other tenant of a Building will have exterior signage rights (but shall not limit Landlord's right to install reasonable signage (e.g., directional or informational signage)).

(ee) **Time of the Essence.** Time is and shall be of the essence with respect to all obligations set forth in this Lease and its Exhibits

(ff) **Waiver of Consequential Damages**. Landlord and Tenant hereby forever waive all rights to consequential damages arising in connection with the provisions of this Lease, except as expressly set forth in Section 22 above.

26. Termination Option.

(a) **Termination Right**. Subject to the provisions of this Section 26, Tenant shall have the onetime right, exercisable at its option, to terminate this Lease with respect to all or a portion of the leased Premises (the "**Terminated Space**") effective at any time after the tenth (10th) full Lease Year (the "**Termination Option Termination Date**"); provided, however, if at any time, Tenant elects to renew the term of this Lease in accordance with the terms of this Lease, then the termination option granted by the terms of this Section 26 will automatically terminate and be of no further force and effect.

(b) **Termination Notice and Payment**. Tenant may only exercise its right of termination under this Section 26 by (i) giving Landlord an irrevocable notice of termination at least eighteen (18) months prior to the Termination Option Termination Date (the "**Termination Notice**") and (ii) paying to Landlord, within one (1) calendar month following the date it delivers its Termination Notice to Landlord, a termination payment in the amount of Eight Million Five Hundred Thousand Dollars (\$8,500,000.00) if Tenant shall be terminating the entire Lease for the entire Premises (the "**Termination Payment**"). If Tenant shall be terminating for less than the entire Premises, then the Termination Payment, shall be multiplied by a fraction, the numerator of which is the rentable square footage of space then being terminated and the denominator of which is the total rentable square footage of the initial Premises. The Termination Notice shall specify (in detail) the portion of the Premises that Tenant is terminating if such portion is less than all of the Premises and the date of termination (which shall not be later than twenty-four (24) months following the date of the Termination Notice.

(c) **Invalid Notice or Payment**. If the Termination Notice is not given timely or if the Termination Payment is not made timely to Landlord (for which no notice and cure period will apply, notwithstanding anything to the contrary), Tenant's right of termination shall be of no force or effect and this Lease shall continue through the full Lease Term. If the Termination Notice is given timely and the Termination Payment is made timely, this Lease (or this Lease with respect to the applicable portion of the Premises) shall terminate on the effective date set forth in the Termination Notice. '

(d) **Terminated Space**. In the event Tenant elects to terminate less than all of the leased Premises in any Building, Tenant must (i) pay actual out-of-pocket costs of construction of all necessary demising walls (which walls shall be constructed by Landlord), (ii) continue to lease and occupy contiguous portions of the leased Premises in such Building (including contiguous floors, as applicable), and (iii) the Terminated Space must be of a size and layout to allow Landlord to reasonably re-lease such Terminated Space to a third party upon Tenant's vacation of the Terminated Space as mutually and reasonably agreed upon by Landlord and Tenant (and in no event will Tenant have the right to occupy less than half (1/2) of the rentable area on any floor partially occupied by Tenant, unless such occupancy is contemplated at initial occupancy of the Premises, and in no event will Tenant partially occupy more than one (1) floor, in any Building unless such partial occupancy is contemplated at initial occupancy, of the Premises). In no event may Tenant terminate this Lease with respect to any portion of the leased Building 1 Premises if Tenant continues to lease any portion of the Building 2 Premises. ,

(e) **Ongoing Liability**. Notwithstanding anything to the contrary in this Section 26, Tenant and Landlord shall remain liable for any payments which may become due under the Lease which relate to costs or expenses prior to the effective date of termination of this Lease.

(f) **Personal Right**. The provisions of this Section 26 are personal to Ciena Corporation and any Permitted Transferee that has assumed in writing all of Ciena Corporation's obligations under this Lease in its entirety, and may be exercised only by Ciena Corporation and such Permitted Transferee and not by any other assignee or other subtenant of Ciena Corporation.

27. Generators.

(a) **Right to Use**. Subject to the reasonable satisfaction of all of the conditions set forth in this Section 27, Tenant shall have the right to install in, on or around Building 2 and Building 1, and use throughout the Lease Term (including any extensions thereof) two (2) generators, one (1) for each Building, and a fuel storage system and infrastructure associated therewith and additional transformer(s) for back-up and enhanced power supply to the Premises (collectively, the "**Generators**") for use in connection with Tenant's business in the Premises. In no event will the Generators be installed on the roof of a Building. Notwithstanding anything in this Section 27 to the contrary, Tenant shall not be permitted to install the Generators unless (i) Tenant's Generators shall not interfere with any other equipment of any other current tenant(s) in the Buildings installed as of the date of this Lease, (ii) such Generators conform to the specifications and requirements set forth in the drawings and specifications prepared by a licensed professional (the "**Generator Drawings**"), which Generator Drawings shall be subject to the prior written approval of Landlord, which approval shall not be unreasonably withheld, -conditioned or delayed, (iii) Landlord approves, which approval shall not be unreasonably conditioned, withheld or delayed, the size, capacity, power, location and proposed placement and method of installation of such Generators, and (iv) Tenant obtains, at its sole cost and expense, and provides copies to Landlord of all necessary governmental permits and approvals, including, without limitation, special exception permits, if applicable, for the installation of the Generators (and any applicable fuel source). In addition, Tenant shall not be permitted to install the Generators unless (x) Landlord approves, in writing, any effect on the Buildings' Structure or Buildings' Systems or any such structural alteration, which approval shall not be unreasonably withheld, conditioned or delayed, and (y) Tenant pays the cost of any structural support or alterations necessary to secure the Generators in, on or around the Buildings. The Generators shall be installed by a contractor reasonably acceptable to both Landlord and Tenant and thereafter shall be properly maintained by Tenant, all at Tenant's sole expense. On or prior to the expiration or earlier termination of the Lease Term, the Generators (and any applicable fuel source) shall be removed from the Buildings at Tenant's sole cost and expense and that portion of each of the Buildings that has been affected by the Generators shall be returned to substantially the condition it was in prior to the installation of the Generators. In addition, if at any time Tenant is not leasing space in one (1) Building, but is leasing space in another Building, then prior to Tenant not leasing space in the applicable Building, the Generator (and any applicable fuel source) shall be removed from such Building at Tenant's sole cost and expense and that portion of each of the Buildings that has been affected by the Generator shall be returned to the condition it was in prior to the installation of the Generator. Tenant shall pay all subscription fees, usage charges and hookup and disconnection fees associated with Tenant's use of the Generators and Landlord shall have no liability therefor. All of the provisions of this Lease, including, without limitation, the insurance, maintenance, repair, release and indemnification provisions shall apply and be applicable to Tenant's installation, operation, maintenance and removal of the Generators.

(b) **No Modification; Indemnification**. Except as shown on the Generator Drawings, as reasonably approved by Landlord, Tenant shall not make any modification to the design, structure Or systems of the Buildings or Complex, required in connection with the installation of the Generators (and any applicable fuel source) without Landlord's prior written approval of such modification and the plans therefor, which approval shall not be unreasonably withheld, conditioned or delayed. Tenant agrees that, in addition to any indemnification provided Landlord in this Lease, Tenant shall indemnify and shall hold Landlord and Landlord's managing agent, and their employees, shareholders, partners, officers and directors, harmless from and against all costs, damages, claims, liabilities and expenses (including attorneys' fees and any costs of litigation) suffered by or claimed against Landlord, directly or indirectly, based on, arising out of or resulting from Tenant's use of the Generators and/or the conduits to connect the Premises to the Generators. In addition, Tenant shall be liable to Landlord for any actual damages suffered by Landlord for any cessation or shortages of electrical power or any other systems failure arising from Tenant's use of the conduits to connect the Premises to the Generators.

(c) **Permits**. Tenant, at its sole cost and expense, shall secure all necessary permits and approvals from all applicable governmental agencies with respect to the size, placement and installation of the Generators. In the event Tenant is unable to obtain the necessary approvals and permits from any applicable party, including federal, state, county or other local governing authorities for the Generators, Tenant shall have no remedy, claim, cause of action or recourse against Landlord, nor shall such failure or inability to obtain any necessary permits or approvals provide Tenant the opportunity to terminate this Lease.

(d) **Suitability**. Landlord makes no representations or warranties concerning the suitability of the Buildings for the installation, operation, maintenance and repair of the Generators, Tenant having satisfied itself

concerning such matters. Tenant's access to the Generators shall be subject to reasonable rules and regulations relating thereto established from time to time by Landlord.

(e) **Legality**. By granting Tenant the rights under this Section, Landlord makes no representation as to the legality of such Generators or their installation. In the event that any federal, state, county, regulatory or other authority requires the removal or relocation of such Generators, Tenant shall remove or relocate the same at Tenant's sole cost and expense, and Landlord shall under no circumstances be liable to Tenant therefor.

(f) **Use**. The Generators may be used by Tenant only in the conduct of Tenant's customary business in the Premises and shall not be made available by Tenant for use by any other tenant(s) in either of the Buildings. No assignee or subtenant (other than a Permitted Transferee) or any other tenant in either of the Buildings shall have any rights pursuant to this Section 27. Tenant shall have the right to test and/or exercise the Generators one (1) time each calendar month of the Term, provided that such testing and/or exercising shall be completed outside of business hours.

(g) **Insurance**. Tenant shall maintain such insurance as is appropriate with respect to the installation, operation and maintenance of the Generators. Landlord shall have no liability on account of any damage to or interference with the operation of the Generators except for physical damage caused by Landlord's gross negligence or willful misconduct. The operation of the Generators shall be at Tenant's sole and absolute risk, Landlord making no representations or warranties about the suitability of the use of such Generators.

(h) **Termination**. Notwithstanding anything to the contrary in this Section, if Tenant installs one (1) Generator at one (1) Building and then in the event that Tenant terminates this Lease for the Building 2 Premises but not for all of the Building 1 Premises, or vice-versa and the one (1) original Generator is then installed at the Building for which the Lease was terminated, then Tenant's Generator rights set forth in this Section shall continue to apply as to the Building 1 Premises or the Building 2 Premises, as applicable. If the Lease terminates, Tenant, at its sole cost and expense, shall remove the Generator and the fuel storage system and any other infrastructure associated therewith as installed by Tenant or Tenant's representatives and Tenant shall repair any damage to the applicable Building or the Complex caused by such removal.

(i) **Personal Right**. The provisions of this Section 27 are personal to Ciena Corporation and any Permitted Transferee that has assumed in writing all of Ciena Corporation's obligations under this Lease in its entirety, and may be exercised only by Ciena Corporation and such Permitted Transferee and not by any other assignee or other subtenant of Ciena Corporation. Except as expressly set forth to the contrary, Landlord and Tenant agree that Tenant's rights under the terms of this Section 27 with respect to the "Buildings" and the "Generators" applies to both "Buildings" and both "Generators" so long as Tenant is leasing space in both Buildings, but if Tenant is only leasing space in one (1) Building, then "Buildings" hereunder is deemed to mean the one (1) specific Building in which Tenant is leasing space and the one (1) Generator associated with such individual Building.

28. Waiver of Jury Trial . LANDLORD AND TENANT AGREE THAT ANY SUDT, ACTION, OR PROCEEDING, WHETHER CLAIM OR COUNTERCLAIM, BROUGHT OR INSTITUTED BY LANDLORD, TENANT, OR ANY OF THEIR RESPECTIVE SUCCESSORS OR ASSIGNS ON OR WITH RESPECT TO THIS LEASE, OR WHICH IN ANY WAY RELATES, DIRECTLY OR INDIRECTLY, TO THE OBLIGATIONS OF TENANT TO LANDLORD UNDER THIS LEASE, OR THE DEALINGS OF THE PARTIES WITH RESPECT THERETO, INCLUDING BUT NOT LIMITED TO (a) THE RELATIONSHIP OF LANDLORD AND TENANT, (b) TENANT'S USE OR OCCUPANCY OF THE PREMISES, AND/OR (c) ANY CLAIM OF INJURY OR DAMAGE AND ANY STATUTORY REMEDY RELATED THERETO, SHALL BE TRIED ONLY BY A COURT AND NOT BY A JURY. LANDLORD AND TENANT HEREBY EXPRESSLY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH SUIT, ACTION, OR PROCEEDING. LANDLORD AND TENANT ACKNOWLEDGE AND AGREE THAT THIS PROVISION IS A SPECIFIC AND MATERIAL ASPECT OF THE AGREEMENT BETWEEN THE PARTIES AND THAT LANDLORD WOULD NOT ENTER INTO THE TRANSACTION WITH TENANT IF THIS PROVISION WERE NOT PART OF THEIR AGREEMENT. NOTHING HEREIN CONTAINED SHALL BE INTERPRETED AS DENYING EITHER LANDLORD OR TENANT THE RIGHT TO A FAIR TRIAL. LANDLORD AND TENANT EXPRESSLY DISCLAIM ANY IMPLIED WARRANTY THAT THE PREMISES ARE SUITABLE FOR TENANT'S INTENDED COMMERCIAL

PURPOSE, AND TENANT'S OBLIGATION TO PAY RENT HEREUNDER IS NOT DEPENDENT UPON THE CONDITION OF THE PREMISES OR THE PERFORMANCE BY LANDLORD OF ITS OBLIGATIONS HEREUNDER, AND, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN, TENANT SHALL CONTINUE TO PAY THE RENT, WITHOUT ABATEMENT, DEMAND, SETOFF OR DEDUCTION, NOTWITHSTANDING ANY BREACH BY LANDLORD OF ITS DUTIES OR OBLIGATIONS HEREUNDER, WHETHER EXPRESS OR IMPLIED.

29. Competitors.

(a) **Signage & Sale.** For so long as Tenant (or a Permitted Transferee) (x) has exterior signage rights under Section 25(dd) for both Building 1 and Building 2, or (y) Tenant (or a Permitted Transferee) is leasing and occupying at least 50,000 rentable square feet in the aggregate in the Buildings, Landlord shall neither (i) grant exterior signage rights to, nor (ii) sell either of Building 1 or Building 2, to any of the parties then-named on Exhibit N (as such parties on Exhibit N are updated from time to time as set forth in this Section 29) (the "**Competitors**").

(b) **Leasing.** For so long as Tenant (or a Permitted Transferee) leases and occupies at least all of the rentable square footage in Building 1, Landlord shall not lease any rentable square footage in the Complex to any of the Competitors.

(c) **Named Competitors.** Tenant shall have the right to request, provided that such request shall not be made more than one (1) time in any calendar year to update the list of Competitors on Exhibit N that Tenant identifies in good faith as direct competitors of Tenant's business. Any such request to update such list of Competitors shall be made in writing by Tenant to Landlord and shall include Tenant's proposed good faith revised list of Competitors (i.e., the complete list, such that upon approval (or deemed approval) of the same in accordance with the terms of this Section 29, the prior existing Exhibit N will be superseded by the newly approved list of Competitors). In no event will the list of Competitors exceed twenty (20) named parties. For the purpose of this Section 29, the list of Competitors identified on Exhibit N from time to time shall be deemed to be only (i) the named specified party, and (ii) any majority owned subsidiary of such named specified party with substantially the same name as such specified party, and (except as set forth in subpart (ii) of this sentence) shall not be deemed or construed to apply to any affiliate, subsidiary or party related to such named party (unless such affiliate, subsidiary or party related to such named party is specifically listed on Exhibit N). Landlord shall have ten (10) business days to review and approve such new list of Competitors proposed by Tenant, such approval not to be unreasonably withheld, conditioned or delayed. Until Landlord's approval or deemed approval of any such new list of proposed Competitors, only the parties then specified on Exhibit N will be "Competitors" for the purpose of this Lease. If Landlord, fails to approve or disapprove of Tenant's request to update the list of Competitors within such ten (10) business day period, Tenant shall send, Within five (5) business days after the expiration of such ten (10) business day period, to Landlord a second such notice, prominently including the words "THIS IS A SECOND NOTICE AND REQUEST FOR APPROVAL; FAILURE TO RESPOND WILL RESULT IN DEEMED APPROVAL" in all capital letters and bold font, and if Landlord shall fail to object in writing to Tenant's request to update the list of Competitors within five (5) business days after Landlord's receipt of Tenant's second such notice, Landlord shall be deemed to have approved of Tenant's proposed updated list of Competitors. In addition to Tenant's right to update the list of Competitors from time to time herein, Landlord shall have an identical right to request Tenant's approval to remove any then-named competitor on Exhibit N that has expressed an interest in writing (which may be in the form of an email) (or has made a written inquiry [including a written inquiry through a broker], either of which written inquiries may be in the form of an email), or intends to lease or sublease space, in the Complex and Landlord believes in good faith may no longer be a competitor of Tenant. Tenant shall review and approve, such approval not to be unreasonably withheld, conditioned or delayed, any such request by Landlord in the same manner and under the same terms of this Section 29 as if Tenant was "Landlord" hereunder. Upon the approval or deemed approval of any modification of the list of Competitors specified on Exhibit N, then such modified list shall be deemed to be the "Competitors" hereunder, and upon the request of Landlord or Tenant, the parties shall promptly execute an amendment to this Lease specifying the list of Competitors.

(d) **Grandfather.** Notwithstanding anything in this Section 29 to the contrary, (i) if Landlord is then-negotiating (but has not entered into a lease) with a party to lease space in the Complex (that was not a then named Competitor specified on Exhibit N but through the update of Exhibit N then becomes a Competitor in

accordance with the terms of this Section 29, Landlord shall not be entitled to lease space to such party; (ii) if Landlord has leased space to a party in the Complex (that was not a then-named Competitor specified on Exhibit N at the time such party leased space in the Complex), but later becomes a Competitor (x) in accordance with the terms of this Section 29, (y) through a merger, sale or similar transaction, and/or (z) by virtue of a sublease, assignment or similar transfer, then (1) nothing herein will be deemed or construed to prohibit such party from occupying such space in the Complex, (2) Landlord shall not be required to remove or terminate any such party from its occupancy in the Complex, (3) nothing will prohibit Landlord from permitting such party to expand its presence in the Complex (e.g., lease more space in the Complex) provided any such expansion right in the Complex was contained in the lease with such party before it became a Competitor hereunder, and (4) nothing will prohibit Landlord from renewing the term of the lease with such party, even if such renewal right was not contained in such party's lease before it became a Competitor; or (iii) Landlord shall not approve any sublease, assignment or similar transaction for which Landlord has the right of approval (including reasonable approval) if the result of such consent would be that a Competitor then-identified on Exhibit N would occupy the Complex, unless such Competitor identified on Exhibit N shall be removed from Exhibit N in accordance with the terms of Subsection (c) of this Section 29.

(e) **Merger of Competitor**. To the extent any of the then-listed Competitors on Exhibit N merges with or is taken over by another entity, is subsumed or otherwise changes its name, such successor entity shall be deemed a Competitor in the stead of such previously named and specified Competitor (and the previously named party will no longer be a Competitor). If Tenant has actual knowledge of such an event, Tenant shall endeavor to provide written notice of any such indirect change in the list of Competitors from time to time as applicable to Landlord.

(f) **Personal Right**. The provisions of this Section 29 are personal to Ciena Corporation and any Permitted Transferee that has assumed in writing all of Ciena Corporation's obligations under this Lease in its entirety, and may be exercised only by Ciena Corporation and such Permitted Transferee and not by any other assignee or other subtenant of Ciena Corporation.

30. Landlord Default. Prior to exercising any right or remedy Tenant may have against Landlord as a result of a default by Landlord, Tenant shall deliver Landlord written notice of such default.

[signatures appear on following page]

This Lease is executed on the respective dates set forth below, but for reference purposes, this Lease shall be dated as of the date first above written. If the execution date is left blank, this Lease shall be deemed executed as of the date first written above.

LANDLORD:

W2007 RDG REALITY, L.L.C., a Delaware limited liability company

By: /s/ Robert Milkovich
Name: Robert Milkovich
Title: Authorized Signatory
Execution Date: November 3, 2011

TENANT:






CIENA CORPORATION, a Delaware Corporation

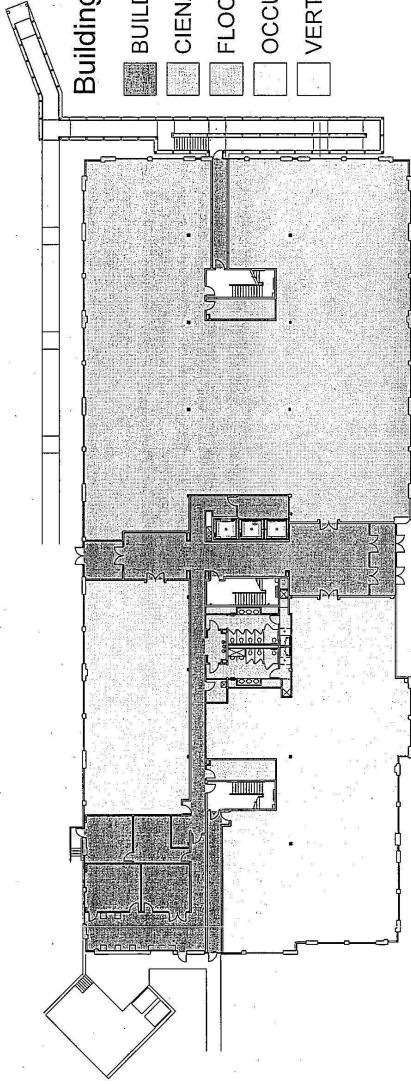
By: /s/ James E. Moylan, Jr.
Name: James E. Moylan, Jr.
Title: C.F.O.
Execution Date: November 3, 2011

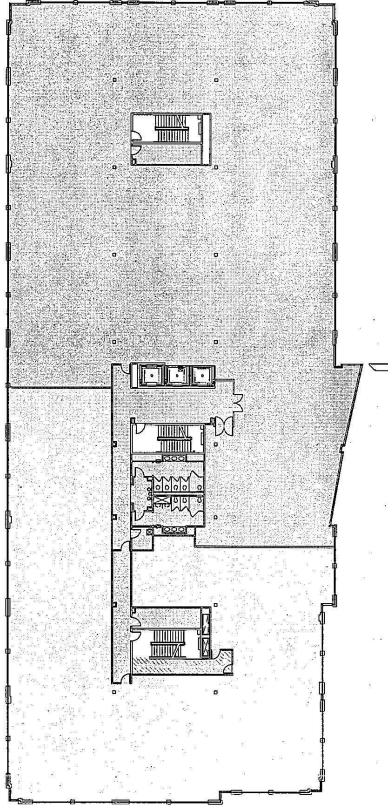
EXHIBIT A
OUTLINE OF PREMISES

A - 1

Building Area Legend

-  BUILDING COMMON AREA
-  CIENA AREA
-  FLOOR COMMON AREA
-  OCCUPANT AREA
-  VERTICAL PENETRATION






Building Area Legend

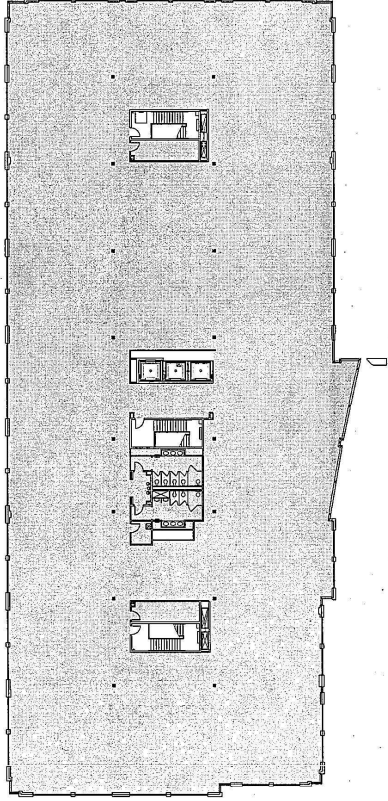
-  CIENA AREA
-  FLOOR COMMON AREA
-  OCCUPANT AREA
-  VERTICAL PENETRATION



C:\Users\brainer\Documents\Building 2 CEN0111-Central_BTrainer.rvt

Building Area Legend

-  CIENA AREA
-  FLOOR COMMON AREA
-  VERTICAL PENETRATION

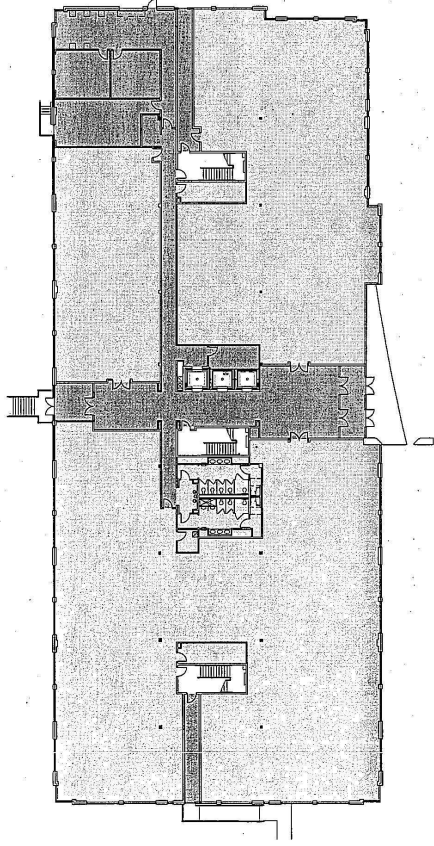


BHDP	702 STATION RIDGE HEADQUARTERS DUNFRIES, MARYLAND	70511 POWA	REVISED 12/07/11	L3
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Building Area Legend

-  BUILDING COMMON AREA
-  CIENA AREA
-  FLOOR COMMON AREA
-  VERTICAL PENETRATION

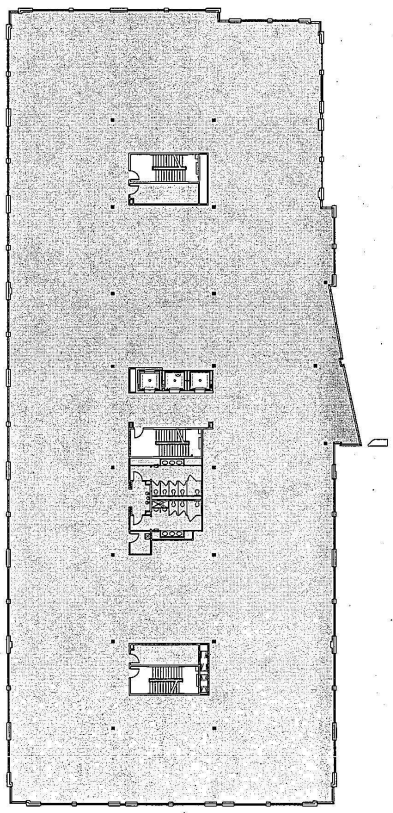


																														
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BHDP
© 2008 BHDP
700 BRIDGE ROAD
HEADQUARTERS
HANGOVER WARELAND 21078
005 300VA
005 300VA
LI

Building Area Legend

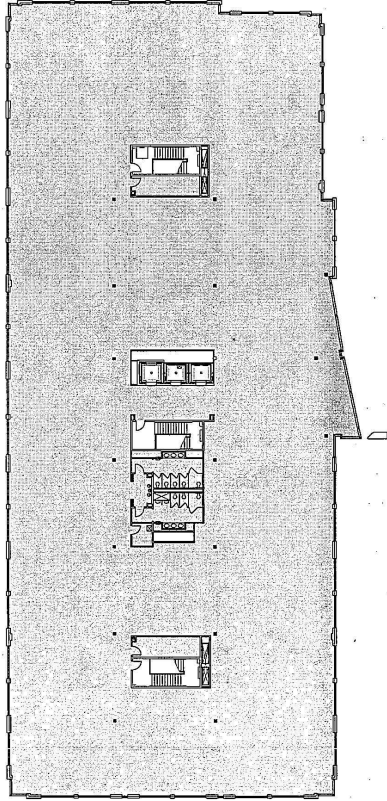
-  CIENA AREA
-  FLOOR COMMON AREA
-  VERTICAL PENETRATION



								
BMDP	0036 RIDGE ROAD HEADQUARTERS HANOVER, MA 01775	0036 1075	0036 1075	0036 1075	0036 1075	0036 1075	0036 1075	L2
<small>C:\Users\hshah\Documents\Building CEN01 Corridor_3 Floorplan</small>								

Building Area Legend

-  CIENA AREA
-  FLOOR COMMON AREA
-  VERTICAL PENETRATION



BNDP	705 BRIDGE ROAD HEADQUARTERS EVANSTON, ILLINOIS 60119	705 BRIDGE ROAD EVANSTON, ILLINOIS 60119	705 BRIDGE ROAD EVANSTON, ILLINOIS 60119	705 BRIDGE ROAD EVANSTON, ILLINOIS 60119
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C:\Users\BNDP\Documents\Building 1_CENA\1_Cena_3\Floor 01

EXHIBIT A-I

Building 1 Data Center Space is certain space in Building 1 that will be located on the first floor of Building 1 and contain approximately 3,000 rentable square feet.

Building 1 Lab Space is certain space in Building 1 that will be located on the first floor of Building 1 and contain approximately 10,000 rentable square feet.

Building 2 Lab Space is certain space in Building 2 that will be (i) located on the first floor of Building 2 and contain approximately 12,000 rentable square feet, and (ii) located on the second floor of Building 2 and contain approximately 2,000 rentable square feet.

EXHIBIT B

DESCRIPTION OF THE LAND

All those certain lots or parcels of land, together with the improvements thereon and appurtenances thereunto belonging, lying and being situate in Anne Arundel County, Maryland, and being more particularly described as follows:

BEING KNOWN AND DESIGNATED as Lots numbered 1 and 2 as shown on the plats entitled "Plat 1 of 2 STATION RIDGE" and "Plat 2 of 2 STATION RIDGE," which plats are recorded in Plat Book 298 at Pages 2 and 3 among the Land Records of Anne Arundel County, Maryland. LESS AND EXCEPT that certain 100-year floodplain granted in fee simple from W2007 RDG Realty, L.L.C., a Delaware limited liability company, to Anne Arundel County, Maryland, by Deed dated September 15, 2008, and recorded September 26, 2008, in Liber 20430 at folio 252, among the aforesaid Land Records.

And commonly referred to as Tax Map Nos. 05-000-03642800 and 05-000-90231702

EXHIBIT C

RULES AND REGULATIONS OF THE BUILDINGS

The following rules and regulations shall apply to the Premises, the Buildings, the parking areas associated therewith, and the appurtenances thereto:

1. Sidewalks, doorways, vestibules, halls, stairways, and other similar areas shall not be obstructed by tenants or used by any tenant for purposes other than ingress and egress to and from their respective leased premises and for going from one to another part of each of the Buildings.
2. Plumbing, fixtures and appliances shall be used only for the purposes for which designed, and no sweepings, rubbish, rags or other unsuitable material shall be thrown or deposited therein. Damage resulting to any such fixtures or appliances from misuse by a tenant or its agents, employees or invitees, shall be paid by such tenant.
3. No nails, hooks or screws (other than those which are necessary to hang paintings, prints, pictures, or other similar items on the Premises' interior walls) shall be driven or inserted in any part of the Buildings except by the Buildings' maintenance personnel. No curtains or other window treatments shall be placed between the glass and the Buildings' standard window treatments.
4. Landlord shall provide and maintain an alphabetical directory for all tenants in the main lobby of each of the Buildings.
5. Landlord shall provide all door locks in each tenant's leased premises, at the cost of such tenant, and no tenant shall place any additional door locks in its leased premises without Landlord's prior written consent. Landlord shall furnish to each tenant a reasonable number of keys to such tenant's leased premises, at such tenant's cost, and no tenant shall make a duplicate thereof.
6. Movement in or out of the Buildings of furniture or office equipment, or dispatch or receipt by tenants of any bulky material, merchandise or materials which require use of elevators or stairways, or movement through the Buildings' entrances or lobby shall be conducted in such a manner as Landlord may reasonably require. Each tenant assumes all risks of and shall be liable for all damage to articles moved and injury to persons or public engaged or not engaged in such movement, including equipment, property and personnel of Landlord if damaged or injured as a result of acts in connection with carrying out this service for such tenant.
7. Except as expressly provided otherwise in the Lease, Landlord may prescribe weight limitations and determine the locations for safes and other heavy equipment or items, which shall in all cases be placed in the Buildings so as to distribute weight in a manner acceptable to Landlord which may include the use of such supporting devices as Landlord may require. All damages to the Buildings caused by the installation or removal of any property of a tenant, or done by a tenant's property while in the Buildings, shall be repaired at the expense of such tenant.
8. Corridor doors, when not in use, shall be kept closed. Nothing shall be swept or thrown into the corridors, halls, elevator shafts or stairways. No birds or animals (other than seeing-eye dogs and service animals) shall be brought into or kept in, on or about any tenant's leased premises. No portion of any tenant's leased premises shall at any time be used or occupied as sleeping or lodging quarters.
9. Tenant shall cooperate with Landlord's employees in keeping its leased premises neat and clean. Except as otherwise permitted by the Lease, Tenant shall not employ any person for the purpose of such cleaning other than the Buildings' cleaning and maintenance personnel.
10. To ensure orderly operation of the Buildings, no ice, mineral or other water, towels, newspapers, etc. shall be delivered to any leased area except by persons approved by Landlord.

11. Tenant shall not make or permit any vibration or improper, objectionable or unpleasant noises or odors in the Buildings or otherwise interfere in any way with other tenants or persons having business with them.
12. Except as expressly permitted under the Lease, no machinery of any kind (other than normal office equipment, customer demonstration equipment, supplemental air conditioning equipment, and other equipment appropriate to the Permitted Use from time to time) shall be operated by any tenant on its leased area without Landlord's prior written consent, nor shall any tenant use or keep in the Buildings any flammable or explosive fluid or substance (other than typical office supplies [e.g., photocopier toner] used in compliance with all Laws).
13. Landlord will not be responsible for lost or stolen personal property, money or jewelry from tenant's leased premises or public or common areas regardless of whether such loss occurs when the area is locked against entry or not.
14. No vending or dispensing machines of any kind may be maintained in any leased premises without the prior written permission of Landlord, which permission shall not be unreasonably withheld, conditioned or delayed.
15. Tenant shall not conduct any activity on or about the Premises or Buildings which will draw pickets, demonstrators, or the like.
16. All vehicles are to be currently licensed, in good operating condition, parked for business purposes having to do with Tenant's business operated in the Premises, parked within designated parking spaces, one vehicle to each space. No vehicle shall be parked as a "billboard" vehicle in the parking lot. Any vehicle parked improperly may be towed away. Tenant, Tenant's agents, employees, vendors and customers who do not operate or park their vehicles as required shall subject the vehicle to being towed at the expense of the owner or driver. Landlord may place a "boot" on the vehicle to immobilize it and may levy a charge of \$50.00 to remove the "boot." Tenant shall indemnify, hold and save harmless Landlord of any liability arising from the towing or booting of any vehicles belonging to a Tenant Party.
17. No tenant may enter into phone rooms, electrical rooms, mechanical rooms, or other service areas of the Buildings unless accompanied by Landlord or the Buildings' manager.
18. Tenant will not permit any Tenant Party to bring onto the Complex any handgun, firearm or other weapons of any kind, illegal drugs or alcoholic beverages in containers of more than one (1) gallon.
19. Tenant shall not permit its employees, invitees or guests to smoke in the Premises or the lobbies, passages, corridors, elevators, vending rooms, rest rooms, stairways or any other area shared in common with other tenants in the Buildings, or permit its employees, invitees, or guests to loiter at the Buildings' entrances for the purposes of smoking. Landlord may, but shall not be required to, designate an area for smoking outside of one or more of the Buildings, in which case smoking shall only be permitted in such designated area.

In the event of any conflict with the provisions of the Lease, the Lease shall control. .

EXHIBIT D

TENANT FINISH-WORK: ALLOWANCE FOR BUILDING 1 PREMISES

1. **Acceptance of Premises** . Except as set forth in this Exhibit D (and subject to Landlord's obligation to complete the Work (as defined in this Exhibit D.) according to the terms of this Exhibit D), Tenant accepts the Building 1 Premises in their "as-is" condition on the date that this Lease is entered into. For the purpose of this Exhibit D (except as expressly set forth to the contrary), all references to the Premises, Building, Building Structure, Building Systems, and similar terms shall be deemed to apply only to Building 1.

2. **Space Plans** .

(a) **Preparation and Delivery** . Tenant shall engage the Architect (defined below) and enter into a contract therewith for the preparation of the Space Plans (defined below). Accordingly, the preparation and completion (and any subsequent modification thereof) of the Space Plans will be Tenant's sole responsibility. On or before November 28, 2011 (the "**Space Plans Delivery Deadline**"), Tenant shall deliver to Landlord a 100% complete space plan for the Building 1 Premises prepared by Baxter Hodell Donnelly Preston, Inc., d/b/a BHDP Architecture or another design consultant reasonably acceptable to Landlord (the "**Architect**") depicting improvements to be installed in the Building 1 Premises (the "**Space Plans**"). The Space Plans Delivery Deadline shall not be extended for force majeure events.

(b) **Approval Process** . Landlord shall notify Tenant whether it approves of the submitted Space Plans within five (5) business days after Tenant's submission thereof. If Landlord disapproves of such Space Plans, then Landlord shall notify Tenant thereof specifying in reasonable detail the reasons for such disapproval, in which case Tenant shall, within three (3) business days after such notice, revise such Space Plans in accordance with Landlord's objections and submit to Landlord for its review and approval. Landlord shall notify Tenant in writing whether it approves of the resubmitted Space Plans within three (3) business days after its receipt thereof. This process shall be repeated until the Space Plans have been finally approved by Landlord and Tenant. If Landlord fails to notify Tenant that it disapproves of the initial Space Plans within five (5) business days (or, in the case of resubmitted Space Plans, within three (3) business days) after the submission thereof, then Landlord shall be deemed to have approved the Space Plans in question.

3. **Working Drawings** .

(a) **Preparation and Delivery** . Tenant shall engage the Architect and enter into a contract therewith for the preparation of the Working Drawings (defined below). Accordingly, the preparation and completion (and any subsequent modification thereof) of the Working Drawings will be Tenant's sole responsibility. On or before January 2, 2012 (the "**Working Drawings Delivery Deadline**"), Tenant shall provide to Landlord for its approval final working drawings, prepared by the Architect, of all improvements that Tenant proposes to be installed in the Building 1 Premises (the "**Tenant Improvements**" or "**Building 1 Tenant Improvements**"); such working drawings shall include the partition layout, ceiling plan, electrical outlets and switches, telephone outlets, drawings for any modifications to the mechanical and plumbing systems of Building 1, and detailed plans and specifications for the construction of the improvements called for under this Exhibit in accordance with all applicable Laws. The Working Drawings Delivery Deadline shall not be extended for force majeure events. Upon Landlord's approval (or deemed approval) of the Working Drawings in accordance with the terms of Section 3(b) below, Landlord shall use ongoing commercially reasonable efforts to obtain all applicable governmental approvals thereof, including without limitation engaging an expeditor as necessary (provided that the costs of such expeditor shall be included in the Total Construction Costs (defined below)).

(b) **Approval Process** . Landlord shall notify Tenant whether it approves of the submitted working drawings within seven (7) business days after Tenant's submission thereof. If Landlord disapproves of such working drawings, then Landlord shall notify Tenant thereof specifying in reasonable detail the reasons for such disapproval, in which case Tenant shall, within five (5) business days after such notice, revise such working drawings in accordance with Landlord's objections and submit the revised working drawings to Landlord for its

review and approval. Landlord shall notify Tenant in writing whether it approves of the resubmitted working drawings within four (4) business days after its receipt thereof. If the process shall be repeated until the working drawings have been finally approved by Tenant and Landlord. If Landlord fails to notify Tenant that it disapproves of the initial working drawings within seven (7) business days (or, in the case of resubmitted working drawings, within four (4) business days) after the submission thereof, then Landlord shall be deemed to have approved the working drawings in question. Landlord's approval of the working drawings shall contain a written statement of Landlord's election to require Tenant's removal of all or any portion of the Tenant Improvements to the Premises at the end of the Lease Term, subject to the provisions of the Lease. To the extent Landlord has any comments to the Working Drawings, Landlord shall endeavor to provide Tenant with one (1) consolidated set of comments. On each occasion, Landlord will provide to Tenant's Authorized Representatives copies of the marked-up plans, drawings and documents to which it has an objection or requires a resubmission. Tenant shall not be required to make changes or revisions to the documents for any Landlord comments which are solely stylistic in nature or which materially depart from industry norms and standards.

(c) **Landlord's Approval; Performance of Work** If any of Tenant's proposed construction work will affect Building 1's structure or Building 1's systems, then the working drawings pertaining thereto must be approved by the Buildings' engineer of record. Landlord's approval of such working drawings shall not be unreasonably withheld, conditioned or delayed provided that (1) they comply with all Laws, (2) the improvements depicted thereon do not materially adversely affect (in the reasonable discretion of Landlord) Building 1's structure or Building 1's systems (including Building 1's restrooms or mechanical rooms), the exterior appearance of Building 1, or the appearance of Building 1's common areas or elevator lobby areas, (3) such working drawings are sufficiently detailed to allow construction of the improvements in a good and workmanlike manner, and (4) the means and methods of construction of improvements depicted thereon substantially conform to industry practice and procedure, the reasonable rules and regulations promulgated from time to time by Landlord for the construction of tenant improvements (a copy of which has been delivered to Tenant) . . . As used herein, "**Working Drawings**" means the final working drawings approved by Landlord, as amended from time to time by any approved changes thereto, and "**Work**" or "**Building 1 Work**" means all improvements to be constructed in accordance with and as indicated on the Working Drawings, together with (i) any work required by governmental authorities to be made to other areas of the Building as a result of the improvements indicated by the Working Drawings, and (ii) the items set forth on Schedule II of this Exhibit D. Landlord's approval of the Working Drawings shall not be a representation or warranty of Landlord that such drawings are adequate for any use or comply with any Law, but shall merely be the consent of Landlord thereto. Tenant shall, at Landlord's request, sign the Working Drawings to evidence its review and approval thereof. After the Working Drawings have been approved, Landlord shall cause the Work to be performed in substantial accordance with the Working Drawings. In connection with the Work and the plans therefor, Landlord and Tenant anticipate that requests for information may be made from time to time of the Architect and/or Tenant, as well as requests for approval of certain "shop" or similar drawings. Tenant shall (or shall cause the Architect to) respond to all requests for information from time to time within five (5) business days, and to provide approval or written comments to any such shop drawings from time to time within (2) business days, and that any failure to provide such response within such five (5) business day or two (2) business day period, as applicable, will be a Tenant Delay. Landlord shall cause electrical Current to be delivered to the floors of Building 1 in the amounts set forth on Schedule I to Exhibit J under the heading "Delivery of Current."

4. **Bidding of Work** . Prior to commencing the Work, Landlord shall competitively bid the Work to the agent construction managers ("**Agent at Risk**") identified on Schedule I of this Exhibit D. The bids will include the Agent at Risk fee, the general conditions, liability insurance rates, builders' risk rates, construction manager/subcontractor CO percentages, and performance and payment bond rates. Landlord shall select the winning Agent at Risk, based on the lowest qualified bid, the Agent at Risk's ability to meet applicable deadlines and any related assurances thereof, and the strength/experience of the project team proposed by the applicable Agent at Risk. Landlord shall enter into a contract with the Agent at Risk on reasonably customary terms and conditions, provided that Landlord shall not require any liquidated damages (or similar) delay penalties ("**Delay Penalties**") that exceed Three Thousand Dollars (\$3,000) for (and including) the first thirty (30) days of delay and Ten Thousand Dollars (\$10,000) for each day of delay from (and including) the thirty-first (31st) day until (and including) the ninetieth (90th) day, and Twelve Thousand Dollars (\$12,000) for each day of delay thereafter. The Agent at Risk shall be required to bid all major subcontracts to at least three (3) subcontractors and select the lowest qualified subcontractor bidder. If the estimated Total Construction Costs are expected to exceed the Construction Allowance,

Tenant shall be allowed to review the submitted bid from the Agent at Risk (and the applicable subcontractors) to value engineer any of Tenant's requested alterations. In such case, Tenant shall notify Landlord of any items in the Working Drawings that Tenant desires to change within three (3) business days after Landlord's submission thereof to Tenant. If Tenant fails to notify Landlord of its election within such three (3) business day period, Tenant shall be deemed to have approved the bids. Within five (5) business days following Landlord's submission of the initial construction bids to Tenant under the foregoing provisions, Tenant shall have completed both of the following items: (a) finalized with Landlord's representative and the Agent at Risk, the pricing of any requested revisions to the bids for the Work, and (b) approved in writing any overage in the Total Construction Costs in excess of the Construction Allowance. All Work performed by or on behalf of the Agent at Risk shall be performed in a good, workmanlike and safe manner, in accordance with all applicable Laws and other legal requirements, the approved the Space Plans and Working Drawings, and all construction procedures set forth in this Lease. Landlord shall be solely responsible for the progress of the construction of the Work and for the quality or fitness thereof; provided, however, Tenant shall be liable for any damage to the Building caused solely by Tenant or any Tenant Party, and any such damage that is the sole cause of the delay in the completion of the Work will be a Tenant Delay. Landlord shall obtain all governmental permits and approvals relating to the performance of the Work. Landlord shall obtain a certificate of occupancy (or similar certification) for the Building 1 Premises prior to Tenant's occupancy of the Building 1 Premises, provided that such certification may be temporary in nature. .

5. **Change Orders.** Tenant may initiate changes in the Work. Each such change must receive the prior written approval of Landlord, such approval to be governed by the standards set forth in Section 3(c) above; however, if such requested change would materially adversely affect (1) Building 1's structure or Building 1's systems (including Building 1's restrooms or mechanical rooms), (2) the exterior appearance of Building 1, or (3) the appearance of Building 1's common areas or elevator lobby areas, Landlord may withhold its consent in its sole and absolute discretion. If Tenant requests any changes to the Work described in the Space Plans or the Working Drawings, then such increased costs and any additional design costs incurred in connection therewith as the result of any such change shall be added to the Total Construction Costs. Regardless of whether approved by Landlord, any change orders initiated by or on behalf of Tenant that cause a delay in the completion of the Work, will be a Tenant Delay; provided, however, at Tenant's written request, Landlord shall use commercially reasonable efforts to provide an estimate of any delays or additional costs associated with a requested change and Tenant shall have three (3) business days (which three (3) business days shall not be a Tenant Delay) to specify whether it will elect to make such change or rescind such request (and if Tenant fails to specify the same prior to the expiration of such three (3) business day period Tenant will be deemed to have elected to have rescinded the request for such change).

6. **Definitions.** As used herein (or in the Lease related to the Work) "**Substantial Completion**," "**Substantially Completed**," and any derivations thereof mean the Work in the Building 1 Premises is substantially completed in substantial accordance with the Working Drawings, and either (as selected by Landlord) Landlord's architect or Tenant's architect shall have certified the same on a standard form AIA form 704 certificate or similar certification, and the Building 1 Premises and the immediate parking areas associated with Building 1 shall be usable and accessible and substantially free of debris and Landlord shall have obtained a certificate of occupancy or similar certification for the Building 1 Premises, which may be temporary in nature, provided that if Landlord cannot obtain such certificate of occupancy solely because of work or installations that will be performed by Tenant or Tenant's contractor(s) (e.g., Tenant's installation of trade fixtures or systems furniture), then Landlord shall be deemed to have obtained such certificate of occupancy. Notwithstanding the foregoing terms of this Section 6, Substantial Completion of the Work in the Building 1 Premises shall have occurred even though minor details of construction, decoration, landscaping and mechanical adjustments remain to be completed by Landlord, provided that the same do not materially interfere with Tenant's business operations. For the purpose of determining solely whether any of the Building 1 FF&E Condition, the Building 1 Data Center Space, and/or the Building 2 Lab Space, have achieved "Substantial Completion," the same will deemed to have occurred when the same is substantially completed in substantial accordance with the Working Drawings therefor, and either (as selected by Landlord) Landlord's architect or Tenant's architect shall have certified the same on a standard form AIA form 704 certificate or similar certification. If Landlord elects for Tenant's architect to make any such certification of substantial completion as aforesaid, then Tenant agrees to cause its architect to reasonably provide the same.

7. **Walk-Through; Punchlist.** When Landlord considers the Work in the Building 1 Premises to be Substantially Completed, Landlord will notify Tenant and, within three (3) business days thereafter, Landlord's representative and Tenant's representative shall conduct a walk-through of the Building 1 Premises and identify any

necessary. touch-up work, repairs and minor completion items that are necessary for final completion of the Work. Neither Landlord's representative nor Tenant's representative shall unreasonably withhold his or her agreement on punchlist items. Landlord shall use reasonable efforts to cause the contractor performing the Work to complete all punchlist items within thirty (30) days after agreement thereon; however, Landlord shall not be obligated to engage overtime labor in order to complete such items.

8. **Excess Costs**. The entire cost of performing the Work (including design of and space planning for the Work and preparation of the Working Drawings and the final "as-built" plan of the Work, costs of construction labor and materials, including the Agent at Risk fee, the Agent CM Fee (defined below), the general conditions, liability insurance rates, builders' risk rates, construction manager/subcontractor CO percentages, and performance and payment bond rates (excluding any utility costs, electrical usage during construction, additional janitorial services, or excess construction costs due to Landlord negligence, breach of Lease or breach of the construction contract, which shall be Landlord's sole responsibility), general tenant signage, related taxes and insurance costs, licenses, permits, certifications, surveys and other approvals required by Law, architectural, engineering services, moving expenses, and the construction supervision fee referenced in Section 10 of this Exhibit, all of which costs are herein collectively called the "**Total Construction Costs**") in excess of the Construction Allowance (hereinafter defined) shall be paid by Tenant. Upon approval of the Working Drawings and the selection of the Agent at Risk, Tenant and Landlord shall work in good faith to agree to and to execute a work order agreement reasonably prepared by Landlord which identifies such drawings and itemizes the Total Construction Costs and sets forth the Construction Allowance. For each scheduled draw of the Construction Allowance, Tenant shall pay a fraction of such draw, the numerator of which is the amount by which Total Construction Costs exceeds the Construction Allowance and the denominator of which is the Total Construction Cost and Landlord shall pay the balance of such draw (which Landlord portion shall be paid from the Construction Allowance). After the entire Construction Allowance has been disbursed, Tenant shall pay to Landlord 100% of the amount by which Total Construction Costs exceed the Construction Allowance from time to time upon Landlord's request therefor (and in no event later than thirty (30) days after each such request). No later than thirty (30) days after Substantial Completion of the Work, Tenant shall pay to Landlord an amount equal to the Total Construction Costs (adjusted as provided herein for any approved changes to the Work), less (1) the amount of the advance payment already made by Tenant, and (2) the amount of the Construction Allowance, provided that Landlord has delivered reasonable back-up (e.g., invoices) for the same, as well as copies of final lien waivers from the major contractors related to the same. In the event of default of payment of such excess costs, Landlord (in addition to all other remedies) shall have the same rights as for an Event of Default under this Lease.

9. **Construction Allowance**. Landlord shall provide to Tenant a construction allowance of Seventy Dollars (\$70.00) per rentable square foot in the Building 1 Premises (the "**Construction Allowance**") to be applied toward the Total Construction Costs, adjusted as provided herein for any changes to the Work. The Construction Allowance shall not be disbursed to Tenant in cash, but shall be disbursed by Landlord to pay the Total Construction Costs, if, as, and when the cost of the Work is actually incurred. Landlord shall disburse within thirty (30) days following receipt of a disbursement request (which requests shall not be made more frequently than once per calendar month), and if such request and all applicable supporting material is made by the fifth (5th) day of a calendar month, Landlord shall endeavor to make the applicable disbursement prior to the end of such calendar month. No less than eighty percent (80%) of the Construction Allowance must be applied toward the expenses (both hard and soft costs) incurred by Tenant for the construction of improvements to the interior of Tenant's leased Premises. Provided Landlord has completed the Work, if, at first anniversary of the date of this Lease, the entire Construction Allowance has not been used as set forth in this Section, the remaining amount automatically shall be applied by Landlord to Tenant's then-current Rent obligations. In addition, Landlord shall provide to Tenant a design layout allowance not to exceed Ten Cents (\$0.10) per rentable square foot in the Building 1 Premises (and not the Building 2 Premises) (the "**Design Allowance**") to be applied toward the costs of designing a layout for two (2) floors (one (1) typical floor plan layout and one (1) specialty or executive layout) of the Building 1 Premises. Tenant may begin drawing funds up to an aggregate amount of Four Dollars (\$4.00) per rentable square foot in the Building 1 Premises from the Construction Allowance following the date of this Lease to pay for costs incurred by Tenant for space planning, design and legal services. Tenant shall furnish a written requisition for any portion of the Construction Allowance that is to be applied toward such expenses, which requisition shall be accompanied by appropriate invoices and such other documentation as may reasonably be requested by Landlord.

10. **Agent Supervision** . Landlord shall engage a third party (the "**Agent CM** ") to supervise the Work, make disbursements required to be made to the Agent at Risk, and act as a liaison between the Agent at Risk and Landlord and coordinate the relationship between the Work, the Buildings and the Buildings' Systems. The Agent CM shall receive a fee for its construction supervision services equal to three percent (3.00%) of all hard and soft construction costs related to the Work (excluding any work performed solely by Tenant or personal property installed by Tenant for which Landlord has no supervisory or delivery responsibility hereunder or under the Lease) (the "**Agent CM Fee** "), which amount may, at Tenant's election, either be paid from the Construction Allowance or by the Tenant as set forth herein, provided that all such payments, whether from the Construction Allowance or from the Tenant shall, at Landlord's option be paid directly to the Agent CM and/or to the Landlord (for delivery to the Agent CM). Concurrently with each disbursement of the Construction Allowance from time to time, an amount equal to 3% of such disbursement shall be drawn from the Construction Allowance to fund the Agent CM Fee. After the entire Construction Allowance has been disbursed, Tenant shall pay all remaining portions of the Agent CM Fee from time to time upon Landlord's request therefor (and in no event later than thirty (30) days after each such request). Landlord's approval of any of the Space Plans, Working Drawings, and/or Work, as applicable, shall not constitute an implication, representation or certification that such work is in accordance with any statutes, codes, ordinances or other regulations, the compliance with which is the responsibility of Tenant and its Architect and contractors.

11. **Construction Representatives** . Landlord's and Tenant's representatives ("**Authorized Representatives** ") for coordination of construction and approval of change orders will be as follows, provided that either party may change its representative upon written notice to the other:

Landlord's Representative:

John Fitzgerald
c/o Archon Group, L.P.
1775 Pennsylvania Ave. NW, Suite 300
Washington, DC 20006
Telephone: 202-312-6734
Telecopy: 202-312-6703

Tenant's Representative:

Don Elsen
c/o BHDP Architecture
302 West Third Street, Suite 500
Cincinnati, Ohio 45202
Telephone: 513.271.1634
Telecopy: 513.271.7017

Neither party shall be obligated to respond to any instructions, approvals, changes, or other communications from anyone claiming to act on the other party's behalf other than the other party's Authorized Representative. All references in this Exhibit to actions taken, approvals granted, or submissions made by a party shall mean that such actions, approvals or submissions have been taken, granted or made, in writing, by such party's Authorized Representative acting for such party.

12. **Miscellaneous** .

(a) **Applicability** . To the extent not inconsistent with this Exhibit, Sections 19 and 21 of this Lease shall govern Landlord's and Tenant's respective rights and obligations regarding the improvements installed pursuant thereto.

(b) **Intentionally Omitted** .

(c) **Warranties** . All Work shall include a one (1) year warranty which shall begin on the date of substantial completion of all Work at the Premises (including punchlist work). Tenant and Landlord shall cooperate with one another and use commercially reasonable efforts to enforce any warranties related to the Work should any of the materials, fixtures or equipment incorporated in the Building 1 Premises require repair or prove to be defective.

(d) **Early Access and Freight Elevators** . Subject to scheduling in Landlord's reasonable discretion (and to the extent any scheduling would reasonably be anticipated to interfere with Landlord's completion of the Work, in Landlord's sole and absolute discretion), after Tenant's and Landlord's execution of appropriate side letter agreement(s) stating the parameters of and dates for specific work to be completed in the Building 1 Premises by Tenant, Tenant and its designated contractors, agents and representatives shall have the right to access Building 1 and the portions of the Complex as reasonably necessary for the purpose of preparing the Building 1 Premises for occupancy such as the installation of personal property or trade fixtures); provided, however, any failure to comply with Landlord's reasonable construction rules which results in delays in the substantial completion of the Work resulting solely from any such early occupancy by Tenant shall be a Tenant Delay. Tenant, its contractors and representatives shall have the right to use, at no additional cost or expense to Tenant, the freight elevators located in Building 1 to complete the necessary fit-out work for Tenant's business and initial move in of Tenant's furniture.

SCHEDULE 1
LIST OF PRE-APPROVED AGENTS AT RISK

Whiting Turner
Barton Mallow
Blackwood One

SCHEDULE II

ADDITIONAL BUILDING 1 COMPONENTS OF WORK

- 1) Connection of the Conduit (identified on Schedule I of Exhibit J) to Building 1 (provided that such connection work shall be completed no later than the final completion of such Conduit identified on Schedule I of Exhibit J notwithstanding anything to the contrary.
- 2) Landlord shall, at Landlord's cost and expense, with respect to the Building 1 Premises, frame, insulate and drywall the perimeter wall, and install kneewall with aluminum window sill.
- 3) Landlord shall, at Landlord's cost and expense, provide and install Building standard horizontal aluminum window blinds (SWF Color #630 Coconut or equivalent) at all exterior windows in the Building 1 Premises.
- 4) Landlord shall, at Landlord's cost and expense, with respect to the Building 1 Premises, enclose interior columns in drywall.

EXHIBIT E

FORM OF CONFIRMATION OF LEASE COMMENCEMENT DATE

_____, 20 ____

Re: Lease Agreement (the "Lease") dated _____, 2011, between W2007 RDG REALTY, L.L.C., a Delaware limited-liability company ("Landlord"), and CIENA CORPORATION, a Delaware corporation ("Tenant"). Capitalized terms used herein but not defined shall be given the meanings assigned to them in the Lease.

Re: Lease Agreement (the "Lease") dated _____, 2011, between W2007 RDG REALTY, L.L.C., a Delaware limited-liability company ("Landlord"), and CIENA CORPORATION, a Delaware corporation ("Tenant"). Capitalized terms used herein but not defined shall be given the meanings assigned to them in the Lease.

Ladies and Gentlemen:

Landlord and Tenant agree as follows:

1. **Condition of Premises**. Tenant has accepted possession of the [Building 1 Premises / Building 2 Premises] pursuant to the Lease.

2. **Lease Commencement Date**. The Lease Commencement Date of the Lease is _____, 20____.

3. **Expiration Date**. The Term is scheduled to expire on the last day of the ___th full calendar month of the Term, which date is _____, 20____.

4. **Contact Person**. Tenant's contact person in the Premises is:

Attention: _____

Telephone: ____-____-_____

Telecopy: ____-____-_____

5. **Area of Premises**. The number of rentable square feet in the Premises is _____.

6. **Binding Effect**: Governing Law. Except as modified hereby; the Lease shall remain in full effect and this letter shall be binding upon Landlord and Tenant and their respective successors and assigns. This letter shall be governed by the laws of the state in which the Premises are located.

Please indicate your agreement to the above matters by signing this letter in the space indicated below and returning an executed original to us.

Sincerely,

[PROPERTY MANAGEMENT COMPANY SIGNATURE
BLOCK], on behalf of Landlord

By: _____
Name: _____
Title: _____

Agreed and accepted:

CIENA CORPORATION, a Delaware corporation

By: _____
Name: _____
Title: _____

EXHIBIT F

FORM OF TENANT ESTOPPEL CERTIFICATE

The undersigned is the Tenant under the Lease (defined below) between W2007 RDG REALTY, L.L.C., a Delaware limited liability company ("Landlord"), and the undersigned as Tenant, for the Premises on the floor(s) of the office building located at ., and commonly known as , and hereby certifies as of the date hereof as follows:

1. The Lease consists of the original Lease Agreement dated as of , 20_ between Tenant and Landlord and the following amendments or modifications thereto (if none, please state "none");

The documents listed above are herein collectively referred to as the "Lease" and represent the entire agreement between the parties with respect to the Premises. All capitalized terms used herein but not defined shall be given the meaning assigned to them in the Lease.

2. The Lease is in full force and effect and has not been modified, supplemented or amended in any way except as provided in Section 1 above.

3. The Term commenced on _____, 20__ and the Term expires, excluding any renewal options, on , 20_, and Tenant has no option to purchase all or any part of the Premises or the Buildings or, except as expressly set forth in the Lease, any option to terminate or cancel the Lease.

4. Tenant currently occupies the Premises described in the Lease and Tenant has not transferred, assigned, or sublet any portion of the Premises nor entered into any license or concession agreements with respect thereto except as follows (if none, please state "none");

5. All monthly installments of Basic Rent and all monthly installments of estimated Additional Rent have been paid through _____. The current monthly installment of Basic Rent is \$ _____

6. To Tenant's knowledge, Landlord is not in default under the Lease. In addition, Tenant has not delivered any notice to Landlord regarding a default by Landlord thereunder.

7. To Tenant's knowledge, there are no existing defenses or offsets, or, to the undersigned's knowledge, claims that the undersigned has against Landlord, and, to the undersigned's knowledge, no event has occurred and no condition exists, which, with the giving of notice or the passage of time, or both, will constitute a default under the Lease.

8. No rental has been paid more than thirty (30) days in advance and no security deposit has been delivered to Landlord except as provided in the Lease.

9. If Tenant is a corporation, partnership or other business entity, each individual executing this Estoppel Certificate on behalf of Tenant hereby represents and warrants that Tenant is a duly formed and existing entity qualified to do business in the state in which the Premises are located and that Tenant has full right and authority to execute and deliver this Estoppel Certificate and that each person signing on behalf of Tenant is authorized to do so.

10. There are no actions pending against Tenant under any bankruptcy or similar laws of the United States or any state.

11. To Tenant's knowledge, subject to the tenus of the Lease, all tenant improvement work to be perfonued by Landlord under the Lease has been completed in accordance with the Lease and has been accepted by the undersigned and all reimbursements and allmyances due to the undersigned under the Lease in connection with any tenant improvement work have been paid in full.

12. Nothing contained herein shall amend the Lease or limit or restrict Tenant's audit rights set forth thereunder.

Tenant acknowledges that this Estoppel Certificate may be delivered to Landlord, Landlord's Mortgagee or to a prospective mortgagee or prospective purchaser, and their respective successors and assigns, and acknowledges that Landlord, Landlord's Mortgagee and/or such prospective mortgagee or prospective purchaser will be relying upon the statements contained herein in disbursing loan advances or making a new loan or acquiring the property of which the Premises are a part and that receipt by it of this certificate. is a condition of disbursing loan advances or making such loan or acquiring such property. .

Executed as of _____, 20____.

TENANT: CIENA CORPORATION, a Delaware corporation

TENANT:

CIENA CORPORATION, a Delaware corporation

By: _____
Name: _____
Title: _____

EXHIBIT G

PARKING

Tenant shall have the right to use up to four (4) unreserved parking spaces per 1,000 rentable square feet of Building 1 Premises or Building 2 Premises leased in the parking facilities associated with the Building 1 Premises or Building 2 Premises, as applicable (the "Parking Area"), and Landlord shall provide such unreserved parking spaces to Tenant during the Term and any extensions thereof, subject to such terms, conditions and regulations as are from time to time applicable to patrons of the Parking Area, at no additional charge during the Term. Landlord shall use commercially reasonable efforts (as part of Operating Costs) to reasonably light the parking areas for Building 1 and/or Building 2, as applicable, from dusk until dawn seven (7) days per week.

Tenant shall at all times comply with all Laws respecting the use of the Parking Area. Landlord reserves the right to adopt, modify, and enforce reasonable rules and regulations governing the use of the Parking Area from time to time including any key-card, sticker, or other reasonable identification or entrance systems and hours of operations. Landlord may refuse to permit any person who violates such rules and regulations to park in the Parking Area, and any violation of the rules and regulations shall subject the car to removal from the Parking Area.

Tenant may validate visitor parking by such method or methods as Landlord may reasonably approve. Unless specified to the contrary above, the parking spaces provided hereunder shall be provided on an unreserved, "first-come, first served" basis. Tenant acknowledges that Landlord has arranged or may arrange for the Parking Area to be operated by an independent contractor, not affiliated with Landlord.

There will be a replacement charge payable by Tenant equal to the amount posted from time to time by Landlord for loss of any magnetic parking card or parking sticker issued by Landlord. The storage or repair of vehicles in the Parking Area shall be prohibited. Landlord reserves the right to close the Parking Area as necessary during periods of unusually inclement weather, maintenance, cleaning or repair. In the event of closure of the Parking Area, Landlord shall use commercially reasonable efforts to minimize the period of closure. During periods of closure over five (5) business days for reasons within Landlord's reasonable control, Landlord shall provide Tenant with reasonable, convenient alternative parking at no out-of-pocket cost (and not as an Operating Cost) to Tenant (including shuttle service if such alternative parking is more than one (1) block away); provided, however, if such closure of the Parking Area over five (5) business days is for reasons outside of Landlord's reasonable control, Landlord shall provide Tenant with reasonable, convenient alternative parking at no direct out-of-pocket cost to Tenant (including shuttle service if such alternative parking is more than one (1) block away) but such costs shall be included in Operating Costs notwithstanding anything to the contrary. Landlord shall, upon reasonable request from Tenant, use commercially reasonable efforts to enforce Tenant's parking rights against other Complex tenants and any third parties.

All motor vehicles (including all contents thereof) shall be parked in the Parking Area at the sole risk of Tenant and each other Tenant Party, it being expressly agreed and understood Landlord has no duty to insure any of said motor vehicles (including the contents thereof), and Landlord is not responsible for the protection and security of such vehicles. **NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, LANDLORD SHALL HAVE NO LIABILITY WHATSOEVER FOR ANY PROPERTY DAMAGE OR LOSS WHICH MIGHT OCCUR ON THE PARKING AREA OR AS A RESULT OF OR IN CONNECTION WITH THE PARKING OF MOTOR VEHICLES IN ANY OF THE PARKING SPACES.**

EXHIBIT H

RENEWAL OPTION

Provided no Event of Default exists under this Lease at the time of such election, Tenant shall have the right to renew this Lease with respect to all or a portion of the then-leased Premises for two (2) additional periods of five (5) years each by delivering written notice of the exercise thereof to Landlord at least twelve (12) months before the expiration of the Term (the "**Renewal Notice**"). The Renewal Notice shall conclusively specify (in detail) the portion of the then-leased Premises that Tenant is renewing (i.e., if less than all, then the portion Tenant will occupy during the applicable renewal period). If Tenant elects not to renew the term of this Lease with respect to all of the then-leased Premises, then during the applicable renewal period, (i) Tenant must pay actual out-of-pocket costs of construction of all necessary demising walls (which walls shall be constructed by Landlord), (ii) Tenant must continue to lease and occupy contiguous portions of the leased Premises (and if Tenant opts to renew as to more than one (1) floor, such floors shall be contiguous floors, as applicable, unless Tenant is not then leasing contiguous floors), and (iii) the Terminated Space must be of a size and layout to allow Landlord to reasonably re-lease such Terminated Space to a third party upon Tenant's vacation of the Terminated Space as mutually agreed upon by Landlord and Tenant (and, unless Tenant is doing so at the time of its renewal exercise, (i) in no event will Tenant have the right to renew in order to occupy less than half (1/2) of the rentable area on any floor partially occupied by Tenant, and (ii) in no event will Tenant partially occupy more than one (1) floor in any Building). The Basic Rent payable for each month during such extended Term shall be the prevailing rental rate (the "**Prevailing Rental Rate**"), at the commencement of such extended Term, for renewals of space or new leases for office space in the building(s) of equivalent quality, size, efficiency, utility, age and location, with the length of the extended Term, the credit standing of Tenant, current market concessions, tenant improvement allowances for renewals or new leases of office space, brokerage commissions, a new base year for additional rent calculation, and other then-market economic considerations to be taken into account. Within thirty (30) days after receipt of Tenant's notice to renew, Landlord shall deliver to Tenant written notice of the Prevailing Rental Rate and shall advise Tenant of the required adjustment to Basic Rent, if any, and the other terms and conditions offered. Tenant shall, within fifteen (15) business days after receipt of Landlord's notice, notify Landlord in writing whether Tenant accepts or rejects Landlord's determination of the Prevailing Rental Rate and whether Tenant elects to have the Prevailing Rental Rate determined by a three-broker method. If Tenant timely notifies Landlord that Tenant accepts Landlord's determination of the Prevailing Rental Rate, then, on or before the commencement date of the extended Term, Landlord and Tenant shall execute an amendment to this Lease extending the Term on the same terms provided in this Lease, except as follows:

(a) Basic Rent shall be adjusted to the Prevailing Rental Rate;

(b) Tenant shall have no further renewal option unless expressly granted by Landlord in writing or as expressly set forth in this Exhibit; and

(c) Landlord shall lease to Tenant the Premises (or the applicable portion thereof) in their then-current condition, and Landlord shall not provide to Tenant any allowances (e.g., moving allowance, construction allowance, and the like) or other tenant inducements except for any expressly set forth in the Prevailing Rental Rate.

If Tenant fails to timely notify Landlord in writing that Tenant accepts or rejects Landlord's determination of the Prevailing Rental Rate, time being of the essence with respect thereto, Tenant's rights under this Exhibit shall terminate and Tenant shall have no right to renew this Lease. If Tenant rejects Landlord's determination of the Prevailing Rental Rate and fails to affirmatively elect to use a three-broker method set forth herein to determine the Prevailing Rental Rate, Tenant shall be deemed to have elected to use such three-broker method. If Tenant timely elects to or is deemed to have elected to use a three-broker method set forth herein to determine the Prevailing Rental Rate, then:

(a) Landlord and Tenant shall, within ten (10) days after the expiration of the foregoing fifteen (15) day period, each appoint a disinterested licensed real estate broker who shall (i) be licensed as a broker in the State of Maryland, (ii) have at least ten (10) years of experience in commercial real estate

leasing in the State of Maryland, (iii) have particular and current experience in the first-class office market in the general market area, and (iv) be recognized within the field as being reputable and ethical (collectively, an "**Appraiser**"), provided, however, in no event shall any Appraiser be a broker that either Landlord or Tenant (including any parent company, subsidiary or affiliate of either Landlord or Tenant) has engaged pursuant to a written agreement during the five (5) year period prior to appointment of such Appraiser. Each party shall give written notice to the other within such ten (10) day period. If either Landlord or Tenant shall fail timely to appoint an Appraiser, then the single Appraiser appointed by one party shall proceed to make the determination of the Prevailing Rental Rate, in accordance with the terms and conditions therefor set forth in the preceding paragraph of this Exhibit. Such Appraisers (or Appraiser) shall, within fifteen (15) days after the appointment of the last of them to be timely appointed, complete their written determinations of the Prevailing Rental Rate in accordance with the terms and conditions therefor set forth in the preceding paragraph of this Exhibit, and furnish the same to Landlord and Tenant. Each party shall pay the fees and costs of the Appraiser appointed by it (however, if only one Appraiser is timely appointed, the parties shall share the fees and costs of such Appraiser equally) ..

(b) If the valuations taken as a whole vary by two percent (2%) or less of the higher value, then the Prevailing Rental Rate shall be the average of the two valuations. If the valuations (taken as a whole) vary by more than two percent (2%) of the higher value, the two Appraisers shall within ten (10) days after submission of the last appraisal report, appoint a third disinterested Appraiser who shall meet all the criteria set forth in this Exhibit as an Appraiser with the same qualifications set forth for the original two Appraisers described above. Such third Appraiser shall, within fifteen (15) days after the appointment, make a determination of which of the two (2) other Appraisers' valuation shows the more correct Prevailing Rental Rate and that valuation shall be binding upon Landlord and Tenant. All fees and costs incurred in connection with the determination of the Prevailing Rental Rate by the third Appraiser shall be paid one half (Yz) by Landlord and one half (Yz) by Tenant.

Tenant's rights under this Exhibit shall automatically terminate if (1) this entire Lease or Tenant's right to possession of the entire Premises has been terminated, (2) Tenant assigns more than fifty percent (50%) of its, interest in this Lease (other than to a Permitted Transferee), (3) Tenant sublets more than fifty percent (50%) of the Premises (other than to a Permitted Transferee), (4) Tenant has early terminated this Lease with respect to more than fifty percent (50%) of the entire initial Premises, or (5) Tenant fails to timely exercise its option under this Exhibit, time being of the essence with respect to Tenant's exercise thereof.

Tenant's rights under this Exhibit are personal to Ciena Corporation and any Permitted Transferee that has assumed in writing all of Ciena Corporation's obligations under this Lease in its entirety, and may be exercised only by Ciena Corporation and such Permitted Transferee and not by any assignee or other subtenant of Ciena Corporation.

EXHIBIT I

RIGHT OF FIRST OFFER

Subject to (i) those certain renewal or expansion options or other preferential rights of other tenants in the Complex which are set forth in the leases of such tenants and are set forth with particularity in Schedule 1 to this Exhibit I attached hereto, and (ii) Landlord's right to renew or extend the terms of a lease (regardless of whether such renewal or extension right exists in such lease), and provided no Event of Default then exists, Landlord shall, prior to offering any of the space in the Complex (the "**Offer Space**") to any party (other than the then-current tenant or occupant therein), first offer to lease to Tenant the Offer Space in an "**AS-IS**" condition; such offer shall (a) be in writing, (b) specify the part of the Offer Space being offered to Tenant hereunder (the "**Designated Offer Space**"), (c) have a term coterminous with the Term of this Lease, and (d) specify the lease terms for the Designated Offer Space, including the rent to be paid for the Designated Offer Space and the date on which the Designated Offer Space shall be included in the Premises (the "**Offer Notice**"). The Offer Notice shall be substantially similar to the Offer Notice attached to this Exhibit. Tenant shall notify Landlord in writing whether Tenant elects to lease the entire Designated Offer Space on the terms set forth in the Offer Notice, within ten (10) business days after Landlord delivers to Tenant the Offer Notice. If Tenant timely elects to lease the Designated Offer Space, then Landlord and Tenant shall execute an amendment to this Lease, effective as of the date the Designated Offer Space is to be included in the Premises, on the terms set forth in the Offer Notice and, to the extent not inconsistent with the Offer Notice terms, the terms of this Lease; however, Tenant shall accept the Designated Offer Space in an "**ASIS**" condition and Landlord shall not provide to Tenant any allowances (e.g., moving allowance, construction allowance, and the like) or other tenant inducements except as specifically provided in the Offer Notice.

If Tenant fails or is unable to timely exercise its right hereunder with respect to the Designated Offer Space, then such right shall lapse as to that Designated Offer Space only, time being of the essence with respect to the exercise thereof (it being understood that Tenant's right hereunder is a one-time right only as to each Designated Offer Space the first time it is offered to Tenant hereunder), and Landlord may lease all or a portion of the Designated Offer Space to third parties on such terms as Landlord may elect. Notwithstanding the foregoing terms of this Exhibit, (a) Landlord shall not lease the space to a third party, within 180 days after the end of the foregoing ten (10) business day period on monetary terms that are less than ninety percent (90%) of the net effective terms identified in Landlord's last offer to Tenant (except as provided herein below) and (b) if within one hundred eighty (180) days after the end of the foregoing ten (10) business day negotiation period, Landlord intends to offer the space to a third party on monetary terms that are less than ninety percent (90%) of the net effective terms (in both cases taking into consideration the rent and other monetary components, such as tenant improvement allowances and rent abatements) identified in Landlord's last offer for the Offer Space, then prior to leasing the Designated Offer Space to such third party; Landlord will again notify Tenant of the availability of such Designated Offer Space upon such new terms and for a period of ten (10) business days after receipt of such notice, Tenant shall again have the right to exclusively negotiate with Landlord to lease the Designated Offer Space, but neither Landlord nor Tenant will be obligated to enter into a lease for such space; thereafter, Landlord may lease the Designated Offer Space to any party on any terms Landlord determines in its sole discretion. Tenant may not exercise its rights under this Exhibit if an Event of Default exists. In no event shall Landlord be obligated to pay a commission with respect to any space leased by Tenant under this Exhibit to more than one (1) broker of Tenant, and Tenant and Landlord shall each indemnify the other against all costs, expenses, attorneys' fees, and other liability for commissions or other compensation claimed by any broker or agent claiming the same by, through, or under the indemnifying party.

Tenant's rights under this Exhibit shall terminate if (a) there are less than two (2) full Lease Years left in the Term (and Tenant has not renewed the Lease Term), (b) this Lease or Tenant's right to possession of the Premises is terminated, (c) Tenant is then subletting (other than to a Permitted Transferee) more than twenty-five percent (25%) of the initial Premises, (d) Tenant is leasing less than seventy-five percent (75%) of the rentable square footage in the Complex that Tenant leases on the date of this Lease, (e) Tenant assigns any of its interest in this Lease (other than to a Permitted Transferee), (f) Tenant has terminated this Lease as to more than fifty percent (50%) of the initial Premises under the terms of Section 26 of this Lease, or (g) Tenant has elected to renew the term of the Lease with respect to less than fifty percent (50%) of the Premises initially leased by Tenant on the date of this Lease.

Tenant's rights under this Exhibit are personal to Ciena Corporation and any Permitted Transferee that has assumed in writing all of Ciena Corporation's obligations under this Lease in its entirety, and may be exercised only by Ciena Corporation and such Permitted Transferee and not by any assignee or other subtenant of Ciena Corporation.

Schedule I

Other Tenant Rights

- Right of renewal granted to Transportation Security Administration

FORM OF OFFER NOTICE

[Insert Date of Notice]

BY TELECOPY AND FEDERAL EXPRESS

_____ [TENANT'S ADDRESS]

Re: Lease Agreement (the "**Lease**") dated _____, 20____, between W2007 RDG REALTY, L.L.C., a Delaware limited liability company ("**Landlord**"), and CIENA CORPORATION, a Delaware corporation ("**Tenant**"). Capitalized terms used herein but not defined shall be given the meanings assigned to them in the Lease.

Ladies and Gentlemen:

Pursuant to the Right of First Offer attached to the Lease, this is an Offer Notice on Suite _____. The basic terms and conditions are as follows: LOCATION:

- LOCATION:** _____
- SIZE:** _____ rentable square feet
- BASIC RENT RATE:** \$_____ per month
- TERM:** _____
- IMPROVEMENTS:** _____
- COMMENCEMENT:** _____
- PARKING TERMS:** _____
- OTHER MATERIAL TERMS:** _____

Under the terms of the Right of First Offer, you must exercise your rights, if at all, as to the Designated Offer Space on the depiction attached to this Offer Notice within [] days after Landlord delivers such Offer Notice. Accordingly, you have until 5:00PM local time on , 20_, to exercise your rights under the Right of First Offer and accept the terms as contained herein, failing which your rights under the Right of First Offer shall terminate and Landlord shall be free to lease the Designated Offer Space to any third party. If possible, any earlier response would be appreciated. Please note that your acceptance of this Offer Notice shall be irrevocable and may not be rescinded.

Upon receipt of your acceptance herein, Landlord and Tenant shall execute an amendment to the Lease memorializing the terms of this Offer Notice including the inclusion of the Designated Offer Space in the Premises; provided, however, that the failure by Landlord and Tenant to execute such amendment shall not affect the inclusion of such Designated Offer Space in the Premises in accordance with this Offer Notice.

THE FAILURE TO ACCEPT THIS OFFER NOTICE BY (1) DESIGNATING THE "ACCEPTED" BOX, AND (2) EXECUTING AND RETURNING THIS OFFER NOTICE TO LANDLORD WITHOUT

MODIFICATION WITHIN SUCH TIME PERIOD SHALL BE DEEMED A WAIVER OF TENANT'S RIGHTS UNDER THE RIGHT OF FIRST OFFER FOR SUCH DESIGNATED SPACE, AND TENANT SHALL HAVE NO FURTHER RIGHTS TO THE DESIGNATED OFFER SPACE. THE FAILURE TO EXECUTE THIS LETTER WITHIN SUCH TIME PERIOD SHALL BE DEEMED A WAIVER OF THIS OFFER NOTICE.

Should you have any questions, do not hesitate to call.

Sincerely,

[please check appropriate box]

ACCEPTED

REJECTED

CIENA CORPORATION, a Delaware corporation

By: _____

Name: _____

Title: _____

Date: _____

Enclosure *[attach depiction a/Designated Offer Space]*

EXHIBIT J

BUILDING 2 WORK LETTER AND BUILDING 2 BASE BUILDING DESCRIPTION

Landlord shall complete the base-building for Building 2 (the "**Building 2 Base Building**") in accordance with the specifications for such base-building construction set forth in Schedule 1 attached hereto ("**Building 2 Specifications**") and plans specified on Schedule 2 attached hereto (the "**Building 2 Base Building Plans**") in a good and workmanlike manner (the "**Building 2 Base Building Work**"). Landlord shall pay all costs for designing the Building 2 Base Building (excluding the tenant improvements) and, except as expressly set forth to the contrary in Schedule 1, Landlord shall bear all costs of the Building 2 Base Building Work (excluding the tenant improvements).

All terms and provisions regarding the Tenant Improvements to be constructed by Landlord in the Building 2 Premises, as set forth in Exhibit D to this Lease (with the ~~except-on~~ of Landlord's Design Allowance), shall be applicable to the Building 2 Premises as if the Building 2 Premises were the Building 1 Premises (and all references to the Premises, Building, Tenant Improvements, Building Structure, Building Systems, and similar terms shall be deemed to apply only to Building 2), except that: (I) the following dates shall be substituted in Section 2(a) and Section 3 (a) for the Space Plans Delivery Deadline, the Working Drawings Delivery Deadline and the Governmental Plan Approval Deadline, respectively:

2(a): Building 2 Space Plans Delivery Deadline -November 28,2011;

3(a): Building 2 Working Drawings Delivery Deadline -85% percent complete drawings March.5, 2012;

(II) final (i.e., 100% complete) Working Drawings April 2, 2012 (and for the purpose of this Subpart II, the terms of Section 3(a) of Exhibit D will apply to both the 85% complete Working Drawings and the final (i.e., 100% complete) Working Drawings as if restated in its entirety for both sets of plans);

and (III) the following text shall be added after the last sentence of Section 5: Notwithstanding the foregoing terms of this Section 5, Tenant may request reasonable changes to the following three (3) matters, on or before the date that the 85% complete Building 2 Working Drawings must be complete and, so long as such changes do not materially impact the Building 2 Base Building or the Building 2 Base Building Plans and Tenant uses diligent commercially reasonable efforts to facilitate and cooperate with Landlord to promptly effectuate any such requested changes, such change requests will not be deemed to be Tenant Delay: (i) exhaust venting for computer lab space,

(ii) infrastructure for a kitchen/cafeteria space, and (iii) venting for a kitchen/cafeteria space.

The Delay Penalties for the Work performed under this Exhibit J shall not exceed Two Thousand Dollars (\$2,000) for the first thirty (30) days of delay and Ten Thousand (\$10,000) for each day of delay from (and including) the thirty-first (31st) day until (and including) the ninetieth (90th) day, and Twelve Thousand Dollars (\$12,000) for each day of delay thereafter.

The Construction Allowance for the Building 2 Premises (and the applicable portions of the Work on Schedule 1) shall be Seventy Dollars (\$70.00) per rentable square foot in the Building 2 Premises. The Agent CM Fee shall be paid for the Building 2 Work as set forth in Section 10 of Exhibit D (with respect to the Building 2 Work), provided that the Construction Allowance (applicable to the Building 2 Premises) may be used to fund the same as set forth in Section 10 of Exhibit D. Landlord shall not provide an additional design layout allowance with respect to Building 2 and the amount specified therefor Exhibit D applies to the same for both the Building 1 Premises and the Building 2 Premises (notwithstanding anything to the contrary). Tenant may not begin drawing funds from the Construction Allowance (applicable to Building 2) following the date of this Lease as set forth in Exhibit D. Landlord and Tenant agree that the Agent at Risk selected by Landlord (the "**Building 2 Agent at Risk**") for the Building 2 Base Building Work will be the same Agent at Risk selected by Landlord for the Work with respect to the Building 2 Tenant Improvements. The Building 2 Agent at Risk may, at Landlord's option, be different than the Agent at Risk that performs the Work with respect to Building 1, but the Building 2 Agent at Risk will be selected by Landlord from the list of parties identified on Schedule 1 of Exhibit D.

For the purpose of this Exhibit J, Substantial Completion of the Building 2 Tenant Improvements means that the Building 2 Base Building Work is substantially completed, the Work (with respect to the Building 2 Tenant Improvements) is substantially completed and (as selected by Landlord) either Landlord's architect or Tenant's architect shall have certified the same on a standard form AIA form 704 certificate or similar certification, and the Building 2 Premises and the immediate parking areas associated with Building 2 shall be usable and accessible and substantially free of debris. Notwithstanding the foregoing terms of this paragraph, Substantial Completion of the Work (with respect to the Building 2 Tenant Improvements) shall have occurred even though minor details of construction, decoration, landscaping and mechanical adjustments remain to be completed by Landlord, provided that the same do not materially interfere with Tenant's business operations. For the purpose of determining solely whether any of the Building 2 FF&E Condition, and/or the Building 2 Lab Space, have achieved "Substantial Completion," the same will be deemed to have occurred when the same is substantially completed in substantial accordance with the Working Drawings therefor, and either (as selected by Landlord) Landlord's architect or Tenant's architect shall have certified the same on a standard form AIA form 704 certificate or similar certification. . . If Landlord elects for Tenant's architect to make any such certification of substantial completion as aforesaid, then Tenant agrees to cause its architect to reasonably provide the same.

SCHEDULE 1

BUILDING 2 BASE BUILDING SPECIFICATIONS

Unless otherwise expressly provided in this Schedule, all of the following work shall be performed at Landlord's sole cost and expense.

<u>Category</u>	<u>Item</u>	<u>Specifications</u>	
Energy Efficiency	LEED Certification	Building 2 base building will be built to standards expected to earn it certification as LEED Gold. The certification will not be obtained until completion of the Building 2 base building.	
	Super Structure	Structure	Reinforced concrete load-bearing exterior wall structure with structural steel framing and composite concrete floor decks.
		Column Spacing	30'-0" x 35'-0" (typical)
		Floor Load	Floors 2 and 3 - 100 lbs. per square foot dead load (except as set forth below in the next sentence).
			Tenant's leased space for (i) 2 bays on floor 2 (as designated on Schedule 3 of this Exhibit J), and the first floor, 250 lbs. per square foot live load.
		Slab to Slab Height	14' - 0"
		Ceiling Heights	11' finished ceiling in lobby and 9' finished ceiling in office areas.
		Construction Code	To be Fully Sprinklered
		Covered Walkway	Landlord shall design and construct at Landlord's expense a covered walkway between the side of Building 1 and the side of Building 2 in accordance with the plans attached hereto as Schedule 5.
	Building Envelope	Facade	Textured reinforced concrete load-bearing walls.
Fenestration		Aluminum storefront and curtain wall systems with 1" insulated vision and spandrel glazing.	
Roof		Single ply white reflective TPO roofing with R-30 insulation.	
Base Building Amenities	Access Control	Card readers for "after hours" access at primary building entrances, 1 st floor restrooms, and central stairs.	
	Loading Docks	Two 4' loading areas and 8' high dock door, as well as a dock leveler identified by the manufacturer's specifications shown on Schedule 4 of this Exhibit J.	
	Parking	Four cars per 1,000 rentable square feet (subject to terms of the Lease).	
	Lobby Finishes	Architectural cherry millwork with polished stone base, polished travertine flooring with black granite accents, painted gypsum wall and ceiling surfaces, and cherry wood and glass tenant entrances.	
	Conduit	Conduit (consisting of two four-inch lines) for Tenant to install its telecommunications, electric and generator supply between the two Buildings. Such conduit shall be laid in a concrete bed with the lines separated by a minimum of 12" and a minimum bend radius of 48" at building entry.	

Mechanical Systems	Design Conditions	<p>Installed equipment designed to provide the following: Summer Indoor - 75 degrees F.D.B. and 50% RH. Summer Outdoor - Based on local 2-1/2% design conditions as specified in the latest edition of the "ASHRE Handbook of Fundamentals". Winter Indoor - 70 degrees F.D.B. Winter Outdoor - Based on local 97-1/2 design conditions as specified in the latest edition of the "ASHRE Handbook of Fundamentals".</p>
	RTUs	<p>Electrical Load - 4.0 watts/sf (lighting & power). Occupy - 1 person / 142 square feet. Ventilation Air (Outside Air) - 20 cfm per person.</p> <p>Six variable air volume (VAV) rooftop air conditioning units plus one constant volume RTU for the lobby and one split system heat pump for the elevator machine room. The six RTUs are complete with supply fan, exhaust fan, evaporator coils, electric heating coil, compressors, condensing unit, comparative enthalpy air economizer, heat wheel energy recovery section, isolation springs, roof curb and controls interface.</p>
	Distribution and VAVs	<p>Vertical insulated ductwork drops and main horizontal insulated ductwork loops; VAV boxes (including controls), ducts and grills for finished common areas; and 52 fan powered boxes with electric re-heats in the tenant shell areas.</p> <p>The remainder of the tenant distribution and tenant VAV boxes are to be provided as part of the Construction Allowance.</p> <p>VAVs installed by Tenant are to be fan powered, parallel type terminals with electric heating coils at the building perimeter at a rate of one box per approximately 30 linear feet of perimeter space in accordance with the base building specifications; and shut off type terminals at a rate of approximately one box per 1000 square feet of interior area in accordance with the base building specifications.</p>
	Controls & Instrumentation	<p>If Tenant elects in writing on or before a date that does not delay the Work (as defined in Exhibit D), Landlord will not install VAV, electrical connections, controls, taps and spiral duct from trunk line to VAV at a credit of \$2,025 per VAV. Any such credit shall be in the form of an increase in the Construction Allowance or a credit against Tenant's Basic Rent obligations for the Building 2 Premises first arising after the Building 2 Rent Commencement Date, as selected by Landlord.</p>
Electrical Systems	Supply	<p>DDC based automatic temperature control system.</p> <p>3000 amp service at 277/480 voltage service.</p>
	Distribution	<p>Tenant may, at Tenant's sole cost, install one additional transformer in Building 2 for future expansion. Tenant shall pay all costs for conduit, etc. servicing the additional transformer.</p>
	Delivery of Current	<p>Building common areas are separately metered and distributed. Six tenant meters are provided along with distribution to two electric closets per floor. Each closet contains two 277 V panels with breakers, a step down transformer, and two 120 V panels with breakers.</p> <p>Landlord shall cause electrical current to be delivered to the floors of Building 2 in the following amounts (and for partial floors occupied by Tenant, such amount shall be applicable to the portion of the floor leased by Tenant as of the date of this Lease):</p> <p>480Y/277V total power per floor: 640A, 531.8kVA, 478.7kW (0.9 PF), 17 W/sf 480Y/277V HVAC: 300A, 249kVA, 224kW (0.9 PF), 1 W/sf 208Y/120V power: 417A @ 208/120V, 150kVA, 143kW (0.95 PF), 5 W/sf Spare capacity: 149A @ 480/277V or 344A @ 208/120V; 124kVA, 112kW (0.9 PF) 4 W/sf</p>
Plumbing Systems	Storm Water	<p>Roof storm water is collected via a series of roof drains, concealed vertical leaders, and underground piping to an on-site storm drain system.</p>
	Rest Rooms	<p>Landlord shall provide, at Landlord's sole cost, building-standard rest rooms on each floor on Building 2, including dual flush toilet valves, ultra low flow urinal flush valves, and low flow faucets, overflow drains, and containing finishes substantially similar to those existing in the Building 1 rest rooms. The first floor restroom shall include accessible showers. Electric water coolers shall be provided on each floor.</p>

Telecommunications	Distribution	Three 4" telephone conduits are provided to each building from the Verizon manhole in Corporate Center Drive terminating in Building 2's main telecom room. Conduit is provided from this location to two stacked series of telephone closets serving each floor.
Life Safety Systems	Sprinkler System	Base building fire suppression system is a complete automatic, wet type sprinkler system and includes service connection from the on-site main, control valves, check valves, alarm actuating devices, fire department Siamese connection, tamper switches, and standpipe. Finished common area heads are installed as semi-concealed. Tenant area heads are installed "turned up" and are to be modified by Tenant as part of the Construction Allowance.
	Detection System	Building 2 is provided with a non-coded addressable, supervised, automatic fire alarm system with central control panel and manual pull stations in the finished common areas. Automatic heat and smoke detectors are provided in the base building common elements as required by code. Tenant area detection devices are to be provided by Tenant as part of the Construction Allowance.
	Horns and Strobes	Horns and strobes are provided in the finished common areas and Tenant shall install the same in Tenant areas as part of the Construction Allowance.
Vertical Transportation	Elevators	Three hydraulic 3,500 lb. capacity elevators, with removable protection pads for tenant move-in and occupancy/operations.
Elevator Lobbies	Multi-Tenant Floors	Multi-tenanted upper floor elevator lobbies will be finished with carpet, base, painted gypsum board walls, ceilings, and lighting to match the first floor lobby finished, with such work to be performed by Tenant as part of the Construction Allowance.
	Single-Tenant Floors	Single-tenanted upper floor elevator lobbies will be constructed by Tenant as part of the Construction Allowance.

Tenant Shell Spaces	Flooring	Landlord shall provide level concrete flooring prepared and ready for Tenant's finished flooring. Concrete floor coverings will be furnished and installed by Tenant as part of the Construction Allowance.
	Perimeter Kneewall	Framed, insulated and drywalled perimeter wall and kneewall with aluminum window sill.
	Columns Enclosure	Interior columns enclosed in drywall.
	Demising Walls	Tenant shall, at Tenant's cost (which may be paid from the Construction Allowance), construct and finish all required demising walls on floors of which Tenant is the sole occupant.
		Landlord shall construct all required demising walls on multi-tenanted floors and finish the common area-facing walls on such floors, and Tenant shall, at Tenant's cost (which may be paid from the Construction Allowance), finish such Tenant premises-facing walls.
	Doors and Frames	Tenant shall install building standard 8'-0" x 3'0" hollow metal frames and cherry wood doors as part of the Construction Allowance at Tenant interiors.
		Tenant shall install cherry wood framed glass suite entry doors as part of the Construction Allowance.
	Ceiling Grid and Tile	Tenant shall install building standard 2'-0" x 2'-0" regular edge tiles with 7/8" wide massed white tees as part of the Construction Allowance.
	Window Treatment	Landlord will provide and install Building standard horizontal aluminum window blinds (SWF Color #630 Coconut or equivalent) at all exterior windows.
	HVAC Distribution	Tenant shall install additional ductwork and terminals to meet base building specifications (as noted above) as part of the Construction Allowance.
	Fire Protection	Existing fire suppression loop and upright turned heads. Tenant shall make modifications for the installation of semi-concealed heads as part of the Construction Allowance. FM200 and/or Pre-action fire protection system will be installed in data center area by Tenant as part of the Construction Allowance.
	Lighting	Tenant shall install all building standard and specialty lighting as part of the Construction Allowance. Building standard lighting shall consist of 2' x 2' recessed perforated basket type fixtures with electronic ballast and two T-5 Lamps (Corelite Class R3 Rectangular Perforated Inlay or equal). Tenant may install specialty lighting designated by Tenant in the applicable specialty areas.
	Light Switches	Tenant to install as required as part of the Construction Allowance.
	Emergency Lighting	Tenant to install in the Building 2 Premises as required as part of the Construction Allowance. Landlord to install in all common areas of Building 2.
Power Receptacles	Tenant to install in the Building 2 Premises as required as part of the Construction Allowance.	
Fire Alarm Devices	Tenant to install in the Building 2 Premises as required as part of the Construction Allowance. Landlord to install in all common areas of Building 2.	
Communications Wiring	Tenant to install at Tenant's sole cost.	

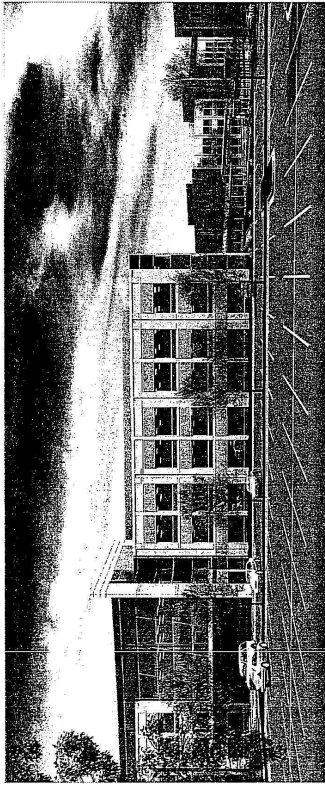
Tenant shall have the right to locate, in a location adjacent to the Building and reasonably acceptable to Landlord, condenser heat rejection units as required for supplemental cooling units required for data center or lab spaces.

SCHEDULE 2

BUILDING 2 BASE BUILDING PLANS

[to be attached]

STATION RIDGE PHASE II - 7031
 ARCHON GROUP
 ANNE ARUNDEL COUNTY MARYLAND



PERMIT SET
 SEPTEMBER 30, 2011

GENERAL NOTES:
 1. ALL WORK SHALL BE IN ACCORDANCE WITH THE LATEST EDITIONS OF THE MARYLAND BUILDING CODE AND ALL APPLICABLE REGULATIONS.
 2. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE ANNE ARUNDEL COUNTY DEPARTMENT OF PERMITTING AND INSPECTION.
 3. ALL MATERIALS AND WORKMANSHIP SHALL BE SUBJECT TO INSPECTION AND APPROVAL BY THE COUNTY INSPECTOR.
 4. THE CONTRACTOR SHALL MAINTAIN ACCESS TO ALL ADJACENT PROPERTIES AND UTILITIES AT ALL TIMES.
 5. ALL UTILITIES SHALL BE PROTECTED AND DEEPER THAN THE FOUNDATION FLOOR.
 6. ALL FOUNDATION WALLS SHALL BE CONCRETE ON A GRADE FOUNDATION.
 7. ALL FOUNDATION WALLS SHALL BE FINISHED WITH INTERIOR FINISHES.
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DRAWING INDEX:

NO.	DESCRIPTION
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92	FOUNDATION WALLS
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99	FOUNDATION WALLS
100	FOUNDATION WALLS

ARCHON GROUP
 STATION RIDGE
 PHASE II-7031
 ANNE ARUNDEL COUNTY
 MARYLAND

NOT ISSUED FOR CONSTRUCTION

DATE: SEPTEMBER 30, 2011
 PERMIT SET
 100 PERCENT SUBMISSION
 COVER SHEET

SCALE: 1/8" = 1'-0"

ARCHON GROUP

SCHEDULE 3
FLOOR LOAD DESIGNATIONS

[to be attached]

SCHEDULE 4

DOCK LEVELER

[see attached]

RHE

HYDRAULIC EDGE-O-DOCK LEVELER

Ergonomic push-button operation

Eliminates manual lifting and chance of injury.

Automatic return to dock

Automatically returns lip to stored position when leveler is operated without trailer in place.

Saves time and space

Eliminates need to store, find and move portable plates to correct dock positions.

Operating handle

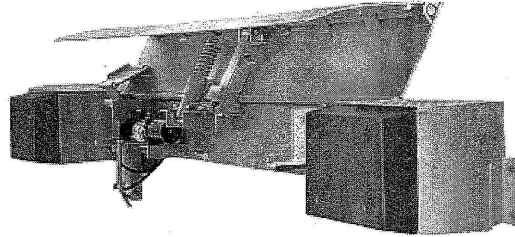
In case of power failure, unit quickly converts to manual operation. Operating handle also functions as a maintenance strut.

High strength construction

Ramp and lip made of high strength, low-alloy steel.

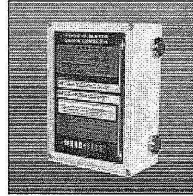
Grease fittings

Improve operation and reduce maintenance.



IDEAL FOR DOCKS SERVICING TRUCKS
WITH MINIMAL HEIGHT DIFFERENCE,
OR WHERE SPACE IS A PROBLEM.

Powerup/powerdown
buttons give full control
and increase safety ▶

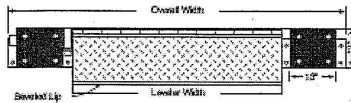


RITE-HITE®

Nominal dimensions:

Width	Overall Width
66" (1676 mm)	102" (2591 mm)
72" (1829 mm)	108" (2743 mm)
78" (1981 mm)	114" (2896 mm)
84" (2134 mm)	120" (3048 mm)

Width and overall width:



Standard features:

- ▶ Capacities are 20,000 lbs (9,070 kg), 30,000 lbs (13,600 kg) and 40,000 lbs (18,144 kg).
- ▶ Capable of servicing trucks 2' (127 mm) above and 5" (127 mm) below dock level.
- ▶ 16" (406 mm) bumpers
- ▶ 13" (330 mm) ramp in the stored position
- ▶ 12" (305 mm) standard lip
- ▶ Deck and lip are 3/8" (10 mm) to 5/8" (16 mm) thick (depending on capacity) high strength, low-alloy steel (55,000 psi minimum tensile strength). Lip is beveled for smooth transition.
- ▶ Push-button controls for powerup/powerdown
- ▶ Guaranteed against defects in workmanship and materials for (1) year from date of sale. We reserve the right to change specifications without notice.

Operation:

Simple push-button operation with automatic lip extension. When the truck pulls away, the leveler returns to the stored position. The unit can also be returned to the stored position with the truck in place. The lip will not stay extended without the truck in place.

Hydraulics:

A 2" (51 mm) bore double acting cylinder with 1" (25 mm) diameter chrome plated piston rod is powered by 100 GPM, bi-directional pump.

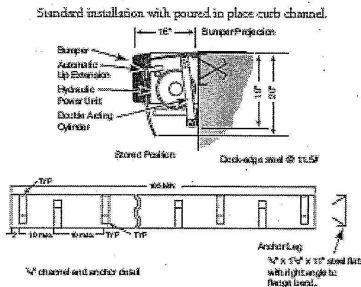
Motor:

110v/1ph/60Hz 5 amp load. Available in 240 and 480 VAC.

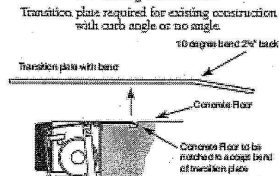
Optional features:

- ▶ For Office Model with 2" (51 mm) cart stop.
- ▶ Special widths.
- ▶ Hot dipped galvanized (six week lead time).
- ▶ 14" (355 mm) lip.
- ▶ Tapered lip.
- ▶ Sealforce bumpers.
- ▶ Beaded transition plate (for mounting where sufficient dock edge steel is not present).
- ▶ Approach ramp (to be used in overcoming excessive height differential).
- ▶ Due to the limited length of ECO levelers, its structure is subjected to greater dynamic load than on larger levelers. Capacities are based on ideal operating conditions (i.e. maximum gross load traveling at 3 mph on 10% grade or less); if the application exceeds this condition a higher capacity leveler must be selected.

#1 New construction:

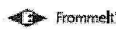


#2 Existing construction:



#3 Pit installation:

Please contact a Rite-Hite Representative for details.



Rite-Hite Corporation

8500 North Arbon Drive Milwaukee, WI 53223 USA (414) 255-2600 (800) 456-0800 FAX: (414) 255-9248
 Mailing Address: Rite-Hite Corporation P.O. Box 245020 Milwaukee, WI 53224 USA

www.ritehite.com

RRFHEH50307A

RITE-HITE is a registered trademark of RITE-HITE Corporation.
 RITE-HITE products are covered by one or more U.S. Patents and other U.S. and foreign patents pending. RITE-HITE reserves the right to make product improvements without prior notice.

SCHEDULE 5

COVERED WALKWAY PLANS

[to be attached]

The plans attached to this exhibit are subject to the following:

1. Extent and requirement for railings is specifically addressed and approved by Tenant in Tenant's reasonable discretion, subject to compliance with all applicable codes including but not limited to ADA.
2. Coordination between canopy columns and existing sidewalk is specifically addressed to eliminate columns from landing in the middle of sidewalks and approved by tenant.
3. Costs for modifications to existing conditions to accommodate the current layout as represented by the canopy drawings is included in the terms of the lease covered by LL and not the Tenant. Existing conditions that may be impacted by the final coordination include, but not limited to, existing sidewalks, landscaping, site utilities, etc.

ARCHITECT
 BAKER AND ASSOCIATES
 1000 W. WASHINGTON AVENUE
 SUITE 100
 ANNAPOLIS, MD 21403
 TEL: 410-293-1234
 FAX: 410-293-1235
 WWW.BAKERANDASSOCIATES.COM

ENGINEER
 HAYNES SHALEY ASSOC.
 1000 W. WASHINGTON AVENUE, SUITE 100
 ANNAPOLIS, MD 21403
 TEL: 410-293-1234
 FAX: 410-293-1235
 WWW.HAYNESSHALEY.COM

MECHANICAL/ELECTRICAL/PLUMBING
 META ENGINEERS, P.C.
 1000 W. WASHINGTON AVENUE, SUITE 100
 ANNAPOLIS, MD 21403
 TEL: 410-293-1234
 FAX: 410-293-1235
 WWW.METAENGINEERS.COM

ARCHON[®]
 GROUP

STATION
 RIDGE

PHASE II-7031

ANNE ARUNDEL COUNTY
 MARYLAND

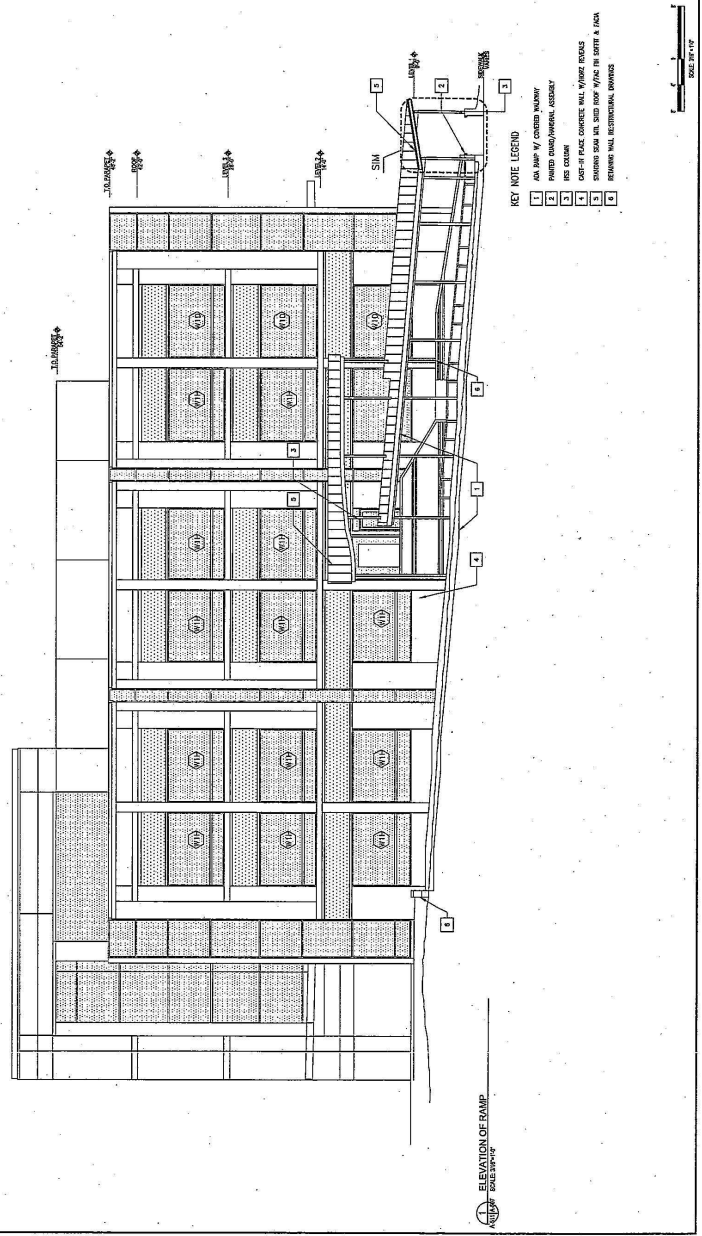
DATE
 SEPTEMBER 26, 2011

PERMIT SET
 100 PERCENT SUBMISSION

ELEVATION AT
 RAMP

SCALE(S) NOTED

A-511



PLANNING: 1000.WASHINGTON.AVENUE.P001.dwg

ARCHON®
G R O U P

STATION
RIDGE
PHASE II-7031
ANNIE ARONDEL COUNTY
IMPROVEMENT

DATE: SEPTEMBER 30, 2011
PERMIT SET
100 PERCENT SUBMISSION

SECTIONS AT
RAMP
SCALE AS SHOWN

A-512

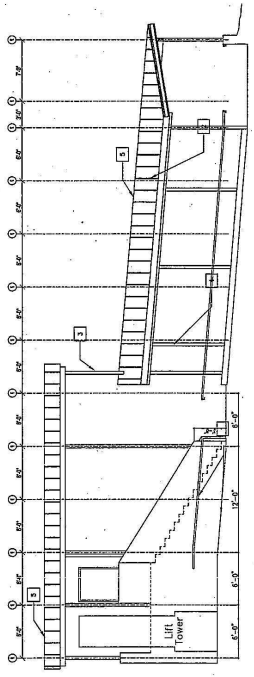
ARCHITECT
SWANER AND ASSOCIATES
ARCHITECTS
1000 W. BROADWAY
SUITE 1000
FAYETTEVILLE, NC 27803
TEL: 919.487.1000
WWW.SWANER.COM

STRUCTURAL
HAYNES WHALEY ASSOC.
STRUCTURAL ENGINEERS
1000 W. BROADWAY
SUITE 1000
FAYETTEVILLE, NC 27803
TEL: 919.487.1000
WWW.HAYNESWHALEY.COM

ELECTRICAL/PLUMBING/ELECTRICAL
META ENGINEERS, P.C.
1000 W. BROADWAY
SUITE 1000
FAYETTEVILLE, NC 27803
TEL: 919.487.1000
WWW.METAENGINEERS.COM

KEY NOTE LEGEND

1	AN RAMP W/ COVERED WALKWAY
2	PAINTED CONCRETE/BRICK ASSEMBLY
3	ROSE COLUMN
4	ONE-IN PLACE CONCRETE WALL W/ WOOD BOARDS
5	SHINGLED STEEL DECK SIDED ROOF W/ 2" X 6" TRUSS @ 24" O.C.
6	RENDERED WALL, RECREATIONAL BARRIERS



SECTION B-RAMP
SCALE: 1/4" = 1'-0"



REVISION: 1002, 1003, 1004, 1005, 1006, 1007, 1008, 1009

EXHIBIT K

CLEANING

[see attached]

General Cleaning Specifications

GENERAL OFFICE CLEANING	Daily	Weekly	Monthly	Quarterly	Annually	As Needed	Other
Vacuum office area carpeting	✱						
Thorough vacuuming of office areas		✱					
Vacuum common area carpeting	✱						
Spot clean carpeting		✱					
Vacuum upholstered furniture			✱				
Empty trash receptacles	✱						
Replace liners in wastebaskets						✱	
Empty central recycling containers						✱	
Damp wipe trash receptacles						✱	
Clean and stock private restrooms	✱						
Dust desks, unobstructed surfaces (incl. Counters, file cabinets, misc. furniture)		✱					
Dust furniture legs and bases		✱					
High dust picture frames, partitions, shelving (70")		✱					
Dust partitions, window sills, ledges		✱					
Dust venetian blinds				✱			
Dust mop tile floors	✱						
Spot mop non-carpeted floors	✱						
Mop tile offices	✱						
Buff tile floors						✱	
Scrub and refinish tile floors						✱	
Spot clean glass partitions		✱					
Spot clean doors and walls (to 6 feet)		✱					
Clean fire extinguishers			✱				
Turn off lights	✱						

General Cleaning Specifications

COMMON AREA & UTILITY CLEANING	Daily	Weekly	Monthly	Quarterly	Annually	As Needed	Other
Empty trash receptacles	*						
Transport trash to main receptacle	*						
Transport recyclable to main receptacles						*	
Vacuum and clean elevator tracks						*	
Clean elevator cabs	*						
Vacuum elevator carpeting	*						
Police stairwells	*						
Dust stairwell railings and ledges		*					
Sweep stairwells		*					
Mop stairwells		*					
Remove cigarette butts from ash urns (if applicable)	*						
Replace sand in ash urns (if applicable)						*	
Vacuum entrance mats	*						
Sweep trash room	*						
Clean utility closets		*					
Clean janitors' storage area	*						
Clean entrance glass	*						
Polish non-lacquered surfaces (if applicable)						*	
Clean building directory	*						
High dust pipes, ledges, light fixtures, artwork			*		*		
Spot clean public hallway walls (to 6 feet)		*					
Dust fire extinguishers and enclosures		*					
Sweep and mop lobby floor	*						
Buff lobby floor (to manufacturer specs)						*	
Sweep and mop common area floors	*						
Buff common area floors	*	*					
Scrub and refinish lobby floor						*	
Scrub and refinish common area floors						*	
Spot clean common area carpeting		*					
Turn off lights	*						
Extract/encapsulate carpet in all public corridors/elevators				*			
Machine scrub Granite 1 st floor lobby floor						*	
Seal Granite 1 st floor lobby floor grout					*		

EXHIBIT L

Intentionally Omitted

L - 1

EXHIBIT M

Form of Subordination, Non-Disturbance and Attornment Agreement

NON-DISTURBANCE, ATTORNMENT
AND SUBORDINATION AGREEMENT

THIS NON-DISTURBANCE, ATTORNMENT AND SUBORDINATION AGREEMENT is made and entered into as of _____ day of _____, _____, by and between CIENA CORPORATION, a Delaware corporation (the "**Tenant**"), whose address is 1201 Winterson Road, Linthicum, MD 21090, W2007 RDG REALTY, L.L.C., a Delaware limited liability company (the "**Landlord**"), W2007 RDG HOLDCO, L.L.C., a Delaware limited liability company (the "**Borrower**"), whose address is c/o Archon Group, L.P., 6011 Connection Drive, Irving, Texas 75039, Attn: . General Counsel-Station Ridge, and _____, as Agent (said Agent, together with any other entity which may hereafter be appointed as Agent under the [Construction Loan and Security Agreement] described below, is hereinafter referred to as the "**Agent**"), whose address for purposes hereof is _____. The Agent serves as administrative agent for the financial institutions (the "**Lenders**") which are now or may hereafter become parties to that certain [Construction Loan and Security Agreement] executed or to be executed by and among the Agent, the Lenders, Landlord and Borrower in connection with the refinancing of, and construction of certain improvements on, the Land (as hereinafter defined).

RECITALS:

Landlord owns the land described in Exhibit A attached hereto and hereby made a part hereof for all purposes (the "**Land**").

Reference is hereby made to that certain Lease Agreement dated effective _____, 2011, between the Landlord, as landlord, and Tenant, as tenant, said Lease not having been previously amended (said Lease Agreement shall herein be referred to as the "**Lease Agreement**"). Pursuant to the terms of the Lease Agreement, Tenant is the owner of a leasehold estate in a portion of the improvements to hereafter be constructed upon the Land (such portion of the Land, and the leased improvements thereon, being herein called the "**Premises**"). The Lease Agreement, together with all subsequent renewals, extensions and modifications of the Lease Agreement which are made in accordance with the terms hereof, are hereinafter collectively called the "Lease."

Landlord has executed or may execute an [Indemnity Deed of Trust, Assignment and Security Agreement] (the "**Mortgage**") covering, among other property, the Land in favor of the Agent, for the ratable benefit of the Lenders more particularly described therein, as security for indebtedness of Borrower to the Agent and the Lenders, which indebtedness is guaranteed by Landlord. .

As a condition to the extension by the Lenders to Borrower of the indebtedness to be secured by the Mortgage, the Agent has required that Tenant subordinate Tenant's leasehold interest in the Premises to all liens, security interests and assignments securing payment of any and all indebtedness now or hereafter secured by the Mortgage. Tenant is willing to proceed with such subordination of its leasehold interest; provided, however, that as a condition to such subordination, Tenant has required that Tenant's right of possession to the Premises shall not be disturbed by the Agent, the Lenders or any third party in the exercise of any of the Agent's or Lenders' rights under the Mortgage and all other security instruments securing payment of any of the indebtedness of Borrower secured by the Mortgage, which

protection the Agent and Lenders are willing to grant in order to induce Tenant to proceed with such subordination.

AGREEMENTS :

In consideration of the premises and the sum of Ten Dollars (\$10.00) paid by the Agent to Tenant, and other consideration, the receipt and sufficiency of which is hereby acknowledged, Tenant, Landlord, Borrower and Agent (for itself and on behalf of the Lenders), mutually agree as follows:

1. Representations. Tenant hereby acknowledges to the Agent that the Lease is in full force and effect and has not been changed since execution. As of the date hereof, the Lease embodies the entire agreement between Landlord and Tenant and there are no side letters or other ancillary agreements between Landlord and Tenant. To Tenant's knowledge, as of the effective date hereof, there exists no default on the part of Landlord or Tenant under the Lease.

2. Subordination. Tenant covenants and agrees with the Agent that, subject to the terms and conditions of this Agreement, all of Tenant's right, title and interest in and to the Premises and any other interest of Tenant in the Land and any improvements thereon are and shall be subject, subordinate and inferior to (a) the lien and security interests of the Mortgage and all renewals, increases, replacements, extensions or modifications thereof and all other security instruments securing payment of any indebtedness of Borrower secured by the Mortgage, including any future advances made with respect to the Land and/or any improvements thereon, and (b) all right, title and interest of the Agent in the Land and the improvements thereon, including without limitation the Premises, pursuant to the Agent's enforcement of the lien and security interest of the Mortgage and/or any lien or security interest of any other security instruments securing payment of any indebtedness of Borrower secured by the Mortgage.

3. Nondisturbance. The Agent covenants and agrees with Tenant that, so long as no event of default by Tenant has occurred and is continuing under the Lease (after the expiration of the applicable notice and curative periods contained therein, if any), the Agent shall not disturb or interfere with Tenant's right of possession to the Premises in the event that the Agent or the Agent's successors or assigns, or any other purchaser at any foreclosure sale pursuant to the Mortgage or any other security instrument (hereinafter referred to as a "Foreclosure Transferee"), acquires title to all or any part of the Premises pursuant to the exercise of any remedy provided for in the Mortgage or any other security instrument, nor shall Tenant be named as a party defendant to any action to foreclose the liens and security interests of the Mortgage or any other security instrument or otherwise for the purpose of terminating, disturbing or interfering with Tenant's interest and estate under the Lease, except to the extent required by applicable law.

4. Attornment. Tenant covenants and agrees to attorn to the Agent or any other Foreclosure Transferee, as Tenant's new landlord, and agrees that the Lease shall continue in full force and effect as a direct lease between Tenant and the Agent or any other Foreclosure Transferee, if applicable, upon all of the terms, covenants, conditions and agreements set forth in the Lease; provided, however, the Agent, Lenders or such other Foreclosure Transferee shall not be:

(a) liable for any act, omission or breach of warranty or representation of any prior landlord, including Landlord; provided, however, if Tenant has provided Agent a copy of any notices delivered to Landlord of a default by Landlord, Agent or the Foreclosure Transferee, as the case may be, will be obligated under the Lease for any default of Landlord stated in said notice delivered to Agent, which is reasonably susceptible to being cured and which continues and remains uncured at the time Agent or such other Foreclosure Transferee obtains possession or title to the Land, in which case, Agent or the Foreclosure Transferee will be afforded thirty (30) days from the later of (i) Agent or the Foreclosure Transferee obtaining possession or title to the Land, or (ii) Agent's or the Foreclosure Transferee's receipt of a notice from Tenant specifying such default. Unless such default is of such a nature to reasonably require more than thirty (30)

days to cure and then, Agent or the Foreclosure Transferee shall be permitted such additional time as is reasonably necessary to effect such cure, if Agent or the Foreclosure Transferee is proceeding diligently. to cure such default. Notwithstanding the foregoing, Agent or the Foreclosure Transferee will not be liable for any act, omission or breach of warranty or representation of any prior landlord occurring prior to Agent filing a foreclosure proceeding against the Land, unless Tenant has given Agent written notice of the default prior to such filing;

(b) subject to any offset, defense or counterclaim which Tenant might be entitled to assert against any prior landlord, including Landlord; provided, however, if (i) Tenant has complied with Tenant's obligations under the Lease (if any) to preserve Tenant's rights in case of Landlord default by giving Landlord written notice specifying such default and (ii) Tenant has provided Agent a copy of such notification, Tenant shall be entitled to exercise any contractual self-help and offset rights permitted under the Lease with respect to any default of Landlord that (i) continues and remains uncured at the time Agent or such other Foreclosure Transferee obtains possession, control or title to the Premises, and (ii) that is not cured by Agent or the Foreclosure Transferee, as the case may be, within the cure period set forth in subsection (a) above. Notwithstanding the foregoing, Tenant shall not be entitled to any offsets rights against Agent or such Foreclosure Transferee which Tenant might be entitled to assert against any prior landlord relating to acts or omissions that occurred prior to Agent filing a foreclosure proceeding against the Land, unless Tenant has given Agent written notice of the default prior to such filing, but Tenant shall still have rights to self-help;

(c) bound by any payment of rent, additional rent or other sum made by Tenant to Landlord for more than one (1) month in advance of its due date under the Lease;

(d) bound by any amendment or modification of the Lease, any assignment of the Lease, or any subletting the Lease hereafter made without the prior written consent of the Agent, to the extent such amendment or modification materially and adversely alters the rights, duties or obligations of Landlord under the Lease, including without limitation, (i) a change in the initial or any renewal term of the Lease, (ii) a change in any renewal, expansion, purchase, refusal or first offer rights under the Lease, (iii) a change in the description of the Demised Premises, (iv) a modification of the prohibited business activities or uses set forth in the Lease, (v) a change in the amount or calculation of Rent (as defined in the Lease) or any other sum which is due and payable under the provisions of the Lease, or (vi) a modification of any other key economic factors or terms of the Lease, except in all such events (1) any matter for which Landlord must not expressly unreasonably withhold consent under the terms of the Lease, (2) any modification or amendment to the Lease which implements the exercise of a specific right of Tenant in the Lease to extend the term of the Lease pursuant to any option to renew the Lease as of the date of this Agreement, or (3) as otherwise approved by Agent in accordance with this Agreement (it being understood and agreed that any other amendment or modification of the Lease does not require the prior written consent of Agent, so long as Agent is furnished with a complete copy of any such amendment or modification within a reasonable time after the execution and delivery of the same by Landlord and Tenant);

(e) personally liable for any obligation under the Lease, it being understood that any recovery of a judgment by Tenant against Agent, Lenders or such other Foreclosure Transferee, as the case may be, shall be limited strictly to Agent, Lenders or such Foreclosure Transferee's interest in the Land and the improvements thereon;

(f) liable for the construction of any improvements required of Landlord under the Lease; provided, however, if Tenant has provided Agent a copy of any notices delivered to Landlord related to termination arising from construction obligations, such lack of liability shall not affect any rights of self-help and offset or termination described in the Lease in the event of such failure to complete such improvements. Notwithstanding the foregoing, so long as the Lease is in full force and effect and no party has acted to terminate the Lease, in the event that a Foreclosure Transferee acquires title to all or any part of the Premises pursuant to the exercise of any remedy provided for in the Mortgage or any other security instrument, and (1) Tenant has complied with its obligation to provide Agent a copy of any notices delivered to Landlord related to termination arising from construction obligations, and (2) Foreclosure Transferee fails to timely complete the construction of those improvements required to be performed by Landlord under Exhibit D and Exhibit J of the Lease (after the expiration of any applicable notice and cure period provided under the Lease (if any)), then Tenant is hereby granted (x) the right to exercise self-help to complete such construction in accordance with the terms of the Lease as if Tenant was the "Landlord" thereunder, and (y) to the extent Landlord was obligated under Exhibit D and Exhibit J of the Lease to pay such costs (those costs that Landlord was so obligated to pay are hereinafter referred to as the "**Project Costs**"), the right to set off from Tenant's rental obligations all of Tenant's actual out-of-pocket costs and expenses incurred in the completion of such construction (less any amounts Tenant receives from the L/C (defined below)). The parties acknowledge that Tenant has been provided a Letter of Credit issued by JPMorgan Chase Bank, N.A., on the account of Borrower for the benefit of Tenant in the original face amount of \$6,500,000.00 (the "**L/C**"), which L/C may be drawn upon by Tenant only if (a) a Foreclosure Transferee has acquired title to all or any part of the Premises, (b) such Foreclosure Transferee fails to timely complete the construction of those improvements required to be performed by Landlord under Exhibit D and Exhibit J of the Lease (after the expiration of any applicable notice and cure period provided under the Lease (if any)), and (c) Tenant has provided Agent with a statement certifying that Foreclosure Transferee has failed to timely complete the construction of those improvements required to be performed by Landlord under Exhibit D and Exhibit J of the Lease (the "**Completion Work**") (after the expiration of any applicable notice and cure period provided under the Lease (if any)) and specifying which improvements still need to be completed, provided that draws are limited to Project Costs. The face amount of the L/C is subject to reduction from time to time in accordance with the burn-down schedule attached as an exhibit to the L/C. Tenant shall use the proceeds of the L/C to pay for the Project Costs for which the disbursement is made (or to reimburse Tenant for such Project Costs if Tenant has paid for same out of its own funds). All Project Costs shall be set forth in a budget based on the general contractor's estimate of the cost to complete the Completion Work as reasonably verified by Agent (the "**Project Budget**"). Agent shall not be obligated to disburse more than the amount shown in the approved Project Budget for any item of Project Costs. Disbursements from the L/C are not required to be made more frequently than monthly. Agent shall have received the following in form and substance satisfactory to Agent (collectively, a "**Draw Package**") at least ten (10) business days prior to the date of the requested L/C disbursement: (i) a request for funds under the L/C; (ii) a draw request certification from the contractor covering the requested draw in the form of AIA Form G702 and G703 or an equivalent form acceptable to Agent (with contractor's sworn statement and application for payment attached thereto); (iii) to the extent required by Agent, copies of partial lien waivers or releases of lien for all lienable work done and materials delivered; (iv) a list of soft costs to be paid from the requested draw, and copies of invoices for each item of soft costs in excess of \$25,000.00; (v) if requested by Agent, a copy of Tenant's then current change order log; (vi) to the extent not previously delivered to Agent, copies of all permits, certificates, licenses and approvals required under applicable legal requirements for the construction of the Premises as of the date of the requested draw and copies of all subcontracts; and (vii) additional documentation reasonably requested by Agent.

(g) in any way responsible for any deposit or security that Tenant may have given to any previous landlord which has not been delivered to the Agent or the Foreclosure Transferee, as applicable.

5. Casualty and Condemnation Proceeds. If the Premises sustains a casualty loss covered by insurance, or if the Premises or any part thereof is taken under the power of eminent domain, any insurance proceeds payable to Landlord by reason of the casualty loss to the Premises and any award or damages (direct or consequential) payable to Landlord by reason of the taking of the Premises shall be disposed of as follows:

(a) If the Lease obligates Landlord to repair and restore the Premises, or such repairs and restoration are otherwise undertaken by agreement among the parties, then the insurance or condemnation proceeds shall be deposited in a special escrow account under Agent's exclusive control to be applied by Agent to the repair and restoration of the Premises in substantially the same manner construction loan proceeds are handled by Agent. Except to the extent otherwise provided in the Lease, Landlord shall be responsible for repair and restoration of the Premises. However, notwithstanding the foregoing, Agent may, at its option, apply all or any part of the insurance or condemnation proceeds to the satisfaction of the indebtedness secured by the Deed of Trust if:

(1) An Event of Default exists under the Mortgage;

(2) Intentionally Deleted;

(3) The insurance or condemnation proceeds deposited to the escrow account are insufficient to pay the anticipated costs of repairing and restoring the Premises in full, and neither Landlord nor Tenant deposits such additional sums to the escrow account as may be reasonably required by Agent to pay the anticipated costs of the repair and restoration of the Premises in full;

(4) Neither Landlord nor Tenant provides at Agent's request evidence satisfactory to Agent that (i) repair and restoration of the Premises are economically feasible, (ii) Agent's security for the ratable benefit of the Lenders will not be significantly impaired by the repair and restoration of the Premises, and (iii) the resulting value of the Premises after the completion of all repairs and restoration will be equal to or greater than the value of the Premises prior to the casualty loss or taking;

(5) Landlord and/or Tenant fail to obtain Agent's prior written approval (which will not be unreasonably withheld) of any plans and specifications, general contractor and contracts or agreements for the repair or restoration of the Premises;

(6) Repairs and restoration are not commenced, diligently pursued, and completed within a reasonable period of time; or

(7) The Lease is terminated as a result of the casualty loss or taking.

Neither Agent nor any Lender will be required to be a party to any contract or agreement for the repair or restoration of the Premises. Agent may disburse or release funds from the escrow account to or for the benefit of Landlord and shall not be responsible for the proper application or use of funds paid or released from the escrow account. Any funds remaining in the escrow account after the repair and restoration of the Premises may be applied by Agent towards satisfaction of the indebtedness secured by the Mortgage, regardless of whether the same is then payable. The application of insurance or condemnation proceeds in the manner described above or towards the satisfaction of the

indebtedness secured by the Mortgage shall not extend or postpone the due date of payments due under the terms of any obligation secured by the Mortgage.

(b) If the Lease does not obligate Landlord to repair and restore the Premises or if such repairs and restoration are not undertaken by agreement among the parties, any insurance or condemnation proceeds payable to Landlord shall be disposed of in accordance with the terms of the Mortgage.

(c) Notwithstanding anything in this section to the contrary, Tenant shall be entitled to any insurance or condemnation proceeds payable to Tenant to the extent such proceeds are paid in compensation for damage to or the taking of Tenant's real, personal or tangible property.

(d) In the event of a foreclosure of the Mortgage, a deed in lieu of foreclosure or any other transfer of title to the Premises in satisfaction of any indebtedness or obligation secured thereby, all right, title and interest of Landlord to (i) any insurance policies then in force, (ii) any insurance proceeds resulting from damage to the Premises which occurred prior to such foreclosure or transfer, and (iii) any condemnation proceeds payable by reason of any taking under the power of eminent domain which occurred prior to such foreclosure or transfer, shall pass to Bank or to its grantee or to the Foreclosure Transferee.

6. Agent's Opportunity to Cure. Tenant hereby agrees to give written notice to the Agent of any default of Landlord under the Lease, contemporaneously with delivery of such notice to Landlord. It is further agreed that such notice will be given to any successor in interest of the Agent under the Mortgage, provided that prior to any such default of Landlord, such successor in interest shall have given written notice to Tenant of its acquisition of the Agent's interest therein, and shall have designated the address to which such notice is to be directed. Notwithstanding any provisions of the Lease to the contrary, Tenant may not terminate the Lease as a result of any default by Landlord without affording to the Agent or its successors a period of time to remedy any such default equal to the greater of (a) thirty (30) days or (b) the curative period afforded Landlord for such default under the provisions of the Lease, such period to commence upon the effective delivery date to the Agent of Tenant's notice of such default pursuant to Section 9 of his Agreement.

7. Assignment of Rents. After notice is given to Tenant by the Agent that an Event of Default (as defined in other Mortgage) has occurred and that rentals due and payable under the Lease should be paid directly to the Agent pursuant to the terms of one or more of the assignments of rents (collectively the "**Rent Assignments**") executed and delivered or to be executed and delivered by Landlord to the Agent in connection with the Mortgage, Tenant shall thereafter pay directly to Lender all rentals and other monies due or to become due and payable under the Lease. The Agent hereby represents and warrants to Tenant, and Landlord acknowledges and agrees that under the terms of said Rent Assignments, Landlord has expressly authorized Tenant to make such payments directly to the Agent and Landlord has released and discharged Tenant and does hereby release and discharge Tenant from any liability to Landlord or account of any such payments made to the Agent in accordance with the Agent's written instructions to Tenant.

8. Defined Terms. Any use of the terms "Landlord," "Tenant," "Lender" or "Agent" are hereby deemed to refer to and include, not only the original party named in this Agreement in such respective capacities, but also any and all heirs, legal representatives, successors or assigns of any such parties with respect to such parties' interest in the Lease, the Premises or in the indebtedness secured by the Mortgage.

9. Notices. All notices, demands or requests provided for or permitted to be given pursuant to this Agreement must be in writing and shall be given or served by depositing in the United States Mail, postpaid, registered or certified, return receipt requested, or by Federal Express or comparable overnight delivery service, and addressed, as to the Agent, to the address set forth on the first page hereof, and as to

Tenant, to the address set forth on the first page hereof. All notices, demands and requests shall be deemed effective and received four (4) business days after being deposited in the United States Mail or one (1) business day after being deposited with Federal Express or comparable overnight delivery service for next business day delivery. By giving ten (10) days prior written notice thereof pursuant to the provisions hereof, Tenant or the Agent shall have the right from time to time and at any time during the term of this Agreement to change their respective addresses.

10. No Oral Amendments. This Agreement may not be discharged or modified orally or in any manner other than by an agreement in writing specifically referred to this Agreement and signed by all parties hereto.

11. Miscellaneous. The provisions hereof shall be self-operative and effective without the necessity of execution of any further instruments on the part of any party hereto or the respective heirs, legal representatives, successors or assigns of any such party. This Agreement may be executed in multiple counterparts.

12. Governing Law. This Agreement shall be governed by the laws of the State of Maryland.

13. Tenant Right to Record. Tenant shall have the right to record this Agreement.

14. Severability. If any clause or provision of this Agreement is illegal, invalid or unenforceable under present or future laws, such clause or provision shall be deemed to have been severed from this Agreement and shall not affect the validity and enforceability of the remainder of the Agreement.

[SIGNATURE(S) ON FOLLOWING PAGE(S)]

EXHIBIT N

COMPETITOR LIST

EXHIBIT O

LANDLORD'S WIRING INSTRUCTIONS

EXHIBIT P

OPERATING COST EXCLUSIONS

1. Leasing, sale or other brokerage commissions (whether employed in-house or not) or marketing, advertising or promotional expenses of any kind in connection with the sale or transfer of the Building or an interest therein or for the lease of vacant space in the Building;
2. The cost (including taxes) of performing work or furnishing utilities or services to or for any tenant, other than Tenant, at Landlord's expense, to the extent that such work, utilities or service is in excess of any work or service provided to Tenant at Landlord's expense;
3. Any unfunded pension or other benefits for any personnel which shall have accrued prior to the Lease Commencement Date;
4. Any rent, additional rent, imposition or other charge under any lease or sublease to or assumed, directly or indirectly, by Landlord or any Landlord Party (except with respect to any management office in the Complex as set forth in Section 4(b)(2)(G));
5. Ground rent under any lease;
6. Any cost which would otherwise be an Operating Cost to the extent the same is reimbursed to or for the benefit of Landlord by proceeds of insurance (or would be reimbursable if Landlord maintained or caused to be maintained the insurance required to be maintained by Landlord under the terms of the Lease), condemnation award, refund, credit, warranty, service contract, or from any tenant (including Tenant) of the Building, it being understood that any rent payments or other payments by tenants in the nature of additional rent as provided for under the terms of Section 4 of this Lease shall not be deemed sources of reimbursement to Landlord for such costs;
7. Any costs for the acquisition or leasing of sculptures, paintings or other objects of art (but not for the Maintenance or insurance thereof);
8. Accounting fees, other than those incurred directly in connection with the preparation of statements required pursuant to the provisions of this Lease and similar provisions of other leases of space in the Building;
9. Interest or penalties resulting from late payment of any sum;
10. Costs and expenses (including court costs, attorneys' fees and disbursements) related to or arising under or in connection with disputes with tenants, any lessor under a ground lease or any holder of a mortgage or deed of trust and any cost incurred in connection with leasing, mortgaging, financing, refinancing, sale, any ground lease or any payment or prepayment of debts;
11. Any costs incurred in the removal, containment, encapsulation, or disposal of or repair or cleaning of areas affected by asbestos, PCBs or other hazardous substances, which are deemed by any applicable federal, state or municipal law, order, rule or regulation to be hazardous to health, safety or the environment;
12. Costs incurred in connection with a sale, lease, transfer or any testamentary transfer or capital event involving all or any part of the Building or the land on which a Building is constructed or any interest therein or any interest in Landlord or in any person comprising, directly or indirectly, Landlord or in any person having any control or equity interest, directly or indirectly, in Landlord;
13. Costs incurred to correct any misrepresentation by Landlord herein or arising out of any indemnity obligation;
14. Any expense arising by reason of the tortious acts or default under any written agreement or lease by Landlord or Landlord's agents or contractors affecting the Building or the Land or any portion thereof;

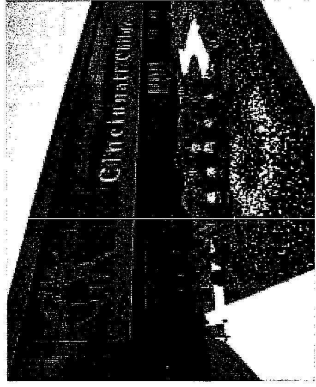
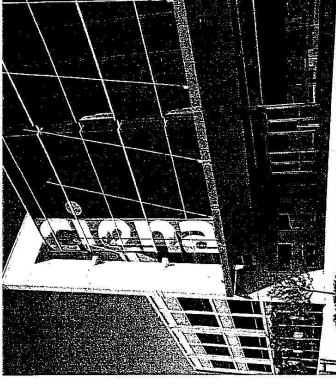
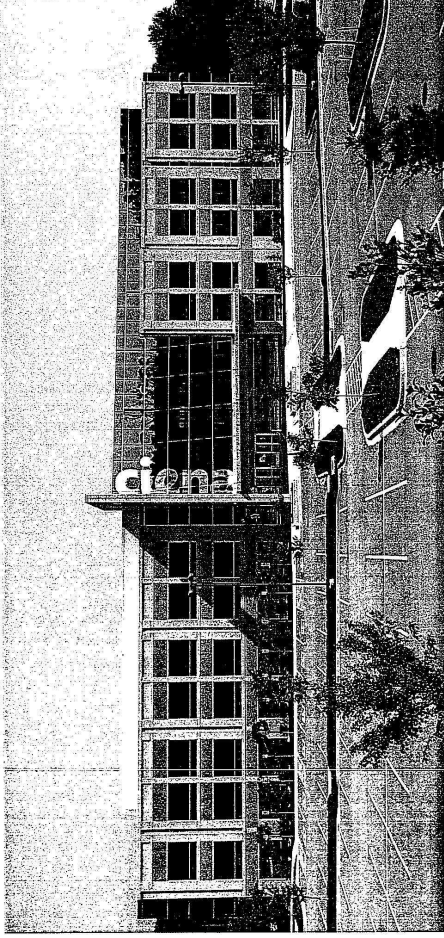
15. Payments for rented equipment, the cost of which would constitute an excluded capital expenditure if the equipment were purchased;
16. Any compensation paid to clerks, attendants or other persons in concessions operated for profit by Landlord or any of Landlord's agents or any Landlord Affiliate;
17. Any fines or penalties incurred as a result of violation by Landlord or the Building of any legal requirement;
18. The cost of any use of overtime labor in connection with the operation of the Building to the extent such use is the result of Landlord's efforts to cure a default by it under this Lease or any other lease of space in the Building;
19. Costs which are attributable to the general overhead of Landlord, for which Landlord receives a management fee, including without limitation, accounting, legal, secretarial, bookkeeping, office furniture and equipment, office rent (other than a management office within the Complex), asset manager, audit, software, computer hardware, and printer costs and expenses;
20. The lost income to Landlord of any space in the Building which is utilized for the management of the Building (provided that the fair market rental and other costs of the management office for the Complex under Section 4(b)(2)(G) shall be an Operating Cost);
21. Taxes or franchise, transfer, inheritance or capital stock taxes or taxes imposed upon or measured by the income or profits of Landlord or any fee, tax, charge or other item specifically excluded from the definition of Taxes;
22. Principal or interest on any debt;
23. The cost of any services, alterations, additions, changes, decorations, repairs, replacements or other items which are made or incurred in order to prepare space for a tenant's initial occupancy or lease renewal or extension;
24. Any amount paid to any Landlord Party to the extent such amounts are in excess of the amount which would be paid at then-existing market rates in the absence of such relationship for the provision of the same service;
25. The cost of any reconstruction or restoration made in accordance with Section 15 (Fire or Other Casualty) of this Lease; provided, however Landlord may include in Operating Costs the amount of a commercially reasonable deductible applied to each such occurrence;
26. Any cost or expense incurred for, or in connection with correcting defects in the base Building or its design, development, construction, base building equipment or base building systems or in order to comply with any legal requirement existing on the date of this Lease; **and**
27. All reserves, including bad debt loss or reserve and reserves for repairs, maintenance, replacements or any other purpose.

EXHIBIT Q

APPROVED SIGNAGE

Q - 1

- Logo in film on front glass
- Uplight at night mounted to canopy roof

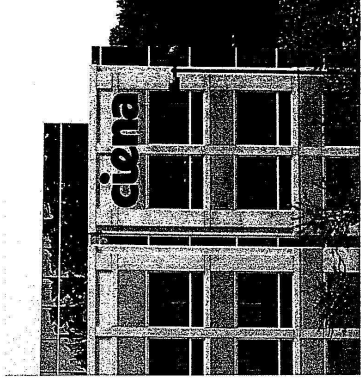
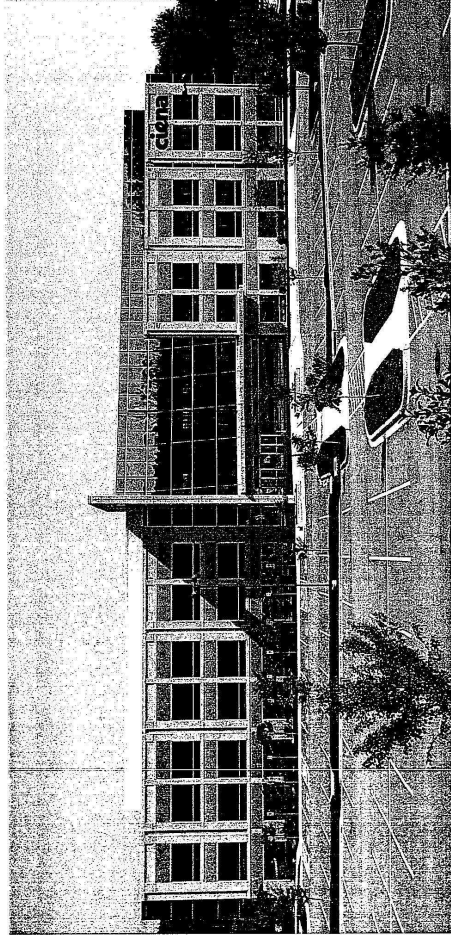


Example of Film on glass

BHDP	Ciena	7085 Station Road (708) Similar	CEMMA July 2011
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Exterior Signage
Revised Concept A

- Dimensional letters, in red, applied to face of building, internally illuminated



Example of large letters on face of building, lit

BHDP	Ciena	7085 Station Ridge (7081 Similar)	Exterior Signage Revised Concept B	CEN0011 10/17/2011
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EXHIBIT R

AUDITING FIRMS

The Robert Thomas Group

CB Richard Ellis

CyberLease, LLC

Lease Audit Savings

Deloitte & Touche, LP

PriceWaterhouseCoopers LLP

KBA Lease Services

The RBJ Group

APEX Analytix

LeaseProbe LLC

Commercial Tenant Services

Statement of Computation of Ratio of Earnings to Fixed Charges

	Year Ended October 31,		
	2009	2010	2011
Pre-tax income (loss) from continuing operations	\$ (582,478)	\$ (331,573)	\$ (187,848)
Fixed charges:			
Interest expense	7,406	18,619	37,926
Portion of rental expense representative of interest factor	4,111	7,324	8,421
Total fixed charges	11,517	25,943	46,347
Pre-tax income (loss) from continuing operations plus fixed charges	\$ (570,961)	\$ (305,630)	\$ (141,501)
Ratio of losses to fixed charges (1)	\$ —	\$ —	\$ —

(1) Pre-tax losses from continuing operations plus fixed charges were inadequate to cover total fixed charges.

<u>Subsidiary</u>	<u>Jurisdiction of Incorporation or Organization</u>
Ciena Communications, Inc.	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-27131, 333-30900, 333-72474, 333-91294, 333-102462, 333-103328, 333-113872, 333-115287, 333-121110, 333-123509, 333-123510, 333-149520, 333-149929, 333-163927 and 333-166125) and on Form S-3 (No. 333-108476 and 333-149519) of Ciena Corporation of our report dated December 22, 2011 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Baltimore, Maryland
December 22, 2011

CIENA CORPORATION
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Gary B. Smith, certify that:

1. I have reviewed this annual report of Ciena Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 22, 2011

/s/ Gary B. Smith

Gary B. Smith

President and Chief Executive Officer

CIENA CORPORATION
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, James E. Moylan Jr., certify that:

1. I have reviewed this annual report of Ciena Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 22, 2011

/s/ James E. Moylan Jr.

James E. Moylan Jr.

Senior Vice President and Chief Financial Officer

CIENA CORPORATION

**Written Statement of Chief Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

The undersigned, the Chief Executive Officer of Ciena Corporation (the "Company"), hereby certifies that, to his knowledge, on the date hereof:

- (a) the Report on Form 10-K of the Company for the year ended October 31, 2011 filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gary B. Smith

Gary B. Smith

President and Chief Executive Officer

December 22, 2011

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Ciena Corporation and will be retained by Ciena Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

CIENA CORPORATION

**Written Statement of Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

The undersigned, the Chief Financial Officer of Ciena Corporation (the "Company"), hereby certifies that, to his knowledge, on the date hereof:

- (a) the Report on Form 10-K of the Company for the year ended October 31, 2011 filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James E. Moylan Jr.

Senior Vice President and Chief Financial Officer

December 22, 2011

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Ciena Corporation and will be retained by Ciena Corporation and furnished to the Securities and Exchange Commission or its staff upon request.