what THE NETWORK will be

Infinera Corporation
2015 Proxy Statement
and
2014 Annual Report on Form 10-K

Infinera Corporation
140 Caspian Court
Sunnyvale, California 94089

NOTICE OF 2015 ANNUAL MEETING OF STOCKHOLDERS

To Be Held on May 7, 2015
10:00 a.m. Pacific Time

Dear Stockholder:

You are cordially invited to attend the 2015 Annual Meeting of Stockholders (the "Annual Meeting") of Infinera Corporation, a Delaware corporation. Notice is hereby given that the meeting will be held on Thursday, May 7, 2015, at 140 Caspian Court, Sunnyvale, California 94089 at 10:00 a.m. Pacific Time, for the following purposes:

1. To elect to the Board of Directors (the "Board") the three nominees for Class II directors named in the Proxy Statement;
2. To ratify the appointment of Ernst & Young LLP as Infinera's independent registered public accounting firm for the fiscal year ending December 26, 2015;
3. To approve, on an advisory basis, the compensation of Infinera's named executive officers, as described in the Proxy Statement; and
4. To transact such other business as may properly come before the meeting or any postponement or adjournment thereof.

These items of business are more fully described in the Proxy Statement accompanying this Notice.

The record date for the Annual Meeting is March 18, 2015. Only stockholders of record at the close of business on that date may vote at the Annual Meeting or any postponement or adjournment thereof. A list of our stockholders will be maintained and open for examination by any of our stockholders, for any purpose germane to the Annual Meeting, during regular business hours at the address listed above for ten days prior to the meeting.

We are pleased to inform you that Infinera will again be utilizing the U.S. Securities and Exchange Commission rules that allow issuers to furnish proxy materials to their stockholders via the Internet. We believe that these rules allow us to provide our stockholders with the information they need more quickly and conveniently, while lowering the cost of delivery and reducing the environmental impact of the Annual Meeting.

As a stockholder of Infinera, your vote is important. Whether or not you expect to attend the Annual Meeting in person, it is important that you vote as soon as possible so that your shares are represented. To vote your shares, please follow the instructions in the Notice of Internet Availability of Proxy Materials, which is being mailed to you on or about March 26, 2015.

On behalf of the Board, thank you for your participation in this important annual process.

By Order of the Board,
/s/ James L. Laufman

James L. Laufman
Senior Vice President, General Counsel and Corporate Secretary

Sunnyvale, California
March 26, 2015

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

INFINERA CORPORATION

PROXY STATEMENT SUMMARY

This summary highlights selected information contained elsewhere in this Proxy Statement. The summary does not contain all of the information that you should consider, and you should read and consider carefully the complete Proxy Statement before voting.

2015 Annual Meeting of Stockholders

Time and Date:	10:00 a.m. Pacific Time, on Thursday, May 7, 2015
Place:	Infinera Corporation, 140 Caspian Court, Sunnyvale, California 94089
Record Date:	March 18, 2015
Voting:	Stockholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote for each director nominee and one vote for each of the other proposals to be voted on.

Meeting Agenda and Voting Matters

Agenda Items	Board Vote Recommendation	Page Reference (for more detail)
1. To elect to the Board of Directors the three nominees for Class II directors named in the Proxy Statement.	FOR EACH DIRECTOR NOMINEE	7
2. To ratify the appointment of Ernst & Young LLP as Infinera's independent registered public accounting firm for the fiscal year ending December 26, 2015.	FOR	20
3. To approve, on an advisory basis, the compensation of Infinera's named executive officers, as described in the Proxy Statement.	FOR	53
4. To transact such other business that may properly come before the meeting or any postponement or adjournment thereof.		

Board Nominees

				Committee Memberships			
Name	Age	Director Since	Independent[1]	AC	CC	NGC	TAC
James A. Dolce, Jr.	52	2014	X	—	—	—	M
Paul J. Milbury	66	2010	X	C	M	—	—
David F. Welch, Ph.D.	54	2010	—	—	—	—	M

AC = Audit Committee; CC = Compensation Committee; NGC = Nominating and Governance Committee
TAC = Technology and Acquisition Committee; C = Chairman; M = Member

(1) Under the rules and regulations of the Securities and Exchange Commission and the listing standards of The NASDAQ Stock Market ("NASDAQ").

Board and Governance Highlights

Board Independence. 6 out of 8 of our directors are independent.

Board Composition. The size of our Board of Directors is currently fixed at eight and is divided into three classes. The board annually assesses its performance through a board self-evaluation.

Board Committees. We have four committees of the Board of Directors—Audit, Compensation, Nominating and Governance, and Technology and Acquisition. With the exception of the Technology and Acquisition Committee (our President serves on this committee) all other committees are composed entirely of independent directors.

Leadership Structure. We have separated the positions of Chairman and Chief Executive Officer ("CEO").

Director Stock Ownership. Each non-employee director is required to own shares of Infinera common stock having a value of at least four times the annual cash retainer.

Risk Oversight. Members of our senior management team are responsible for implementation of our day-to-day risk management processes, while the Board of Directors, as a whole and through its committees, has responsibility for the oversight of overall risk management

Business Highlights

Our financial results for fiscal 2014 reflect a year of winning footprint, building strong relationships with our customers, and increasing profitability. We continued to gain strong market acceptance of our Intelligent Transport Network and the Infinera DTN-X platform. Highlights included:

- Revenue was $668.1 million in fiscal 2014, a 23% increase compared to fiscal 2013, marking the second consecutive year where we have grown significantly faster than the overall dense wavelength division multiplexing market.
- Non-GAAP gross margin[(1)] was 44.0% in fiscal 2014 as compared to 41.6% in fiscal 2013 and 37.9% in fiscal 2012, demonstrating the leverage we have achieved from our vertical integration and the value proposition of our Intelligent Transport Network.
- Non-GAAP operating income[(2)] was $55.7 million in fiscal 2014 as compared to a non-GAAP operating income of $7.8 million in fiscal 2013 and a non-GAAP operating loss of $41.2 million in fiscal 2012.

(1) As used in this Proxy Statement, GAAP refers to U.S. generally accepted accounting principles. For a reconciliation of GAAP to Non-GAAP Gross Profit and Gross Margin for fiscal years 2014, 2013 and 2012, please see Appendix A to this Proxy Statement.

(2) For a reconciliation of GAAP to Non-GAAP Operating Income (Loss) for fiscal years 2014, 2013 and 2012, please see Appendix A to this Proxy Statement.

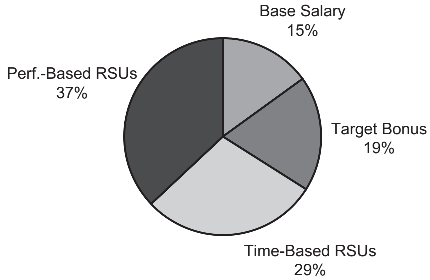
Executive Compensation Program Highlights

Our executive compensation program is designed to balance near-term results with long-term success and continue to encourage our executive officers (including our named executive officers ("NEOs") for fiscal 2014) to build value through innovation and execution. To fulfill this mission, we have a pay-for-performance philosophy that forms the foundation for all decisions regarding executive compensation made by our management team and our Compensation Committee. As explained in more detail in the Compensation Discussion and Analysis section of this Proxy Statement, our executive compensation program for fiscal 2014 reflects our pay-for-performance compensation philosophy and the continued strong alignment of the interests of our executive officers with those of our stockholders. Highlights of our executive compensation program for fiscal 2014 included:

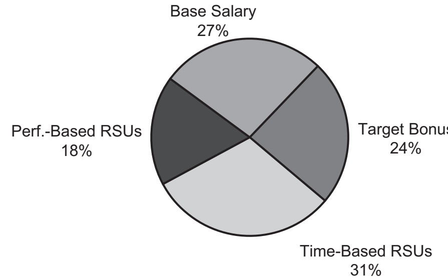
- ***The majority of our CEO's fiscal 2014 target total direct compensation was in equity***.
  - **66% of our CEO's target total direct compensation was in equity**, which links our CEO's compensation directly to the value of our common stock. In fiscal 2014, our CEO received a performance-based restricted stock unit ("PSU") award for 160,330 shares of our common stock and a restricted stock unit ("RSU") award for 106,880 shares of our common stock. Target total direct compensation consists of base salary, target cash incentive opportunity and target equity incentive compensation.
- ***The majority of our CEO's fiscal 2014 target total direct compensation and target equity compensation were at risk***.
  - **56% of our CEO's target total direct compensation was completely at risk** based on our performance against measurable performance objectives set forth under the fiscal 2014 bonus plan (the "2014 Bonus Plan") and PSU awards.

- **56% of our CEO's target equity compensation was in PSU awards**. The PSU awards are 100% subject to risk of forfeiture based on our relative total stockholder return ("TSR") performance over three performance periods against the Standard & Poor's North American Technology Multimedia Networking Index ("S&P Networking Index").

FY14 Mix of Pay: CEO



FY14 Mix of Pay: Other NEO Average[1]



---

(1) The average fiscal 2014 mix of pay for our NEOs other than our CEO excludes compensation for Messrs. Feller and Laufman, who were both hired during the fiscal year.

- ***Our fiscal 2014 PSU awards included rigorous performance requirements***. To support our pay-for-performance philosophy and further emphasize the importance of creating long-term stockholder value, our fiscal 2014 PSU awards contain several features we consider to be best practices:
  - **Sustained performance requirement**. To earn the maximum number of shares under the PSU awards, which is 150% of target shares, our TSR must exceed that of the S&P Networking Index by 25 points or more as calculated on each of the three separate measurement points (coinciding with the end of our fiscal 2014, 2015 and 2016).
  - **Steeper downside slope**. PSU awards are reduced one and one-half times faster if our TSR underperforms the S&P Networking Index (3-to-1 downside) than they are increased if our TSR outperforms the S&P Networking Index (2-to-1 upside). For example, if we underperform the S&P Networking Index by 10 points of TSR, 70% of the target PSU awards would be earned. If we outperform the S&P Networking Index by 10 points of TSR, 120% of the target PSU awards would be earned.
  - **Additional award cap**. Regardless of our performance versus the S&P Networking Index, PSU awards are capped at 50% of target for any period in which our TSR is negative. Therefore, even if we significantly outperform the S&P Networking Index in challenging market conditions, our PSU awards provide only modest rewards unless incremental stockholder value is created.
- ***Our fiscal 2014 payouts reflect our pay-for performance philosophy***. Our fiscal 2014 payouts reflect our strong performance. As indicated above, our executive compensation program strives to align the compensation outcomes for our NEOs with performance against measurable objectives. Our fiscal 2014 revenue and non-GAAP operating income results demonstrated significant growth over fiscal 2013 and exceeded the maximum levels established under our fiscal 2014 Bonus Plan, resulting in the maximum funding for the financial component at 150%. As of the end of fiscal 2014, we had two outstanding PSU performance cycles that measure our TSR against that of an independently constituted market index. We continued to outperform both the S&P Networking Index and the NASDAQ Telecommunications Index ("Telecomm Index") for our fiscal 2014 PSU awards and fiscal 2013 PSU awards, respectively, which resulted in maximum payouts (150% of target) for the performance cycles that concluded at the end of our fiscal 2014. The outstanding PSU award granted in fiscal 2012 failed to meet the non-GAAP operating profit target of $60 million for fiscal 2014 and the remaining shares under this award were cancelled.

- ***We continue to maintain sound corporate governance policies and practices***. We seek to maintain sound corporate governance standards. During fiscal 2014, the following policies and practices continued to be in effect and in addition we added a policy to address pledging of our common stock by NEOs:

  - Executive Clawback Policy
  - Anti-Hedging Policy
  - No Pledging of our Common Stock by NEOs
  - Fully Independent Compensation Committee
  - Stock Ownership Policy
  - No Guaranteed Bonuses
  - No Tax Gross-Ups
  - "Double-Trigger" Change-of-Control Agreements
  - Annual Compensation Risk Assessment
  - No Executive Perquisites
  - Independent Compensation Consultant Reporting Directly to Compensation Committee

[THIS PAGE INTENTIONALLY LEFT BLANK]

PROXY STATEMENT
2015 ANNUAL MEETING OF STOCKHOLDERS

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND VOTING PROCEDURAL MATTERS

Annual Meeting

Q: Why am I being provided access to these proxy materials?

A: The Board of Directors (the “Board”) of Infinera Corporation (referred to herein as “Infinera,” “we,” “us” or “our”) is providing you access to these proxy materials in connection with the solicitation of proxies by the Board for use at the 2015 Annual Meeting of Stockholders (the “Annual Meeting”) to be held on Thursday, May 7, 2015 at 10:00 a.m. Pacific Time, and at any adjournment or postponement thereof, for the purpose of considering and acting upon the matters described herein. These materials were first sent or given to stockholders on or about March 26, 2015.

Q: What is the Notice of Internet Availability of Proxy Materials?

A: In accordance with rules and regulations adopted by the U.S. Securities and Exchange Commission (the “SEC”), instead of mailing a printed copy of our proxy materials to all stockholders entitled to vote at the Annual Meeting, Infinera is furnishing the proxy materials to its stockholders via the Internet. If you received a Notice of Internet Availability of Proxy Materials (the “Notice”) by mail, you will not receive a printed copy of the proxy materials. Instead, the Notice will instruct you as to how you may access and review the proxy materials and submit your vote via the Internet. If you received a Notice by mail and would like to receive a printed copy of the proxy materials, please follow the instructions for requesting such materials included in the Notice.

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

On the date of mailing of the Notice, all stockholders of record and beneficial owners will have the ability to access all of our proxy materials on a website referred to in the Notice. These proxy materials will be available free of charge.

Q: Where is the Annual Meeting?

A: The Annual Meeting will be held at our principal executive offices, located at 140 Caspian Court, Sunnyvale, California 94089.

Q: Can I attend the Annual Meeting?

A: You are invited to attend the Annual Meeting if you were a stockholder of record or a beneficial owner as of the close of business on March 18, 2015 (the “Record Date”). If you are a stockholder of record, please bring a form of personal identification to be admitted to the meeting. If your shares are held in the name of your broker, trustee or other nominee and you plan to attend the meeting, you must present proof of your beneficial ownership of those shares as of the Record Date, such as a bank or brokerage account statement or letter, together with a form of personal identification, to be admitted to the meeting. The Annual Meeting will begin promptly at 10:00 a.m. Pacific Time.

Q: What proposals will be voted on at the Annual Meeting?

A: At the Annual Meeting, stockholders will be asked to vote on:

- The election of three Class II directors to serve until the 2018 Annual Meeting of Stockholders or until their successors have been duly elected and qualified;
- The ratification of the appointment of Ernst & Young LLP as Infinera’s independent registered public accounting firm for the fiscal year ending December 26, 2015; and

- The approval, on an advisory basis, of the compensation of Infinera's named executive officers, as described in this Proxy Statement.

We are not currently aware of any other business to be acted upon at the Annual Meeting. If any other matters are properly submitted for consideration at the Annual Meeting, including any proposal to adjourn the Annual Meeting, the persons named as proxies will vote the shares represented thereby at their discretion. Adjournments of the Annual Meeting may be made for the purpose of, among other things, soliciting additional proxies. Any adjournment may be made from time to time by approval of the holders of common stock representing a majority of the votes present in person or by proxy at the Annual Meeting, whether or not a quorum exists, without further notice other than by an announcement at the Annual Meeting.

Q: What is the voting requirement to approve each of the proposals and how does the Board recommend that I vote?

A: *Proposal 1*—Directors are elected by a plurality vote, which means that the three directors who receive the most "FOR" votes cast by the shares present in person, or represented by proxy, and entitled to vote at the Annual Meeting will be elected. "WITHHOLD" votes will not affect the outcome of the election. Stockholders may not cumulate votes in the election of directors. Broker non-votes are not deemed to be votes cast and, therefore, are not included in the tabulation of the voting results on this proposal and will not affect the outcome of the vote. **The Board unanimously recommends that you vote your shares "FOR" the nominees listed in Proposal 1**.

Proposal 2—Ratification of the appointment of Ernst & Young LLP as Infinera's independent registered public accounting firm for the fiscal year ending December 26, 2015, requires the affirmative vote of a majority of the total votes cast by holders of shares present in person, or represented by proxy, and entitled to vote on this proposal at the Annual Meeting. You may vote "FOR," "AGAINST" or "ABSTAIN" on this proposal. Abstentions are deemed to be votes cast and have the same effect as a vote "AGAINST" this proposal. Broker non-votes are not deemed to be votes cast and, therefore, are not included in the tabulation of the voting results on this proposal and will not affect the outcome of the vote. **The Board unanimously recommends that you vote your shares "FOR" Proposal 2**.

Proposal 3—Approval, on an advisory basis, of the compensation of Infinera's named executive officers requires the affirmative vote of a majority of the total votes cast by holders of shares present in person, or represented by proxy, and entitled to vote on this proposal at the Annual Meeting. You may vote "FOR," "AGAINST" or "ABSTAIN" on this proposal. Abstentions are deemed to be votes cast and have the same effect as a vote "AGAINST" this proposal. Broker non-votes are not deemed to be votes cast and, therefore, are not included in the tabulation of the voting results on this proposal and will not affect the outcome of the vote. **The Board unanimously recommends that you vote your shares "FOR" Proposal 3**.

Stock Ownership

Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?

A: *Stockholders of Record*—If your shares are registered directly in your name with our transfer agent, Computershare Shareowner Services LLC, you are considered the "stockholder of record" with respect to those shares, and, with the exception of certain stockholders who have been solicited by mail, the Notice has been sent directly to you.

Beneficial Owners—Many stockholders hold their shares through a broker, trustee or other nominee, rather than directly in their own name. If your shares are held in a brokerage account or by a bank or other nominee, you are considered the "beneficial owner" of shares held in "street name." The Notice has been forwarded to you by your broker, trustee or other nominee who is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker, trustee or other nominee on how to vote your shares. For directions on how to vote shares beneficially held in street name, refer to the voting instruction card provided by your broker, trustee or other nominee. Because a beneficial owner is not the stockholder of record, you may not vote these shares in person at the Annual Meeting unless you obtain a legal proxy issued in your name from the broker, trustee or other nominee that holds your shares, giving you the right to vote the shares at the Annual Meeting.

Quorum and Voting

Q: Who is entitled to vote at the Annual Meeting?

A: Stockholders of record of our common stock at the close of business on the Record Date are entitled to receive notice of and to vote their shares at the Annual Meeting. Such stockholders are entitled to cast one vote for each share of common stock held as of the Record Date. As of the close of business on the Record Date, there were 129,018,886 shares of common stock outstanding and entitled to vote at the Annual Meeting. Shares held as of the Record Date include shares that are held directly in your name as the stockholder of record and those shares held for you as a beneficial owner through a broker, bank or other nominee

Q: How many shares must be present or represented to conduct business at the Annual Meeting?

A: The presence of the holders of a majority of the shares of our common stock entitled to vote at the Annual Meeting is necessary to constitute a quorum at the Annual Meeting. Such stockholders are counted as present at the meeting if they (1) are present in person at the Annual Meeting or (2) have properly submitted a proxy.

Under the General Corporation Law of the State of Delaware, as amended, abstentions and broker non-votes are counted as present and entitled to vote and are included for purposes of determining whether a quorum is present at the Annual Meeting.

Q: What is a broker non-vote and how are they counted at the Annual Meeting?

A: A broker non-vote occurs when the broker holding shares for a beneficial owner does not vote on a particular proposal because the broker does not exercise available discretionary voting power with respect to that proposal or, in the absence of discretionary voting power, has not received instructions from the beneficial owner on how to vote the shares. Broker non-votes will be counted towards the presence of a quorum, but will not be counted towards the vote total for any proposal.

Q: Which proposals are considered "routine" or "non-routine?"

A: The election of directors (Proposal 1) and the non-binding advisory vote on Infinera's named executive officer compensation (Proposal 3) are "non-routine" matters for which discretionary voting power does not exist under applicable rules. A broker, trustee or other nominee cannot vote without instructions on non-routine matters, and therefore, broker non-votes may exist in connection with Proposals 1 and 3. Thus, if you hold your shares in street name and you do not instruct your broker, bank or other nominee how to vote with respect to Proposals 1 and 3, no votes will be cast on your behalf.

The ratification of Ernst & Young LLP as our independent registered public accounting firm (Proposal 2) is considered a "routine" matter for which discretionary voting power exists under applicable rules. A broker, trustee or other nominee may generally vote on routine matters, and therefore no broker non-votes are expected to exist in connection with Proposal 2.

Q: How can I vote my shares in person at the Annual Meeting?

A: *Stockholders of Record*—Shares held in your name as the stockholder of record may be voted in person at the Annual Meeting, even if previously voted by another method. To vote in person, please bring a form of personal identification to be admitted to the meeting.

Beneficial Owners—Shares held beneficially in street name may be voted in person at the Annual Meeting only if you obtain a legal proxy issued in your name from the broker, trustee or other nominee that holds your shares, giving you the right to vote the shares at the Annual Meeting. Otherwise you will not be permitted to vote at the meeting.

Even if you plan to attend the Annual Meeting, we recommend that you submit your vote as described in the Notice and below, so that your vote will be counted if you later decide not to attend the Annual Meeting.

Q: How can I vote my shares without attending the Annual Meeting?

A: Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct how your shares are voted without attending the Annual Meeting. If you are a stockholder of record, you may vote by submitting a proxy (please refer to the voting instructions in the Notice or below). If you hold shares beneficially in street name, you may vote by submitting voting instructions to your broker, trustee or other nominee (please refer to the voting instructions provided to you by your broker, trustee or other nominee).

Internet—Stockholders of record with Internet access may submit proxies by following the instructions on the Notice. Most of our stockholders who hold shares beneficially in street name may vote by accessing the website specified in the voting instructions provided by their brokers, trustees or other nominees.

Telephone—Depending on how your shares are held, you may be able to vote by telephone. If this option is available to you, you will receive information explaining this procedure.

Mail—If you have not already received one, you may request a proxy card from Infinera, and indicate your vote by completing, signing and dating the card where indicated and returning it in the prepaid envelope that will be included with the proxy card.

Q: How will my shares be voted if I submit a proxy via the Internet, by telephone or by mail and do not make specific choices?

A: If you are a stockholder of record or have obtained a proxy voting form from your broker, trustee or other nominee that holds your shares giving you the right to vote the shares, and you submit a proxy via the Internet, by telephone or by mail and do not make voting selections, the shares represented by that proxy will be voted "FOR" the nominees listed in Proposal 1 and "FOR" Proposals 2 and 3. If you are a beneficial owner of shares and your broker, trustee or other nominee does not receive instructions from you about how your shares are to be voted, the shares represented by that proxy will not be voted with respect to Proposals 1 and 3 and will be counted as broker non-votes, and will be voted with respect to Proposal 2 at the discretion of your broker, trustee or other nominee.

Q: Can I change or revoke my vote?

A: Subject to any rules your broker, trustee or other nominee may have, you may change your proxy instructions at any time before your proxy is voted at the Annual Meeting.

Stockholders of Record—If you are a stockholder of record, you may change your vote by (1) filing with our Corporate Secretary, prior to your shares being voted at the Annual Meeting, a written notice of revocation or a duly executed proxy card, in either case dated later than the prior proxy relating to the same shares or (2) attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not, by itself, revoke a proxy). Any written notice of revocation or subsequent proxy card must be received by our Corporate Secretary prior to the taking of the vote at the Annual Meeting. Such written notice of revocation or subsequent proxy card should be hand delivered to our Corporate Secretary or should be sent to our principal executive offices, Attn: Corporate Secretary. A stockholder of record who has voted via the Internet or by telephone may also change his or her vote by making a timely and valid Internet or telephone vote at a later time but prior to 11:59 p.m. Eastern Time, on the day prior to the Annual Meeting.

Beneficial Owners—If you are a beneficial owner of shares held in street name, you may change your vote by (1) submitting new voting instructions by any of the applicable voting methods allowed to your broker, trustee or other nominee or (2) attending the Annual Meeting and voting in person if you have obtained a proxy voting form from the broker, trustee or other nominee that holds your shares giving you the right to vote the shares.

Q: Who will bear the cost of soliciting votes for the Annual Meeting?

A: We will bear all expenses of soliciting proxies for the Annual Meeting. We may reimburse brokerage firms, custodians, nominees, fiduciaries and other persons representing beneficial owners of common stock for their reasonable expenses in forwarding solicitation materials to such beneficial owners. Directors, officers and employees of Infinera may also solicit proxies in person or by other means of communication. Such directors, officers and employees will not be additionally compensated, but may be reimbursed for reasonable out-ofpocket expenses in connection with such solicitation. We have engaged the services of Morrow & Co., LLC, 470 West Avenue, Stamford, Connecticut 06902, as our proxy solicitor to aid in the solicitation of proxies from certain brokers, bank nominees and other institutional owners. Morrow's fees for this service are estimated to be $9,500 plus expenses.

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

A: We intend to announce preliminary voting results at the Annual Meeting and will publish final results on a Current Report on Form 8-K filed with the SEC.

Q: Are votes confidential? Who counts the votes?

A: We will continue to hold the votes of all stockholders in confidence from directors, officers and employees except:

- as necessary to meet applicable legal requirements and to assert or defend claims for or against the Company;
- in the case of a contested proxy solicitation;
- if a stockholder makes a written comment on the proxy card or otherwise communicates his or her vote to management; or
- to allow the independent inspectors of election to certify the results of the vote.

We also will continue to retain an independent tabulator to receive and tabulate the proxies and independent inspector of election to certify the results.

Additional Information

Q: What should I do if I receive more than one Notice or set of proxy materials?

A: If you receive more than one Notice or set of proxy materials, your shares are likely registered in more than one name or brokerage account. Please follow the voting instructions on each Notice or voting instruction card that you receive to ensure that all of your shares are voted.

Q: Can I access Infinera's proxy materials and Annual Report on Form 10-K via the Internet?

A: Our proxy materials will be available on its website at *www.infinera.com/annual_meeting*, and all stockholders of record and beneficial owners will have the ability to vote free of charge online with their control number referred to in the Notice at *www.proxyvote.com*. Our Annual Report on Form 10-K for the fiscal year ended December 27, 2014 (the "2014 Annual Report") is also available on the Internet as indicated in the Notice. In addition, you can access this Proxy Statement and the 2014 Annual Report by going to Infinera's website at *www.infinera.com/annual_meeting*. The 2014 Annual Report is not incorporated into this Proxy Statement and is not considered proxy soliciting material.

Q: What information from this proxy statement is incorporated by reference into certain Company SEC filings?

A: We have made previous filings under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the "Exchange Act") that incorporate future filings, including this proxy statement, in whole or in part. However, the Compensation Committee Report and the Report of the Audit Committee shall not be incorporated by reference into any such filings.

Q: How can I view or request copies of the Company's corporate documents and SEC filings?

A: Our website contains our Amended and Restated By-Laws, Corporate Governance Guidelines, Board committee charters, Code of Business Conduct and Ethics and our SEC filings. To view these documents, go to *www.infinera.com*, click on "Company" then click on "Investor Relations" and then click on "Corporate Governance." To view our SEC filings and Forms 3, 4 and 5 filed by our directors and executive officers, go to *www.infinera.com*, click on "Company" then click on "Investor Relations" and then click on "SEC Filings."

We will promptly deliver free of charge, upon request, a copy of the Corporate Governance Guidelines, Board committee charters or Code of Business Conduct and Ethics to any stockholder requesting a copy. Requests should be directed to Infinera Corporation, c/o Corporate Secretary, 140 Caspian Court, Sunnyvale, California 94089.

We will promptly deliver free of charge, upon request, a copy of the 2014 Annual Report and this Proxy Statement to any stockholder requesting a copy. Requests should be directed to Infinera Corporation, c/o Corporate Secretary, 140 Caspian Court, Sunnyvale, California 94089.

PROPOSAL 1—ELECTION OF DIRECTORS

General

The Board currently consists of eight directors and is divided into three classes. Each class of the Board serves a staggered three-year term. Our Class II directors, whose terms expire at the Annual Meeting, are James A. Dolce, Jr., Paul J. Milbury and David F. Welch, Ph.D.

There are three nominees for election to Class II of the Board this year, Messrs. Dolce and Milbury and Dr. Welch. The nomination of these directors to stand for election at the Annual Meeting has been recommended by the Nominating and Governance Committee and has been approved by the Board. Each of the nominees for our Class II directors, if elected, will serve for a three-year term expiring at the 2018 Annual Meeting of Stockholders, or until his successor is duly elected and qualified, or until his earlier death, resignation or removal from the Board.

Director Qualifications

The Nominating and Governance Committee reviews candidates for service on the Board and recommends nominees for election to fill vacancies on the Board, including nomination for re-election of directors whose terms are due to expire. In discharging its responsibilities to nominate candidates for election to the Board, the Nominating and Governance Committee endeavors to identify, recruit and nominate candidates characterized by wisdom, maturity, sound judgment, excellent business skills and high integrity. The Nominating and Governance Committee generally recommends that any new director be appointed to the class of directors that is up for re-election at the next annual meeting of stockholders, while maintaining the quality of distribution of the three classes of directors that comprise the Board. The Nominating and Governance Committee seeks to assure that the Board is composed of individuals of diverse backgrounds who have a variety of complementary experience, training and relationships relevant to our business. This diversity of background and experience includes ensuring that the Board includes individuals with experience or skills sufficient to meet the requirements of the various rules and regulations of NASDAQ and the SEC, such as the requirements to have a majority of independent directors and an Audit Committee Financial Expert. In nominating candidates to fill vacancies created by the expiration of the term of a director, the Nominating and Governance Committee determines whether the incumbent director is willing to stand for re-election. The Nominating and Governance Committee evaluates each director's performance to determine suitability for re-election, taking into consideration, among other things, each director's willingness to fully participate and contribute to the Board and its committees, ability to work constructively with the rest of the members of the Board, personal and professional integrity and familiarity with our business, operations and markets.

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

Information Regarding Nominees and Continuing Directors

Set forth below is information regarding each person nominated for election as a Class II director at the Annual Meeting, as well as for each director continuing service on the Board, including their ages as of March 26, 2015, the periods during which they have served as a director, certain information as to their principal occupations, directorships they hold in corporations whose shares are publicly registered and qualifications for serving as a member of the Board, including the skills, qualities, attributes and experiences that led the Board to determine it is appropriate to nominate these directors.

Nominees for Election as Class II Directors whose terms expire at the 2015 Annual Meeting of Stockholders. If re-elected the Class II Directors terms would expire at the 2018 Annual Meeting of Stockholders.

James A. Dolce, Jr.
Director since 2014
Age 52

James A. Dolce, Jr. has been a member of the Board since May 2014. Since March 2014, Mr. Dolce has served as the CEO and a director of Lookout, Inc., a mobile security company. Mr. Dolce has been the founder of four successful technology companies and has held senior executive positions at both Juniper Networks, Inc. and Akamai Technologies, Inc. Prior to joining Lookout, Mr. Dolce was the Vice President of Carrier Market Development at Akamai and prior to that, he was the founder and CEO of Verivue, Inc., which was acquired by Akamai. Prior to Verivue, Mr. Dolce served as Executive Vice President of Worldwide Field Operations for Juniper from July 2002 to April 2006, where he led Juniper's global sales, marketing and customer service efforts. During Mr. Dolce's tenure, Juniper grew from annual revenue of $547 million to $2.3 billion. Mr. Dolce joined Juniper through its acquisition of Unisphere Networks, Inc., where he served as CEO from April 1999 to July 2002. During this period, Mr. Dolce guided Unisphere's rapid growth from initial product launch to over $200 million annual revenue. Mr. Dolce currently serves on the board of directors of Juniper Networks.

The Board believes that Mr. Dolce's extensive executive management experience in the telecommunications industry enables him to provide significant experience to the Board. Mr. Dolce has also served as the CEO of two private companies. The Board also benefits from Mr. Dolce's service as a member of our Technology and Acquisition Committee.

Paul J. Milbury
Director since 2010
Age 66

Paul J. Milbury has been a member of the Board since July 2010. Mr. Milbury served as Vice President of Operations and Chief Financial Officer ("CFO") of Starent Networks, Corp., a provider of mobile network solutions, from January 2007 until its acquisition by Cisco Systems, Inc., a networking and telecommunications company, in December 2009. From December 2009 to July 2010, Mr. Milbury played a key role in integrating Starent Networks into Cisco Systems to create the Mobile Internet Technology Group. From December 2000 to March 2007, Mr. Milbury served as Vice President and CFO of Avid Technology, Inc., a digital media creation, management and distribution solutions company. Mr. Milbury currently serves on the board of directors of Gigamon, Inc.

As Chairman of our Audit Committee and as an Audit Committee Financial Expert, Mr. Milbury provides the Board with a strong understanding and high level of experience in the areas of finance, accounting and operations. The Board also benefits from Mr. Milbury's service as a member of our Compensation Committee, his executive management experience at Starent Networks, Cisco Systems and Avid Technology, and his experience as a director at various public and private companies.

David F. Welch, Ph.D.
Director since 2010
Age 54

David F. Welch, Ph.D. co-founded Infinera and has served as our President since June 2013 and as a member of the Board since October 2010. Dr. Welch has served as our Executive Vice President, Chief Strategy Officer from January 2004 to June 2013, as our Chief Development Officer/Chief Technology Officer from May 2001 to January 2005, as our Chief Marketing Officer from January 2005 to January 2009, and as a member of our board of directors from May 2001 to November 2006. Prior to joining Infinera, Dr. Welch served in various executive roles, including as Chief Technology Officer of the Transmission Products Group of JDS Uniphase Corporation, an optical component company, and Chief Technology Officer and Vice President of Corporate Development of SDL Inc., an optical component company. Dr. Welch holds over 130 patents, and has been awarded the Optical Society of America's ("OSA") Adolph Lomb Medal, Joseph Fraunhofer Award, the John Tyndall Award and the IET JJ Thompson Medal for Achievement in Electronics, in recognition of his technical contributions to the optical industry. He is a Fellow of OSA and the Institute of Electrical and Electronics Engineers.

As co-founder and President of Infinera, Dr. Welch has strong institutional knowledge of Infinera, coupled with a deep technical understanding of the optical networking industry. The Board believes that Dr. Welch's leadership skills, industry experience and comprehensive technical knowledge provide the Board with an important perspective into our product development, marketing and selling strategies. The Board also benefits from Dr. Welch's service on our Technology and Acquisition Committee.

Incumbent Class III Directors whose terms expire at the 2016 Annual Meeting of Stockholders.

Marcel Gani
Director since 2014
Age 62

Marcel Gani has been a member of the Board since June 2014. Mr. Gani has been an independent consultant since 2009. His previous experience includes Lecturer in Accounting and Finance at the Leavey School of Business at Santa Clara University, and multiple roles at Juniper Networks, including Chief of Staff from January 2005 to March 2006 and Executive Vice President and CFO from February 1997 to December 2004. Prior to Juniper, Mr. Gani served as Vice President and CFO of NVIDIA Corporation from February 1996 to February 1997. Mr. Gani also served as CFO of Grand Junction Networks, Primary Access Corporation and NeXT Computer, Inc. Mr. Gani also serves on the board of directors of Envivio, Inc., a video technology company.

The Board believes that Mr. Gani's executive management experience as a former CFO for various public and private companies in the technology industry provides the Board with broad experience in finance, including accounting and financial reporting. In addition, the Board also benefits from his service as a member of the Nominating and Governance Committee and Audit Committee, as well as an Audit Committee Financial Expert.

Carl Redfield
Director since 2006
Age 68

Carl Redfield has been a member of the Board since August 2006. From September 2004 to his retirement in May 2008, Mr. Redfield served as Senior Vice President, New England Development Center Executive Sponsor, of Cisco Systems. From February 1997 through September 2004, Mr. Redfield served as Cisco Systems' Senior Vice President, Manufacturing and Logistics.

The Board believes that Mr. Redfield's executive management experience, along with his significant manufacturing and logistics experience, enable Mr. Redfield to make significant contributions to the Board. In addition, the Board benefits from Mr. Redfield's institutional knowledge of Infinera and his service as a member of our Compensation Committee and as Chairman of our Nominating and Governance Committee.

Mark A. Wegleitner
Director since 2011
Age 64

Mark A. Wegleitner has been a member of the Board since May 2011. Since April 2011, Mr. Wegleitner has served as President of Wegleitner Consulting, LLC, a privately owned telecommunications consulting company. From September 2007 until his retirement in July 2010, Mr. Wegleitner served as the Senior Vice President, Technology, for Verizon Communications Inc., a telecommunications company, where his responsibilities included technology assessment, network architecture, platform development and laboratory testing for wireline and wireless communications networks. From July 2000 to September 2007, he served as Chief Technology Officer ("CTO") for Verizon, with responsibility for wireline communications technologies. Prior to the creation of Verizon, Mr. Wegleitner held various positions in the Network Services division of Bell Atlantic, a telecommunications company, including CTO from January 1999 to July 2000. Prior to joining Bell Atlantic, he worked at Bell Laboratories and AT&T General Departments.

The Board believes that Mr. Wegleitner's extensive experience in the telecommunications industry provides the Board with a high level of expertise and experience. The Board also benefits from Mr. Wegleitner's service as a member of our Technology and Acquisition Committee and as Chairman of our Compensation Committee.

Incumbent Class I Directors whose terms expire at the 2017 Annual Meeting of Stockholders.

Thomas J. Fallon
Director since 2009
Age 53

Thomas J. Fallon has served as our CEO since January 2010 and as a member of the Board since July 2009. From January 2010 to June 2013, Mr. Fallon also served as our President. Mr. Fallon served as our Chief Operating Officer from October 2006 to December 2009, and as our Vice President of Engineering and Operations from April 2004 to September 2006. From August 2003 to March 2004, Mr. Fallon was Vice President, Corporate Quality and Development Operations at Cisco Systems. From March 1991 to August 2003, Mr. Fallon served in a variety of functions at Cisco, including General Manager of the Optical Transport Business Unit and Vice President of Service Provider Manufacturing. Prior to joining Cisco, Mr. Fallon served in various manufacturing roles at Sun Microsystems and Hewlett Packard. Mr. Fallon currently serves on the board of Hercules Technology Growth Capital, Inc., a specialty finance company, and the Engineering Advisory Board of the Cockrell School at the University of Texas.

As the CEO of Infinera, the Board believes that Mr. Fallon provides significant institutional knowledge of Infinera and industry knowledge, as well as key insight and advice in the Board's consideration and oversight of corporate strategy and management development. The Board believes that Mr. Fallon's leadership skills and executive management experience, along with his operational management experience and technical expertise, enable Mr. Fallon to make significant contributions to the Board.

Kambiz Y. Hooshmand
Director since 2009
Age 53

Kambiz Y. Hooshmand has been a member of the Board since December 2009 and has served as Chairman of the Board since October 2010. From March 2005 to May 2009, Mr. Hooshmand served as President and CEO of Applied Micro Circuits Corporation ("AMCC"), a communications solutions company. From February 2002 to March 2005, Mr. Hooshmand served as Group Vice President and General Manager of Cisco Systems. From March 2000 to February 2002, Mr. Hooshmand served as Vice President and Division General Manager of the DSL Business Unit at Cisco Systems. From June 1997 to February 2000, Mr. Hooshmand served as Cisco Systems' Vice President of Engineering. From January 1992 to June 1997, Mr. Hooshmand served as Director of Engineering of StrataCom, Inc., a networking solutions company, which was acquired by Cisco Systems. Mr. Hooshmand served on the board of directors of Power-One, Inc., an energy efficient power solutions company, from October 2009 to July 2013. Power-One was acquired by ABB Ltd., a power and automation technology company, in July 2013.

As the Chairman of the Board of Infinera, Mr. Hooshmand brings his leadership skills, industry experience and comprehensive knowledge of our business, financial position and operations to the Board deliberations. Mr. Hooshmand brings significant executive management and technical experience in the networking industry as a result of his executive positions at AMCC, Cisco Systems and StrataCom. The Board also benefits from Mr. Hooshmand's service as a member of our Audit Committee and Nominating and Governance Committee, as well as Chairman of our Technology and Acquisition Committee.

Vote Required

Directors are elected by a plurality vote, which means that the three directors who receive the most "FOR" votes cast by the shares present in person, or represented by proxy, and entitled to vote at the Annual Meeting will be elected. "WITHHOLD" votes and broker non-votes will not affect the outcome of the election. Stockholders may not cumulate votes in the election of directors.

Proposal 1—Recommendation of the Board

The Board unanimously recommends a vote "FOR" the election to the Board of the three Class II nominees listed above.

CORPORATE GOVERNANCE AND THE BOARD OF DIRECTORS

We have adopted a number of policies and practices, some of which are described below, that highlight our commitment to sound corporate governance principles. We also maintain a Corporate Governance section on the Investor Relations' page on our website, which can be found at *www.infinera.com*.

Independence of the Board

In accordance with the current listing standards of NASDAQ, the Board, on an annual basis, affirmatively determines the independence of each director or nominee for election as a director. The Board has determined that, with the exception of Mr. Fallon and Dr. Welch, both of whom are employees of Infinera, all of its members are "independent directors," using the definition of that term in the listing standards of NASDAQ. Also, all members of the Audit Committee, Compensation Committee and Nominating and Governance Committee, as more fully described below, are independent directors.

Stockholder Communications with the Board

Stockholders may communicate with the Board by writing to the following address:

Board of Directors
c/o Corporate Secretary
Infinera Corporation
140 Caspian Court
Sunnyvale, California 94089

Communications are distributed to the Board or to any individual director, as appropriate, depending on the facts and circumstances outlined in the communication. At the direction of the Board, all mail received may be opened and screened for security purposes. Communications that are unduly hostile, threatening, illegal or similarly unsuitable will be excluded with the provision that any communication that is filtered out will be made available to any independent or non-employee director upon request.

Board Leadership Structure

In January 2010, we separated the positions of Chairman of the Board and CEO. Separating these positions allows our CEO to focus on our day-to-day business, while allowing the Chairman of the Board to lead the Board in its fundamental role of providing advice to and independent oversight of management. While our Bylaws do not require that our Chairman of the Board and CEO positions be separate, the Board believes that having separate positions is the appropriate leadership structure for Infinera at this time and demonstrates our commitment to good corporate governance practices. The Board has assigned the Chairman of the Board with responsibility for presiding over meetings of the Board, developing meeting agendas, facilitating communication between management and the Board, representing director views to management and improving meeting effectiveness, among other things.

The Board believes that its leadership structure is appropriate. The Board also believes that the combination of an independent chairman, three of our four committees comprised entirely of independent directors and the regular use of executive sessions of the independent directors enables the Board to maintain independent oversight of our strategies and activities.

Board Oversight of Risk

Risk is inherent with every business and the Board is responsible for overseeing our risk management function. Members of our senior management team are responsible for implementation of our day-to-day risk management processes, while the Board, as a whole and through its committees, has responsibility for the oversight of overall risk management. In connection with the Board's annual strategic plan review, senior management makes a multidisciplinary presentation to the Board that includes any significant strategic, operational, financial, legal and compliance risks facing Infinera, our general risk management strategy and actions taken by senior management in compliance with this strategy. At other meetings of the Board, senior management provides updates to the Board on any specific risk-related issues. In its risk oversight role, the Board has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed. In addition, each of the committees of the Board considers any risks that may be within its area of responsibilities and Board members, or Board committee members, periodically engage in discussions with members of our senior management team as appropriate. Specifically, the Audit Committee assists the Board in fulfilling its oversight responsibilities with respect to risk management in the areas of financial reporting, internal controls and compliance with certain public reporting requirements. The Compensation Committee assists the Board in fulfilling its oversight responsibilities with respect to the management of risks arising from our compensation policies and programs. The Nominating and Governance Committee assists the Board in fulfilling its oversight responsibilities with respect to the management of risks associated with Board organization, membership and structure, succession planning for our directors and executive officers, and corporate governance. The Technology and Acquisition Committee assists the Board in fulfilling its oversight responsibilities with respect to managing the risks associated with technology development and acquisitions and investments. Each of the committee Chairs reports to the full Board at regular meetings concerning the activities of the committee, the significant issues it has discussed and the actions taken by the committee.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers (including our principal executive officer, principal financial officer, and principal accounting officer or controller, or persons performing similar functions) and our directors. The Code of Business Conduct and Ethics reflects our policy of dealing with all persons, including our customers, employees, investors and suppliers, with honesty and integrity. All employees are required to complete training on our Code of Business Conduct and Ethics. A copy of our Code of Business Conduct and Ethics is posted on our website at *www.infinera.com* in the Corporate Governance section on our Investor Relations’ page. You may also obtain a copy of our Code of Business Conduct and Ethics without charge by writing to: Infinera Corporation, c/o Corporate Secretary, 140 Caspian Court, Sunnyvale, California 94089. We intend to disclose future amendments to certain provisions of our Code of Business Conduct and Ethics, or waivers of such provisions, applicable to any principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions and our directors on our website identified above or on a Form 8-K if required by the applicable listing standards.

Corporate Governance Guidelines

The Board has adopted Corporate Governance Guidelines which govern, among other things, member criteria, responsibilities, compensation and education, committee composition and charters, communication activities and management succession. You can access these Corporate Governance Guidelines, along with other materials such as Board committee charters, on our website at *www.infinera.com* in the Corporate Governance section on our Investor Relations’ page.

Stock Ownership Policy

The Board believes that it is important to link the interests of our directors and management to those of our stockholders. Accordingly, the Board has adopted a stock ownership policy for our directors and executive officers who are designated as reporting officers under Section 16 of the Exchange Act (“Section 16 Officers”). For additional information regarding our Stock Ownership Policy, please see the section entitled “Compensation Discussion and Analysis—Additional Information Regarding Our Compensation Practices—Stock Ownership Policy.”

Information Regarding the Board and its Committees

The Board met nine times during fiscal 2014. The Board acted by written consent three times during fiscal 2014. During fiscal 2014, each director then in office, with the exception of Mr. Redfield, attended 75% or more of the meetings of the Board and the committees on which he served during the period for which he was a director, committee chairman or committee member, as applicable. During fiscal 2014, Mr. Redfield’s ability to attend Board and committee meetings was influenced by health considerations. Our independent directors meet in executive sessions, without management present, during most regular meetings of the Board. Directors are encouraged, but not required, to attend our annual meetings of stockholders. One member of the Board attended our 2014 Annual Meeting of Stockholders.

The Board has four standing committees: an Audit Committee, a Compensation Committee, a Nominating and Governance Committee, and a Technology and Acquisition Committee. Mr. Fallon does not serve on any committees of the Board. All members served the entire fiscal year unless otherwise noted. The following table provides membership and meeting information for the Board and each of the committees of the Board as of the end of fiscal 2014:

Name	Board	Audit	Compensation	Nominating and Governance	Technology and Acquisition
James A. Dolce, Jr.(1)	M	—	—	—	M
Thomas J. Fallon	M	—	—	—	—
Marcel Gani(2)	M	M	—	M	—
Kambiz Y. Hooshmand(3)	C	M	—	M	C
Paul J. Milbury	M	C	M	—	—
Carl Redfield	M	—	M	C	—
Mark A. Wegleitner	M	—	C	—	M
David F. Welch, Ph.D.	M	—	—	—	M
Total Meetings in Fiscal 2014	9	10	6	8	3

C = Chairman; M = Member

(1) Mr. Dolce became a member of the Technology and Acquisition Committee effective as of September 16, 2014.

(2) Mr. Gani became a member of the Audit Committee effective as of June 9, 2014 and a member of the Nominating and Governance Committee effective as of September 16, 2014.

(3) Mr. Hooshmand became a member of the Audit Committee effective as of May 15, 2014.

Below is a description of each standing committee of the Board. The Board has determined that each member of the Audit, Compensation and Nominating and Governance Committees meets the applicable rules and regulations regarding “independence” and that each such member is free of any relationship that would interfere with his individual exercise of independent judgment with regard to Infinera. Each committee of the Board has a written charter approved by the Board. Copies of each charter are posted on our website at *www.infinera.com* in the Corporate Governance section on our Investor Relations’ page.

Audit Committee

The Audit Committee reviews and monitors our financial statements, financial reporting process and our external audits, including, among other things, our internal controls and audit functions, the results and scope of the annual audit and other services provided by our independent registered public accounting firm as well as our compliance with legal matters that have a significant impact on our financial statements. Our Audit Committee also consults with our management and our independent registered public accounting firm prior to the presentation of financial statements to stockholders and, as appropriate, initiates inquiries into aspects of our financial affairs. Our Audit Committee is responsible for establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters. In addition, our Audit Committee is directly responsible for the appointment, retention, compensation and oversight of the work of our independent registered public accounting firm, including approving services and fee arrangements. Any related party transactions are subject to approval by our Audit Committee. A more detailed description of the Audit Committee’s functions can be found in our Audit Committee charter. A copy of the Audit Committee charter is available on our website at *www.infinera.com* in the Corporate Governance section on our Investor Relations’ page.

The current members of the Audit Committee are Messrs. Gani, Hooshmand and Milbury. Mr. Milbury chairs the Audit Committee. The Audit Committee met ten times during fiscal 2014. The Audit Committee did not act by written consent during fiscal 2014. Each member of our Audit Committee is independent for Audit Committee purposes under the rules and regulations of the SEC and the listing standards of NASDAQ. In addition to qualifying as independent under the NASDAQ rules, each member of our Audit Committee can read and understand fundamental financial statements in accordance with NASDAQ Audit Committee requirements. The Board has determined that Messrs. Gani and Milbury are each an "Audit Committee Financial Expert" as defined in Item 407(d)(5)(ii) of Regulation S-K. The designation does not impose on Messrs. Gani and Milbury any duties, obligations or liabilities that are greater than are generally imposed on them as members of the Audit Committee and the Board.

Compensation Committee

The Compensation Committee has the responsibility, authority and oversight relating to the development of our overall compensation strategy and compensation policies and programs. The Compensation Committee establishes our compensation philosophy and policies, administers all of our compensation plans for executive officers, and recommends the compensation for the non-employee directors of the Board. The Compensation Committee seeks to assure that our compensation policies and practices promote stockholder interests and support our compensation objectives and philosophy as described in more detail in the Compensation Discussion and Analysis section of this Proxy Statement.

The Compensation Committee also oversees, reviews and administers all of our material employee benefit plans, including our 401(k) plan, and reviews and approves various other compensation policies and matters. The Compensation Committee may form and delegate authority to one or more subcommittees as appropriate. A more detailed description of the Compensation Committee's functions can be found in our Compensation Committee charter. A copy of the Compensation Committee charter is available on our website at *www.infinera.com* in the Corporate Governance section on the Investor Relations' page.

The current members of the Compensation Committee are Messrs. Milbury, Redfield and Wegleitner. Mr. Wegleitner chairs the Compensation Committee. The Compensation Committee met six times during fiscal 2014. The Compensation Committee acted by written consent four times during fiscal 2014. Each member of our Compensation Committee is a non-employee director, as defined in Rule 16b-3 promulgated under the Exchange Act, an outside director, as defined pursuant to Section 162(m) of the Internal Revenue Code and satisfies the director and compensation committee independence requirements under the listing standards of NASDAQ.

Non-Executive Equity Award Subcommittee

The guidelines for the size of new hire, promotional and annual retention equity awards for Section 16 Officers are reviewed and approved by the Compensation Committee. The Compensation Committee has delegated to the Non-Executive Equity Award Subcommittee (the "Subcommittee"), consisting of the CEO, General Counsel and Vice President of Human Resources, the authority to formally approve new hire, promotional and annual retention equity awards to certain employees pursuant to guidelines pre-approved by the Compensation Committee. The delegation does not include the authority to make equity awards to employees who are Section 16 Officers. The delegation of authority to the Subcommittee is not exclusive and the Board and Compensation Committee have retained the right to approve any equity awards at their discretion. The Subcommittee acted by written consent 12 times and met in person one time during fiscal 2014.

Nominating and Governance Committee

The Nominating and Governance Committee reviews and recommends changes to corporate governance policies and practices applicable to Infinera. In addition, the Nominating and Governance Committee is responsible for identifying, evaluating and making recommendations of nominees to the Board and evaluating the performance of the Board and individual directors, including those eligible for re-election at the annual meeting of stockholders. The Nominating and Governance Committee also oversees an annual board evaluation process to determine whether the Board is functioning effectively. The Nominating and Governance Committee is also responsible for reviewing developments in corporate governance practices, and evaluating and making recommendations to the Board concerning corporate governance matters. A more detailed description of the Nominating and Governance Committee's functions can be found in our Nominating and Governance Committee charter. A copy of the Nominating and Governance Committee charter is available on our website at *www.infinera.com* in the Corporate Governance section on our Investor Relations' page.

The current members of the Nominating and Governance Committee are Messrs. Gani, Hooshmand and Redfield, each of whom is independent under the listing standards of NASDAQ. Mr. Redfield chairs the Nominating and Governance Committee. The Nominating and Governance Committee met eight times during fiscal 2014. The Nominating and Governance Committee did not act by written consent during fiscal 2014.

Board Nominees and Diversity

The Nominating and Governance Committee reviews and reports to the Board on a periodic basis with regard to matters of corporate governance, and reviews, assesses and makes recommendations on the effectiveness of our corporate governance policies. In addition, our Nominating and Governance Committee reviews and makes recommendations to the Board regarding the size and composition of the Board and the appropriate qualities and skills required of our directors in the context of the then-current composition of the Board. This includes an assessment of each candidate's independence, personal and professional integrity, financial literacy or other professional or business experience relevant to an understanding of our business, ability to think and act independently and with sound judgment, and ability to serve our stockholders' long-term interests. While we do not have a formal written policy on director diversity, the Board and the Nominating and Governance Committee consider diversity when reviewing the overall composition of the Board and considering the slate of nominees for annual election to the Board and the appointment of individual directors to the Board. Diversity, in this context, includes factors such as experience, specialized expertise, geographic location, cultural background, gender and ethnicity. These factors, and others considered useful by our Nominating and Governance Committee, are reviewed in the context of an assessment of the perceived needs of the Board at a particular point in time. As a result, the priorities and emphasis of our Nominating and Governance Committee and of the Board may change from time to time to take into account changes in business and other trends, as well as the portfolio of skills and experience of current and prospective directors.

Our Nominating and Governance Committee leads the search for, selects and recommends candidates for election to the Board. Consideration of new director candidates typically involves a series of committee discussions, review of information concerning candidates and interviews with selected candidates. Candidates for nomination to the Board typically have been suggested by other members of the Board or by our executive officers. From time to time, our Nominating and Governance Committee may engage the services of a third-party search firm to identify director candidates. Our Nominating and Governance Committee will also consider candidates proposed in writing by stockholders, provided such proposal meets the eligibility requirements for submitting stockholder proposals for inclusion in our next proxy statement and is accompanied by the required information about the candidate specified in Section 2.4 of our Bylaws. Candidates proposed by stockholders are evaluated by our Nominating and Governance Committee using the same criteria as for all other candidates.

If a stockholder wishes to recommend a director candidate for consideration by the Nominating and Governance Committee, pursuant to our Corporate Governance Guidelines, the stockholder must have held at least 1,000 shares of our common stock for at least six months and must notify the Nominating and Governance Committee by writing to our Corporate Secretary at our principal executive offices, and must include the following information:

- To the extent reasonably available, information relating to such director candidate that would be required to be disclosed in a proxy statement pursuant to Regulation 14A under the Exchange Act, in which such individual is a nominee for election to the Board;
- The director candidate's written consent to (a) if selected, be named in our proxy statement and proxy, and (b) if elected, to serve on the Board;
- The other information set forth in the applicable sections of Section 2.4 of our Bylaws; and
- Any other information that such stockholder believes is relevant in considering the director candidate.

Technology and Acquisition Committee

The Technology and Acquisition Committee reviews with management, makes recommendations to the Board on and, when expressly authorized by the Board, approves acquisitions, investments, joint ventures and other strategic transactions in which we may engage from time-to-time. The Technology and Acquisition Committee also evaluates the execution, financial results and integration of any such potential transactions. In addition, the Technology and Acquisition Committee provides advice and counsel on matters relating to technology development and innovation, as well as enhancing the Board's understanding to allow for better input and direction regarding our strategy, progress and risks. A more detailed description of the Technology and Acquisition Committee's functions can be found in our Technology and Acquisition Committee charter. A copy of the Technology and Acquisition Committee charter is available on our website at *www.infinera.com* in the Corporate Governance section on our Investor Relations' page.

The current members of the Technology and Acquisition Committee are Messrs. Dolce, Hooshmand and Wegleitner and Dr. Welch. Mr. Hooshmand chairs the Technology and Acquisition Committee. The Technology and Acquisition Committee met three times during fiscal 2014. The Technology and Acquisition Committee did not act by written consent during fiscal 2014.

Compensation Committee Interlocks and Insider Participation

During fiscal 2014, the Compensation Committee of the Board consisted of Messrs. Milbury, Redfield and Wegleitner. None of these individuals was at any time during fiscal 2014, or at any other time, an executive officer or employee of Infinera. No member of our Compensation Committee had any relationship with Infinera during fiscal 2014 requiring disclosure under Item 404 of Regulation S-K under the Exchange Act. None of our executive officers has ever served as a member of the board or compensation committee of any other entity that has or has had one or more executive officers serving as a member of the Board or Compensation Committee.

COMPENSATION OF DIRECTORS

Our compensation program for our non-employee directors is designed to attract and retain highly-qualified, independent directors to represent stockholders on the Board and to act in their best interests. Until September 2014, the Nominating and Governance Committee, which consists solely of independent directors, had the primary responsibility for reviewing and recommending any changes to our director compensation program, with compensation changes approved or ratified by the full Board. During fiscal 2014, the Nominating and Governance Committee engaged an outside advisor to provide relevant market data regarding our director compensation programs in order to review the program. The Nominating and Governance Committee and Board determined that a mix of cash compensation and equity awards should continue to be used in our compensation program for our non-employee directors. Directors who are also employees of Infinera do not participate in our director compensation program, nor do they receive any additional compensation for their service as directors. Starting in September 2014, the Compensation Committee now has the primary responsibility for reviewing and recommending any changes to our director compensation program, with compensation changes approved or ratified by the full Board.

Director Fees

Unless otherwise noted, during fiscal 2014, our cash compensation program for our non-employee directors was as follows:

Position	Annual Retainer Fee ($)
Non-Employee Director	50,000(1)
Chairman of the Board	40,000
Audit Committee Chair	30,000
Audit Committee Member	12,500
Compensation Committee Chair	20,000(2)
Compensation Committee Member	8,000
Nominating and Governance Committee Chair	10,000
Nominating and Governance Committee Member	5,000
Technology and Acquisition Committee Chair	10,000
Technology and Acquisition Committee Member	5,000

(1) Beginning at the start of the second quarter of fiscal 2014, the annual retainer for non-employee directors was increased from $40,000 annually to $50,000 annually.

(2) Beginning at the start of the second quarter of fiscal 2014, the annual retainer for the Compensation Committee chair was increased from $16,000 annually to $20,000 annually.

We do not pay any meeting fees for the Board or any of the committees of the Board. We pay the retainer fees set forth above in quarterly installments. Retainer fees are paid in arrears. In addition, we have a policy of reimbursing our non-employee directors for reasonable travel, lodging and other expenses incurred in connection with their attendance at Board and committee meetings.

Director Equity Awards

Non-employee directors are eligible to receive equity awards as follows:

- *Initial RSU Award*. Each individual who commences service as a non-employee director upon his or her election or appointment to the Board at an annual meeting of stockholders will receive a RSU award for a number of shares with an aggregate fair market value as reported on NASDAQ equal to $165,000. The Initial RSU Award vests in equal annual installments over three years, subject to his or her continued service with Infinera through each applicable vesting date.
- *Annual RSU Award.* On the date of each annual meeting of stockholders, each individual who continues to serve as a non-employee director after that annual meeting will be eligible to receive a RSU award for a number of shares with an aggregate fair market value as reported on NASDAQ equal to $165,000. The Annual RSU Award will vest as to 100% of the shares on the earlier of the date of the next annual meeting of stockholders or the one-year anniversary of the date of grant, provided that the non-employee director remains a service provider of the Company through the vesting date.

In addition to the Initial RSU Award, any individual who is first elected or appointed as a non-employee director other than at an annual meeting of stockholders and at least six months prior to the next annual meeting of stockholders will also be eligible for a RSU award for a number of shares with an aggregate fair market value as reported on NASDAQ equal to $165,000 pro-rated for the number of months remaining until the next scheduled annual meeting of stockholders.

For the Annual RSU Award in connection with the 2014 Annual Meeting of Stockholders, we granted RSU awards in the amount of 19,009 shares of Infinera common stock to each non-employee director then in office. These RSU awards vest in full on May 7, 2015, subject to each non-employee director's continued service to Infinera through the vesting date.

Fiscal 2014 Director Compensation

The following table sets forth all of the compensation awarded to, earned by, or paid to the non-employee members of the Board in fiscal 2014.

Name	Fees Earned or Paid in Cash ($)[1]	Stock Awards ($)[2]	Option Awards ($)	Total ($)
James A. Dolce, Jr.[3]	32,596	327,335	—	359,931
Marcel Gani[4]	36,099	334,975	—	371,074
Kenneth A. Goldman[5]	26,195	—	—	26,195
Kambiz Y. Hooshmand	115,295	163,667	—	278,962
Philip J. Koen[6]	26,905	—	—	26,905
Dan Maydan, Ph.D.[7]	25,385	—	—	25,385
Paul J. Milbury	90,500	163,667	—	254,167
Carl Redfield	70,500	163,667	—	234,167
Mark A. Wegleitner	76,500	163,667	—	240,167

(1) For a description of the annual non-employee director retainer fees and retainer fees for chair positions and for service as Chairman of the Board, see the disclosure above under "Director Fees."

(2) The amounts reported in this column represent the aggregate grant date fair value of the RSU awards granted in fiscal 2014 computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, "Compensation—Stock Compensation" ("ASC 718") and without any adjustment for estimated forfeitures. These amounts reflect our accounting expense for these awards and do not correspond to the actual value that will be recognized by the non-employee directors with respect to these awards at the time the shares of Infinera common stock underlying the RSU awards are vested and/or sold. There can be no assurance that the actual value realized by a non-employee director will be at or near the grant date fair value of the RSU awards granted.

(3) Mr. Dolce was appointed as a director effective as of May 15, 2014.

(4) Mr. Gani was appointed as a director effective as of June 9, 2014.

(5) Mr. Goldman resigned as a director effective as of May 15, 2014.

(6) Mr. Koen resigned as a director effective as of May 14, 2014.

(7) Dr. Maydan resigned as a director effective as of May 15, 2014.

Additional Information with Respect to Director Equity Awards

Name	Shares Subject to Stock Awards Outstanding at Fiscal Year-End (#)[1]	Shares Subject to Option Awards Outstanding at Fiscal Year-End (#)[2]
James A. Dolce, Jr.	38,018	—
Marcel Gani	35,560	—
Kenneth A. Goldman	—	—
Kambiz Y. Hooshmand	19,009	100,000
Philip J. Koen	—	—
Dan Maydan, Ph.D.	—	—
Paul J. Milbury	19,009	32,600
Carl Redfield	19,009	157,100
Mark A. Wegleitner	19,009	70,000

(1) Includes unvested RSU awards.

(2) Includes both vested and unvested stock options to purchase shares of Infinera common stock.

PROPOSAL 2—RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board has selected Ernst & Young LLP, independent registered public accounting firm, as our independent auditors for the fiscal year ending December 26, 2015 and has further directed that we submit the appointment of independent auditors for ratification by the stockholders at the Annual Meeting. Ernst & Young LLP has audited our financial statements since fiscal 2001. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Ratification of appointment of Ernst & Young LLP as our independent registered public accounting firm is not required pursuant to our Bylaws, our other governing documents or law. However, we are submitting the appointment of Ernst & Young LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the appointment, the Audit Committee will reconsider whether or not to retain that firm. Even if the appointment is ratified, the Audit Committee in its discretion may direct the appointment of different independent auditors at any time during the year if it determines that such change would be in the best interests of Infinera and its stockholders.

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting will be required to ratify the appointment of Ernst & Young LLP. Abstentions will be counted toward the tabulation of votes cast on this proposal and will have the same effect as negative votes. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this matter has been approved.

Independent Registered Public Accounting Firm's Fees

The following table sets forth the aggregate fees for audit, tax and other services provided by Ernst & Young LLP for the fiscal years ended December 27, 2014 and December 28, 2013. All of the services described in the following table were approved in conformity with the Audit Committee's pre-approval processes and procedures.

	2014	2013
Audit Fees	$1,563,000	$1,628,000
Tax Fees	47,000	9,000
All Other Fees	2,000	2,000
Total Fees	$1,612,000	$1,639,000

Audit Fees

This category of the table above includes fees for the integrated audit of our annual consolidated financial statements and internal control over financial reporting, the preparation by Ernst & Young LLP of a report expressing its opinion regarding the effectiveness of our internal control over financial reporting, review of the condensed consolidated financial statements included in our quarterly reports on Form 10-Q, and services that are normally provided by Ernst & Young LLP in connection with statutory and regulatory filings for those fiscal years. The category also includes statutory audits required by non-U.S. jurisdictions. Audit fees for fiscal 2013 include $0.3 million of fees related to comfort letter procedures in connection with the issuance of $150 million aggregate principal amount of 1.75% Convertible Senior Notes due 2018.

Tax Fees

This category of the table above includes fees for tax compliance, tax advice and tax planning.

All Other Fees

This category of the table above principally includes support and advisory services provided by Ernst & Young LLP that are not included in the service categories reported above.

Pre-Approval Policies and Procedures

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services rendered by Ernst & Young LLP, our independent registered public accounting firm. The Audit Committee can pre-approve specified services in defined categories of audit services, audit-related services and tax services up to specified amounts, as part of the Audit Committee's approval of the scope of the engagement of Ernst & Young LLP or on an individual case-by-case basis before Ernst & Young LLP is engaged to provide a service. The Audit Committee has determined that the rendering of the services other than audit services by Ernst & Young LLP is compatible with maintaining the principal accountant's independence.

Vote Required

Approval of Proposal 2 requires the affirmative vote of a majority of the votes cast on this proposal. "ABSTENTIONS" will have the same effect as an "AGAINST" vote. Broker non-votes are not deemed to be votes cast and, therefore, are not included in the tabulation of the voting results on this proposal and will not affect the outcome of the vote.

Proposal 2—Recommendation of the Board

The Board unanimously recommends a vote "FOR" the ratification of the appointment of Ernst & Young LLP as Infinera's independent registered public accounting firm for its fiscal year ending December 26, 2015.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board currently consists of the three non-employee directors named below. The Board annually reviews the NASDAQ listing standards' definition of independence for Audit Committee members and has determined that each member of the Audit Committee meets that standard. The Board has also determined that Messrs. Gani and Milbury are each an Audit Committee Financial Expert as described in applicable rules and regulations of the SEC.

The principal purpose of the Audit Committee is to assist the Board in its general oversight of our accounting practices, system of internal controls, audit processes and financial reporting processes. The Audit Committee is responsible for appointing and retaining our independent auditor and approving the audit and non-audit services to be provided by the independent auditor. The Audit Committee's function is more fully described in its charter, which the Board has adopted and which the Audit Committee reviews on an annual basis.

Our management is responsible for preparing our financial statements and ensuring they are complete and accurate and prepared in accordance with generally accepted accounting principles. Ernst & Young LLP, our independent registered public accounting firm, is responsible for performing an independent audit of our consolidated financial statements in accordance with generally accepted auditing standards and expressing an opinion on the effectiveness of our internal control over financial reporting.

The Audit Committee has reviewed and discussed the audited financial statements included in our 2014 Annual Report with our management and Ernst & Young LLP. The Audit Committee has also discussed with Ernst & Young LLP the matters required to be discussed by Auditing Standard No. 16, "Communications with Audit Committees" issued by Public Company Accounting Oversight Board ("PCAOB"). The Audit Committee also has received and reviewed the written disclosures and the letter from Ernst & Young LLP required by applicable requirements of the PCAOB regarding Ernst & Young LLP's communications with the Audit Committee concerning independence, and has discussed with Ernst & Young LLP its independence from Infinera.

Based upon the review and discussions described above, the Audit Committee recommended to the Board that the audited financial statements referred to above be included in our 2014 Annual Report for filing with the SEC.

Submitted by the following members of the Audit Committee:

Paul J. Milbury, Chairman
Marcel Gani
Kambiz Y. Hooshmand

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information known to us regarding beneficial ownership of our common stock as of the Record Date by:

- Each person known by us to be the beneficial owner of more than 5% of any class of our voting securities;
- Our named executive officers;
- Each of our directors; and
- All current named executive officers and directors as a group.

The information provided in this table is based on our records, information filed with the SEC and information provided to Infinera, except where otherwise noted. To our knowledge and unless as otherwise indicated, each stockholder possesses sole voting and investment power over the shares listed, except for shares owned jointly with such person's spouse. Percentage beneficially owned is based on 129,018,886 shares of common stock outstanding on the Record Date. Unless otherwise indicated, the principal address of each of the stockholders below is c/o Infinera Corporation, 140 Caspian Court, Sunnyvale, California 94089.

Name of Beneficial Owner	Common Shares Currently Held	Common Shares That May Be Acquired Within 60 Days of the Record Date[(1)]	Total Beneficial Ownership	Percent Beneficially Owned
5% or More Stockholders				
FMR LLC[(2)]	18,792,952	—	18,792,952	14.6%
The Vanguard Group[(3)]	7,728,166	—	7,728,166	6.0%
BlackRock, Inc.[(4)]	7,108,991	—	7,108,991	5.5%
Named Executive Officers and Directors				
Thomas J. Fallon	852,418	685,662	1,538,080	1.2%
Brad Feller	56,313	8,333	64,646	*
David F. Welch, Ph.D.[(5)]	1,347,841	910,480	2,258,321	1.7%
Robert J. Jandro	29,211	13,540	42,751	*
James L. Laufman	—	—	—	*
James A. Dolce, Jr.	—	25,346	25,346	*
Marcel Gani	—	17,780	17,780	*
Kambiz Y. Hooshmand[(6)]	48,567	119,009	167,576	*
Paul J. Milbury	18,067	51,609	69,676	*
Carl Redfield[(7)]	69,001	126,109	195,110	*
Mark A. Wegleitner	17,467	74,009	91,476	*
All current executive officers and directors as a group (11 persons)	2,438,885	2,031,877	4,470,762	3.4%

* Less than 1% of the outstanding shares of common stock.

(1) Includes shares represented by vested, unexercised stock options as of the Record Date and stock options, RSUs or other rights that are expected to vest within 60 days as of the Record Date. These shares are deemed to be outstanding for the purpose of computing the percentage ownership of the person holding the stock options or RSUs, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

(2) Information based on a Schedule 13G/A filed with the SEC on February 13, 2015 by FMR LLC ("FMR"), Edward C. Johnson III (FMR's Director and Chairman), Abigail P. Johnson (FMR's Director, Vice Chairman, Chief Executive Officer and President) and Fidelity Growth Company Fund ("Fidelity"). Such amendment states that FMR is deemed to be the beneficial owner of 18,792,952 shares by virtue of its control over Fidelity, which is deemed to be the beneficial owner of 11,614,794 shares as a result of its acting as investment advisor to various investment companies registered under Section 8 of the Investment Company Act of 1940. Such amendment further states that (a) FMR has sole voting power over 2,200,500 shares, shared voting power over no shares, sole dispositive power over 18,792,952 shares, and shared dispositive power over no shares; (b) Mr. Johnson has neither sole nor shared voting power over any shares, sole dispositive power over 18,792,952 shares, and shared dispositive power over no shares; (c) Ms. Johnson has neither sole nor shared voting power over any shares, sole dispositive power over 18,792,952 shares, and shared dispositive power over no shares and

(d) Fidelity has sole voting power over 11,614,794 shares, shared voting power over no shares, sole dispositive power over no shares, and shared dispositive power over no shares. The address of FMR is 245 Summer Street, Boston, Massachusetts 02210.

(3) According to a Schedule 13G/A filed with the SEC on February 10, 2015 by The Vanguard Group ("Vanguard"). Vanguard is the beneficial owner of 7,728,166 and has sole voting power with respect to 167,400 shares, sole dispositive power with respect to 7,571,966 shares and shared dispositive power with respect to 156,200 shares. The address of Vanguard is 100 Vanguard Boulevard, Malvern, Pennsylvania 19355.

(4) According to a Schedule 13G/A filed with the SEC on February 2, 2015 by BlackRock, Inc. ("BlackRock"). BlackRock is the beneficial owner of 7,108,991 shares and has sole voting power with respect to 6,841,607 shares and sole dispositive power with respect to 7,108,991 shares. The address of BlackRock is 55 East 52nd Street, New York, New York 10022.

(5) Consists of (i) 14,132 shares held by Dr. Welch; (ii) 277,966 shares held by The Welch Family Trust dated 4/3/96; (iii) 319,493 shares held by LRFA, LLC, a limited liability company of which Dr. Welch is the sole managing member; (iv) 180,000 shares held by The Welch Group, L.P., a limited partnership of which Dr. Welch is the general partner; (v) 553,750 shares held by SEI Private Trust Company, Trustee of The Welch Family Heritage Trust I u/l dated 9/24/01; and (vi) 2,500 shares held by Dr. Welch as trustee for his children. Dr. Welch disclaims beneficial ownership of the shares held in trust for his children.

(6) Consists of (i) 35,234 shares held by Mr. Hooshmand; and (ii) 13,333 shares held by 2002 Hooshmand Family Trust UA 03/01/2002.

(7) Consists of (i) 39,562 shares held by Mr. Redfield; and (ii) 29,439 shares held by The Carl Redfield Trust 2000 dated 10/18/00.

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis provides information related to the fiscal 2014 compensation program and related decisions for the NEOs identified below. For fiscal 2014, these individuals were:

- Thomas J. Fallon, our CEO;
- David F. Welch, Ph.D., our President;
- Brad Feller, our CFO;
- Robert J. Jandro, our Senior Vice President, Worldwide Sales;
- James L. Laufman, our Senior Vice President, General Counsel and Secretary; and
- Ita M. Brennan, our former CFO.

Fiscal 2014 Management Changes. Ms. Brennan terminated her employment with us in February 2014. Mr. Feller began his employment with us as Senior Vice President in January 2014 and was appointed as our CFO effective in March 2014. Alastair A. Short, our former Senior Vice President, General Counsel and Secretary, terminated his employment with us in August 2014. We hired Mr. Laufman to serve as our Senior Vice President, General Counsel and Secretary in October 2014.

Executive Summary

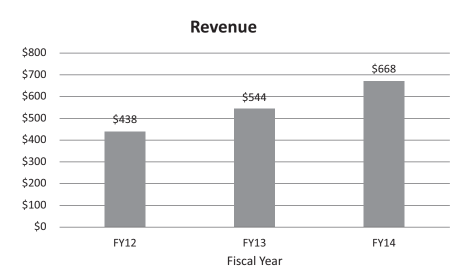
Our executive compensation program is designed to balance near-term results with long-term success and to encourage employees to continue to build value through innovation and execution. To fulfill this mission, we have a "pay-for-performance" compensation philosophy that forms the foundation for all decisions regarding executive compensation made by the Compensation Committee. In addition, we are committed to equity-based pay practices, which help insure alignment of executives' and employees' interests with the interests of our stockholders.

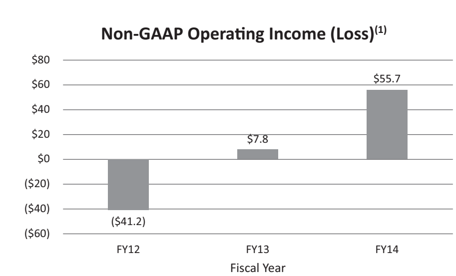
Fiscal 2014 Business Highlights

Our financial results for fiscal 2014 reflect a year of winning footprint, building strong relationships with our customers, and increasing profitability. We continued to gain strong market acceptance of our Intelligent Transport Network and the Infinera DTN-X platform. Highlights included:

- Revenue was $668.1 million in fiscal 2014, a 23% increase compared to fiscal 2013, marking the second consecutive year where we have grown significantly faster than the overall dense wavelength division multiplexing market.
- Non-GAAP gross margin was 44.0% in fiscal 2014 as compared to 41.6% in fiscal 2013 and 37.9% in fiscal 2012, demonstrating the leverage we have achieved from our vertical integration and the value proposition of our Intelligent Transport Network.
- Non-GAAP operating income was $55.7 million in fiscal 2014 as compared to a non-GAAP operating income of $7.8 million in fiscal 2013 and a non-GAAP operating loss of $41.2 million in fiscal 2012.

The following tables illustrate the growth in our revenue and shift to non-GAAP profitability over the last three fiscal years (in millions):

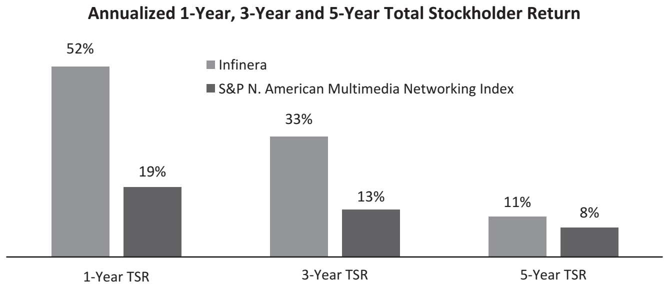




(1) For a reconciliation of GAAP to Non-GAAP Gross Profit, Gross Margin and Operating Income (Loss) for fiscal years 2014, 2013 and 2012, please see Appendix A to this Proxy Statement.

Throughout the year, a steady flow of customers adopted the Infinera DTN-X platform to address their 100 Gigabits per second needs. Since its introduction in mid-2012, we have sold the Infinera DTN-X platform to 59 customers, representing a broad array of service providers including Tier 1 and Tier 2 telecommunications service providers, Internet content providers, cable operators, wholesale and enterprise carriers, research and education institutions, and government entities. We continued to demonstrate excellent financial performance on a year-over-year basis and achieved substantially all of our operational goals, which resulted in our NEOs earning higher levels of performance-based compensation under our variable compensation programs.

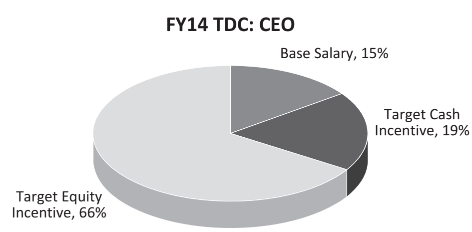
Providing value and return to our stockholders is central to our compensation philosophy.



Fiscal 2014 Executive Compensation Program Design Highlights

Our executive compensation program for fiscal 2014 reflects our performance results and the continued strong alignment of the interests of our executive officers with those of our stockholders. Highlights of our executive compensation program for fiscal 2014 were:

- ***The majority of our CEO's fiscal 2014 target total direct compensation was in equity***.
    - **66% of our CEO's target total direct compensation was in equity**, which links our CEO's compensation directly to the value of our common stock. In fiscal 2014, our CEO received a PSU award for 160,330 shares of our common stock and a RSU award for 106,880 shares of our common stock. Target total direct compensation consists of base salary, target cash incentive opportunity and target equity incentive compensation.



- ***The majority of our CEO's fiscal 2014 target total direct compensation and target equity compensation were at risk***.
    - **56% of our CEO's target total direct compensation was completely at risk** based on our performance against measurable performance objectives set forth under the 2014 Bonus Plan and PSU awards.
    - **56% of our CEO's target equity compensation was in PSU awards**. The PSU awards are 100% subject to risk of forfeiture based on our relative TSR performance over three performance periods against the S&P Networking Index.

- ***Our fiscal 2014 PSU awards included rigorous performance requirements***. To support our pay-for-performance philosophy and further emphasize the importance of creating long-term stockholder value, our fiscal 2014 PSU awards contain several features we consider to be best practices:
  - **Sustained performance requirement**. To earn the maximum number of shares under the PSU awards, which is 150% of target shares, our TSR must exceed that of the S&P Networking Index by 25 points or more as calculated on each of the three separate measurement points (coinciding with the end of our fiscal 2014, 2015 and 2016).
  - **Steeper downside slope**. PSU awards are reduced one and one-half times faster if our TSR underperforms the S&P Networking Index (3-to-1 downside) than they are increased if our TSR outperforms the S&P Networking Index (2-to-1 upside). For example, if we underperform the S&P Networking Index by 10 points of TSR, 70% of the target PSU awards would be earned. If we outperform the S&P Networking Index by 10 points of TSR, 120% of the target PSU awards would be earned.
  - **Additional award cap**. Regardless of our performance versus the S&P Networking Index, PSU awards are capped at 50% of target for any period in which our TSR is negative. Therefore, even if we significantly outperform the S&P Networking Index in challenging market conditions, our PSU awards provide only modest rewards unless incremental stockholder value is created.

Fiscal 2014 Executive Compensation Program Payout Highlights

Our fiscal 2014 payouts reflect our strong performance. As indicated above, our executive compensation program strives to align the compensation outcomes for our NEOs with performance against measurable objectives. The tables below summarize the results of key performance metrics that included fiscal 2014 as some or all of the performance measurement period under our 2014 Bonus Plan and PSU awards.

Our fiscal 2014 revenue and non-GAAP operating income results demonstrated significant growth over fiscal 2013 and exceeded the maximum levels established under our fiscal 2014 Bonus Plan, resulting in the maximum funding for the financial component at 150%.

		Fiscal 2014 Financial Performance			
Metric	**Fiscal 2013 Actual Results**	**Target**	**Maximum**	**Actual**	**Funding as % of Target**
Revenue ($MM)	$544.1	$ 600	$ 652	$668.1	150%
Non-GAAP Operating Income ($MM) . . .	$ 7.8	>$ 15	>$ 32	$ 55.7	

As of the end of fiscal 2014, we had two outstanding PSU performance cycles that measure our TSR against that of an independently constituted market index. As summarized in the table below, we continued to outperform both the S&P Networking Index (fiscal 2014 PSU awards) and the Telecomm Index (fiscal 2013 PSU awards), which resulted in maximum payouts (150% of target) for the performance cycles that concluded at the end of our fiscal 2014. The outstanding PSU award granted in fiscal 2012 failed to meet the non-GAAP operating profit target of $60 million for fiscal 2014 and the remaining shares under this award were cancelled for Mr. Fallon and Dr. Welch.

				Performance Comparison			
Year of Grant	**Benchmark**	**Applicable Measurement Period**	**% of Target Award Tied to Period**	**Infinera % Change**	**Index % Change**	**Infinera Minus Index**	**Payout as % of Target (2-for-1 upside, 150% max)**
2014	S&P Networking Index[(1)(2)]	~1-year	33%	+ 65%	+ 8%	+ ~57 points	150%
2013	Telecomm Index[(1)(2)]	~2-years	33%	+128%	+30%	+ ~98 points	150%

(1) Performance is calculated using a 60-day average closing stock price and index value leading up to and including the grant date and at the end of the performance period.

(2) One-third of the target award is measured at the end of the first, second and third fiscal years after the grant date.

Governance of Executive Compensation

Our executive compensation program reflects our core executive compensation governance principles and practices, including the following:

- Executive Clawback Policy. We maintain an executive clawback policy that applies to our Section 16 Officers relating to reimbursement of incentive compensation under specified circumstances as set forth in the policy.
- Anti-Hedging Policy. Our insider trading policy prohibits all employees, including our NEOs, from hedging their Infinera common stock.
- No Pledging of our Common Stock by NEOs. In fiscal 2014 we revised our insider trading policy to prohibit our NEOs from pledging our common stock as collateral for a loan.
- Fully Independent Compensation Committee. Our executive compensation program is reviewed annually by the Compensation Committee, which consists solely of independent directors.
- Stock Ownership Policy. Our Section 16 Officers and Board members are subject to minimum stock ownership requirements as described below in the section entitled "Compensation Discussion and Analysis—Additional Information Regarding Our Compensation Practices—Stock Ownership Policy."
- No Guaranteed Bonuses. We do not provide any guaranteed bonuses for any of our executive officers with the exception of sign on bonuses that may be negotiated as part of an executive officer new hire package.
- No Tax Gross-Ups. We do not have any arrangements providing for tax "gross-ups" of any compensation elements with any of our executive officers.
- "Double-trigger" Change of Control Arrangements. Our change of control agreements contain "double-trigger" arrangements that require a termination of employment without cause or a constructive termination of employment following a change of control of Infinera before payments and benefits are triggered.
- Annual Compensation Risk Assessment. The Compensation Committee annually conducts a compensation risk assessment to determine whether our compensation arrangements, or components thereof, create risks that are reasonably likely to have a material adverse effect on Infinera (as set forth in the section entitled "Risk Assessment of Compensation Practices" above).
- No Executive Perquisites. Our executive officers are only eligible to receive the same benefits and perquisites as our other salaried employees.
- Independent Compensation Consultant Reporting Directly to Compensation Committee. The Compensation Committee relies upon input from an independent compensation consultant that is retained directly by the Compensation Committee.

Advisory Vote on Fiscal 2013 Named Executive Officer Compensation—"Say-on-Pay" Vote

In calendar 2014, stockholders were provided with the opportunity to cast an advisory (non-binding) vote (a "Say-on-Pay") on the compensation of our NEOs for fiscal 2013. Our stockholders overwhelmingly approved our Say-on-Pay vote that occurred in calendar 2014 for fiscal 2013 NEO compensation, with over 96% of votes cast voting in favor of our Say-on-Pay proposal. For fiscal 2014, we retained our general approach to our executive compensation program, with a continued emphasis on rewarding our executive officers through compensation if they deliver value for our stockholders. The Compensation Committee welcomes input from our stockholders, as well as the outcome of our annual Say-on-Pay vote, when making executive compensation program decisions.

Overview of our Executive Compensation Program Philosophy and Process

Compensation Objectives and Philosophy

Our executive compensation program is designed to attract, retain, and reward talented executive officers and to motivate them to pursue our corporate objectives, while fostering the creation of long-term value for our stockholders. To achieve this mission, we take a “pay-for-performance” approach that forms the foundation for the design of our executive compensation program. The Compensation Committee also designs the various components of our executive compensation program to support our company culture (i.e., increasing levels of accountability through the use of “at risk” pay for more senior employees), the internal environment relative to industry conditions, current business priorities and strategy and product development cycles.

Compensation-Setting Process Roles

Role and Authority of Compensation Committee. The Compensation Committee is responsible for our executive compensation program and all related policies and practices. The Compensation Committee has the responsibility to review and approve the compensation of each of our executive officers, including the NEOs. In addition, the Compensation Committee reviews, approves and administers our material compensation, equity and employee benefit plans and programs, which are generally available to our employees, including the NEOs. The Compensation Committee also has the authority to engage its own advisors to assist it in carrying out its responsibilities, and the reasonable compensation for such advisor services is paid by Infinera.

Role of Compensation Consultant. During fiscal 2014, the Compensation Committee engaged the services of Compensia, Inc. (“Compensia”). Compensia provided the Compensation Committee with an analysis of competitive market data regarding our NEO compensation relative to our industry sector, information on compensation trends, peer group and general market data, as well as assistance with base salary, incentive plan design and the structure of our executive compensation programs. The Compensation Committee selected Compensia to report directly to the Compensation Committee. Compensia interacted with management at the direction of the Compensation Committee but did not provide any other services for Infinera or its management team in fiscal 2014. Compensia’s fees were paid by Infinera. The Compensation Committee annually reviews the independence of its compensation consultant and during fiscal 2014 it determined that there were no conflicts of interest in connection with Compensia’s work.

Roles in Determination of CEO Compensation. Our compensation consultant provides market data and considerations for the Compensation Committee to evaluate in relation to the amount and form of our CEO’s compensation. As part of this process, the Compensation Committee considers input from the Board and feedback from the Chairman of the Board in particular. While the Compensation Committee considers the feedback or recommendations it receives, all decisions regarding our CEO’s compensation are made by the Compensation Committee or by the Board based on its own judgment and the interests of our stockholders, in executive sessions excluding our CEO.

Role in Determination of non-CEO Compensation. As a result of his close working relationship with each of the other NEOs, our CEO is asked to provide his assessment of their performance to the Compensation Committee. Our CEO is assisted by our Vice President of Human Resources in making these assessments. Our CEO then presents his performance assessment and makes formal recommendations to the Compensation Committee regarding adjustments to base salary, annual cash incentive award opportunities and equity awards for our executives (other than himself). While the Compensation Committee considers the recommendations of our CEO in determining compensation for the other NEOs, its decisions are based on its own judgment and the interests of our stockholders. None of the NEOs makes any recommendations regarding his own compensation and, with the exception of our General Counsel, in his role as secretary of the meeting, none of the executive officers is present at meetings in which his compensation is determined.

Executive Compensation Elements

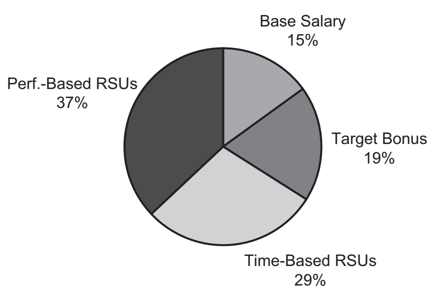
We provide base salaries to attract, retain and motivate our executive officers for their day-to-day contributions, annual incentive cash compensation to link payments to the achievement of our annual financial and/or operational performance, and long-term equity-based incentive compensation to align the interests of our executive officers with that of our stockholders and provide significant motivational and retention value to our executive officers. These are the key elements of our executive compensation program. We believe each is necessary to attract, retain and motivate our executive officers, on whom our success largely depends. In addition, we also provide employee benefits that are generally available to all our employees including our NEOs, and certain severance and "double-trigger" change of control payments and benefits as part of our executive compensation program as described further below.

Allocation of Compensation across Pay Elements

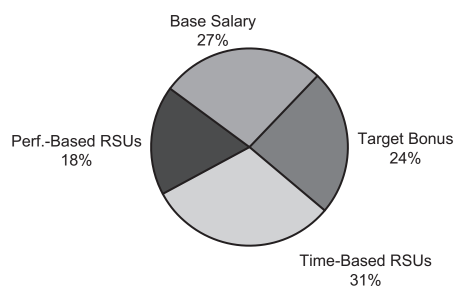
In determining how we allocate an NEO's target total direct compensation opportunity among these various elements, we seek to remain market competitive while emphasizing compensation elements that reward performance against measures that we believe correlate closely with increases in long-term stockholder value. Equity awards, which for fiscal 2014 consisted of RSU awards and PSU awards, represent a large component of our NEOs' target total direct compensation opportunity in order to encourage sustained, long-term performance and ensure alignment of the interests of our NEOs and our stockholders. Consistent with our pay-for-performance approach, a significant portion of our NEOs' fiscal 2014 target total direct compensation opportunity was completely at-risk, including 56% of our CEO's total target direct compensation opportunity. We believe this emphasis on equity and variable, at-risk compensation is appropriate because our NEOs have the greatest influence on our performance over time.

The following charts show our mix of target total direct compensation for fiscal 2014 for our CEO and other NEOs as a group:

FY14 Mix of Pay: CEO



FY14 Mix of Pay: Other NEO Average[1]



(1) The average fiscal 2014 mix of pay for our NEOs other than our CEO excludes compensation for Messrs. Feller and Laufman, who were both hired during the fiscal year.

Competitive Positioning

In making compensation decisions for our executive officers (other than our President), the Compensation Committee reviews and analyzes competitive market practices using data drawn from a group of peer companies and the Radford Global Technology survey. In the case of our President, given the limited number of relevant data points available from the peer group, the Compensation Committee relies largely on survey data from Radford. The Compensation Committee reviews the group of peer companies annually and updates its composition as necessary to take into account changes in both our business and the businesses of the peer group companies. The compensation peer group used in helping to design the fiscal 2014 executive compensation program was developed in May 2013, using the following targeted selection criteria:

- Industry: companies in the communications equipment or related industry segments;
- Annual Revenue: $200 million to $800 million;
- Market Capitalization: $200 million to $2 billion; and
- Number of Employees: 600 to 2,400.

In addition to these criteria, the Compensation Committee considered each potential peer company's revenue growth rates, primary location and whether the potential peer company included Infinera in its compensation peer group. The Compensation Committee also considered whether a potential peer company was selected as a peer company of Infinera by one of the major proxy advisory groups. Given the limited number of companies directly comparable to us from a business perspective and the wide range of factors under consideration, not all peer companies satisfy all of the selection criteria.

The compensation peer group established for setting compensation at the beginning of fiscal 2014 consisted of the following 19 companies:

ADTRAN, Inc.
Aruba Networks, Inc.
Calix, Inc.
Ciena Corporation
Coherent, Inc.
Emulex Corporation
Extreme Networks, Inc.
Finisar Corporation
Harmonic Inc.
InterDigital, Inc.
IPG Photonics Corporation
Ixia
NeoPhotonics Corporation
NETGEAR, Inc.
Riverbed Technology, Inc.
ShoreTel, Inc.
Sonus Networks, Inc.
Symmetricom, Inc.
ViaSat, Inc.

Given that not all of the peer companies report data for a position comparable to each of our NEOs, the Compensation Committee also reviewed market data derived from the Radford Global Technology survey with annual revenues between $200 million and $1 billion. Where both data sets were available, the Compensation Committee reviewed market data that was blended from the compensation peer group and the Radford survey. The Compensation Committee did not review the individual companies comprising the survey data. In this discussion, where we refer to “market” levels of pay and the “market group,” we are referring to the combined compensation peer group and survey data described above that were then in effect and applicable to the NEOs.

In June 2014, the Compensation Committee reviewed the compensation peer group based on updated information from Compensia, in generally the same manner as described above. This resulted in the removal of NeoPhotonics (fell below the targeted range for market capitalization) and Symmetricom (acquired) from the peer group and the addition of Plantronics and QLogic (both of which fell within the targeted range for revenue and market capitalization). Data collected from this updated compensation peer group was considered in negotiating and determining Mr. Laufman’s initial compensation in connection with his appointment as our Senior Vice President and General Counsel in October 2014.

Use of Market Data

For its fiscal 2014 compensation decisions, the Compensation Committee continued to adopt a more holistic and flexible approach in its use of market data than it had taken prior to fiscal 2013. While the Compensation Committee continued to review and reference market data, the data generally was limited to enabling the Compensation Committee to be informed of market practices to ensure that our executive compensation program remains competitive, and such data was particularly informative in the context of setting compensation for new hires. In addition to the market data, several other factors were taken into account in setting the amount of each executive’s compensation elements. These factors included:

- **Recruitment, retention and historical factors**. Historically, several of our longer-tenured executives have received base salaries significantly below market levels and have received variable compensation opportunities that were at or above market levels. The Compensation Committee’s goal was to set all elements of compensation competitively, using a balanced approach that does not use rigid percentiles to target pay levels for each compensation element, but instead evaluates market data from a variety of perspectives, making its compensation decisions based on a variety of relevant factors, including those listed below.
- **Lack of directly comparable data for some of our key roles**. Compensation data for some of our key positions (i.e., President) are often not explicitly reported by companies in our compensation peer group or survey data. This results in limited sample sizes and/or inconclusive data that can be misleading if targeting a specific percentile for market positioning.

- **Market positioning may be distorted by the source of the data**. Certain elements of compensation reported from one source can be consistently lower than the data collected from another, given differences in methods used to collect market data. Targeting pay levels at specific percentiles of this data could have resulted in outcomes that did not align with the internal value of various roles at Infinera.
- **Desire to account for other factors not captured in the market data.** As outlined below, the Compensation Committee also considered several qualitative factors that were not necessarily reflected in the market data.

Relevant Qualitative Factors

In addition to our uses of competitive market data as described above, the Compensation Committee considers a range of subjective and qualitative factors when making compensation decisions, including:

- The role the executive officer plays and the importance of such individual to our business strategy and objectives;
- Each executive officer's tenure, skills and experience;
- The responsibilities and particular nature of the functions performed or managed by the executive officer;
- Our CEO's recommendations and his assessment of the executive officer's performance (other than his own performance);
- The value of unvested equity awards held by each executive officer and in comparison to other members of our executive team and senior employees;
- The impact of our compensation decisions on key financial and other metrics such as our equity award burn-rate;
- Our overall performance as compared to internal plans and external benchmarks;
- The potential impact on stockholder dilution of its compensation decisions relative to peers and historical practices;
- Internal pay equity across the executive team; and
- Competitive labor market pressures and the likely cost, difficulty and impact on our business and strategic objectives that would be encountered in recruiting a replacement for the role filled by each of our executive officers.

The Compensation Committee does not assign relative weights or rankings to any of these factors and does not solely use any quantitative formula, target percentile or multiple for establishing compensation among the executive officers or in relation to the market data. Instead, the Compensation Committee relies upon its members' knowledge and judgment in assessing the various qualitative and quantitative inputs it receives regarding each individual and makes compensation decisions accordingly.

Relevant Factors Related to Individual Executives

With respect to determining fiscal 2014 executive compensation, in addition to the foregoing, the Compensation Committee broadly considered the following:

- Mr. Fallon has served as our CEO since January 2010 and as a member of the Board since July 2009. He also served as our President from January 2010 through June 2013. The Compensation Committee believes that Mr. Fallon has continued to demonstrate considerable leadership and strategic direction in managing Infinera and our executive team during his time as CEO. In addition, the Compensation Committee believes that Mr. Fallon has provided Infinera with significant institutional and industry knowledge, as well as key oversight of corporate strategy and management development. The Compensation Committee also considered that certain elements of Mr. Fallon's compensation, such as his base salary, had been set at below market levels for several years. In fiscal 2013, the Compensation Committee began to increase Mr. Fallon's base salary, consistent with its desire to move his target total cash compensation closer to the market median and to recognize him for his significant contributions to Infinera.

- Mr. Feller assumed the role of CFO in March 2014. At the time of Mr. Feller's hire, the Compensation Committee reviewed market data for his position. His base salary, target bonus opportunity and initial equity awards were approved at levels that the Compensation Committee believed were necessary to recruit him to join Infinera and that were deemed to be appropriate in light of his experience.
- Dr. Welch is a co-founder of Infinera, has served as our President since June 2013, and has served as a member of the Board since October 2010. The Compensation Committee believes that Dr. Welch has added significant value in supervising and managing our product marketing, corporate marketing, business development, network strategy, product line management, product architecture, network systems analysis and systems engineering organizations. In particular, his experience, knowledge and deep technical understanding of the optical network industry enabled Dr. Welch, among other things, to successfully align our product development initiatives with our marketing and sales strategies.
- Mr. Jandro has served as our Senior Vice President, Worldwide Sales, since May 2013. Mr. Jandro has over 25 years of experience in the telecommunications and software industries. Since joining Infinera, Mr. Jandro has focused his team on building a strong flow of orders from current customers, as well as expanding opportunities with new customers and markets.
- Mr. Laufman has served as our Senior Vice President and General Counsel since October 2014. Mr. Laufman brings to Infinera his many years of experience as a General Counsel for technology companies, working with boards of directors and senior management. The goal with respect to his role is to continue to provide effective leadership through a cost effective, responsive and professional legal organization. At the time of Mr. Laufman's hire, and as discussed above in the section entitled "Competitive Positioning," the Compensation Committee reviewed market group data for his position. His base salary, target bonus opportunity and initial equity award were approved at levels that the Compensation Committee believed were necessary to recruit him to join Infinera and that were deemed to be appropriate in light of his experience.
- Ms. Brennan served as our CFO from June 2010 until February 2014. Ms. Brennan announced her decision to leave Infinera in October 2013 and no additional compensation decisions were made for her with respect to fiscal 2014 compensation. Ms. Brennan did not receive any additional severance payments upon her departure. Ms. Brennan entered into a consulting agreement with Infinera from March 1, 2014 until August 1, 2014 that allowed her outstanding equity to continue to vest until the consulting agreement terminated on August 1, 2014.

Fiscal 2014 Compensation

Base Salaries

In January and February 2014, the Compensation Committee reviewed the base salaries for fiscal 2014 for each of the then-employed NEOs (other than Ms. Brennan who had already indicated her intention to depart). At this time, the Compensation Committee approved an increase to Mr. Fallon and Dr. Welch's base salaries but made no adjustment to the base salary for Mr. Jandro. Given that historically, our CEO's salary generally had been below market levels, and after taking into consideration Mr. Fallon's significant contributions and strong leadership during fiscal 2013, the Compensation Committee determined that a 25% increase in his salary was appropriate in order to maintain competitiveness with market practices and to recognize his performance during the year. Messrs. Feller and Laufman's base salaries were established at the time they joined us.

The following table shows the annual base salary for each of our NEOs for fiscal 2013 and fiscal 2014:

Name	Fiscal 2013 Annual Base Salary	Fiscal 2014 Annual Base Salary
Thomas J. Fallon	$375,000	$468,750
Brad Feller(1)	—	$360,000
David F. Welch, Ph.D.	$360,000	$375,000
Robert J. Jandro	$350,000	$350,000
James L. Laufman(2)	—	$325,000
Ita M. Brennan(3)	$325,000	$325,000

(1) Mr. Feller's base salary was set as part of his new hire package. His actual fiscal 2014 base salary was prorated based on his length of service during fiscal 2014.

(2) Mr. Laufman was employed by us during fiscal 2014 following his hire in October 2014. His actual fiscal 2014 base salary was prorated based on his length of service during fiscal 2014.

(3) Ms. Brennan served as CFO until February 2014. Her resignation was announced in October 2013.

Performance-Based Incentive Cash Compensation (2014 Bonus Plan)

Target Bonuses. For fiscal 2014, the Compensation Committee reviewed the target bonus opportunities (which are expressed as a percentage of base salary) for Mr. Fallon, Dr. Welch and Mr. Jandro, but did not make any adjustments to these amounts. Messrs. Feller and Laufman's target bonus opportunities were established at the time they joined us. The following table shows the target bonus opportunities (as a percentage of base salary) for each of the NEOs for fiscal 2013 and fiscal 2014:

Name	Fiscal 2013 Target Bonus (as a percentage of base salary)	Fiscal 2014 Target Bonus (as a percentage of base salary)
Thomas J. Fallon	125%	125%
Brad Feller	—	60%
David F. Welch, Ph.D.	80%	80%
Robert J. Jandro	100%	100%
James L. Laufman(1)	—	—
Ita M. Brennan(2)	65%	—

(1) At the time of Mr. Laufman's hire in October 2014, his target bonus opportunity was set at 60% of his base salary. However, given his start later in the fiscal year, Mr. Laufman was not eligible to participate in the 2014 Bonus Plan.

(2) Ms. Brennan served as CFO until February 2014 at which time her employment terminated. Accordingly, she was not eligible to participate in the 2014 Bonus Plan.

Bonus Plan Design. In February 2014, the Compensation Committee approved the 2014 Bonus Plan and set the funding criteria for all eligible employees, including the NEOs. Bonuses under the 2014 Bonus Plan for participating NEOs were funded based on our performance against a mix of financial objectives (weighted at 80%) and operational objectives (weighted at 20%) as discussed below. For fiscal 2014, the Compensation Committee determined that NEOs would not be eligible for a mid-year bonus payout to emphasize full year fiscal performance and to align better with our annual operating plan.

The plan also contained an individual performance component as it related to NEOs that could adjust bonus payouts by a factor of 75% to 125% of the funded amount. The CEO was responsible for reviewing the individual performance of each NEO (other than himself). The Compensation Committee then had sole discretion to determine any individual performance adjustments for each NEO and the final bonus payout for fiscal 2014.

The financial objectives involved our revenue and non-GAAP operating income, and were selected to focus our NEOs on important and measurable financial measures and to align their interests with those of our stockholders. The Compensation Committee believes that revenue growth is an essential component of the long-term success and viability of Infinera. In addition, the Compensation Committee determined that a focus on operating income would serve to make generating a return for stockholders a priority. For purposes of the 2014 Bonus Plan, "non-GAAP operating income" was calculated excluding non-cash stock-based compensation expenses. For a reconciliation of GAAP to non-GAAP operating income for fiscal 2014, please see Appendix A to this Proxy Statement.

For fiscal 2014, the threshold, target and maximum levels of performance required for the financial objectives were as follows:

Financial Objectives *(weighted at 80% for NEOs)*	Threshold Performance	Target Performance	Stretch Performance	Maximum Performance
Revenue	$ 565 million	$ 600 million	$ 625 million	$ 652 million
Non-GAAP Operating Income	>$ 8 million	>$ 15 million	>$ 32 million	>$ 34 million
Funding as a Percentage of Target	40%	100%	125%	150%

- If performance attainment on either of the financial objectives was below the threshold, this would have resulted in a 0% funding level as it related to the financial objectives.

- For performance attainment below target (100%) but at or above the threshold (40%), the funding level would be interpolated for revenue between $565 million and $600 million, so long as operating income was greater than $8 million.
- For performance attainment below stretch (125%) but at or above target (100%) performance, the funding level would be interpolated on a straight-line basis for revenue between $600 million and $625 million so long as operating income was greater than $15 million.
- For performance attainment below maximum (150%) but at or above stretch (125%) performance, the funding level would be interpolated on a straight-line basis for revenue between $625 million and $652 million so long as operating income was greater than $32 million.
- For performance attainment above maximum, **funding was capped at 150%**.

The Compensation Committee also determined that focusing on specific operational objectives was important to measuring our success in fiscal 2014 and to supporting our objectives of creating long-term value for our stockholders. The Compensation Committee approved the operational objectives listed below for the 2014 Bonus Plan, which included (i) an important quality metric; (ii) three key technology development goals; and (iii) attainment of key customer wins. Funding tied to the operating objectives was based upon the achievement as determined by the Compensation Committee of each operating objective as (i) on track or ahead of schedule or (ii) meets or exceeds quality metrics. No funding occurs for any operating objective that was behind schedule or failed to meet quality target metrics. Funding was capped at 100% for the operational objectives.

Operational Objectives *(weighted at 20% for NEOs)*	**Weighting**	**Maximum Attainment**
Quality: DOA rate—Line cards	20%	100%
Development:		100%
• Product development goal #1	20%	
• Product development goal #2	10%	
• Product development goal #3	10%	
Key Wins:		100%
• 12 new Infinera DTN-X customers	25%	
• Network deployment by a Tier 1 customer	15%	

Bonus Plan Payouts. The following table shows our actual performance with respect to each financial and operational objective under the 2014 Bonus Plan:

Performance Measures	**Actual Performance**
Financial Objectives (weighted at 80%)	
Revenue for Fiscal 2014	$ 668.1 million
Non-GAAP Operating Income for Fiscal 2014	$ 55.7 million
Operational Objectives (weighted at 20%)	
Quality	Achieved
Development	Partially Achieved(1)
Key Wins	Achieved

(1) We achieved two of the three development goals during fiscal 2014. For the development goal that was not achieved, the eligible NEOs received no payout for this portion of the bonus.

Upon review of the full fiscal 2014 actual financial and operational performance as compared to the pre-established target levels, the Compensation Committee approved a payout to our NEOs based on the achievement of the financial objectives at 150% of target performance and the operational objectives at 90% of target performance. Consistent with past practice, no adjustments were made to the payouts of any of the NEOs, including the CEO, based on individual performance. The following table sets forth the bonus payments for fiscal 2014 earned by our NEOs pursuant to the 2014 Bonus Plan.

Name	Fiscal 2014 Final Bonus Payout[1]
Thomas J. Fallon	$808,594
Brad Feller[2]	$285,796[3]
David F. Welch, Ph.D.	$414,000
Robert J. Jandro	$483,000
Jim Laufman[4]	—
Ita M. Brennan[5]	—

(1) Bonuses were paid in March 2015.

(2) In addition to Mr. Feller's payout under the 2014 Bonus Plan, Mr. Feller received a $30,000 sign-on bonus as part of his new hire package.

(3) Given Mr. Feller's hire after the start of the fiscal year, his bonus for fiscal 2014 was prorated based on his length of service during the year.

(4) Mr. Laufman was hired in the fourth quarter of fiscal 2014. As a result, he was not eligible to participate in the 2014 Bonus Plan.

(5) Ms. Brennan served as CFO until February 2014. Since she left Infinera prior to the end of the fiscal year, she was not eligible to participate in the 2014 Bonus Plan.

Long-Term Equity-Based Incentive Compensation

Equity Compensation Design. Under the Infinera 2007 Equity Incentive Plan (the "2007 Plan"), the Compensation Committee grants equity awards to eligible employees, including the NEOs. The Compensation Committee periodically reviews our equity award grant practices and may make adjustments and policy changes as it deems appropriate. In addition, in recent years, the Compensation Committee has moved to reduce our annual aggregate equity utilization. This has been accomplished by limiting the group of employees eligible for equity awards, by using a mix of RSU awards and PSU awards, and by reducing the size of the annual grants made to employees, including the NEOs. While the Compensation Committee usually awards RSUs and PSUs to NEOs, as part of his new hire package Mr. Feller received a stock option award.

The Compensation Committee believes that it is in the best interests of Infinera and our stockholders to grant performance-based equity awards to senior employees, including the NEOs. It also believes that our performance-based equity awards foster a more direct pay-for-performance culture and multi-year vesting schedules create longer-term incentives that maintain alignment of the interests of our NEOs with those of our stockholders. The NEOs are intended to benefit from these equity awards based on continued service to Infinera as well as our sustained performance over time and the ability of our NEOs to impact the results that drive stockholder value.

In determining the appropriate mix of such equity awards, the Compensation Committee considered how each equity vehicle supports our compensation strategy as follows:

Type of Award	Description	Why It Is Used
RSU Awards	• Provide the opportunity to receive a specified number of shares subject to the participant's continued employment for a specified period. • Typically have a three-year or four-year vesting period to encourage a long-term perspective and to encourage key employees to remain at Infinera.	• Supports retention and succession planning. • Provides a direct incentive for future performance. • Useful in recruiting new executives.
PSU Awards	• Provide the opportunity to receive shares upon the achievement of pre-established performance objectives. • If the threshold performance level is not achieved, the entire portion of the award tied to such performance objective will be forfeited.	• Supports pay-for-performance philosophy and retention efforts. • Links compensation directly to Infinera performance in areas identified as important by the Compensation Committee.

In February 2014, the Compensation Committee granted annual equity awards for fiscal 2014 in the form of RSU awards and PSU awards to each of the then-employed NEOs (other than Ms. Brennan). In determining the size of these annual equity awards, the Compensation Committee considered the factors described above in the sections entitled "Use of Market Data," "Relevant Qualitative Factors" and "Relevant Factors Related to Individual Executives," with particular attention to internal equity considerations, the potential dilutive impact of equity awards and the amount and value of unvested equity awards held by each of the NEOs. The Compensation Committee believed a combination of time-based and performance-based equity awards promote close alignment of the interests of our NEOs with those of our stockholders. Messrs. Feller and Laufman received their equity awards in connection with their new hire packages (as discussed below).

The following table sets forth the annual equity awards granted to each of the then-employed NEOs in February 2014:

		PSU Awards	
Name	RSUs	Target Shares	Maximum Shares
Thomas J. Fallon	106,888	160,330	240,495
David F. Welch, Ph.D.	62,770	41,847	62,770
Robert J. Jandro	40,619	27,079	40,618
Ita M. Brennan(1)	—	—	—

(1) Ms. Brennan served as CFO until February 2014. She did not receive any equity awards in fiscal 2014.

The RSU awards are scheduled to vest in annual installments with one-third of the underlying shares vesting on May 5 of each of 2015, 2016 and 2017, subject to each NEO's continued service with us through each applicable vesting date. Annual awards approved by the Compensation Committee for NEOs and other employees in connection with our annual equity review typically vest annually over three years in equal installments.

The PSU awards can be earned based on our TSR performance relative to that of the S&P Networking Index. The Compensation Committee selected relative TSR as the performance measure for the PSU awards because it believes that our relative TSR is an important indicator of our long-term success and closely aligns the interests of our NEOs with those of our stockholders while also minimizing the dilutive effect of our equity awards if we underperform. In choosing an appropriate comparator group, the Compensation Committee selected the S&P Networking Index based on a review of its components, the relatively close correlation between our historical stock price movement and that of the S&P Networking Index, as well as the relevance and importance of the telecommunications industry to our business. The Compensation Committee believes that comparing our TSR performance to that of the S&P Networking Index will provide an appropriate and meaningful measure of our performance against a reasonable and objective benchmark, which at the time included nine of our peer companies. Further, the Compensation Committee believes that the S&P Networking Index was a better performance measure than the Telecomm Index as the S&P Networking Index more closely aligned with companies in our peer group and industry segment.

Our relative TSR is measured against the S&P Networking Index at three intervals for the PSUs granted in fiscal 2014, with one-third of each NEO's target PSUs allocated to each of the three measurement periods. The table below outlines the performance criteria used to determine the percentage of the fiscal 2014 PSU awards that would be earned by our NEOs for various levels of TSR performance relative to the S&P Networking Index for each period.

	Minimum	**Target**	**Maximum**
INFN TSR vs. Index	-33 points	Match	+ 25 points
Payment as Percentage of Target	0%	100%	150%
Slope	3 to 1	—	2 to 1

Payment is capped at 50% if TSR is negative. To earn the maximum number of PSU awards, our TSR must be positive and at least 25 points higher than the S&P Networking Index at each of the three measurement periods.

As shown above, for each point of positive TSR we deliver above the TSR for the S&P Networking Index, the number of shares earned increases by 2% up to a maximum of 150% of the target award level. For each point of TSR we deliver below the TSR for the S&P Networking Index, the number of shares earned decreases by 3% and can be reduced to 0% of the target award level.

For purposes of calculating TSR performance for Infinera and the S&P Networking Index, the performance periods are as follows:

(i) for the first performance period, the start price is the 60-day average (of our closing stock price or the index, as applicable) leading up to and inclusive of February 25, 2014, and the end price is the 60-day average leading up to and inclusive of the last day of fiscal 2014;

(ii) for the second performance period, the start price is the 60-day average leading up to and inclusive of February 25, 2014, and the end price is the 60-day average leading up to and inclusive of the last day of fiscal 2015; and

(iii) for the third performance period, the start price is the 60-day average leading up to and inclusive of February 25, 2014 and the end price is the 60-day average leading up to and inclusive of the last day of fiscal 2016.

Notwithstanding our TSR performance relative to the S&P Networking Index, if our TSR is negative for any performance period, the payout will be capped at 50% of the target number of shares allocated to that period. PSU awards will be forfeited upon failure to achieve the TSR threshold for the relevant period, with the exception that if any shares allocated to the first and second performance periods would have otherwise vested but for the 50% cap imposed by a negative TSR for that period, then with respect to the first performance period, those shares may vest based on TSR performance for the second period criteria, or with respect to the second period, those shares may vest based on TSR performance for the third period, respectively, provided in each case that for the applicable subsequent period, our TSR is positive and results achieved are at or above 100% of target.

For similar awards measuring TSR against an appropriate index that may be awarded by the Compensation Committee to executive officers for fiscal 2016 compensation, the Compensation Committee has determined to start the measurement period using the 60-day average (of our closing stock price or the index, as applicable) leading up to and inclusive of the last day of the fiscal year prior to the grant of the award.

PSU Results. For the initial performance period ended December 27, 2014, our TSR performance exceeded the TSR performance of the S&P Networking Index by approximately 57 points. As a result, 150% of the target number of shares subject to the PSU awards allocated to the initial performance period vested, as shown in the table below:

Name	PSU Summary for Initial Performance Period: Target Number of PSUs	PSU Summary for Initial Performance Period: Actual Number of PSUs Vested
Thomas J. Fallon	53,444	80,166
David F. Welch, Ph.D.	13,949	20,923
Robert J. Jandro	9,027	13,540

Outstanding PSU Awards Granted in Prior Fiscal Years. The table below provides information regarding outstanding performance-based awards granted prior to fiscal 2014 that were eligible to vest in fiscal 2014, including vesting conditions and number of shares vesting based on performance through fiscal 2014.

Name	Fiscal Year of Grant	Actual Number of Shares Vested For Fiscal 2014 Performance Period (#)	Target Number of RSUs Granted in Grant Year (#)	Maximum Number of Shares That Could Vest For Fiscal 2014 Performance Period (#)	Performance Measure
Thomas J. Fallon	2013	85,000	170,000	85,000	Relative TSR(1)
	2012	—	175,000	87,500	Operating Profit(2)
David F. Welch, Ph.D.	2013	37,500	75,000	37,500	Relative TSR(1)
	2012	—	33,000	16,500	Operating Profit(2)

(1) In fiscal 2013, the Compensation Committee granted to the then-current NEOs a performance award that measures our TSR against the TSR of the Telecomm Index. This performance award pays out at 150% if our TSR outperforms the Telecomm Index by 25 points or more. Our TSR performance exceeded the TSR performance of this index by approximately 98 points for the performance period measured. For the second performance period, the start price was the 60-day average (of our closing stock price or the index value, as applicable) leading up to and inclusive of January 30, 2013 and the end price was the 60-day average (of our closing stock price or the index value, as applicable) leading up to and inclusive of the last day of fiscal 2014.

(2) In fiscal 2012, the Compensation Committee granted to the then-current NEOs a performance award based on certain milestones related to the Infinera DTN-X and non-GAAP operating profit. The performance criteria related to the Infinera DTN-X was established for fiscal 2013. The performance criteria that related to fiscal 2014 performance required us to meet a non-GAAP operating profit target of $60 million for fiscal 2014. This performance criteria for fiscal 2014 was not met and the remaining shares under this award were cancelled.

2014 New Hire Awards

Brad Feller. In connection with his hire in January 2014, Mr. Feller received an award of 166,297 RSUs. This RSU award is scheduled to vest in annual installments with one-fourth of the underlying shares vesting on February 5 of each of 2015, 2016, 2017 and 2018, subject to his continued service with us through each applicable vesting date. In addition, Mr. Feller was granted an incentive stock option to purchase 25,000 shares of common stock that vest as to 25% of the shares on the 12-month anniversary of his hire date and then as to $1/48^{th}$ of the shares each month thereafter, subject to his continued service with us through each applicable vesting date. The size of these equity awards was determined as the result of arm's length negotiations with Mr. Feller and approved at the level that the Compensation Committee believed was necessary to recruit him to join Infinera.

James Laufman. In connection with his hire in October 2014, Mr. Laufman received an award of 94,607 RSUs. This RSU award is scheduled to vest in annual installments with one-fourth of the underlying shares vesting on November 5 of each of 2015, 2016, 2017 and 2018, subject to his continued service with us through each applicable vesting date. The size of this equity award was determined as the result of arm's length negotiations with Mr. Laufman and approved at the level that the Compensation Committee believed was necessary to recruit him to join Infinera.

Employee Benefits and Perquisites

Our NEOs do not receive any executive perquisites and are eligible to receive all the same benefits as salaried employees except with respect to accrued paid time off ("PTO"), which Infinera and the Compensation Committee believe are reasonable and consistent with its overall compensation objectives to better enable us to attract and retain employees. These benefits include medical, dental, vision, and disability benefits, a 401(k) plan, and other plans and programs, including the 2007 ESPP, made available to other eligible employees in the applicable country of residence. We only recently began to provide a 401(k) plan match that began for fiscal 2015 that is applicable to all eligible participants, including NEOs. Employee benefits and perquisites are reviewed periodically to ensure that benefit levels remain competitive, but are not included in the Compensation Committee's annual determination of the total compensation for each of our NEOs.

Starting in February 2014, U.S. employees at the Senior Vice President level and above, at any U.S. work location, began participating in the "As Needed" PTO Program. Under this program, these employees may schedule PTO as they see fit and as business necessity allows, although they must continue to meet all job expectations and remain responsible for ensuring appropriate coverage for the time they will be out of the office. Under this program, PTO does not accrue for these employees. Each of these employees covered by this program received a payout of their accrued vacation in February 2014.

Additional Information Regarding Our Compensation Practices

Change of Control Benefits

The Compensation Committee considers maintaining a stable and effective management team to be essential to protecting and enhancing the best interests of Infinera and its stockholders. Accordingly, the Compensation Committee has entered into Change of Control Agreements (the "COC Agreements") with certain vice president level officers and above, including each of the NEOs, to encourage their continued attention, dedication and continuity with respect to their roles and responsibilities without the distraction that may arise from the possibility or occurrence of a change of control of Infinera. The COC Agreements for Messrs. Feller and Laufman were entered into in January 2014 and October 2014, respectively, upon their hire.

An NEO will receive payments and benefits under his or her COC Agreement only if his or her employment is terminated without "Cause," or by him or her as a result of a "Constructive Termination" (as more fully described in the section entitled "Estimated Payments and Benefits upon Termination, Change of Control or Death/Disability" below), within 12 months following a Change of Control transaction. The Compensation Committee believes that this "double-trigger" structure provides an appropriate balance between the corporate objectives described above and the potential compensation payable to each NEO upon a Change of Control. The Compensation Committee also believes that should Infinera engage in any discussions or negotiations relating to a Change of Control that the Board believes is in the best interests of our stockholders, these COC Agreements will help to ensure that our NEOs remain focused on the consummation of such potential transaction, without significant distraction or concern regarding their personal circumstances, such as continued employment.

The following terms apply with respect to our NEOs if we undergo a Change of Control and the NEO's employment is terminated without Cause or as a result of a Constructive Termination within 12 months following the Change of Control, subject to such individual entering into and not revoking a release of claims in our favor within 60 days of the termination date:

- 100% of all outstanding equity awards will vest;
- The CEO will be paid a lump sum severance payment equal to two (2) times his annual base salary and the other NEOs will be paid a lump sum severance payment equal to one and one-half (1.5) times their annual base salary; and
- The CEO will be reimbursed for premiums under COBRA for a period of twenty-four (24) months and the other NEOs will be reimbursed for premiums under COBRA for a period of eighteen (18) months.

Severance Policy

In addition to the Change of Control payments and benefits discussed above, the Compensation Committee has taken appropriate steps to provide competitive post-employment compensation arrangements that promote the continued attention, dedication and continuity of members of our management team, including the NEOs, and enable us to continue to recruit talented executives. Accordingly, the Compensation Committee has adopted an executive severance policy, under which severance payments and benefits will become payable if the employment of a member of our management team is terminated by us without Cause, subject to such individual entering into and not revoking a release of claims in our favor:

- The CEO will be paid a lump sum severance payment equal to one and one-half (1.5) times his annual base salary and the other NEOs will be paid a lump sum severance payment equal to one (1) times their annual base salary; and
- The CEO will be reimbursed for premiums under COBRA for a period of eighteen (18) months and the other NEOs will be reimbursed for premiums under COBRA for a period of twelve (12) months.

If an NEO's employment with Infinera is less than one year, the amount of severance payable to such individual will be equal to the lesser of (x) the base salary paid to such individual during his or her period of employment, or (y) the severance amount set forth above.

Acceleration of Equity Awards upon Death or Disability. In addition, all awards granted under our equity incentive plans permit accelerated vesting in the event of an employee's death or terminal illness (with exceptions in certain circumstances). Because we do not have any other policy with respect to severance payments or benefits in the event of an employee's death or disability, the Compensation Committee believes that in the event of an employee's death or terminal illness, it would be appropriate to provide the accelerated vesting of his or her RSU awards, PSU awards and stock options.

The estimated payments and benefits that would be received by each NEO in connection with a qualifying termination of employment are presented in the section entitled "Estimated Payments and Benefits upon Termination, Change of Control or Death/Disability" below.

Equity Grant Policy

In 2007, the Compensation Committee approved a policy for the grant of equity awards. Under this policy, a Subcommittee of the Compensation Committee has been delegated the authority to grant new hire, promotional and annual retention equity awards to non-executive employees pursuant to certain pre-approved guidelines. This Subcommittee is currently comprised of our CEO, General Counsel and Vice President of Human Resources.

The Subcommittee generally meets on the second Monday of each month to approve new hire and promotional equity awards that are within pre-approved guidelines established by the Compensation Committee. Annual performance equity awards for such non-executive employees are also scheduled to occur as part of the monthly meetings of the Subcommittee.

The delegation to the Subcommittee does not include the authority to grant equity awards to new employees who are or are reasonably expected to become Section 16 Officers or to current Section 16 Officers. All equity award grants to Section 16 Officers and directors, as well as grants that are outside of the pre-approved guidelines, must be made by the Compensation Committee.

Executive Clawback Policy

We maintain an Executive Clawback Policy that applies to our Section 16 Officers. Pursuant to this policy, the Compensation Committee has the authority to seek:

- repayment of any cash incentive payment;
- cancellation of unvested, unexercised or unreleased equity incentive awards; and

- repayment of any compensation earned on previously exercised or released equity incentive awards,

where such payments, equity incentive awards and/or compensation earned on previously exercised or released equity incentive payments was predicated on financial results that were augmented by fraud, embezzlement, gross negligence or deliberate disregard of applicable rules resulting in significant monetary loss, damage or injury to Infinera (the “Excess Compensation”), whether or not such activity resulted in a financial restatement. The Compensation Committee shall have sole discretion under this policy, consistent with any applicable statutory requirements, to seek reimbursement for any Excess Compensation paid or received by the Section 16 Officer or director for up to a 12-month period prior to the date of the Compensation Committee action to require reimbursement of the Excess Compensation. Further, following a restatement of our financial statements, we will recover any compensation received by the CEO and CFO that is required to be recovered by Section 304 of the Sarbanes-Oxley Act of 2002.

For purposes of this policy, Excess Compensation will be measured as the positive difference, if any, between the compensation earned by a Section 16 Officer or director and the compensation that would have been earned by a Section 16 Officer or director had the fraud, embezzlement, gross negligence or deliberate disregard of applicable rules resulting in significant monetary loss, damage or injury to Infinera not occurred.

Stock Ownership Policy

The Board believes that it is important to link the interests of our NEOs to those of our stockholders. Our Stock Ownership Policy requires our Section 16 Officers (which includes each of our NEOs) to accumulate and hold a minimum number of shares of Infinera common stock within three years of the later of (i) the effective date of the policy or (ii) the date of appointment or promotion of the Section 16 Officer. As of the Record Date, each of our Section 16 Officers and directors has either satisfied these ownership guidelines or had time remaining to do so. The specific Infinera stock ownership requirements for our Section 16 Officers and directors as a multiple of annual base salary (or cash retainer, in the case of directors) are as follows:

- CEO: 4x annual base salary
- President: 2x annual base salary
- CFO: 2x annual base salary
- Other NEOs: 1x annual base salary
- Non-employee Directors: 4x annual cash retainer

Shares that count towards satisfaction of this policy include: (i) shares owned outright by the Section 16 Officer or director or his or her immediate family members residing in the same household, (ii) shares held in trust for the benefit of the Section 16 Officer or director or his or her family and (iii) vested, unexercised, in-the-money option shares (the “spread” or “intrinsic value” of options). The value of a share is measured on the last day of the fiscal year as the greater of (i) the closing price on the date of calculation or (ii) the purchase price actually paid by the person for such share of Infinera common stock (for the avoidance of doubt the purchase price for RSU awards, PSU awards and other similar full value awards is zero).

Anti-hedging Policy

Under our insider trading policy, we prohibit our employees, including our NEOs, from hedging the risk associated with ownership of shares of Infinera common stock and other securities.

Anti-pledging Policy

Our insider trading policy prohibits our NEOs from pledging Infinera common stock as collateral for a loan.

Tax and Accounting Treatment of Compensation

Section 162(m) of the Internal Revenue Code limits the amount that we may deduct for compensation paid to our CEO and to certain other of our most highly compensated executive officers (other than our CFO) to $1 million per individual in any tax year, unless such compensation is exempt from the deduction limit. An exemption from this deduction limit is available for various forms of “performance-based” compensation.

While it cannot predict how the deduction limit may impact our executive compensation program in future years, the Compensation Committee intends to maintain an approach to executive compensation that strongly links pay to performance. While it has not adopted a formal policy regarding tax deductibility of compensation paid to our CEO and certain other of our most highly compensated executive officers, the Compensation Committee intends to consider tax deductibility under Section 162(m) as a factor in its compensation decisions. However, from time to time, we may provide compensation or grant equity awards to our executive officers that may not be deductible when, for example, we believe that such compensation is appropriate and in the best interests of our stockholders.

We account for the equity compensation awarded to our executive officers and other employees under ASC 718, which requires us to estimate and record an expense for each award of equity compensation over the service period of the award. Accounting rules also require us to record cash compensation as an expense at the time the obligation is incurred.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on its review and discussions with management, the Compensation Committee has recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Compensation Committee

Mark A. Wegleitner, Chairman
Paul J. Milbury
Carl Redfield

EXECUTIVE COMPENSATION TABLES

The following tabular information and accompanying narratives and footnotes provide all of the compensation awarded to, earned by, or paid to the individuals who served as our principal executive officer, principal financial officer and our three other highest paid executive officers during fiscal 2014. As previously noted, we refer to these executive officers as our NEOs.

Fiscal 2014 Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)
Thomas J. Fallon	2014	468,029	—	2,036,202	—	808,594(2)	16,423(3)	3,329,248
CEO	2013	375,000	—	1,898,390	—	635,250(4)	—	2,908,640
	2012	300,000	—	2,626,800	—	18,750(4)	—	2,945,550
Brad Feller(5) *CFO*	2014	346,154	30,000(6)	1,499,999	96,323	285,796(2)	1,034(3)	2,259,306
David F. Welch, Ph.D.	2014	374,885	—	822,290	—	414,000(2)	31,774(3)	1,642,949
President	2013	355,308	—	1,433,280	—	390,298(4)	—	2,178,886
	2012	350,000	—	1,857,880	—	28,000(4)	—	2,235,880
Robert J. Jandro	2014	350,000	—	532,106	—	483,000(2)	11,068(3)	1,376,174
Senior Vice President, Worldwide Sales	2013	207,338	—	1,303,200	—	280,162(4)	—	1,790,700
James L. Laufman(7) *Senior Vice President and General Counsel*	2014	62,500	—	999,996	—	—(8)	59(3)	1,062,555
Ita M. Brennan(9)	2014	56,250	—	—	—	—	14,808(10)	71,058
former CFO	2013	325,000	—	946,920	—	286,286(4)	—	1,558,206
	2012	300,000	—	672,240	—	9,750(4)	—	981,990

(1) The amounts reported in this column represent the aggregate grant date fair value of the listed equity awards, computed in accordance with ASC 718. See Notes 2 and 13 of the notes to our consolidated financial statements contained in our 2014 Annual Report on Form 10-K filed on February 18, 2015 for a discussion of all assumptions made by us in determining the ASC 718 values of equity awards.

(2) The amounts reported in this column represent annual incentive cash awards earned under our 2014 Bonus Plan. For additional information regarding our 2014 Bonus Plan, please see the section entitled “Fiscal 2014 Compensation—Performance-Based Incentive Cash Compensation (2014 Bonus Plan)” in the Compensation Discussion and Analysis above.

(3) This amount represents the payment of accrued vacation time and life insurance premiums.

(4) These amounts represent payouts under our annual cash incentive plan.

(5) Mr. Feller began his employment as Senior Vice President of Finance on January 13, 2014 and was appointed CFO effective as of March 1, 2014.

(6) Mr. Feller received a sign-on bonus in connection with his hiring on January 13, 2014.

(7) Mr. Laufman began his employment as Senior Vice President and General Counsel on October 20, 2014 and his base salary was set at $325,000.

(8) Mr. Laufman was hired in the fourth quarter of fiscal 2014 and, as a result, he was not eligible to participate in the 2014 Bonus Plan.

(9) Ms. Brennan resigned as CFO effective as of February 28, 2014. Ms. Brennan entered into a consulting agreement with Infinera from March 1, 2014 until August 1, 2014 that allowed her outstanding equity to continue to vest until the consulting agreement terminated on August 1, 2014.

(10) This amount represents the payment of accrued vacation time.

Fiscal 2014 Grants of Plan Based Awards Table

The following table sets forth information regarding fiscal 2014 annual cash incentive compensation and equity awards granted to our NEOs during fiscal 2014.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards[1]			Estimated Future Payouts Under Equity Incentive Plan Awards[2]			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)	(#)	($/Sh)	($)[3]
Thomas J. Fallon	2/25/2014	—	—	—	—	—	—	106,888[4]	—	—	891,446
	2/25/2014	—	—	—	—	160,330	240,495	—	—	—	1,144,756
	2/25/2014	—	585,937	878,906	—	—	—	—	—	—	—
Brad Feller	1/13/2014	—	—	—	—	—	—	166,297[5]	—	—	1,499,999
	1/13/2014	—	—	—	—	—	—	—	25,000[6]	9.02	96,323
	2/25/2014	—	216,000[7]	324,000[7]	—	—	—	—	—	—	—
David F. Welch, Ph.D.	2/25/2014	—	—	—	—	—	—	62,770[4]	—	—	523,502
	2/25/2014	—	—	—	—	41,847	62,770	—	—	—	298,788
	2/25/2014	—	300,000	450,000	—	—	—	—	—	—	—
Robert J. Jandro	2/25/2014	—	—	—	—	—	—	40,619[4]	—	—	338,762
	2/25/2014	—	—	—	—	27,079	40,619	—	—	—	193,344
	2/25/2014	—	350,000	525,000	—	—	—	—	—	—	—
James L. Laufman	10/20/2014	—	—	—	—	—	—	94,607[8]	—	—	999,996
Ita M. Brennan[9]	—	—	—	—	—	—	—	—	—	—	—

(1) Represents the potential cash payment that may be earned for fiscal 2014 under our 2014 Bonus Plan. For additional information regarding our 2014 Bonus Plan and final payouts, please see the section entitled "Fiscal 2014 Compensation—Performance-Based Incentive Cash Compensation (2014 Bonus Plan)" in the Compensation Discussion and Analysis above. At the time of Mr. Laufman's hire in October 2014, his target bonus opportunity was set at 60% of his base salary. However, given his late-fiscal year hire, Mr. Laufman was not eligible to receive a bonus under the 2014 Bonus Plan.

(2) Represents PSUs, which are earned based on our TSR as compared to the S&P Networking Index for fiscal 2014, 2015 and 2016, and subject to each person's continued service to Infinera on each applicable determination date. If the performance objectives are not met within the time limits specified in the award agreements, the PSUs will be cancelled. For additional information regarding the PSU awards granted to our NEOs in fiscal 2014, please see the section entitled "Fiscal 2014 Compensation—Long-Term Equity-Based Incentive Compensation" in the Compensation Discussion and Analysis above.

(3) For time-based RSUs, represents the aggregate grant date fair value of each equity award computed in accordance with ASC 718. For PSUs, represents the aggregate grant date fair value of each equity award at the target payout level computed in accordance with ASC 718.

(4) These RSU awards are scheduled to vest in annual installments with one-third of the underlying shares vesting on May 5 of each of 2015, 2016 and 2017, subject to each person's continued service to Infinera on each applicable vesting date.

(5) This RSU award vests in annual installments with one-fourth of the underlying shares vesting on February 5 of each of 2015, 2016, 2017 and 2018, subject to his continued service to Infinera on each applicable vesting date.

(6) The stock options vests as to 25% of the shares on January 13, 2015 then 1/48th each month thereafter, subject to Mr. Feller's continued employment with Infinera.

(7) At the time of Mr. Feller's hire in January 2014, his target bonus opportunity was set at 60% of his base salary. However, given his early-fiscal year hire, his bonus for fiscal 2014 was prorated based on his length of service during the year.

(8) This RSU award is scheduled to vest in annual installments with one-fourth of the underlying shares vesting on November 5 of each of 2015, 2016, 2017 and 2018, subject to his continued service to Infinera on each applicable vesting date.

(9) Ms. Brennan resigned as CFO effective as of February 28, 2014.

Fiscal 2014 Outstanding Equity Awards at Fiscal Year-End Table

The following table sets forth information regarding outstanding stock options, RSU awards and PSU awards held by each of our NEOs as of December 27, 2014. The vesting conditions for each award are set forth in the footnotes below the table.

	Stock Option Awards					Stock Awards				
Name	**Grant Date**	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Option Exercise Price ($)**	**Option Expiration Date**	**Grant Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)[1]**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value or Unearned Shares, Units or Other Rights That Have Not Vested ($)[1]**
Thomas J. Fallon	11/23/2009	75,000	—[2]	8.19	11/23/2016	2/13/2012	51,666[3]	770,340	—	—
	11/23/2009	5,595	—[2]	8.19	11/23/2019	2/13/2012	—	—	87,500[4]	1,304,625
	11/23/2009	294,405	—[2]	8.19	11/23/2019	1/30/2013	75,333[5]	1,123,215	—	—
	2/22/2010	80,556	—[2]	7.61	6/6/2017	1/30/2013	—	—	113,333[6]	1,689,795
	2/22/2010	2,817	—[2]	7.61	2/28/2018	2/25/2014	106,888[7]	1,593,700	—	—
	2/22/2010	81,683	—[2]	7.61	2/28/2018	2/25/2014	—	—	160,330[8]	2,390,520
	2/10/2011	14,286	—[2]	8.58	2/10/2021	—	—	—	—	—
	2/10/2011	32,965	—[2]	8.58	2/10/2021	—	—	—	—	—
	2/10/2011	30,475	—[2]	8.58	2/10/2021	—	—	—	—	—
	2/10/2011	182,250	—[2]	8.58	2/10/2021	—	—	—	—	—
Brad Feller	1/13/2014	—	25,000[9]	9.02	1/13/2021	1/13/2014	166,297[10]	2,479,488	—	—
David F. Welch, Ph.D.	8/8/2006	50,000	—[2]	2.00	8/8/2016	1/30/2012	26,333[3]	392,625	—	—
	8/8/2006	137,500	—[2]	2.00	8/8/2016	2/13/2012	71,250[11]	1,062,338	—	—
	2/10/2009	100,000	—[2]	7.11	2/10/2019	2/13/2012	—	—	16,500[4]	246,015
	8/10/2009	150,000	—[2]	7.45	8/10/2019	1/30/2013	40,000[5]	596,400	—	—
	11/23/2009	75,000	—[2]	8.19	11/23/2016	1/30/2013	—	—	50,000[6]	745,500
	2/22/2010	29,214	—[2]	7.61	6/6/2017	6/19/2013	36,000[12]	536,760	—	—
	2/22/2010	101,342	—[2]	7.61	6/6/2017	2/25/2014	62,770[7]	935,901	—	—
	2/22/2010	2,817	—[2]	7.61	2/28/2018	2/25/2014	—	—	41,847[8]	623,939
	2/22/2010	81,683	—[2]	7.61	2/28/2018	—	—	—	—	—
	2/10/2011	39,465	—[2]	8.58	2/10/2021	—	—	—	—	—
	2/10/2011	41,535	—[2]	8.58	2/10/2021	—	—	—	—	—
	2/10/2011	20,250	—[2]	8.58	2/10/2021	—	—	—	—	—
	2/10/2011	60,750	—[2]	8.58	2/10/2021	—	—	—	—	—
Robert J. Jandro	—	—	—	—	—	7/1/2013	90,000[12]	1,341,900	—	—
	—	—	—	—	—	2/25/2014	40,619[7]	605,629	—	—
	—	—	—	—	—	2/25/2014	—	—	27,079[8]	403,748
James L. Laufman	—	—	—	—	—	10/20/2014	94,607[13]	1,410,590	—	—
Ita M. Brennan[14]	—	—	—	—	—	—	—	—	—	—

(1) The closing price of our common stock as of the last trading day prior to our fiscal year-end, December 26, 2014, was $14.91 per share, which was used as the value of our common stock in the calculations.

(2) This stock option grant is fully vested.

(3) The remaining unvested portion of this RSU grant vested in its entirety on February 5, 2015.

(4) This PSU grant entitled the NEO to receive shares of common stock based on the attainment of long-term strategic objectives related to our Infinera DTN-X product and operating income levels. The PSUs vested as to 50% of the original grant upon the achievement of $100 million in recognized revenue from our Infinera DTN-X product in fiscal 2013. The performance criteria for the remaining 50% of the total grant (as indicated in the table above) were not met and the remaining shares were cancelled.

(5) The remaining unvested portion of this RSU grant vests in its entirety on February 5, 2016, subject to continued employment with Infinera.

(6) The PSU awards can be earned based on our TSR performance relative to that of the Telecomm Index as measured over a period of three performance periods. For purposes of calculating TSR performance for Infinera and the Telecomm Index under the PSU awards, the baseline value for our relative TSR calculations is the 60-day average closing price of our common stock and the Telecomm Index leading up to January 30, 2013, which was the grant date of the awards. TSR for Infinera and the Telecomm Index is then calculated by comparing the average closing price of our common stock and the Telecomm Index to this baseline value for the final 60 days of our fiscal 2013, 2014 and 2015. This performance award pays out at 150% if our TSR outperforms the S&P Networking Index by 25 points or more and 0% if our TSR underperforms the S&P Networking Index by 25 points or more. The PSUs vested on February 5, 2015 as to 150% of the target shares upon the achievement of the second performance period.

(7) The remaining unvested portion of this RSU grant vests in its entirety on May 5, 2017, subject to his continued employment with Infinera.

(8) For a description of this PSU award, please see the section entitled “Fiscal 2014 Compensation—Long-Term Equity-Based Incentive Compensation” in the Compensation Discussion and Analysis above.

(9) This option vests and becomes exercisable as to 1/4th of the underlying shares on January 13, 2015 and then 1/48th per month thereafter, subject to his continued service to Infinera on each applicable vesting date.

(10) The remaining unvested portion of this RSU grant vests in its entirety on February 5, 2018, subject to his continued employment with Infinera.

(11) The remaining unvested portion of this RSU grant vests in its entirety on December 31, 2014, subject to his continued service to Infinera on each applicable vesting date.

(12) The remaining unvested portion of this RSU grant vests in its entirety on August 5, 2017, subject to his continued service to Infinera on each applicable vesting date.

(13) The remaining unvested portion of this RSU grant vests in its entirety on November 5, 2018, subject to his continued service to Infinera on each applicable vesting date.

(14) Ms. Brennan resigned as CFO effective as of February 28, 2014. Ms. Brennan entered into a consulting agreement with Infinera from March 1, 2014 until August 1, 2014 that allowed her outstanding equity to continue to vest until the consulting agreement terminated on August 1, 2014. No equity awards were outstanding as of the last day of fiscal 2014.

Fiscal 2014 Option Exercises and Stock Vested Table

The following table sets forth the number of shares acquired and the value realized upon the exercise of stock options and the vesting of RSU awards and PSU awards during fiscal 2014 by each of our NEOs.

Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)[1]	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)[2]
Thomas J. Fallon	300,000	1,538,645	221,667	1,824,319
Brad Feller	—	—	—	—
David F. Welch, Ph.D.	—	—	166,499	1,466,677
Robert J. Jandro	—	—	30,000	267,000
James L. Laufman	—	—	—	—
Ita M. Brennan[3]	321,594	385,949	87,458	719,779

(1) The value realized on the exercise date is based on the difference in the fair market value of our common stock on the exercise date and the exercise price, and does not necessarily reflect the proceeds actually received by the NEO.

(2) The value realized on vesting is based on the fair market value of our common stock on the vesting date and does not necessarily reflect the proceeds actually received by the NEO.

(3) Ms. Brennan resigned as CFO effective as of February 28, 2014. Ms. Brennan entered into a consulting agreement with Infinera from March 1, 2014 until August 1, 2014 that allowed her outstanding equity to continue to vest until the consulting agreement terminated on August 1, 2014.

Estimated Payments and Benefits upon Termination, Change of Control or Death/Disability

Change of Control Benefits

As discussed above in the "Compensation Discussion and Analysis—"Double-trigger" Change of Control and Severance Policy" section, the terms below apply with respect to our NEOs if we undergo a Change of Control transaction and the employment of the NEO is terminated without Cause or as a result of a Constructive Termination within 12 months following the transaction, subject to the NEO entering into and not revoking a release of claims in our favor within 60 days of the termination date:

- 100% of all outstanding equity awards will vest;
- The CEO will be paid a lump sum severance payment equal to two (2) times annual base salary and the other NEOs will be paid a lump sum severance payment equal to one and one-half (1.5) times annual base salary; and
- The CEO will be reimbursed for premiums under COBRA for a period of twenty-four (24) months and the other NEOs will be reimbursed for premiums under COBRA for a period of eighteen (18) months.

Severance Policy

As discussed above in the "Compensation Discussion and Analysis—"Double-trigger" Change of Control and Severance Policy" section, the Compensation Committee determined that Infinera shall pay severance to our NEOs in the event the employment of the NEO is terminated by Infinera, except in the event of termination following a Change of Control or for Cause. The Compensation Committee established the following terms for severance payments, subject to such individual entering into and not revoking a release of claims in our favor:

- The CEO will be paid a lump sum severance payment equal to one and one-half (1.5) times annual base salary and the other NEOs will be paid a lump sum severance payment equal to one (1) times annual base salary; and
- The CEO will be reimbursed for premiums under COBRA for a period of eighteen (18) months and the other named executive officers will be reimbursed for premiums under COBRA for a period of twelve (12) months.

If a named executive officer's employment with Infinera is less than one year, the amount of severance payable to such individual shall be equal to the lesser of (x) the base salary paid to such individual during their period of employment, or (y) the severance amount set forth above.

Death and Disability Benefits

Pursuant to our 2000 Stock Option Plan and the 2007 Plan, accelerated vesting is provided in the event of the death (with exceptions in certain circumstances) or permanent disability of an employee, including our NEOs. Accrued vacation will also be paid out in the event of the death or permanent disability of such individual. We do not currently provide any other benefits in the event of an employee's death or permanent disability.

For purposes of these benefits, the following terms have the following meanings:

Change of Control .... (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of Infinera representing fifty percent (50%) or more of the total voting power represented by Infinera's then outstanding voting securities; (ii) the consummation of the sale or disposition by Infinera of all or substantially all of Infinera's assets; (iii) the consummation of a merger or consolidation of Infinera with any other corporation, other than a merger or consolidation which would result in the voting securities of Infinera outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of Infinera or such surviving entity or its parent outstanding immediately after such merger or consolidation; or (iv) a change in the composition of the Board occurring within a two (2) year period, as a result of which less than a majority of the directors are Incumbent Directors. "Incumbent Directors" means directors who either (A) are directors of Infinera as of the date hereof, or (B) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the directors of Infinera at the time of such election or nomination (but will not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to Infinera).

Constructive Termination .... The executive officer's resignation as a result of, and within three (3) months following the expiration of any Company cure period (discussed below) following the occurrence of one or more of the following: (i) a material reduction in the executive officer's job, duties or responsibilities in a manner that is substantially inconsistent with the position, duties or responsibilities held by the executive officer immediately before such reduction, (ii) a material reduction in the executive officer's base salary (in other words, a reduction of more than five percent of executive's base salary within the twelve-month period following a Change of Control), or (iii) a material change in the work location at which the executive officer is required to perform services for Infinera (in other words, a requirement that the executive officer relocate to a work location that is more than 50 miles from the executive's work location in effect as of the date immediately prior to a Change in Control). The executive officer will not resign as the result of a Constructive Termination without first providing Infinera with written notice of the acts or omissions constituting the grounds for "Constructive Termination" within ninety (90) days of the initial existence of the grounds for "Constructive Termination" and a cure period of thirty (30) days following the date of such notice.

Cause .... (i) The executive officer's willful failure to substantially perform his or her duties and responsibilities to Infinera or deliberate violation of a company policy; (ii) the executive officer's commission of any act of fraud, embezzlement, dishonesty or any other willful misconduct that has caused or is reasonably expected to result in material injury to Infinera; (iii) unauthorized use or disclosure by the executive officer of any proprietary information or trade secrets of Infinera or any other party to whom the executive officer owes an obligation of nondisclosure as a result of his or her relationship with Infinera; or (iv) the executive officer's willful breach of any of his or her obligations under any written agreement or covenant with Infinera. The determination as to whether the executive officer is being terminated for Cause will be made in good faith by Infinera and will be final and binding on the executive officer.

Fiscal 2014 Estimated Payments and Benefits Table

The amount of compensation and benefits payable to each of our NEOs in the event of a termination of employment by Infinera, a termination of employment following a Change of Control transaction, or a termination of employment due to death or permanent disability has been estimated in the table below. The value of the outstanding equity award vesting acceleration was calculated based on the assumption that the termination event occurred on December 27, 2014, the day of fiscal 2014. The closing price of our common stock as of the last trading day of fiscal 2014, was $14.91 per share, which was used as the value of our common stock in the calculations below. The value of the vesting acceleration was calculated by (i) multiplying the number of accelerated shares of common stock underlying unvested, in-the-money equity awards by $14.91 and (ii) subtracting the exercise price for the unvested stock options.

		Potential Payments in Connection With:		
Name	**Type of Benefit**	**Termination Under Severance Policy ($)**	**Termination After a Change of Control ($)**	**Termination Upon Death or Disability ($)**
Thomas J. Fallon	Cash Severance	702,044	936,058	—
	Vesting Acceleration[1]	—	8,872,196	8,872,196
	Continued Coverage of Employee Benefits	36,660	48,881	—
	Total Benefits	738,704	9,857,135	8,872,196
Brad Feller	Cash Severance	346,154	519,231	—
	Vesting Acceleration[2]	—	2,626,738	2,626,738
	Continued Coverage of Employee Benefits	18,588	27,882	—
	Total Benefits	364,742	3,173,851	2,626,738
David F. Welch, Ph.D.	Cash Severance	374,885	562,328	—
	Vesting Acceleration[3]	—	5,139,477	5,139,477
	Continued Coverage of Employee Benefits	24,440	36,660	—
	Total Benefits	399,325	5,738,465	5,139,477
Robert J. Jandro	Cash Severance	350,000	525,000	—
	Vesting Acceleration[4]	—	2,351,277	2,351,277
	Continued Coverage of Employee Benefits	13,248	19,872	—
	Total Benefits	363,248	2,896,149	2,351,277
James L. Laufman	Cash Severance	62,500	93,750	—
	Vesting Acceleration[5]	—	1,410,590	1,410,590
	Continued Coverage of Employee Benefits	18,588	27,882	—
	Total Benefits	81,088	1,532,222	1,410,590

(1) The vesting of 595,050 shares of common stock would accelerate if Mr. Fallon was terminated without Cause, as a result of a Constructive Termination within 12 months following a Change of Control or upon death or permanent disability as of December 27, 2014.

(2) The vesting of 191,297 shares of common stock would accelerate if Mr. Feller was terminated without Cause, as a result of a Constructive Termination within 12 months following a Change of Control or upon death or permanent disability as of December 27, 2014.

(3) The vesting of 344,700 shares of common stock would accelerate if Dr. Welch was terminated without Cause, as a result of a Constructive Termination within 12 months following a Change of Control or upon death or permanent disability as of December 27, 2014.

(4) The vesting of 157,698 shares of common stock would accelerate if Mr. Jandro was terminated without Cause, as a result of a Constructive Termination within 12 months following a Change of Control or upon death or permanent disability as of December 27, 2014.

(5) The vesting of 94,607 shares of common stock would accelerate if Mr. Laufman was terminated without Cause, as a result of a Constructive Termination within 12 months following a Change of Control or upon death or permanent disability as of December 27, 2014.

RISK ASSESSMENT OF COMPENSATION PRACTICES

During fiscal 2014, at the request of the Compensation Committee, a review of the risks associated with our organization-wide compensation policies and practices was conducted. This review was conducted by Compensia with input from our legal, finance and human resources departments. This assessment included:

- A review of the policies and practices relating to the components of our compensation programs and arrangements;
- A review of incentive-based cash and equity compensation plans and arrangements;
- The identification of compensation design features that could potentially encourage excessive or imprudent risk taking, and identification of business risks that these features could potentially encourage; and
- Consideration of the presence or absence of controls, policies, plan features or other factors that mitigate potential risks.

Although all compensation programs were considered, particular attention was paid to incentive-based plans and arrangements involving variable payouts, where an employee might be able to influence payout factors and compensation plans and arrangements involving our executive team. In substantially all cases, these compensation plans and arrangements are centrally designed and administered and, excluding sales incentive compensation, are substantially identical across function and geography. Incentive compensation was found to be based on a blend of financial and operational objectives, which allows us to avoid an over-emphasis on shorter-term financial goals. In addition, the financial and operational objectives used to determine the performance measures for our incentive-based compensation plans and arrangements were found to be substantially derived from our annual operating plan, which is approved by the Board.

In addition, the assessment considered the controls and other mitigating factors that serve to offset elements of our compensation policies and practices that may introduce or encourage risk-taking, including:

- Oversight of major incentive compensation plans and arrangements and decision-making by the Compensation Committee, which, in most cases, retains the ability to adjust elements of incentive compensation in its discretion;
- Internal controls over financial reporting and compensation practices regularly reviewed and/or tested by internal auditors and subject to testing as part of the annual independent integrated audit by our external auditors;
- Audit Committee oversight and review of financial results and non-GAAP adjustments used in certain components of incentive compensation;
- The existence of, and training relating to, corporate standards of business conduct and ethics;
- Substantial alignment of compensation of and benefits for executive and non-executive, salaried employees;
- A clawback policy pursuant to which the Compensation Committee has a one-year look-back provision and provides the authority to recoup up to 100% of any incentive compensation that resulted from a material misstatement of financial results; and
- Stock ownership guidelines applicable to our Section 16 Officers to align their interests with those of our stockholders.

Compensia's review concluded that the risks associated with our compensation policies and practices were being effectively managed by Infinera. Based on this review, as well as our assessment of the factors described above, we have determined that the risks associated with our compensation policies and practices are not reasonably likely to result in a material adverse effect on Infinera. This risk assessment was presented to and reviewed by the Compensation Committee.

PROPOSAL 3—ADVISORY APPROVAL OF NAMED EXECUTIVE OFFICER COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, enables our stockholders to vote to approve, on an advisory (nonbinding) basis, the compensation of our NEOs as disclosed in the Compensation Discussion and Analysis and the tabular disclosures of this Proxy Statement. This proposal, commonly known as a "say-on-pay" proposal, provides our stockholders with the opportunity to express their views on the compensation of our NEOs.

As described in the section entitled "Compensation Discussion and Analysis," we believe that the skill, talent, judgment and dedication of our executive officers are critical factors affecting the long-term value of Infinera. The goals of our executive compensation programs are to fairly compensate our executives, attract and retain highly-qualified executives able to contribute to our long-term success, encourage performance consistent with clearly defined corporate goals and align our executives' long-term interests with those of our stockholders. The specific goals that our current executive compensation programs reward are focused on financial and operational objectives, including specific revenue and operating income targets as well as important operation goals important to the short-term and long-term growth of Infinera. Please read the "Compensation Discussion and Analysis" section of this Proxy Statement beginning on page 25 for additional details about our executive compensation programs, including information about the fiscal 2014 compensation of our NEOs.

We are asking our stockholders to indicate their support for the compensation of our NEOs as described in this Proxy Statement. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our NEOs and the philosophy, policies, practices and objectives described in this Proxy Statement. Accordingly, we will ask our stockholders to vote "FOR" the following resolution at the Annual Meeting:

> "**RESOLVED:** That the Company's stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Proxy Statement for the 2015 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables and the accompanying footnotes and narratives within the Compensation of Executive Officers section of the Proxy Statement."

As an advisory vote, this say-on-pay proposal is not binding upon Infinera, the Board or the Compensation Committee. However, Infinera, the Board and the Compensation Committee, which are responsible for overseeing, reviewing and administering our executive compensation programs, value the opinions expressed by our stockholders and will continue to consider our stockholders' concerns in evaluating future compensation options for our NEOs.

Vote Required

Approval of Proposal 3 requires the affirmative vote of a majority of the votes cast on this proposal. "ABSTENTIONS" will have the same effect as an "AGAINST" vote. Broker non-votes will not be counted as having been voted on the proposal.

Proposal 3—Recommendation of the Board

The Board unanimously recommends a vote "FOR" the approval of the compensation of our named executive officers, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the SEC.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We have adopted a formal policy that our executive officers, directors, and principal stockholders, including their immediate family members and affiliates, are not permitted to enter into a related party transaction with us without the prior consent of our Audit Committee, or other independent members of the Board in the case it is inappropriate for our Audit Committee to review such transaction due to a conflict of interest. Any request for us to enter into a transaction with an executive officer, director, principal stockholder, or any of such persons' immediate family members or affiliates, in which the amount involved exceeds $120,000 must first be presented to our Audit Committee for review, consideration and approval. All of our directors, executive officers and employees are required to report to our Audit Committee any such related party transaction. In approving or rejecting the proposed agreement, our Audit Committee shall consider the relevant facts and circumstances available and deemed relevant to the Audit Committee, including, but not limited to the risks, costs and benefits to us, the terms of the transaction, the availability of other sources for comparable services or products, and, if applicable, the impact on a director's independence. Our Audit Committee shall approve only those agreements that, in light of known circumstances, are, or are not inconsistent with, our best interests, as our Audit Committee determines in the good faith exercise of its discretion.

In fiscal 2014, Infinera did not engage in any related party transactions.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The members of the Board, our executive officers and persons who hold more than 10% of our outstanding common stock are subject to the reporting requirements of Section 16(a) of the Exchange Act, which requires them to file reports with respect to their ownership of our common stock and certain transactions in our common stock. Based solely upon (i) the copies of Section 16(a) reports that we received from such persons for their fiscal 2014 transactions in our common stock and their common stock holdings and (ii) the written representations received from one or more of such persons, we believe that all reporting requirements under Section 16(a) were met in a timely manner during fiscal 2014.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 27, 2014 with respect to the shares of our common stock that may be issued under our existing equity compensation plans.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in First Column)
Equity compensation plans approved by security holders(1)	11,216,641(2)	$7.29	24,517,443(3)
Equity compensation plans not approved by security holders	—	—	—
Total	11,216,641		24,517,443

(1) Our 2007 Plan provides that on the first day of our fiscal year, the number of shares of common stock authorized under the 2007 Plan shall be increased by the lesser of (i) 9,000,000 shares of common stock, (ii) 5% of the outstanding shares of common stock on the last day of the immediately preceding fiscal year or (iii) such other amount as determined by the Board or a committee of the Board. For 2015, the Board approved no increase to the number of shares of common stock authorized for issuance under the 2007 Plan, as recommended by the Compensation Committee. Our 2007 ESPP previously provided that on the first day of our fiscal year, the number of shares of common stock authorized under the 2007 ESPP shall be increased by the lesser of (i) 1,875,000 shares of common stock, (ii) 1% of the outstanding shares of common stock on such date or (iii) such other amount as is determined by the Board or a committee of the Board. At the 2014 Annual Meeting of Stockholders, our stockholders approved an amendment and restatement of the 2007 ESPP, whereby the annual evergreen provision was removed and the number of shares issuable under the 2007 ESPP was increased by 7,500,000 Shares.

(2) This amount includes the following:

- 4,298,386 shares issuable upon the exercise of outstanding stock options granted under the 2000 Stock Plan and 2007 Plan.
- 6,041,890 shares subject to RSUs granted under the 2007 Plan. Since these awards have no exercise price, they are not included in the weighted average exercise price calculation in column (b).
- 876,365 shares issuable pursuant to outstanding stock awards that have been granted under the 2007 Plan, but not yet earned as of December 27, 2014. The number of shares, if any, to be issued pursuant to such outstanding awards will be determined based on certain performance metrics, as discussed above in the “Compensation Discussion and Analysis” section. Since these awards have no exercise price, they are not included in the weighted average exercise price calculation in column (b).

(3) This amount includes 7,261,664 shares of common stock available for future issuances under our 2007 ESPP.

STOCKHOLDER PROPOSALS FOR 2016 ANNUAL MEETING

To be considered for inclusion in our Proxy Statement for the 2016 Annual Meeting of Stockholders (the “2016 Annual Meeting”), stockholder proposals must comply with our Bylaws and the requirements of Rule 14a-8 under the Exchange Act and be received by our Corporate Secretary at our principal executive offices no later than November 27, 2015, or no later than 120 calendar days before the one-year anniversary of the date on which we first mailed our Proxy Statement or Notice to stockholders in connection with this year’s Annual Meeting.

To be raised at the 2016 Annual Meeting, stockholder proposals must comply with our Bylaws. Under our Bylaws, a stockholder must give timely notice thereof in proper written form to our Corporate Secretary of any business, including nominations of directors for the Board that the stockholder wishes to raise at our 2016 Annual Meeting. To be timely, the stockholder notice must be received by our Corporate Secretary no later than February 10, 2016 nor earlier than January 11, 2016, or no later than the 45th day nor earlier than the 75th day before the one-year anniversary of the date on which we first mailed our Proxy Statement or Notice to stockholders in connection with this year's Annual Meeting. To be in proper written form, the stockholder notice must contain a brief description of such business and the reasons for conducting such business at the meeting, as well as certain other information as set forth in greater detail in our Bylaws. In connection with a stockholder nomination of a candidate for the Board, the stockholder notice must also include certain information as set forth in our Bylaws about both the nominee and the stockholder making the nomination. If you wish to bring a stockholder proposal or nominate a candidate for director, you are advised to review our Bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations. Our current Bylaws may be found on our website at *www.infinera.com* in the Corporate Governance section on our Investor Relations' page.

Under Rule 14a-8 of the Exchange Act, if the date of the 2016 Annual Meeting changes by more than 30 days from the anniversary of this year's Annual Meeting, to be included in our Proxy Statement, stockholder proposals must be received by us within a reasonable time before our solicitation is made.

Under our Bylaws, if the date of the 2016 Annual Meeting is advanced by more than 30 days prior to or delayed by more than 60 days after the one-year anniversary of the date of this year's Annual Meeting, then, for notice by the stockholder to be timely, it must be received by our Corporate Secretary no earlier than the close of business on the 120th day prior to the 2016 Annual Meeting and no later than the close of business on the later of (i) the 90th day prior to the 2016 Annual Meeting, or (ii) the tenth day following the day on which disclosure in a press release reported by Marketwired, Inc., Associated Press or a comparable national news service or in a document publicly filed by Infinera with the SEC pursuant to Section 13, 14 or 15(d) of the Exchange Act of the date of the 2016 Annual Meeting is first made.

If we receive notice of a matter to come before the 2016 Annual Meeting that is not in accordance with the deadlines described above and as more fully set forth in our Bylaws and Rule 14a-8 of the Exchange Act, we will use our discretion in determining whether or not to bring such matter before the 2016 Annual Meeting. If such matter is brought before the 2016 Annual Meeting, then our proxy card for such meeting will confer upon our proxy holders' discretionary authority to vote on such matter.

DELIVERY OF DOCUMENTS TO STOCKHOLDERS SHARING THE SAME LAST NAME AND ADDRESS

To reduce the expense of delivering duplicate proxy materials to stockholders who may have more than one account holding our common stock, but sharing the same address, we have adopted a procedure, approved by the SEC, called "householding." Under this procedure, stockholders who have the same last name and address, and who do not participate in electronic delivery of proxy materials, will receive only one copy of our Notice, and as applicable, any additional proxy materials that are delivered. This procedure reduces duplicate mailings and saves printing costs and postage fees, as well as natural resources. Stockholders who participate in "householding" will continue to have access to and utilize separate proxy voting instructions.

Once you have received notice from your broker that they will be "householding" communications to your address, "householding" will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in "householding" and would prefer to receive a separate proxy materials or if you would like an additional copy of any of the proxy materials, please notify your broker or direct your written request to Infinera Corporation, 140 Caspian Court, Sunnyvale, California 94089, Attention: Corporate Secretary, or call (408) 572-5200. Stockholders who currently receive multiple copies of the Proxy Statement at their address and would like to request "householding" of their communications should contact their broker.

OTHER MATTERS

The Board knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the Annual Meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

By Order of the Board,

/s/ James L. Laufman

James L. Laufman
Senior Vice President, General Counsel and Corporate Secretary

Sunnyvale, California
March 26, 2015

[THIS PAGE INTENTIONALLY LEFT BLANK]

Appendix A

Infinera Corporation
Unaudited Reconciliations from GAAP to Non-GAAP
(In thousands)

	Years Ended		
	December 27, 2014	December 28, 2013	December 28, 2012
Revenue	$668,079	$544,122	$438,437
Reconciliation of Gross Profit:			
U.S. GAAP as reported	$288,304	$218,639	$157,569
Stock-based compensation	5,607	7,496	8,534
Non-GAAP as adjusted	$293,911	$226,135	$166,103
Reconciliation of Gross Margin:			
U.S. GAAP as reported	43.2%	40.2%	35.9%
Stock-based compensation	0.8%	1.4%	2.0%
Non-GAAP as adjusted	$ 44.0%	$ 41.6%	37.9%
Reconciliation of Operating Income (Loss):			
U.S. GAAP as reported	$ 27,342	$ (24,186)	$ (83,001)
Stock-based compensation	28,394	31,976	41,819
Non-GAAP as adjusted	$ 55,736	$ 7,790	$ (41,182)

The non-GAAP measures of gross profit, gross margin and operating income (loss) exclude non-cash stock-based compensation expenses. We believe these adjustments are appropriate to enhance an overall understanding of our underlying financial performance and also our prospects for the future and are considered by management for the purpose of making operational decisions. In addition, these results are the primary indicators management uses as a basis for our planning and forecasting of future periods. The presentation of this additional information is not meant to be considered in isolation or as a substitute for gross profit, gross margin and operating income (loss) prepared in accordance with GAAP. Non-GAAP financial measures are not based on a comprehensive set of accounting rules or principles and are subject to limitations.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 27, 2014

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: 001-33486

Infinera Corporation

(Exact name of registrant as specified in its charter)

Delaware	**77-0560433**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

140 Caspian Court
Sunnyvale, CA 94089
(Address of principal executive offices, including zip code)
(408) 572-5200
(Registrant's telephone number, including area code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.001 Par Value	**The NASDAQ Global Select 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 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 (§232.405 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 (§229.405 of this chapter) 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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	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, $0.001 par value per share, held by non-affiliates of the registrant on June 27, 2014, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $845,017,931 (based on the closing sales price of the registrant's common stock on that date). Shares of the registrant's common stock held by each officer and director and each person who owns more than 5% or more of the outstanding common stock of the registrant have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. As of February 9, 2015, 128,004,196 shares of the registrant's common stock, $0.001 par value per share, were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for its 2015 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated.

INFINERA CORPORATION

ANNUAL REPORT ON FORM 10-K

For the Fiscal Year Ended December 27, 2014

Table of Contents

Part I

ITEM 1. BUSINESS

Overview

Infinera Corporation ("we" or "Infinera") provides optical transport networking equipment, software and services to Tier 1 and Tier 2 telecommunications service providers, Internet content providers ("ICPs"), cable operators, wholesale and enterprise carriers, research and education institutions, and government entities (collectively, "Service Providers") across the globe. Optical transport networks are deployed by Service Providers facing significant demands for transmission capacity prompted by increased use of high-speed Internet access, mobile broadband, high-definition video streaming services, business Ethernet services and cloud-based services.

Our technologies and platforms enable Service Providers to deliver vast amounts of bandwidth with greater ease. We leverage our unique large scale photonic integrated circuits ("PICs") to deliver innovative optical networking solutions for the most demanding network environments. The Infinera Intelligent Transport Network is an architecture that enables Service Providers to automate, converge and scale their long-haul, subsea, data center and metro optical networks. This architectural approach helps Service Providers to rapidly deploy reliable, differentiated services while reducing their operating costs through scale, multi-layer convergence and automation.

We manufacture large-scale Indium Phosphide PICs, which are used as a key differentiating component inside our Intelligent Transport Network platforms. Our first and second generation PICs transmit and receive 100 Gigabits per second ("Gbps") of wavelength division multiplexing ("WDM") transmission capacity and incorporate the functionality of over 60 discrete optical functions into a pair of PICs approximately the size of a fingernail. Our third generation PICs, commercially available since 2012, transmit and receive 500 Gbps, incorporating over 600 discrete optical functions into a pair of PICs. Our PICs are combined with the FlexCoherent Processors to deliver coherent optical transmission and with high-performance Optical Transport Network ("OTN") switching capabilities to offer Service Providers a unique combination of highly-scalable transmission capacity and easy to use bandwidth management tools to simplify transport network operations.

Similar to how silicon integrated circuits changed the dynamics of the computing industry by increasing computing performance and reliability while reducing physical size, power consumption and heat dissipation, we believe our PICs change the dynamics of the optical transport network industry by increasing optical performance and reliability while reducing physical size, power consumption and heat dissipation. We fabricate PICs and develop the software and strategic hardware elements that together comprise the optical transport network platforms at the foundation of our Intelligent Transport Network architecture. We sell these optical transport network platforms to Service Providers along with a comprehensive suite of installation, management and support services. We believe that Service Providers facing increasing demand for greater optical transport network transmission capacity and the need for more favorable network economics will adopt our optical network solutions.

The Infinera DTN-X platform supports 100 Gbps WDM transmission capacity with 500 Gbps super-channels and also integrates 5 Terabits per second ("Tbps") of OTN switching in a single bay. The Infinera DTN-X platform leverages the unique capabilities of our 500 Gbps PICs to deliver our high-capacity Intelligent Transport Networks that reduce power, cooling and space requirements while simplifying transport network operations. The Infinera DTN platform currently supports 10 Gbps WDM transmission capacity combined with integrated switching capabilities.

In addition to Service Providers that are looking for network architectures to respond to continued demand for bandwidth across their long-haul and subsea networks, Service Providers are now starting to build networks to support data center interconnections across metro cloud and campus environments. Our recently introduced Cloud Xpress platform is optimized to help Service Providers scale cloud networks with hyper-scale density, simplified operations and low power.

"Infinera," "Infinera DTN," "Infinera DTN-X," "ATN," "Infinera Intelligent Transport Network," "FlexCoherent," "Infinera Instant Bandwidth" are trademarks or service marks of Infinera Corporation in the United States, certain other countries and /or the European Union. Any other trademarks or trade names mentioned are the property of their respective owners.

Infinera was founded in December 2000, originally operated under the name “Zepton Networks,” and is headquartered in Sunnyvale, California. We are incorporated in the State of Delaware. Our principal executive offices are located at 140 Caspian Court, Sunnyvale, CA 94089. Our telephone number is (408) 572-5200.

Industry Background

Optical transport networking equipment carries digital information using light waves over fiber optic networks. The advent of WDM systems has enabled the transmission of larger amounts of data by using multiple wavelengths over a single optical fiber. Service Providers often use WDM systems to carry communications traffic between cities, referred to as long-haul networks, and within large metropolitan areas, referred to as metro networks. Fiber optic networks are generally capable of carrying most types of communications traffic, including conventional long-distance telephone calls, e-mails, web sessions and high-definition video streams. As service traffic grows, Service Providers add transmission capacity to existing optical networks or purchase and deploy additional systems to keep pace with bandwidth demands and service expansion.

We believe that a number of trends in the communications industry are increasing demand for network capacity and ultimately will increase demand for optical transport networking systems. These trends include growth in bandwidth-intensive services like streaming high-definition video services, the proliferation of 4G and WiFi mobile broadband due to the availability of smartphones and tablets, and the growth of cloud services.

Consumers and businesses increasingly rely on the cloud for their application needs. As cloud adoption increases, large network operators are reporting a magnification effect on incoming traffic, such that a single request from an end user can generate many times the amount of traffic between data centers than was contained in the request. This server-to-server traffic is also called east-west traffic and this magnification effect is accelerating the deployment of high-capacity transport solutions into the metro cloud.

We believe that Service Providers seek the following solutions that will allow them to increase their revenue and/or expand their service offerings:

- high-capacity solutions that scale transmission capacity to meet increasing bandwidth demand;
- efficient solutions that optimize performance and increase reliability while reducing physical space, power consumption and heat dissipation;
- easy to use solutions that reduce the time to deploy new transmission capacity while lowering operational expenses; and
- improved integration between Internet Protocol equipment such as routers and optical transport networking equipment.

We believe that the Infinera Intelligent Transport Network architecture is uniquely enabled to deliver improvements in these areas compared to competitive WDM systems that still rely on discrete optical components rather than PICs. We also believe that our Intelligent Transport Network architecture enables Service Providers to deploy reliable, high-capacity, efficient optical transport network solutions that are easy to use and improve the integration between the layers of Service Provider networks resulting in the lowest total cost of ownership.

The Infinera Strategy

Our goal is to be the preeminent provider of optical transport networking systems to Service Providers around the world. Key aspects of our strategy to achieve this goal are as follows:

- *Increasing our customer base and expanding our geographical footprint.* We continue to diversify our customer base across multiple markets. In 2015 and beyond, we intend to increase our penetration with new and existing customers while leveraging our Infinera DTN-X and Cloud Xpress platforms. In 2014, we further increased our presence outside of the United States, with the addition of new customers across multiple regions.
- *Penetrating adjacent markets.* We are developing and building new products for specific markets, including the metro aggregation and metro cloud markets. In 2014, we increased our addressable markets by introducing the Cloud Xpress platform for the metro cloud market. In addition, we plan to introduce a product to address the metro aggregation market towards the end of 2015, allowing

us to further expand our total addressable market. We intend to continually add functionality to our existing products and to develop the service and support infrastructure needed to address the long-haul, metro aggregation and metro cloud markets.

- *Continuing commitment to provide world-class support services to our customers.* We believe that our lead in customer experience capabilities is a major differentiator. Infinera's global customer service and technical support team is committed to making our customers successful by providing the highest quality support services to deploy, operate and maintain their networks.
- *Maintaining and extending our technology lead.* We plan to incorporate the functionality of additional discrete functions into our PICs in order to continue to increase our technology lead. In addition, we intend to pursue the expansion of our digital switching and bandwidth management capabilities in order to enhance the performance, scalability and economic advantages of our products.
- *Continuing investment in PIC manufacturing activities.* We believe that our vertical integration and manufacturing capabilities serve as competitive advantages. We intend to continue to invest in the manufacturing capabilities needed to produce new generations of PICs.
- *Investing in Software Defined Networking.* We are seeing a trend in which Service Providers are looking for more programmable networks and we plan to add application programming interfaces to our Intelligent Transport Network architecture so they can be used by Service Providers to build more agile networks that can deliver competitive services. Although this trend has not really taken hold yet in the wide area networking space, we believe that our products are uniquely architected to handle the needs of software defined networks ("SDN") with large pools of intelligent bandwidth.

Customers

As of December 27, 2014, we have sold our Intelligent Transport Network platform to 140 customers worldwide, including:

- Tier-1 carriers for domestic and international networks;
- Tier-2 carriers;
- internet content provider/data center operators;
- wholesale and enterprise carriers;
- multiple system operators/cable companies; and
- research and education/government entities.

At the end of 2014, we had 59 customers who have purchased the Infinera DTN-X platform. We do not have long-term sales commitments from our customers. One customer accounted for over 10% of our revenue in 2014. Revenue from this customer was 19% of total revenue in 2014. No individual customer accounted for over 10% of our revenue in 2013 or 2012.

Technology

Intelligent Transport Network Architecture

Infinera was founded with a vision of increasing the functionality and improving the economics of optical transport systems. To that end, our core engineering team consists of optical component and systems experts who have collaborated to create an innovative optical networking architecture that combines the delivery of large amounts of low-cost bandwidth with distributed switching and the embedded software intelligence of bandwidth management to manage larger networks and deliver high-capacity services quickly and cost-effectively. We have focused our efforts, time and capital on developing multiple platforms based on our Intelligent Transport Network architecture.

Our Intelligent Transport Network architecture enables Service Providers to create rich end-user experiences based on efficient, high-capacity transport by combining the following elements:

- *Scalability.* The proliferation of data centers, rise of big data and increasing consumption of video are fundamentally changing traffic characteristics in operator networks. The Infinera Intelligent Transport Network delivers 500 Gbps FlexCoherent super-channels today and is designed to scale without compromise to enable terabit super-channels and terabit Ethernet in the future.
- *Convergence.* Networks are growing in complexity with the proliferation of chassis, network layers and fiber interconnects. Complexity increases the time it takes to plan and deploy network services and increases the cost of maintenance, operation, power, space and cooling. By converging packet and OTN switching functions with WDM, the Infinera Intelligent Transport Network is designed to reduce complexity while lowering overall network spending without compromising performance.
- *Automation.* Network operators face intensifying competition to meet customer demand for immediate bandwidth needs and better visibility into the network. The Infinera Intelligent Transport Network features intelligent software control and open SDN application programming interfaces ("APIs") to help simplify multi-layer provisioning. Automation allows the end-user to control their own network services. Furthermore, our Infinera Instant Bandwidth offering enables our customers to align service revenue to transport network growth by instantly provisioning additional capacity when it is needed.

Infinera PICs

We believe that our proprietary PICs are a key source of our value proposition and competitive advantage. We manufacture and package our PICs at our own facilities for use exclusively with our Infinera DTN, Infinera DTN-X and Cloud Xpress platforms. We began the design and manufacture of our PICs shortly after we were founded in December 2000. We employ a multi-disciplinary approach towards the development and manufacture of our PICs, with significant interaction between our manufacturing, system engineering and advanced technology groups. As a leader in the development of photonic integration, we have protected the intellectual property associated with our PIC manufacturing through a combination of trade secrets, patents and contractual protections. We believe that as a result of the combination of the multiple disciplines that were required to develop our PIC, together with the intellectual property protections that we have established, it will be difficult for others to duplicate the technology we have developed.

The Infinera DTN platform transmits optical capacity in increments of 100 Gbps, utilizing a pair of PICs. The Infinera DTN-X and Cloud Xpress transmit 500 Gbps super-channels, utilizing a pair of PICs. Our first and second generation 100 Gbps PICs integrate the functionality of 60 optical functions onto a pair of chips, and our third generation 500 Gbps PICs have increased this integration to over 600 discrete functions per pair of chips. We believe that large-scale photonic integration enables significantly improved manufacturing economics for optical networking, allowing future optical transport cost reductions to be viably sustained on a cost curve defined by volume manufacturing efficiencies, greater functional integration, increased device density and manufacturing yield enhancements.

Infinera FlexCoherent Processor

The term "coherent transmission" generally implies the combination of a number of technologies used to transmit data over optical transport networks. These optical transmission methodologies are based on varying optical technologies, namely: phase modulation, polarization multiplexing, coherent detection and advanced digital signal processing. These "coherent technologies" are used by Service Providers to enable higher data capacities to be transmitted over their existing optical fiber infrastructure, typically using the same or better design rules than those used for 10 Gbps transmission. Typically, a coherent transmitter uses a more complex optical circuit and requires a significantly greater number of optical components than more traditional non-coherent transmission methodologies. We have integrated proprietary coherent technologies onto our FlexCoherent Processor, which works in conjunction with our 500 Gbps PICs to construct a single module. This module incorporates our long-haul FlexCoherent 500 Gbps WDM super-channels with software selectable modulation formats and exceptional optical transport performance.

Super-Channels

The Infinera DTN-X and Cloud Xpress platforms support five channels of 100 Gbps capacity in a single line card. This 500 Gbps pool of bandwidth is managed as a super-channel that can be deployed in a single operational motion. Competitive solutions would require the installation of five discrete line modules, each turned up with its own operational motion, in order to achieve the same system capacity. This results in competitive advantages in the areas of space and power consumption, leading to lower operational costs and long-term system reliability, as well as significant reductions in time to install and repair.

Integrated OTN Switching

OTN offers a highly-structured approach to service multiplexing and switching which enables customers to reduce operational costs and more efficiently utilize higher-capacity bandwidth in their networks. Historically, the OTN switching and WDM transport functions have been deployed by Service Providers in separate systems. Our unique PIC technology allows the Infinera DTN and Infinera DTN-X platforms to fully integrate WDM transport and OTN switching capabilities in a single platform, without compromising overall system functionality or capacity. This is achieved by reducing the number of elements and fiber connections in the network, as well as lowering space and power requirements. This results in an improved total cost of ownership for the customer.

Infinera Instant Bandwidth

Infinera Instant Bandwidth enables Service Providers to license the 500 Gbps super-channel pool of bandwidth in 100 Gbps increments. With the Infinera Instant Bandwidth program, Service Providers can instantly provision an additional 100G of transmission capacity on demand without the deployment of any incremental equipment. The Instant Bandwidth program is uniquely enabled by our super-channel capability and PICs.

Infinera IQ Network Operating System

The Infinera IQ Network Operating System is our embedded software operating system, which enables our Service Providers to simplify and speed up the tasks they perform to deliver, differentiate, and manage services and to optimize the utilization of their networks. The IQ Network Operating System supports GMPLS for end-to-end provisioning, protection and restoration services, and a host of performance monitoring and software-definable testing capabilities.

Infinera Line System

Our Intelligent Transport Network platforms are built upon and connected to one another using an optical “line system.” The Infinera Line System (“ILS”) provides optical amplification and enables the management communication channel between network nodes. ILS currently supports up to 1.6 Tbps of optical capacity on a single fiber using the Infinera DTN platform. The latest version of ILS, called FlexILS, supports up to 9.5 Tbps of capacity using the Infinera DTN-X platform. ILS is fully integrated into our management and control software and can be managed across platforms. Our bandwidth management capabilities allow our customers to manage and utilize the available capacity as a single pool of bandwidth to satisfy customer requirements, including services at speeds from 1 Gbps up to 100 Gbps.

Products and Services

Our product portfolio consists of the Infinera DTN-X and the Infinera DTN platforms targeted primarily for long-haul and subsea networks and the Cloud Xpress and ATN platforms targeted primarily for metro networks. We also provide software solutions to increase the efficiency and optimization of the network.

Long-haul and Subsea Network Products

The Infinera DTN and Infinera DTN-X platforms are carrier-class, which means that they comply with applicable Telcordia and equivalent major international standards for central office-based network elements.

The Infinera DTN and Infinera DTN-X platforms are modular in design that enable Service Providers to add capacity in a cost-efficient manner. While the initial deployment of these products at a customer site involves the installation of a line system (including common equipment, such as a chassis, amplifiers, management controllers and related equipment), Service Providers can increase the capacity of the Infinera DTN and Infinera DTN-X platforms by purchasing our Digital Line Modules, Tributary Adapter Modules and Tributary Optical

Modules. We believe that the density and the modular architecture of the Infinera DTN and Infinera DTN-X platforms enable significant flexibility and scalability for Service Providers.

Infinera DTN Platform

The Infinera DTN platform is based on our first and second generation PIC technology to enable digital processing and management of data with the capability to generate WDM wavelengths and to add, drop, switch, manage, protect and restore network traffic digitally using integrated OTN switching. The Infinera DTN platform can automate the connection of circuits and provisioning of new services without costly and cumbersome manual intervention.

Our current Infinera DTN platform delivers 10 Gbps wavelengths enabling fiber capacity of 1.6 Tbps and per-chassis I/O capacity of 400 Gbps. The Infinera DTN platform supports a broad range of optical service interfaces including Gigabit Ethernet (“GbE”) (1 GbE, 10 GbE, 40 GbE and 100GbE) and separate synchronous optical network/synchronous digital hierarchy.

Infinera DTN-X Platform

The Infinera DTN-X platform is based on our third generation 500 Gbps PICs that integrate more than 600 discrete optical functions delivering the world’s first 500 Gbps FlexCoherent super-channels, based on 100 Gbps per channel. The Infinera DTN-X platform delivers a step function improvement in network economics to help Service Providers more efficiently manage the explosive growth of traffic brought on by video, mobile and cloud-based services. The Infinera DTN-X platform is a next-generation multi-terabit packet optical transport platform that is fundamentally multiple products in one:

- a WDM transmission system based on the world’s first 500 Gbps super-channels, which enable cost-effective WDM transmission capacity;
- an integrated OTN switching system that will scale from 5 Tbps in its first release and up to 100 Tbps in the future and will enable operators to efficiently manage larger data transmission with grooming of traffic down to 1 Gbps granularity; and
- a system that is designed to be upgradeable to Multi-Protocol Label Switching (“MPLS”) switching in the future which will help further enable convergence of the network for improved efficiency, reducing the number interconnections between network layers.

We are also developing additional features for the Infinera DTN-X platform including the following:

- a packet switching module (“PXM”) that provides highly-efficient packet-optical transport network architectures, which enables Service Providers to reduce the number of expensive router ports required to offer a portfolio of services based on Carrier Ethernet and MPLS; and
- a highly software controllable system designed to support programmatic control of the network by SDN and other software enablers developed by Infinera or third parties.

We believe that the convergence of network layers can only be achieved when the best in class performance of each individual layer is realized in a single platform. In most competitive solutions, a Service Provider must make a choice between maximizing either the system’s transmission capacity or its OTN switching capability. The Infinera DTN-X platform, unlike other competitive offerings, was designed from the beginning to converge switching with WDM transport without compromising the performance of either function. This purpose-built design centers around three unique technology building blocks - PICs paired with a FlexCoherent Processor, custom switching application-specific integrated circuits (“ASICs”) and a software-defined control plane. We believe that ours is the only platform available in the market that will allow all components, including the optical functions based on our PIC technology, to scale in a manner consistent with Moore’s Law-like semiconductor manufacturing economics and, therefore, deliver simultaneously best-of-breed switching, integrated with best-of-breed WDM.

Infinera DTN-X Platform for Submarine Network Applications

For submarine transport applications, we deliver Soft-Decision Forward Error Correction (“SD-FEC”) enabled super-channel line cards. With these modules, the Infinera DTN-X platform can be used as a Submarine Line Terminating Equipment (“SLTE”) node, increasing the total optical capacity of traditional submarine systems to a maximum of up to 9.5 Tbps and distances of up to 10,000 km. The Infinera DTN-X platform leverages its digital operations and software automation to allow Infinera's SLTE solution to significantly reduce engineering complexity for submarine cable upgrades and to enable lower cost, faster deployment of additional capacity on existing systems.

Metro Network Products

Infinera Cloud Xpress Platform

The Cloud Xpress platform is a family of metro optical products, designed for network operators delivering cloud-based services to consumers and businesses worldwide. The Cloud Xpress platform is optimized for the metro cloud, the transport network that interconnects multiple data centers within a metro area. In addition, the Cloud Xpress platform is designed to simplify the deployment of high-bandwidth connections while lowering the power and space required to scale metro cloud networks.

The Cloud Xpress platform is designed to provide the following benefits for our metro cloud customers:

- Hyper-scale Density - The Cloud Xpress platform delivers 1 Tbps of combined input and output capacity in just two rack units (“RUs”) with up to 500 Gbps of line-side capacity and a 40 GbE client-side interface. We are currently developing offerings of 10Gbe and 100 GbE client-side interfaces. For network operators that need to scale the metro cloud in the least amount of space, the Cloud Xpress leads the industry with 21 Tbps of combined input and output capacity per 42 RUs.
- Simplified Operations - Cloud data centers use a different operational model than traditional service provider central offices. The Cloud Xpress platform is designed with a rack-and-stack form factor and a new software approach that will enable it to plug into existing cloud provisioning systems using open SDN APIs. By offering an experience similar to the server and storage infrastructure currently deployed in the cloud, the Cloud Xpress platform enables smooth integration into existing operational processes enabling cloud providers to scale quickly, reduce human errors and lower operational costs.
- Low Power - The Cloud Xpress platform consumes half as much power as compared to other similar metro cloud solutions currently in the market.

Infinera ATN Platform

The ATN platform is a metro-optimized coarse WDM and dense WDM ("DWDM") aggregation and transport solution with 400 Gbps of combined input and output capacity. The ATN platform is a cost-effective, efficient multiservice aggregation and transport platform with features to enhance simplicity of use and operation. The ATN platform supports direct wavelength connectivity to Infinera DTN and Infinera DTN-X nodes, reducing equipment costs and providing unique network management capabilities across our Intelligent Transport Network. The ATN platform can be used to extend the benefits of the Infinera DTN and Infinera DTN-X platforms, or can also be used as a standalone WDM access system.

Software and Services

Infinera Management Suite

The Infinera Management Suite is a network element management system used by Service Providers to manage their Infinera DTN, Infinera DTN-X, ATN and Cloud Xpress platforms. Our management suite of software includes the Digital Network Administrator, a scalable, robust, feature-rich element management system, and our Graphical Node Manager, an easy-to-use web-based management interface. Our hardware products, the Infinera DTN, Infinera DTN-X, ATN and Cloud Xpress platforms, are managed in an integrated fashion by the Infinera Management Suite.

Customer Support Services

In connection with our product offerings, we provide a comprehensive range of support services for all hardware and software products. These support services cover all phases of network ownership, from the initial installation through day-to-day maintenance activities and professional services. Our support services are designed to efficiently manage and maintain customer network operations in the face of today's ever-increasing demands for lower operational costs and minimized downtime.

Our support organization continues to scale and provide world-class services that successfully support customers in over 70 countries around the world. In addition, we continue to expand our services portfolio in order to meet the needs of our customers.

Sales and Marketing

We market and sell our products and related support services primarily through our direct sales force, supported by marketing and product management personnel. We also use distribution or support partners to enter new markets or when requested by a potential customer. Our sales team has significant previous experience with the buying process and sales cycles typical of high-value telecommunications products. We expect to continue to add sales and support employees as we grow our business.

The sales process for our products entails discussions with prospective customers, analyzing their networks and identifying how they can utilize our systems capabilities within their networks. This process requires developing strong customer relationships, and we expect to leverage our sales force and customer support capabilities to establish relationships with both domestic and international Service Providers.

Over the course of the sales cycle, Service Providers often test our products before buying. Prior to commercial deployment, the Service Provider will generally perform a field trial of our products. Upon successful completion, the Service Provider generally accepts the products installed in its network and may continue with commercial deployment of additional products. We anticipate that our sales cycle, from initial contact with a Service Provider through the signing of a purchase agreement, may, in some cases, take several quarters.

Direct Sales Force. Our sales team sells directly to Service Providers worldwide. We maintain a sales presence throughout the United States, as well as in a number of international locations, including Argentina, Belgium, China, France, Germany, Hong Kong, Italy, Japan, Netherlands, Singapore, South Africa, Spain, Sweden, Russia and the United Kingdom. We continued to expand our sales force in 2014 as we addressed new geographical markets and to support the sales of our expanded portfolio of products. Going forward, the addition of incremental sales headcount is expected to be success-based and in support of new customer accounts.

Indirect Sales Force. We have and will continue to employ business consultants, resale partners and sales agents to assist in our sales efforts and to accelerate and strengthen our customer relationships. We expect to work with business partners to assist our customers in the sale, deployment and maintenance of our systems and have entered into distribution and resale agreements to facilitate the sale of our products.

Marketing and Product Management. Our product management team is responsible for defining the product features and development plan required to maximize our success in the marketplace. Product management supports our sales efforts with product and application expertise. Our marketing team works to create demand for our products by communicating our value proposition and differentiation through direct customer interaction, public relations, attendance at tradeshows and other events, as well as programs via the Internet and other marketing channels.

Research and Development

Continued investment in research and development is critical to our business. To this end, we have assembled a team of engineers with expertise in various fields, including systems, sub-systems, software and components. Our research and development efforts are currently focused in Sunnyvale, California; Allentown, Pennsylvania; Beijing, China; Bangalore, India; and Kanata, Canada. We have invested significant time and financial resources into the development and enhancement of new and existing products. We will continue to expand our product offerings and the capabilities of existing products in the future and plan to dedicate significant resources to these continued research and development efforts. We are continually increasing the scalability and software features of our current platforms. We are also working to develop new generations of

PICs, and we intend to enable further integration in our Intelligent Transport Network architecture through continued research and development. We believe that these efforts will continue to allow us to be competitive in the markets we currently serve but will allow us to address adjacent markets to fuel our future growth.

Our research and development expenses were $133.5 million, $124.8 million and $117.2 million in 2014, 2013 and 2012, respectively.

Employees

As of December 27, 2014, we had 1,495 employees. A total of 567 of those employees were located outside of the United States. None of our U.S. employees are subject to a collective bargaining agreement. Employees in certain foreign jurisdictions may be represented by local workers' councils and/or collective bargaining agreements, as may be customary or required in those jurisdictions. We have not experienced any work stoppages, and we consider our employee relationships to be good.

Manufacturing

We have invested significant time and capital to develop and improve the manufacturing process that we use to produce and package our products. This includes significant investments in personnel, equipment and the facilities needed to manufacture and package our products in Sunnyvale, California and Allentown, Pennsylvania. We also have invested in automating our manufacturing process and in training and maintaining the quality of our manufacturing workforce. As a leader in the development of photonic integration, our manufacturing processes have been developed over several years and are protected through a combination of trade secrets, patents and contractual protections. We believe that the investments we have made towards the manufacturing and packaging of our products provide us with a significant competitive advantage. We also believe that our current manufacturing facilities can accommodate an increase in production capacity as our business continues to grow.

We also use contract manufacturers to assemble portions of our products. Each contract manufacturer procures components necessary to assemble the products in our forecast according to our specifications and bills of material. Despite outsourcing certain manufacturing operations for cost-effective scale and flexibility, we perform rigorous in-house quality control testing to ensure the reliability of our products. Our supply chain risk mitigation strategies are continuous and are institutionalized in our supply chain design for external manufacturing and for procurement of components. We currently have three contract manufacturers in four different countries, China, Malaysia, Mexico and Thailand, as well as the capability to redirect manufacturing to U.S. qualified factories of two electronic manufacturing services partners.

Backlog

As of December 27, 2014 and December 28, 2013, our total order backlog was approximately $124.4 million and $59.0 million, respectively. Our backlog is subject to future events that could cause the amount or timing of the related revenue to change, and, in certain cases, may be canceled without penalty. Orders in backlog may be fulfilled several quarters following receipt or may relate to multi-year support service obligations. As a result, we believe that backlog should not be viewed as an accurate indicator of future operating results for any particular period. A backlogged order may not result in revenue in a particular period, and the actual revenue may not be equal to our backlog amounts. Our presentation of backlog may not be comparable with that of other companies in our industry.

Competition

Our current technologies and platforms support two transport equipment markets - long-haul/subsea and metro cloud.

The transport network equipment market for long-haul/subsea networks is highly competitive but has consolidated significantly over the last decade. The metro cloud transport equipment market is a relatively new market that we expect to be highly competitive. Competition in the markets we serve is based on any one or a combination of the following factors:

- price and other commercial terms;
- functionality;

- form factor or density;
- power consumption;
- customer qualification testing;
- existing business and customer relationships;
- the ability of products and services to meet customers' immediate and future network requirements;
- installation simplicity;
- service and support;
- scalability and investment protection; and
- length of product lead times.

Competition in the optical transport networking for both markets is dominated by a combination of very large, multi-national companies and smaller companies. Many of our competitors have substantially greater name recognition and technical, financial and marketing resources, along with greater manufacturing capacity, as well as better established relationships with the incumbent carriers, than we do. Many of our competitors have more resources to develop or acquire, and more experience in developing or acquiring new products and technologies and in creating market awareness for these products and technologies. In addition, many of our competitors have the financial resources to offer competitive products at below market pricing levels that could prevent us from competing effectively. Further, many of our competitors have built long-standing relationships with some of our prospective customers and a number of competitors have the ability to provide financing to customers and could, therefore, have an inherent advantage in selling products to those customers.

In the long-haul/subsea market, our main competitors include current WDM suppliers, such as Alcatel-Lucent, Ciena Corporation, Coriant, Huawei and ZTE. These companies have historically set the competitive benchmarks for price and functionality. In the emerging metro cloud market, we expect significant competition from public and private companies that have announced plans to develop or have developed products that would compete with us in this market. In addition, we may compete with other companies as we expand into new markets or as other companies develop products that are competitive with us.

Intellectual Property

Our success as a company depends upon our ability to protect our core technology and intellectual property. To accomplish this, we rely on a combination of intellectual property rights, including patents, trade secrets, copyrights and trademarks, as well as customary contractual protections.

We rely primarily on trade secret protection for our PIC and PIC manufacturing processes, including design, fabrication and testing of our PICs. However, there can be no assurances that trade secrets will be sufficient to provide us with a competitive advantage or that others have not or will not reverse engineer our designs or discover, develop or disclose the same or similar designs and manufacturing processes.

As of December 27, 2014, we held 298 U.S. patents and 56 international patents expiring between 2021 and 2034, and held 140 U.S. and 63 foreign pending patent applications. We do not know whether any of our pending patent applications will result in the issuance of patents or whether the examination process will require us to narrow our claims.

We may not receive competitive advantages from the rights granted under our patents and other intellectual property. Any patents granted to us may be contested, circumvented or invalidated over the course of our business, and we may not be able to prevent third parties from infringing these patents. Therefore, the exact effect of the protection of these patents cannot be predicted with certainty.

We believe that the frequency of assertions of patent infringement is increasing as patent holders, including entities that are not in our industry and who purchase patents as an investment or to monetize such rights by obtaining royalties, use such actions as a competitive tactic as well as a source of additional revenue. For example, we are involved in litigation with Cambrian Science Corporation ("Cambrian") for alleged infringement of their patents. See the section set forth in Item 3. "Legal Proceedings" for additional information regarding this lawsuit. Any claim of infringement from a third party, even those without merit, could cause us to incur substantial costs defending against such claims, and could distract our management from running our business. Furthermore, a party making such a claim, if successful, could secure a judgment that requires us to pay substantial damages. A judgment could also include an injunction or other court order that could prevent us from selling our products. In addition, we might be required to seek a license for the use of such intellectual property, which may not be available on commercially reasonable terms or at all. Alternatively, we may be required to develop non-infringing technology, which would require significant effort and expense and may ultimately not be successful.

In addition to trade secret and patent protections, we generally control access to and the use of our proprietary software and other confidential information. This protection is accomplished through a combination of internal and external controls, including contractual protections with employees, contractors, customers and partners, and through a combination of U.S. and international copyright laws. We incorporate a number of third party software programs into our products pursuant to license agreements.

We license some of our software pursuant to agreements that impose restrictions on our customers' ability to use such software, such as prohibiting reverse engineering and limiting the use of copies. We also seek to avoid disclosure of our intellectual property by relying on non-disclosure and assignment of intellectual property agreements with our employees and consultants that acknowledge our exclusive ownership of all intellectual property developed by the individual during the course of his or her work with us. The agreements also require that each person maintain the confidentiality of all proprietary information disclosed to them. Other parties may not comply with the terms of their agreements with us, and we may not be able to enforce our rights adequately against these parties. We also rely on contractual rights to establish and protect our proprietary rights in our products.

We incorporate open source software into our products. Although we monitor our use of open source software closely, the terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that such licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our products. In such event, we could be required to seek licenses from third parties in order to continue offering our products, to re-engineer our products or to discontinue the sale of our products in the event re-engineering cannot be accomplished on a timely basis, any of which could adversely affect our business, operating results and financial condition.

Environmental Matters

Our business and operations are subject to environmental laws in various jurisdictions around the world including the Waste Electrical and Electronic Equipment and Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment regulations adopted by the European Union. We seek to operate our business in compliance with such laws. Environmental regulation is increasing and we expect that our operations will be subject to additional environmental compliance requirements, which may expose us to additional costs. We are also subject to disclosure requirements related to the presence of "conflict minerals" in our products. To date, our compliance costs relating to environmental regulations have not resulted in a material adverse effect on our business, results of operations or financial condition.

Business Segment Data and Our Foreign Operations

We operate in the single industry segment of optical transport networking systems. Information concerning revenue, results of operations and revenue by geographic area is set forth in Item 7. “Management's Discussion and Analysis of Financial Condition and Results of Operations” and in Note 15, “Segment Information,” of Notes to Consolidated Financial Statements, both of which are incorporated herein by reference. Information concerning identifiable assets is also set forth in Note 15, “Segment Information,” of Notes to Consolidated Financial Statements. Information on risks attendant to our foreign operations is set forth below in Item 1A. “Risk Factors.”

Executive Officers

Our executive officers and their ages and positions as of December 27, 2014, are set forth below:

Name	Age	Position
Thomas J. Fallon	53	Chief Executive Officer and Director
David F. Welch, Ph.D........	54	Co-founder, President and Director
Brad Feller	41	Chief Financial Officer
Robert J. Jandro	59	Senior Vice President, Worldwide Sales
James L. Laufman	49	Senior Vice President, General Counsel and Corporate Secretary

Thomas J. Fallon has served as our Chief Executive Officer since January 2010. Mr. Fallon also served as our President from January 2010 to June 2013, and as our Chief Operating Officer from October 2006 to December 2009. From April 2004 to September 2006, Mr. Fallon served as our Vice President of Engineering and Operations. From August 2003 to March 2004, Mr. Fallon was Vice President, Corporate Quality and Development Operations at Cisco Systems, Inc., a networking and telecommunications company. From March 1991 to August 2003, Mr. Fallon served in a variety of functions at Cisco, including General Manager of the Optical Transport Business Unit and Vice President of Service Provider Manufacturing. Prior to joining Cisco, Mr. Fallon also served in various manufacturing roles at Sun Microsystems and Hewlett Packard. Mr. Fallon currently serves on the board of Picarro, Inc., a private company, Hercules Technology Growth Capital, Inc., a specialty finance company, and the Engineering Advisory Board of the Cockrell School at the University of Texas. Mr. Fallon holds B.S.M.E. and M.B.A. degrees from the University of Texas at Austin.

David F. Welch, Ph.D. co-founded our company and has served as our President since June 2013 and as a member of our board of directors since October 2010. Dr. Welch has served as our Executive Vice President, Chief Strategy Officer from January 2004 to June 2013, as our Chief Development Officer/Chief Technology Officer from May 2001 to January 2005, as our Chief Marketing Officer from January 2005 to January 2009, and as a member of our board of directors from May 2001 to November 2006. Prior to joining Infinera, Dr. Welch served in various executive roles, including as Chief Technology Officer of the Transmission Products Group of JDS Uniphase Corporation, an optical component company, and Chief Technology Officer and Vice President of Corporate Development of SDL Inc., an optical component company. Dr. Welch holds over 130 patents, and has been awarded the Optical Society of America's ("OSA") Adolph Lomb Medal, Joseph Fraunhofer Award, the John Tyndall Award and the IET JJ Thompson Medal for Achievement in Electronics, in recognition of his technical contributions to the optical industry. He is a Fellow of OSA and the Institute of Electrical and Electronics Engineers. Dr. Welch holds a B.S. in Electrical Engineering from the University of Delaware and a Ph.D. in Electrical Engineering from Cornell University.

Brad Feller has served as our Chief Financial Officer since March 2014. Prior to joining us, Mr. Feller served as Interim Chief Financial Officer of Marvell Technology Group Ltd., a fabless semiconductor company, from October 2012 to December 2013, and as Marvell's Vice President, Corporate Controller, from September 2008 to October 2012. Prior to Marvell, Mr. Feller served as Corporate Controller for Integrated Device Technology, Inc., a semiconductor company, from April 2005 to September 2008 and Financial Reporting Manager from October 2003 to April 2005. Prior to that, Mr. Feller served in various roles at Ernst & Young LLP in the technology practice. Mr. Feller is a certified public accountant (inactive) in the State of California and holds a B.S. degree in Business Administration from San Jose State University.

Robert J. Jandro has served as our Senior Vice President, Worldwide Sales, since May 2013. Prior to joining us, Mr. Jandro served as Vice President of Business Development of Openwater Software, Inc., a big data and analytics cloud company, from January 2008 to August 2012. From February 2004 to November 2006, Mr. Jandro served as Chief Executive Officer and President of Nsite Software, Inc., an early cloud company acquired by Business Objects. From March 2000 to August 2002, Mr. Jandro served as Executive Vice President of Global Sales and Services for ONI Systems, an optical networking company. Prior to that, Mr. Jandro worked at Oracle where he last served as the Group Vice President of Oracle's Communications and Utilities Industries. Mr. Jandro earned a Masters of Management degree from Northwestern University's Kellogg Graduate School of Management and a B.S. in Business from the University of Missouri-St. Louis.

James L. Laufman has served as our Senior Vice President, General Counsel and Corporate Secretary since October 2014. Prior to joining us, Mr. Laufman served as Vice President and General Counsel of Marvell Semiconductor Inc. from October 2008 to October 2014. From September 1999 to October 2008. Mr. Laufman served as General Counsel and Secretary of Integrated Device Technology, Inc. Prior to that, Mr. Laufman served as Senior Corporate Counsel for Quantum Corporation from January 1999 to September 1999. From November 1994 to December 1998, Mr. Laufman served as Vice President and General Counsel of Rohm Corporation. From December 1990 to November 1994, Mr. Laufman worked as an Associate Attorney at the Berliner Cohen and Popelka Allard law firms specializing in the litigation and resolution of commercial transaction matters. Mr. Laufman holds a B.S. in Business Administration, Finance (cum laude) from California State University, Chico and a J.D. from Santa Clara University School of Law.

Available Information

Our website address is *http://www.infinera.com*. Information contained on our website is not incorporated by reference into this Form 10-K unless expressly noted. We file reports with the Securities and Exchange Commission ("SEC"), which we make available on our website free of charge. These reports include Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, current reports on Form 8-K and amendments to such reports, each of which is provided on our website as soon as reasonably practicable after we electronically file such materials with or furnish them to the SEC. You can also read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. You can obtain additional information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website (*http://www.sec.gov*) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us.

ITEM 1A. RISK FACTORS

Investing in our securities involves a high degree of risk. Set forth below and elsewhere in this Annual Report on Form 10-K, and in other documents we file with the SEC, are risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this Annual Report on Form 10-K. Because of the following factors, as well as other variables affecting our operating results, past financial performance should not be considered as a reliable indicator of future performance and investors should not use historical trends to anticipate results or trends in future periods.

Our quarterly results may fluctuate significantly, which could make our future results difficult to predict and could cause our operating results to fall below investor or analyst expectations.

Our quarterly results may fluctuate due to a variety of factors, many of which are outside of our control. Over the past eight fiscal quarters, our revenue has ranged from $124.6 million to $186.3 million and our operating income (loss) has ranged from income of $12.9 million to a loss of $14.9 million. In fiscal years prior to the fiscal year ended December 27, 2014, we had significant operating losses and there is no guarantee that we will be able to sustain profitability in the future. As of December 27, 2014, our accumulated deficit was $590.8 million. As a result, comparing our operating results on a period-to-period basis may not be meaningful. Our budgeted expense levels are based, in large part, on our expectations of future revenue and the development efforts associated with these future revenue. Given the relatively fixed nature of our operating costs including those relating to our personnel and facilities, particularly for our engineering personnel, any substantial adjustment to our expenses to account for lower levels of revenue will be difficult and may take time. Consequently, if our revenue does not meet projected levels in the short-term, our inventory levels and operating expenses would be high relative to revenue, resulting in potential operating losses.

In addition to other risks discussed in this section, factors that may contribute to fluctuations in our quarterly results include:

- fluctuations in demand, sales cycles and prices for products and services, including discounts given in response to competitive pricing pressures;
- fluctuations in our customer or product mix, including the impact of new customer deployments, which typically carry lower gross margins;
- changes in customers' budgets for optical transport network equipment purchases and changes in their purchasing cycles;
- order cancellations or reductions or delays in delivery schedules by our customers;
- the payment terms offered to our customers;
- our ability to control costs, including our operating expenses and the costs of components we purchase for our products;
- readiness of customer sites for installation of our products;
- the timing of product releases or upgrades by us or by our competitors.
- any significant changes in the competitive dynamics of our market, including any new entrants, or customer or competitor consolidation;
- availability of third party suppliers to provide contract engineering and installation services for us;
- the timing of recognizing revenue in any given quarter, including the impact of revenue recognition standards and any future changes in United States generally accepted accounting principles ("U.S. GAAP") or new interpretations of existing accounting rules;
- the impact of a significant natural disaster, such as an earthquake, severe weather, or tsunami or other flooding, as well as interruptions or shortages in the supply of utilities such as water and electricity, in a key location such as our Northern California facilities, which is located near major earthquake fault lines and in a designated flood zone; and
- general economic conditions in domestic and international markets.

Many factors affecting our results of operations are beyond our control and make it difficult to predict our results for a particular quarter or to accurately predict future revenue beyond a one-quarter time horizon. If our revenue or operating results fall below the expectations of investors or securities analysts or below any guidance we provide to the market, the price of our common stock may decline substantially.

Our gross margin may fluctuate from quarter-to-quarter and may be adversely affected by a number of factors, some of which are beyond our control.

Our gross margin fluctuates from period-to-period and vary by customer and by product specification. Over the past eight fiscal quarters, our gross margin has ranged from 34% to 48%. Our gross margin is likely to continue to fluctuate and will be affected by a number of factors, including:

- the mix in any period of the types of customers purchasing our products as well as the product mix;
- significant new customer deployments, often with a higher portion of lower margin common equipment as we try to build footprint;
- price discounts negotiated by our customers;
- charges for excess or obsolete inventory;
- changes in the price or availability of components for our products;
- changes in our manufacturing costs, including fluctuations in yields and production volumes; and
- increased warranty or repair costs.

It is likely that the average unit prices of our products will decrease over time in response to competitive pricing pressures, increased negotiated sales discounts, new product introductions by us or our competitors or other factors. In addition, some of our customer contracts contain annual discounts that require us to decrease the sales price of our products to these customers. In response, we will need to reduce the cost of our products through manufacturing efficiencies, design improvements and cost reductions. If these efforts are not successful or if we are unable to reduce our costs to a greater extent than the reduction in the price of our products, our revenue and gross margin will decline, causing our operating results to decline. Fluctuations in gross margin may make it difficult to manage our business and achieve or maintain profitability.

Aggressive business tactics by our competitors may harm our business.

The markets in which we compete are extremely competitive and have resulted in aggressive business tactics by our competitors, including:

- aggressively pricing their optical transport products and other portfolio products, including offering significant one-time discounts and guaranteed future price decreases;
- offering optical products at a substantial discount or free when bundled together with the customers' router or wireless equipment spend;
- providing financing, marketing and advertising assistance to customers;
- influencing customer requirements to emphasize different product capabilities, which better suit their products;
- offering to repurchase our equipment from existing customers; and
- asserting intellectual property rights.

The level of competition and pricing pressure tend to increase when competing for larger high-profile opportunities or during periods of economic weakness when there are fewer network build-out projects. If we fail to compete successfully against our current and future competitors, or if our current or future competitors continue or expand aggressive business tactics, including those described above, demand for our products could decline, we could experience delays or cancellations of customer orders, or we could be required to reduce our prices to compete in the market.

Our ability to increase our revenue will depend upon continued growth of demand by consumers and businesses for additional network capacity.

Our future success depends on factors that increase the amount of data transmitted over communications networks and the growth of optical transport networks to meet the increased demand for optical capacity. These factors include the growth of mobility, video, cloud-based services, increased broadband connectivity and the continuing adoption of high-capacity, revenue-generating services. If demand for such bandwidth does not continue, or slows down, the need for increased bandwidth across networks and the market for optical communications network products may not continue to grow and our product sales would be negatively impacted. In addition, if general economic conditions weaken, our customers and potential customers may slow or delay their purchase decisions, which would have an adverse effect on our business and financial condition.

Any delays in the development and introduction of our products or in releasing enhancements to our existing products may harm our business.

Because our products are based on complex technology, including, in some cases, the development of next-generation PICs and specialized ASICs, we may experience unanticipated delays in developing, improving, manufacturing or deploying these products. The development process for our PICs is lengthy, and any modifications to our PICs, including the development of our next-generation PICs, entail significant development cost and risks.

At any given time, various new product introductions and enhancements to our existing products, such as future products based on our next-generation PICs, are in the development phase and are not yet ready for commercial manufacturing or deployment. We rely on third parties, some of which are relatively early stage companies, to develop and manufacture components for our next-generation products, which can require custom development. The maturing process from laboratory prototype to customer trials, and subsequently to general availability, involves a significant number of simultaneous development efforts. These efforts often must be completed in a timely manner so that they may be introduced into the product development cycle for our systems, and include:

- completion of product development, including the completion of any associated PIC development, such as our next-generation PICs, and the completion of associated module development, including modules developed by third parties;
- the qualification and multiple sourcing of critical components;
- validation of manufacturing methods and processes;
- extensive quality assurance and reliability testing and staffing of testing infrastructure;
- validation of software; and
- establishment of systems integration and systems test validation requirements.

Each of these steps, in turn, presents risks of failure, rework or delay, any one of which could decrease the speed and scope of product introduction and marketplace acceptance of our products. New generations of our PICs, specialized ASICs and intensive software testing are important to the timely introduction of new products and enhancements to our existing products, and are subject to these development risks. In addition, unexpected intellectual property disputes, failure of critical design elements, and a host of other development execution risks may delay, or even prevent, the introduction of new products or enhancements to our existing products. If we do not develop and successfully introduce or enhance products in a timely manner, our competitive position will suffer. In addition, if we do not develop and successfully introduce or enhance products in sufficient time so as to satisfy our customer’s expectations, we may lose future business from such customers and harm our reputation and our customer relationships, either of which would harm our business and operating results.

The markets in which we compete are highly competitive and we may not be able to compete effectively.

Competition in the optical transport equipment market is intense, and we expect such competition to increase. In the long-haul market, our main competitors include current WDM suppliers, such as Alcatel-Lucent, Ciena, Coriant, Huawei and ZTE. These companies have historically set the competitive benchmarks for price and functionality. In the metro cloud market, our potential competitors include well established companies as well as a number of smaller public and private companies that have announced plans to develop or have developed products that would compete with us in this market. Competition in these markets is based on price, commercial terms, functionality, manufacturing capability, existing business and customer relationships, scalability and quality of services to meet our customers' immediate and future network requirements. In addition to the current competitors, other companies have, or may in the future develop, products that are or could be competitive with our products. In particular, if a competitor develops a photonic integrated circuit with similar functionality to our PICs, our business could be harmed. We also expect to encounter further consolidation in the markets in which we compete. Consolidation among our competitors could lead to a changing competitive landscape, capabilities and market share, which could harm our results of operations.

Some of our competitors have substantially greater name recognition and technical, financial and marketing resources along with better established relationships with incumbent carriers and other potential customers than we have. Many of our competitors have more resources to develop or acquire, and more experience in developing or acquiring, new products and technologies and in creating market awareness for those products and technologies. In addition, many of our competitors have the financial resources to offer competitive products at aggressive pricing levels that could prevent us from competing effectively. Further, many of our competitors have built long-standing relationships with some of our prospective customers and have the ability to provide financing to customers and could, therefore, have an inherent advantage in selling products to those customers.

We also compete with low-cost producers from China that can increase pricing pressure on us and a number of smaller companies that provide competition for a specific product, customer segment or geographic market. These competitors often base their products on the latest available technologies. Due to the narrower focus of their efforts, these competitors may achieve commercial availability of their products more quickly than we can and may provide attractive alternatives to our customers.

Our large customers have substantial negotiating leverage, which may require that we agree to terms and conditions that result in decreased revenue due to lower average selling prices and potentially higher cost of sales leading to lower gross margin, all of which would harm our operating results.

Substantial changes in the optical transport networking industry have occurred over the last few years. Many potential customers have confronted static or declining revenue. Many of our customers have substantial debt burdens, many have experienced financial distress, and some have gone out of business, been acquired by other service providers, or announced their withdrawal from segments of the business. Consolidation in the markets in which we compete has resulted in changes in the structure of the communications networking industry, with greater concentration of purchasing power in a small number of large service providers, cable operators and ICPs. The increased concentration among our customer base may also lead to increased competition for new network deployments and increased negotiating power for our customers. This may require us to decrease our average selling prices, which would have an adverse impact on our operating results.

Further, many of our customers are large service providers that have substantial purchasing power and leverage in negotiating contractual arrangements with us. Our customers have and may continue to seek advantageous pricing, payment and other commercial terms. We have and may continue to be required to agree to unfavorable commercial terms with these customers, including reducing the average selling price of our products or agreeing to extended payment terms in response to these commercial requirements or competitive pricing pressures. To maintain acceptable operating results, we will need to comply with these commercial terms, develop and introduce new products and product enhancements on a timely basis and continue to reduce our costs.

We must respond to rapid technological change and comply with evolving industry standards and requirements for our products to be successful.

The optical transport networking equipment market is characterized by rapid technological change, changes in customer requirements and evolving industry standards. We continually invest in research and development to sustain or enhance our existing products, but the introduction of new communications technologies and the emergence of new industry standards or requirements could render our products obsolete. Further, in developing our products, we have made, and will continue to make, assumptions with respect to which standards or requirements will be adopted by our customers and competitors. If the standards or requirements adopted by our prospective customers are different from those on which we have focused our efforts, market acceptance of our products would be reduced or delayed and our business would be harmed.

We are continuing to invest a significant portion of our research and development efforts in the development of our next-generation products. We expect our competitors to continue to improve the performance of their existing products and to introduce new products and technologies and to influence customers' buying criteria so as to emphasize product capabilities that we do not, or may not, possess. To be competitive, we must properly anticipate future customer requirements and we must continue to invest significant resources in research and development, sales and marketing, and customer support. If we do not anticipate these future customer requirements and invest in the technologies necessary to enable us to have and to sell the appropriate solutions, it may limit our competitive position and future sales, which would have an adverse effect on our business and financial condition. We may not have sufficient resources to make these investments and we may not be able to make the technological advances necessary to be competitive.

We are dependent on sole source and limited source suppliers for several key components, and if we fail to obtain these components on a timely basis, we will not meet our customers' product delivery requirements.

We currently purchase several key components for our products from single or limited sources. In particular, we rely on our own production of certain components of our products, such as PICs, and on third parties as sole source suppliers for certain of the components of our products, including ASICs, field-programmable gate arrays, processors, and other semiconductor and optical components. We purchase these items on a purchase order basis and have no long-term contracts with many of these sole source suppliers. We have increased our reliance on third parties to develop and manufacture components for certain products, some of which require custom development. If any of our sole or limited source suppliers suffer from capacity constraints, lower than expected yields, deployment delays, work stoppages or any other reduction or disruption in output, they may be unable to meet our delivery schedule which could result in lost revenue, additional product costs and deployment delays that could harm our business and customer relationships. Further, our suppliers could enter into exclusive arrangements with our competitors, refuse to sell their products or components to us at commercially reasonable prices or at all, go out of business or discontinue their relationships with us. We may be unable to develop alternative sources for these components.

The loss of a source of supply, or lack of sufficient availability of key components, could require us to redesign products that use such components, which could result in lost revenue, additional product costs and deployment delays that could harm our business and customer relationships. If we do not receive critical components for our products in a timely manner, we will be unable to deliver those components to our contract manufacturer in a timely manner and would, therefore, be unable to meet our prospective customers' product delivery requirements. In addition, the sourcing from new suppliers may require us to re-design our products, which could cause delays in the manufacturing and delivery of our products. In the past, we have experienced delivery delays because of lack of availability of components or reliability issues with components that we were purchasing. In addition, some of our suppliers have gone out of business, merged with another supplier, or limited their supply of components to us, which may cause us to experience longer than normal lead times and supply delays. We may in the future experience a shortage of certain components as a result of our own manufacturing issues, manufacturing issues at our suppliers or contract manufacturers, capacity problem experiences by our suppliers or contract manufacturers, or strong demand in the industry for such components. A return to growth in the economy is likely to continue to create pressure on us and our suppliers to accurately project overall component demand and manufacturing capacity. These supplier disruptions may continue to occur in the future, which could limit our ability to produce our products and cause us to fail to meet a customer's delivery requirements. Such events could harm our reputation and our customer relationships, either of which would harm our business and operating results.

If we fail to accurately forecast demand for our products, we may have excess or insufficient inventory, which may increase our operating costs, decrease our revenue and harm our business.

We are required to generate forecasts of future demand for our products several months prior to the scheduled delivery to our prospective customers. This requires us to make significant investments before we know if corresponding revenue will be recognized. Lead times for materials and components, including ASICs, that we need to order for the manufacture of our products vary significantly and depend on factors such as the specific supplier, contract terms and demand for each component at a given time. In the past, we have experienced lengthening in lead times for certain components. If the lead times for components are lengthened, we may be required to purchase increased levels of such components to satisfy our delivery commitments to our customers.

If we overestimate market demand for our products and, as a result, increase our inventory in anticipation of customer orders that do not materialize, we will have excess inventory, which could result in increased risk of obsolescence and significant inventory write-downs. Furthermore, this will result in reduced production volumes and our fixed costs will be spread across fewer units, increasing our per unit costs. If we underestimate demand for our products, we will have inadequate inventory, which could slow down or interrupt the manufacturing of our products and result in delays in shipments and our ability to recognize revenue. In addition, we may be unable to meet our supply commitments to customers, which could result in a loss of certain customer opportunities or a breach of our customer agreements resulting in payment of damages.

If our contract manufacturers do not perform as we expect, our business may be harmed.

We rely on third party contract manufacturers to perform a significant portion of the manufacturing of our products, and our future success will depend on our ability to have sufficient volumes of our products manufactured in a cost-effective and quality-controlled manner. We have engaged third parties to manufacture certain elements of our products at multiple contract manufacturing sites located around the world but do not have long-term agreements in place with some of our manufacturers and suppliers. There are a number of risks associated with our dependence on contract manufacturers, including:

- reduced control over delivery schedules, particularly for international contract manufacturing sites;
- reliance on the quality assurance procedures of third parties;
- potential uncertainty regarding manufacturing yields and costs;
- potential lack of adequate capacity during periods of high demand;
- potential uncertainty related to the use of international contract manufacturing sites;
- limited warranties on components supplied to us;
- potential misappropriation of our intellectual property; and
- potential manufacturing disruptions (including disruptions caused by geopolitical events, military actions or natural disasters).

Any of these risks could impair our ability to fulfill orders. Our contract manufacturers may not be able to meet the delivery requirements of our customers, which could decrease customer satisfaction and harm our product sales. We do not have long-term contracts or arrangements with our contract manufacturers that will guarantee product availability, or the continuation of particular pricing or payment terms. If our contract manufacturers are unable or unwilling to continue manufacturing our products or components of our products in required volumes or our relationship with any of our contract manufacturers is discontinued for any reason, we would be required to identify and qualify alternative manufacturers, which could cause us to be unable to meet our supply requirements to our customers and result in the breach of our customer agreements. Qualifying a new contract manufacturer and commencing volume production is expensive and time-consuming and if we are required to change or qualify a new contract manufacturer, we could lose revenue and damage our customer relationships.

We are dependent on a small number of key customers for a significant portion of our revenue and the loss of, or a significant reduction in, orders from one or more of our key customers would reduce our revenue and harm our operating results.

A relatively small number of customers account for a large percentage of our revenue. As a result, our business will be harmed if any of our key customers do not generate as much revenue as we forecast, stop purchasing from us, or substantially reduce their orders to us. In addition, our business will be harmed if we fail to maintain our competitive advantage with our key customers.

Our ability to continue to generate revenue from our key customers will depend on our ability to maintain strong relationships with these customers and introduce new products that are desirable to these customers at competitive prices, and we may not be successful at doing so. In most cases, our sales are made to these customers pursuant to standard purchase agreements rather than long-term purchase commitments, and orders may be canceled or reduced readily. In the event of a cancellation or reduction of an order, we may not have enough time to reduce operating expenses to minimize the effect of the lost revenue on our business. Our operating results will continue to depend on our ability to sell our products to our key customers.

If we fail to expand sales of our products into the metro market, our ability to increase revenue will be harmed.

We believe that, in order to grow our revenue and business, we must successfully sell our products into the metro market. This will depend on our ability, to timely and in a cost-effective manner, develop new products with unique requirements focused on space, power consumption and cost. In order for us to address a portion of this market, we recently announced the introduction of the Cloud Xpress family of metro optical platforms, which we believe addresses a new opportunity in the metro cloud market. In order to succeed in our sales efforts, we believe that we must hire additional sales personnel to meet the increasing needs of these customers and develop the necessary relationships. We may also have to incur substantial unanticipated costs to market and identify the appropriate partners to increase any sales of new products. The success of new product introductions depends on a number of factors including, but not limited to, timely and successful product development, market acceptance, our ability to manage the risks associated with new product production ramp-up issues, the effective management of purchase commitments and inventory levels in line with anticipated product demand, the availability of products in appropriate quantities and at expected costs to meet anticipated demand, and the risk that new products may have quality or other defects or deficiencies in the early stages of introduction. Accordingly, if we do not succeed in our efforts to address the metro market, the size of our total addressable market will be limited. This, in turn, would harm our ability to grow our customer base and increase revenue.

Our manufacturing process is very complex and the partial or complete loss of our manufacturing facility, or a reduction in yields or an inability to scale capacity to meet customer demands could harm our business.

The manufacturing process for certain components of our products, including our PICs, is technically challenging. In the event that any of the manufacturing facilities utilized to build these components were fully or partially destroyed, as a result of fire, water damage, or otherwise, it would limit our ability to produce our products. Because of the complex nature of our manufacturing facilities, such loss would take a considerable amount of time to repair or rebuild. The partial or complete loss of any of our manufacturing facilities, or an event causing the interruption in our use of such facility for any extended period of time would cause our business, financial condition and operating results to be harmed.

Minor deviations in the PIC manufacturing process can cause substantial decreases in yields and, in some cases, cause production to be suspended. In the past, we have had significant variances in our PIC yields, including production interruptions and suspensions and may have continued yield variances, including additional interruptions or suspensions in the future. We expect our manufacturing yield for our next-generation PICs to be lower initially and increase as we achieve full production. Poor yields from our PIC manufacturing process or defects, integration issues or other performance problems in our products could limit our ability to satisfy customer demand requirements, and could cause us customer relations and business reputation problems, harming our business and operating results.

Our inability to obtain sufficient manufacturing capacity to meet demand, either in our own facilities or through foundry or similar arrangements with third parties, could harm our relationships with our customers, our business and our operating results.

If we fail to protect our intellectual property rights, our competitive position could be harmed or we could incur significant expense to enforce our rights.

We depend on our ability to protect our proprietary technology. We rely on a combination of methods to protect our intellectual property, including limiting access to certain information, and utilizing trade secret, patent, copyright and trademark laws and confidentiality agreements with employees and third parties, all of which offer only limited protection. The steps we have taken to protect our proprietary rights may be inadequate to preclude misappropriation or unauthorized disclosure of our proprietary information or infringement of our intellectual property rights, and our ability to police such misappropriation, unauthorized disclosure or infringement is uncertain, particularly in countries outside of the United States. This is likely to become an increasingly important issue as we expand our operations and product development into countries that provide a lower level of intellectual property protection. We do not know whether any of our pending patent applications will result in the issuance of patents or whether the examination process will require us to narrow our claims, and even if patents are issued, they may be contested, circumvented or invalidated. Moreover, the rights granted under any issued patents may not provide us with a competitive advantage, and, as with any technology, competitors may be able to develop similar or superior technologies to our own now or in the future.

Protecting against the unauthorized use of our products, trademarks and other proprietary rights is expensive, difficult, time consuming and, in some cases, impossible. Litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity or scope of the proprietary rights of others. Such litigation could result in substantial cost and diversion of management resources, either of which could harm our business, financial condition and operating results. Furthermore, many of our current and potential competitors have the ability to dedicate substantially greater resources to enforce their intellectual property rights than we do. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property.

Claims by others that we infringe their intellectual property could harm our business.

Our industry is characterized by the existence of a large number of patents and frequent claims and related litigation regarding patent and other intellectual property rights. In particular, many leading companies in the optical transport networking industry, including our competitors, have extensive patent portfolios with respect to optical transport networking technology. We expect that infringement claims may increase as the number of products and competitors in our market increases and overlaps occur. From time to time, third parties may assert exclusive patent, copyright, trademark and other intellectual property rights to technologies and related standards that are important to our business or seek to invalidate the proprietary rights that we hold. Competitors or other third parties have, and may continue to assert claims or initiate litigation or other proceedings against us or our manufacturers, suppliers or customers alleging infringement of their proprietary rights, or seeking to invalidate our proprietary rights, with respect to our products and technology. In addition, we have had certain patent licenses with third parties that have not been renewed, and if we cannot successfully renew these licenses, we could face claims of infringement. In the event that we are unsuccessful in defending against any such claims, or any resulting lawsuit or proceedings, we could incur liability for damages and/or have valuable proprietary rights invalidated.

Any claim of infringement from a third party, even one without merit, could cause us to incur substantial costs defending against the claim, and could distract our management from running our business. Furthermore, a party making such a claim, if successful, could secure a judgment that requires us to pay substantial damages. A judgment could also include an injunction or other court order that could prevent us from offering our products. In addition, we might be required to seek a license for the use of such intellectual property, which may not be available on commercially reasonable terms or at all. Alternatively, we may be required to develop non-infringing technology, which would require significant effort and expense and may ultimately not be successful. Any of these events could harm our business, financial condition and operating results. Competitors and other third parties have and may continue to assert infringement claims against our customers and sales partners. Any of these claims would require us to initiate or defend potentially protracted and costly litigation on their behalf, regardless of the merits of these claims, because we generally indemnify our customers and sales partners from claims of infringement of proprietary rights of third parties. If any of these claims succeed, we may be forced to pay damages on behalf of our customers or sales partners, which could have an adverse effect on our business, financial condition and operating results.

We incorporate open source software into our products. Although we monitor our use of open source software closely, the terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that such licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our products. In such event, we could be required to seek licenses from third parties in order to continue offering our products, to re-engineer our products or to discontinue the sale of our products in the event re-engineering cannot be accomplished on a timely basis, any of which could adversely affect our business, operating results and financial condition.

We are involved in litigation with Cambrian whereby Cambrian alleged that we and seven of our customers infringe one of Cambrian's patents. Information regarding this matter is set forth in Part I, Item 3. “Legal Proceedings,” and is incorporated herein by reference.

Unfavorable macroeconomic and market conditions may adversely affect our industry, business and gross margin.

Our business depends on the overall demand for additional bandwidth capacity and on the economic health and willingness of our customers and potential customers to make capital commitments to purchase our products and services. As a result of macroeconomic or market uncertainty, we may face new risks that we have not yet identified. In addition, a number of the risks associated with our business, which are disclosed in these risk factors, may increase in likelihood, magnitude or duration.

In the past, unfavorable macroeconomic and market conditions have resulted in sustained periods of decreased demand for optical communications products. These conditions may also result in the tightening of credit markets, which may limit or delay our customers’ ability to obtain necessary financing for their purchases of our products. A lack of liquidity in the capital markets or the continued uncertainty in the global economic environment may cause our customers to delay or cancel their purchases, increase the time they take to pay or default on their payment obligations, each of which would negatively affect our business and operating results. Continued weakness and uncertainty in the global economy could cause some of our customers to become illiquid, delay payments or adversely affect our collection of their accounts, which could result in a higher level of bad debt expense. In addition, currency fluctuations could negatively affect our international customers’ ability or desire to purchase our products.

Challenging economic conditions have from time to time contributed to slowdowns in the telecommunications industry in which we operate. Such slowdowns may result in:

- reduced demand for our products as a result of constraints on capital spending by our customers, particularly service providers;
- increased price competition for our products, not only from our competitors, but also as a result of our customer’s or potential customer’s utilization of inventoried or underutilized products, which could put additional downward pressure on our near term gross profits;
- risk of excess or obsolete inventories;
- excess manufacturing capacity and higher associated overhead costs as a percentage of revenue; and
- more limited ability to accurately forecast our business and future financial performance.

A lack of liquidity and economic uncertainty may adversely affect our suppliers or the terms on which we purchase products from these suppliers. It may also cause some of our suppliers to become illiquid. Any of these impacts could limit our ability to obtain components for our products from these suppliers and could adversely impact our supply chain or the delivery schedule to our customers. This also could require us to purchase more expensive components, or re-design our products, which could cause increases in the cost of our products and delays in the manufacturing and delivery of our products. Such events could harm our gross margin and harm our reputation and our customer relationships, either of which could harm our business and operating results.

Product performance problems, including undetected errors in our hardware or software, or deployment delays could harm our business and reputation.

The development and production of products with high technology content is complicated and often involves problems with software, components and manufacturing methods. Complex hardware and software systems, such as our products, can often contain undetected errors when first introduced or as new versions are released. In addition, errors associated with components we purchase from third parties, including customized components, may be difficult to resolve. We have experienced issues in the past in connection with the Infinera DTN and Infinera DTN-X platforms, including failures due to the receipt of faulty components from our suppliers. We suspect that errors, including potentially serious errors, may be found from time to time in our products. Our products may suffer degradation of performance and reliability over time.

If reliability, quality or network monitoring problems develop, a number of negative effects on our business could result, including:

- delays in our ability to recognize revenue;
- costs associated with fixing software or hardware defects or replacing products;
- high service and warranty expenses;
- delays in shipments;
- high inventory excess and obsolescence expense;
- high levels of product returns;
- diversion of our engineering personnel from our product development efforts;
- delays in collecting accounts receivable;
- payment of liquidated damages, performance guarantees or similar penalties;
- reduced orders from existing customers; and
- declining interest from potential customers.

Because we outsource the manufacturing of certain components of our products, we may also be subject to product performance problems as a result of the acts or omissions of third parties.

From time to time, we encounter interruptions or delays in the activation of our products at a customer's site. These interruptions or delays may result from product performance problems or from issues with installation and activation, some of which are outside our control. If we experience significant interruptions or delays that we cannot promptly resolve, the associated revenue for these installations may be delayed or confidence in our products could be undermined, which could cause us to lose customers and fail to add new customers.

If we lose key personnel or fail to attract and retain additional qualified personnel when needed, our business may be harmed.

Our success depends to a significant degree upon the continued contributions of our key management, engineering, sales and marketing, and finance personnel, many of whom would be difficult to replace. For example, senior members of our engineering team have unique technical experience that would be difficult to replace. We do not have long-term employment contracts or key person life insurance covering any of our key personnel. Because our products are complex, we must hire and retain a large number of highly trained customer service and support personnel to ensure that the deployment of our products do not result in network disruption for our customers. We believe our future success will depend in large part upon our ability to identify, attract and retain highly skilled managerial, engineering, sales, marketing, finance and customer service and support personnel. Competition for these individuals is intense in our industry, especially in the San Francisco Bay Area where we are headquartered. We may not succeed in identifying, attracting and retaining appropriate personnel. The loss of the services of any of our key personnel, the inability to identify, attract or retain qualified personnel in the future or delays in hiring qualified personnel, particularly engineers and sales personnel, could make it difficult for us to manage our business and meet key objectives, such as timely product introductions.

Our debt obligations may adversely affect our ability to raise additional capital and will be a burden on our future cash flows and cash resources, particularly if these obligations are settled in cash upon maturity or sooner upon an event of default.

In May 2013, we issued $150.0 million of 1.75% convertible senior notes due June 1, 2018 (the "Notes"). The degree to which we are leveraged could have important consequences, including, but not limited to, the following:

- our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, litigation, general corporate or other purposes may be limited;
- a substantial portion of our future cash balance may be dedicated to the payment of the principal of our indebtedness as we have the intention to pay the principal amount of the Notes in cash upon conversion if specified conditions are met or when due, such that we would not have those funds available for use in our business; and
- if upon any conversion of the Notes we are required to satisfy our conversion obligation with shares of our common stock or if a make-whole fundamental change occurs, our existing stockholders' interest in us would be diluted.

Our ability to meet our payment obligations under our debt instruments depends on our future cash flow performance. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors, as well as other factors that may be beyond our control. There can be no assurance that our business will generate positive cash flow from operations, or that additional capital will be available to us, in an amount sufficient to enable us to meet our debt payment obligations and to fund other liquidity needs. If we are unable to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we were unable to implement one or more of these alternatives, we may be unable to meet our debt payment obligations. As a result, we may be more vulnerable to economic downturns, less able to withstand competitive pressures and less flexible in responding to changing business and economic conditions.

We may issue additional shares of our common stock in connection with the conversion of the Notes, and thereby dilute our existing stockholders and potentially adversely affect the market price of our common stock.

In the event that some or all of the Notes are converted into common stock, the ownership interests of existing stockholders will be diluted, and any sales in the public market of any shares of our common stock issuable upon such conversion of the Notes could adversely affect the prevailing market price of our common stock. In addition, the anticipated conversion of the Notes could depress the market price of our common stock.

The make-whole fundamental change provisions of the Notes may delay or prevent an otherwise beneficial takeover attempt of us.

If a make-whole fundamental change such as an acquisition of our company occurs prior to the maturity of the Notes, under certain circumstances, the conversion rate for the Notes will increase such that additional shares of our common stock will be issued upon conversion of the Notes in connection with such make-whole fundamental change. The increase in the conversion rate will be determined based on the date on which the make-whole fundamental change occurs or becomes effective and the price paid (or deemed paid) per share of our common stock in such transaction. This increase will be dilutive to our existing stockholders. Our obligation to increase the conversion rate upon the occurrence of a make-whole fundamental change may, in certain circumstances, delay or prevent a takeover of us that might otherwise be beneficial to our stockholders.

If we need additional capital in the future, it may not be available to us on favorable terms, or at all.

Our business requires significant capital. We have historically relied on outside debt or equity financing as well as cash flow from operations to fund our operations, capital expenditures and expansion. We may require additional capital from equity or debt financings in the future to fund our operations or respond to competitive pressures or strategic opportunities. We have a history of significant operating losses, including a net loss of $32.1 million for 2013. In the event that we require additional capital, we may not be able to secure timely additional financing on favorable terms, or at all. The terms of any additional financing may place limits on our financial and operating flexibility. If we raise additional funds through further issuances of equity, convertible debt securities or other securities convertible into equity, our existing stockholders could suffer dilution in their percentage ownership of our company, and any new securities we issue could have rights, preferences and privileges senior to those of holders of our common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us, if and when we require it, our ability to grow or support our business and to respond to business challenges could be limited and our business will be harmed.

Our sales cycle can be long and unpredictable, which could result in an unexpected revenue shortfall in any given quarter.

Our products can have a lengthy sales cycle, which can extend from six to twelve months and may take even longer for larger prospective customers. Our prospective customers conduct significant evaluation, testing, implementation and acceptance procedures before they purchase our products. We incur substantial sales and marketing expenses and expend significant management effort during this time, regardless of whether we make a sale.

Because the purchase of our equipment involves substantial cost, most of our customers wait to purchase our equipment until they are ready to deploy it in their network. As a result, it is difficult for us to accurately predict the timing of future purchases by our customers. In addition, product purchases are often subject to budget constraints, multiple approvals and unplanned administrative processing and other delays. If sales expected from customers for a particular quarter are not realized in that quarter or at all, our revenue will be negatively impacted.

Our international sales and operations subject us to additional risks that may harm our operating results.

We market, sell and service our products globally. During fiscal years 2014, 2013 and 2012, we derived approximately 29%, 36% and 32%, respectively, of our revenue from customers outside of the United States. We expect that significant management attention and financial resources will be required for our international activities over the foreseeable future as we continue to expand our international presence. We have a limited history and experience selling our products into developing international markets, such as Asia Pacific, Middle East and Africa, and Latin America. Furthermore, in some countries, our success in selling our products and growing revenue will depend in part on our ability to form relationships with local partners. Our inability to identify appropriate partners or reach mutually satisfactory arrangements for international sales of our products could impact our ability to maintain or increase international market demand for our products. In addition, many of the companies we compete against internationally have greater name recognition and a more substantial sales and marketing presence.

We have sales and support personnel in numerous countries worldwide. In addition, we have established development centers in India, China and Canada and expect to continue to increase hiring of personnel for these facilities. There is no assurance that our reliance upon development resources in India, China or Canada will enable us to achieve meaningful cost reductions or greater resource efficiency.

Our international operations are subject to inherent risks, and our future results could be adversely affected by a variety of factors, many of which are outside of our control, including:

- greater difficulty in collecting accounts receivable and longer collection periods;
- difficulties of managing and staffing international offices, and the increased travel, infrastructure and legal compliance costs associated with multiple international locations;
- political, social and economic instability, including wars, terrorism, political unrest, boycotts, curtailment of trade and other business restrictions;
- tariff and trade barriers and other regulatory requirements or contractual limitations on our ability to sell or develop our products in certain foreign markets;
- less effective protection of intellectual property than is afforded to us in the United States or other developed countries;
- local laws and practices that favor local companies, including business practices that we are prohibited from engaging in by the Foreign Corrupt Practices Act and other anti-corruption laws and regulations;

- certification requirements;
- potentially adverse tax consequences; and
- effects of changes in currency exchange rates, particularly relative increases in the exchange rate of the U.S. dollar versus other currencies that could negatively affect our financial results and cash flows.

International customers may also require that we comply with certain testing or customization of our products to conform to local standards. The product development costs to test or customize our products could be extensive and a material expense for us.

Our international operations are subject to increasingly complex foreign and U.S. laws and regulations, including but not limited to anti-corruption laws, such as the Foreign Corrupt Practices Act and the UK Bribery Act and equivalent laws in other jurisdictions, antitrust or competition laws, and data privacy laws, among others. Violations of these laws and regulations could result in fines and penalties, criminal sanctions against us, our officers, or our employees, prohibitions on the conduct of our business and on our ability to offer our products and services in one or more countries, and could also materially affect our reputation, our international expansion efforts, our ability to attract and retain employees, our business, and our operating results. Although we have implemented policies, procedures and training designed to ensure compliance with these laws and regulations, there can be no complete assurance that any individual employee, contractor, or agent will not violate our policies. Additionally, the costs of complying with these laws (including the costs of investigations, auditing and monitoring) could also adversely affect our current or future business.

As we continue to expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international operations. Our failure to manage any of these risks could harm our international operations and reduce our international sales.

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

A portion of our sales are to countries outside of the United States, and are in currencies other than U.S. dollars, and therefore subject to foreign currency fluctuation. Accordingly, fluctuations in foreign currency rates could have a material impact on our revenue in future periods. We also have exposure to currency exchange rates as a result of the growth in our non-U.S. dollar denominated operating expense in Europe, Asia and Canada. We currently enter into foreign currency exchange forward contracts to reduce the impact of foreign currency fluctuations on accounts receivable denominated in euro and the British pound. These hedging programs reduce the impact of currency exchange rate movements on certain transactions, but do not cover all foreign-denominated transactions and therefore do not entirely eliminate the impact of fluctuations in exchange rates that could negatively affect our results of operations and financial condition.

If we fail to maintain effective internal control over financial reporting in the future, the accuracy and timing of our financial reporting may be adversely affected.

We are required to comply with Section 404 of the Sarbanes-Oxley Act of 2002. The provisions of the act require, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. Preparing our financial statements involves a number of complex processes, many of which are done manually and are dependent upon individual data input or review. These processes include, but are not limited to, calculating revenue, deferred revenue and inventory costs. While we continue to automate our processes and enhance our review and put in place controls to reduce the likelihood for errors, we expect that for the foreseeable future, many of our processes will remain manually intensive and thus subject to human error.

Any acquisitions we make could disrupt our business and harm our financial condition and operations.

We have made strategic acquisitions of businesses, technologies and other assets in the past. The expansion of our business through acquisitions allows us to complement our technological capabilities. In the event of any future acquisitions, we may not ultimately strengthen our competitive position or achieve our goals, or they may be viewed negatively by customers, financial markets or investors and we could:

- issue stock that would dilute our current stockholders' percentage ownership;
- incur debt and assume other liabilities;

- use a substantial portion of our cash resources; or
- incur amortization expenses related to other intangible assets and/or incur large and immediate write-offs.

Acquisitions also involve numerous risks that could disrupt our ongoing business and distract our management team, including:

- problems integrating the acquired operations, technologies or products with our own;
- diversion of management's attention from our core business;
- assumption of unknown liabilities;
- adverse effects on existing business relationships with suppliers and customers;
- increased accounting compliance risk;
- risks associated with entering new markets; and
- potential loss of key employees.

Our failure to adequately manage the risks associated with an acquisition could have an adverse effect on our business, financial condition and operating results.

Unforeseen health, safety and environmental costs could harm our business.

Our manufacturing operations use substances that are regulated by various federal, state and international laws governing health, safety and the environment, including the Waste Electrical and Electronic Equipment and Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment regulations adopted by the European Union. If we experience a problem with these substances, it could cause an interruption or delay in our manufacturing operations or could cause us to incur liabilities for any costs related to health, safety or environmental remediation. We could also be subject to liability if we do not handle these substances in compliance with safety standards for storage and transportation and applicable laws. If we experience a problem or fail to comply with such safety standards, our business, financial condition and operating results may be harmed.

We are subject to governmental regulations that could adversely affect our business.

We are subject to export control laws that limit which products we sell and where and to whom we sell our products. U.S. export control laws also limit our ability to conduct product development activities in certain countries. In addition, various countries regulate the import of certain technologies and have enacted laws that could limit our ability to distribute our products or could limit our customers' ability to implement our products in those countries. Changes in our products or changes in import and export regulations may create delays in the introduction of our products in international markets, prevent our customers with international operations from deploying our products throughout their global systems or, in some cases, prevent the import and export of our products to certain countries altogether. Any change in import and export regulations or related legislation, shift in approach to the enforcement or scope of existing regulations, or change in the countries, persons or technologies targeted by such regulations, could result in decreased use of our products by, or in our decreased ability to export or sell our products to, existing or potential customers with international operations. Failure to comply with these and similar laws on a timely basis, or at all, decreased use of our products or any limitation on our ability to export or sell our products would adversely affect our business, financial condition and operating results.

Our product or manufacturing standards could also be impacted by new or revised environmental rules and regulations or other social initiatives. For instance, the SEC adopted new disclosure requirements in 2012 relating to the sourcing of certain minerals from the Democratic Republic of Congo and certain other adjoining countries. Those rules, which required reporting for the first time in calendar 2014, could adversely affect our costs, the availability of minerals used in our products and our relationships with customers and suppliers.

The Federal Communications Commission ("FCC") has jurisdiction over the entire U.S. communications industry and, as a result, our products and our U.S. customers are subject to FCC rules and regulations. Current and future FCC regulations, including any future regulation on net neutrality, affecting communications services, our products or our customers' businesses could negatively affect our business. In addition, international regulatory standards could impair our ability to develop products for international customers in the future. Moreover, many jurisdictions are evaluating or implementing regulations relating to cyber security, privacy and data protection, which can affect the market and requirements for networking and communications equipment. Delays caused by our compliance with regulatory requirements could result in postponements or cancellations of product orders. Further, we may not be successful in obtaining or maintaining any regulatory approvals that may, in the future, be required to operate our business. Any failure to obtain such approvals could harm our business and operating results.

Natural disasters, terrorist attacks or other catastrophic events could harm our operations.

Our headquarters and the majority of our infrastructure, including our PIC fabrication manufacturing facility, are located in Northern California, an area that is susceptible to earthquakes, floods and other natural disasters. Further, a terrorist attack aimed at Northern California or at our nation's energy or telecommunications infrastructure could hinder or delay the development and sale of our products. In the event that an earthquake, terrorist attack or other man-made or natural catastrophe were to destroy any part of our facilities, or certain of our contract manufacturers' facilities, destroy or disrupt vital infrastructure systems or interrupt our operations for any extended period of time, our business, financial condition and operating results would be harmed.

Security incidents, such as data breaches and cyber-attacks, could compromise our intellectual property and proprietary or confidential information and cause significant damage to our business and reputation.

In the ordinary course of our business, we maintain sensitive data on our networks, including data related to our intellectual property and data related to our business and that of our customers and business partners that is considered proprietary or confidential information. We believe that companies in the technology industry have been increasingly subject to a wide variety of security incidents, cyber-attacks and other attempts to gain unauthorized access. While the secure maintenance of this information is critical to our business and reputation, our network and storage applications may be subject to unauthorized access by hackers or breached due to operator error, malfeasance or other system disruptions. It may be difficult to anticipate or immediately detect such security incidents or data breaches and the damage caused as a result. Accordingly, a data breach, cyber-attack, or unauthorized access or disclosure of our information, could compromise our intellectual property and reveal proprietary or confidential business information. In addition, these security incidents could also cause us to incur significant remediation costs and expenses, disrupt key business operations, subject us to liability and divert attention of management and key information technology resources, any of which could cause significant harm to our business and reputation.

The trading price of our common stock has been volatile and is likely to be volatile in the future.

The trading prices of our common stock and the securities of other technology companies have been and may continue to be highly volatile. Factors affecting the trading price of our common stock include:

- variations in our operating results;
- announcements of technological innovations, new services or service enhancements, strategic alliances or agreements by us or by our competitors;
- the gain or loss of customers;
- recruitment or departure of key personnel;
- changes in the estimates of our future operating results or external guidance on those results or changes in recommendations by any securities analysts that elect to follow our common stock;
- market conditions in our industry, the industries of our customers and the economy as a whole; and
- adoption or modification of regulations, policies, procedures or programs applicable to our business.

In addition, if the market for technology stocks or the stock market in general experiences loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, financial condition or operating results. The trading price of our common stock might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Each of these factors, among others, could harm the value of your investment in our common stock. Some companies that have had volatile market prices for their securities have had securities class action lawsuits filed against them. If a suit were filed against us, regardless of its merits or outcome, it could result in substantial costs and divert management's attention and resources.

Anti-takeover provisions in our charter documents and Delaware law could discourage, delay or prevent a change in control of our company and may affect the trading price of our common stock.

We are a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law, which apply to us, may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our amended and restated certificate of incorporation and amended and restated bylaws may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable. Our amended and restated certificate of incorporation and amended and restated bylaws:

- authorize the issuance of "blank check" convertible preferred stock that could be issued by our board of directors to thwart a takeover attempt;
- establish a classified board of directors, as a result of which the successors to the directors whose terms have expired will be elected to serve from the time of election and qualification until the third annual meeting following their election;
- require that directors only be removed from office for cause and only upon a supermajority stockholder vote;
- provide that vacancies on the board of directors, including newly-created directorships, may be filled only by a majority vote of directors then in office rather than by stockholders;
- prevent stockholders from calling special meetings; and
- prohibit stockholder action by written consent, requiring all actions to be taken at a meeting of the stockholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our headquarters are located in Sunnyvale, California. We lease facilities in North America, Europe and Asia. The following is a summary of the locations, functions and approximate square footage of those facilities as of December 27, 2014:

Location	Function	Square Footage
Sunnyvale, CA	Corporate headquarters and manufacturing	211,000
Allentown, PA	Manufacturing and research and development	44,000
Annapolis Junction, MD	Research and development, service and support	12,000
Bangalore, India	Software development	70,000
Beijing, China	Research and development	22,000
Kanata, Canada	Research and development	6,000
London, United Kingdom	Sales, service and support	6,000
Hong Kong, China	Sales, service and support	2,000
Tokyo, Japan	Sales and support	2,000

The above leases expire between 2015 and 2023. We intend to add new facilities or to expand existing facilities as we add employees, and we believe that suitable additional or substitute space will be available as needed to accommodate any such expansion of our operations. We believe that our existing facilities are adequate to meet our business needs through the next 12 months.

ITEM 3. LEGAL PROCEEDINGS

Cambrian Science Patent Infringement Litigation

On July 12, 2011, we were notified by Level 3 that Cambrian filed suit against Level 3 and six other defendants, including Cox Communications, Inc., XO Communications, LLC, Global Crossing Limited, 360Networks (USA), Inc., Integra Telecom, Inc. and IXC, Inc. dba Telekenex (collectively, the “Defendants”) in the U.S. District Court for the Central District of California alleging infringement of patent no. 6,775,312 (the “'312 Patent”) and requesting damages for such alleged infringement (the “Cambrian Claim”). The nature of the Cambrian Claim involves allegations of infringement of the '312 Patent resulting from the Defendants’ use of certain products and systems in the Defendants’ networks, including the Infinera DTN platform. On August 24, 2011, Cambrian amended the complaint to name us as a defendant. The Company assumed the defense of the Cambrian Claim and filed an answer to Cambrian’s complaint on September 21, 2011, in which we denied infringement of the '312 Patent and raised other defenses. Cambrian filed a second amended complaint on October 6, 2011, which included many of the same allegations as in the original complaint. We filed our answer to the second amended complaint on October 21, 2011, in which we maintained the same denials and defenses as in our initial answer. On December 23, 2011, we filed a motion requesting that the court stay the case with respect to each of the above-noted customer Defendants. Cambrian filed its opposition to our motion on December 30, 2011. Our request was denied in the court’s decision on March 7, 2012. We presented evidence on the appropriate meanings of relevant key words used in the patent claims during a claim construction hearing on November 20, 2012.

On June 17, 2013, the court issued an order regarding claim construction, in which the court agreed with almost all of our proposed claim constructions. On October 17, 2013, the parties met for a court-mandated mediation. On April 24, 2014, we filed two motions for summary judgment relating to non-infringement and Cambrian’s claim to an earlier date of invention. The court held a hearing on the summary judgment motions on June 9, 2014. On July 2, 2014, the court granted our motion for summary judgment on non-infringement and entered a final judgment of non-infringement of the '312 Patent. On August 1, 2014, Cambrian filed a notice of appeal regarding the ruling of non-infringement to the Court of Appeals for the Federal Circuit and Cambrian's appeal brief was filed on November 6, 2014. We filed our response brief on January 5, 2015, and on February 2, 2015, Cambrian filed their reply brief. We are seeking to recover certain costs and attorney's fees from Cambrian.

As of December 27, 2014, we concluded that the likelihood of a loss with respect to this suit was remote and the amount of any loss would be insignificant. We do not believe the outcome of this matter will have a material adverse effect on our business, consolidated financial position, results of operations, or cash flows. Factors that we considered in the determination of the likelihood of a loss and the estimate of that loss in respect to this matter included the merits of the case, the district court granting our motion for summary judgment for non-infringement, the entry of final judgment of non-infringement and the current stage of the litigation. However, the outcome of such legal matters is inherently unpredictable and subject to uncertainty.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the NASDAQ Global Select Market under the symbol "INFN." The following table sets forth, for the time periods indicated, the high and low sales prices of our common stock as reported on the NASDAQ Global Select Market.

	High	Low
Fourth Quarter 2014	$ 15.74	$ 9.15
Third Quarter 2014	$ 11.84	$ 8.32
Second Quarter 2014	$ 9.65	$ 7.89
First Quarter 2014	$ 10.14	$ 6.96
Fourth Quarter 2013	$ 11.91	$ 8.59
Third Quarter 2013	$ 12.16	$ 9.24
Second Quarter 2013	$ 11.65	$ 6.06
First Quarter 2013	$ 7.75	$ 5.66

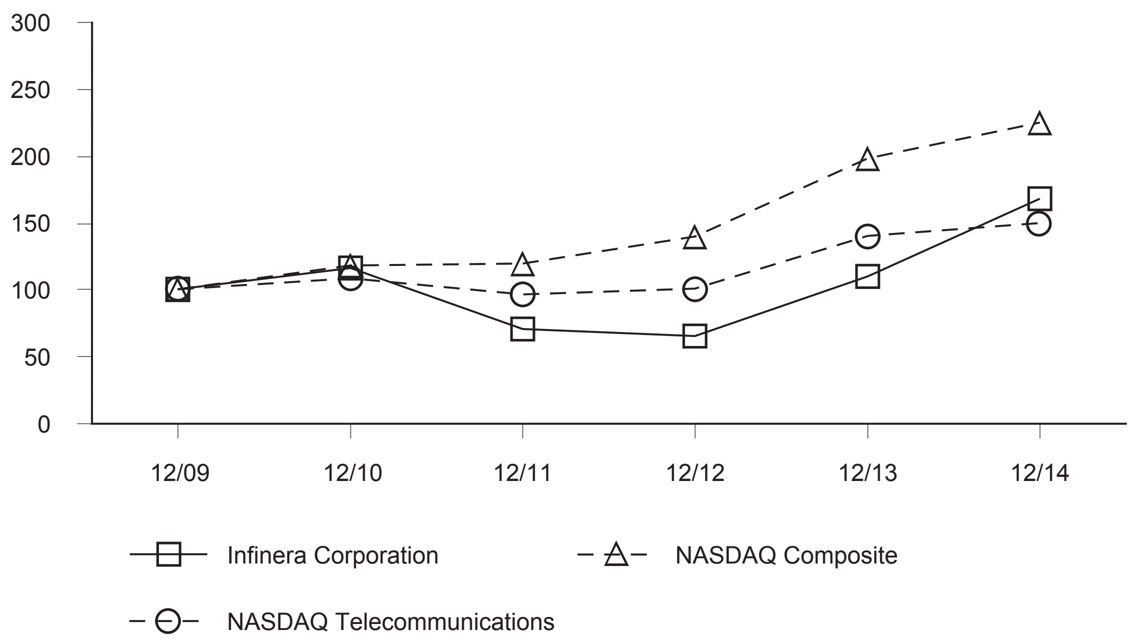
As of February 9, 2015, there were 105 registered holders of record of Infinera's common stock. A substantially greater number of holders of Infinera common stock are "street name" or beneficial holders, whose shares are held by banks, brokers and other financial institutions.

We have not paid any cash dividends on our common stock and do not intend to pay any cash dividends on common stock in the near future.

STOCK PERFORMANCE GRAPH

The following graph compares the cumulative five-year total return provided stockholders on our common stock relative to the cumulative total returns of the NASDAQ Composite Index and the NASDAQ Telecommunications Index. An investment of $100 (with reinvestment of all dividends, if any) is assumed to have been made in our common stock and in each of the indexes on December 26, 2009 and its relative performance is tracked through December 27, 2014. 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, as amended (the "Exchange Act"), and the graph shall not be deemed to be incorporated by reference into any prior or subsequent filing by Infinera under the Securities Act of 1933 or the Exchange Act.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN*
Among Infinera Corporation, the NASDAQ Composite Index,
and the NASDAQ Telecommunications Index



*$100 invested on 12/26/09 in stock or 12/31/09 in index, including reinvestment of dividends, if any.
Indexes calculated on month-end basis.

ITEM 6. SELECTED FINANCIAL DATA

You should read the following selected consolidated historical financial data below in conjunction with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements, related notes and other financial information included elsewhere in this Annual Report on Form 10-K.

We derived the statements of operations data for the years ended December 27, 2014, December 28, 2013 and December 29, 2012 and the balance sheet data as of December 27, 2014 and December 28, 2013 from our audited consolidated financial statements and related notes, which are included elsewhere in this Annual Report on Form 10-K. We derived the statements of operations data for the years ended December 31, 2011 and December 25, 2010 and the balance sheet data as of December 29, 2012, December 31, 2011 and December 25, 2010 from our audited consolidated financial statements and related notes which are not included in this Annual Report on Form 10-K. We have not declared or distributed any cash dividends.

	Years Ended				
	December 27, 2014	December 28, 2013	December 29, 2012	December 31, 2011	December 25, 2010
	(In thousands, except per share data)				
Revenue	$ 668,079	$ 544,122	$ 438,437	$ 404,877	$ 454,352
Gross profit	$ 288,304	$ 218,639	$ 157,569	$ 165,491	$ 206,189
Net income (loss)	$ 13,659	$ (32,119)	$ (85,330)	$ (81,744)	$ (27,932)
Net income (loss) per common share					
Basic	$ 0.11	$ (0.27)	$ (0.77)	$ (0.78)	$ (0.28)
Diluted	$ 0.11	$ (0.27)	$ (0.77)	$ (0.78)	$ (0.28)
Weighted average number of shares used in computing basic and diluted net income (loss) per common share					
Basic	123,672	117,425	110,739	105,432	99,380
Diluted	128,565	117,425	110,739	105,432	99,380
Total cash and cash equivalents, investments and restricted cash	$ 390,816	$ 365,313	$ 187,554	$ 253,116	$ 295,706
Cost-method investment	$ 14,500	$ 9,000	$ 9,000	$ 9,000	$ 4,500
Total assets	$ 818,016	$ 700,926	$ 528,170	$ 531,704	$ 551,525
Long term debt, net	$ 116,894	$ 109,164	$ —	$ —	$ —
Common stock and additional paid-in capital	$ 1,077,351	$ 1,025,781	$ 930,730	$ 877,034	$ 817,302
Stockholders' equity	$ 481,907	$ 417,810	$ 356,136	$ 387,803	$ 410,749

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Annual Report on Form 10-K contains "forward-looking statements" that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements include our expectations regarding earnings, revenue, gross margin, expenses, cash flows and other financial items; any statements of the plans, strategies and objectives of management for future operations and personnel; factors that may affect our operating results; anticipated customer activity; statements concerning new products or services, including new product costs, delivery dates and revenue; statements related to capital expenditures; statements related to future economic conditions, performance, market growth or our sales cycle; statements related to our convertible senior notes; statements related to the effects of litigation on our financial position, results of operations or cash flows; statements related to the timing and impact of transfer pricing reserves; statements as to industry trends and other matters that do not relate strictly to historical facts or statements of assumptions underlying any of the foregoing. These statements are often identified by the use of words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," or "will," and similar expressions or variations. These statements are based on the beliefs and assumptions of our management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included in Item 1A of this Annual Report on Form 10-K. You should review these risk factors for a more complete understanding of the risks associated with an investment in our securities. Such forward-looking statements speak only as of the date of this report. We disclaim any obligation to update any forward-looking statements to reflect events or circumstances after the date of such 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 on Form 10-K.

Background

We provide optical transport networking equipment, software and services to Service Providers across the globe. Optical transport networks are deployed by Service Providers facing significant demands for transmission capacity prompted by increased use of high-speed Internet access, mobile broadband, high-definition video streaming services, business Ethernet services and cloud-based services.

Our technologies and platforms enable Service Providers to deliver vast amounts of bandwidth with greater ease. We leverage our unique PICs to deliver innovative optical networking solutions for the most demanding network environments. The Infinera Intelligent Transport Network is an architecture that enables Service Providers to automate, converge and scale their data center, metro, long-haul and subsea optical networks. This architectural approach helps Service Providers to rapidly deploy reliable, differentiated services while reducing their operating costs through scale, multi-layer convergence and automation.

We manufacture large-scale Indium Phosphide PICs, which are used as a key differentiating component inside our Intelligent Transport Network platforms. Our first and second generation PICs transmit and receive 100 Gbps of WDM transmission capacity and incorporate the functionality of over 60 discrete optical functions into a pair of PICs approximately the size of a fingernail. Our third generation PICs, commercially available since 2012, transmit and receive 500 Gbps, incorporating over 600 discrete optical functions into a pair of PICs. Our PICs are combined with the FlexCoherent Processors to deliver coherent optical transmission and with high-performance OTN switching capabilities to offer Service Providers a unique combination of highly-scalable transmission capacity and easy to use bandwidth management tools to simplify transport network operations.

The Infinera DTN-X platform supports 100 Gbps WDM transmission capacity with 500 Gbps super-channels and also integrates 5 Tbps of OTN switching in a single bay. The Infinera DTN-X platform leverages the unique capabilities of our 500 Gbps PICs to deliver our high-capacity Intelligent Transport Networks that reduce power, cooling and space requirements while simplifying transport network operations. The Infinera DTN platform currently supports 10 Gbps WDM transmission capacity combined with integrated switching capabilities.

In addition to Service Providers that are looking for network architectures to respond to continued demand for bandwidth across their long-haul and subsea networks, Service Providers are now starting to build networks to support data center interconnections across metro cloud and campus environments. Our recently introduced Cloud Xpress platform is optimized to help Service Providers scale cloud networks with hyper-scale density, simplified operations and low power.

We are headquartered in Sunnyvale, California, with employees located throughout the Americas, Europe, and the Asia Pacific region. We expect to continue to add some personnel in the United States and internationally to develop our products and provide additional geographic sales and technical support coverage. We primarily sell our products through our direct sales force, with a small portion sold indirectly through resellers. We derived 95%, 92% and 98% of our revenue from direct sales to customers for 2014, 2013 and 2012, respectively. We expect to continue generating a substantial majority of our revenue from direct sales in the future.

2014 Financial and Business Performance

Our financial results for 2014 reflect a year of winning footprint, taking care of our customers and increasing profitability. We continued the momentum of gaining strong market acceptance of our Intelligent Transport Network and the Infinera DTN-X platform. We grew revenue by 23% compared to 2013, marking the second consecutive year where we have grown significantly faster than the overall DWDM market. We also continued to experience improved gross margin in 2014, demonstrating the leverage we have achieved from our vertical integration and the value proposition of our Intelligent Transport Network.

Throughout the year, we had a steady flow of customers adopting the Infinera DTN-X platform to address their 100 Gbps needs. Since its introduction in mid-2012, we have received purchase commitments for the Infinera DTN-X platform from 59 customers, representing a broad array of Service Providers including Tier 1 carriers, cable operators, ICPs and wholesale and enterprise carriers. We continued to sell the ATN and Infinera DTN platforms as customers leverage the full Infinera product portfolio to best meet their needs. We also started to ship our Cloud Xpress platform in December 2014.

In 2014, we continued to be a technology innovator, as we successfully leveraged our solutions to influence Service Providers to accelerate architectural shifts in the way they build networks. These innovations continue to enable customers to use time as a weapon while simultaneously deploying new services and lowering operational costs.

As of December 27, 2014, we have sold our products for deployment in the optical networks of 140 customers worldwide. We do not have long-term sales commitments from our customers. One individual customer accounted for over 10% of our revenue in 2014. Revenue from this customer was 19% of total revenue in 2014. No individual customer accounted for over 10% of our revenue in 2013 or 2012.

Future Business and Industry Trends

In 2015, we intend to continue to leverage the Infinera DTN-X platform to increase revenue and expand our market share as customers extend deployments of 100 Gbps transport solutions in their networks. This focus on revenue growth will be complemented with overall prudent financial management and continued efforts to drive cost improvements across all of our products and services. We believe that with sustained revenue growth, we can leverage our vertically-integrated manufacturing model, which combined with selling bandwidth capacity into deployed networks, can result in improved future profitability and cash flow. We will continue to make significant investments in the business, and management currently believes that over time, research and development expenses, excluding stock-based compensation expenses, will be approximately 20% of our total revenue, while other operating expenses will grow more slowly than our total revenue, driving additional financial leverage.

Our goal is to be the preeminent provider of optical transport networking systems to Service Providers around the world. In 2015 and beyond, we intend to increase our penetration with new and existing customers while leveraging our Infinera DTN-X and Cloud Xpress platforms. Our revenue growth will depend on the continued acceptance of our products, growth of communications traffic and the proliferation of next-generation bandwidth-intensive services, which are expected to drive the need for increased levels of bandwidth.

Our near-term quarter-over-quarter revenue will likely be volatile and may be impacted by several factors including general economic and market conditions, time-to-market development and market acceptance of new products, acquisitions of new customers and the timing of large product deployments.

Results of Operations

Revenue

The following table sets forth, for periods presented, certain consolidated statements of operations information (in thousands, except percentages):

	Years Ended					
	December 27, 2014	% of total revenue	December 28, 2013	% of total revenue	Change	% Change
Revenue:						
Product	$ 572,276	86%	$ 465,424	86%	$ 106,852	23%
Services	95,803	14%	78,698	14%	17,105	22%
Total revenue	$ 668,079	100%	$ 544,122	100%	$ 123,957	23%
Cost of revenue:						
Product	$ 340,856	51%	$ 295,715	54%	$ 45,141	15%
Services	38,919	6%	29,768	6%	9,151	31%
Total cost of revenue	$ 379,775	57%	$ 325,483	60%	$ 54,292	17%
Gross profit	$ 288,304	43%	$ 218,639	40%	$ 69,665	32%

	Years Ended					
	December 28, 2013	% of total revenue	December 29, 2012	% of total revenue	Change	% Change
Revenue:						
Product	$ 465,424	86%	$ 380,035	87%	$ 85,389	22%
Services	78,698	14%	58,402	13%	20,296	35%
Total revenue	$ 544,122	100%	$ 438,437	100%	$ 105,685	24%
Cost of revenue:						
Product	$ 295,715	54%	$ 259,437	59%	$ 36,278	14%
Services	29,768	6%	21,431	5%	8,337	39%
Total cost of revenue	$ 325,483	60%	$ 280,868	64%	$ 44,615	16%
Gross profit	$ 218,639	40%	$ 157,569	36%	$ 61,070	39%

2014 Compared to 2013. Total revenue increased by $124.0 million, or 23%, in 2014 from 2013. Total product revenue increased by $106.9 million, or 23%, in 2014 from 2013. This increase was primarily driven by the continued strong market adoption of the Infinera DTN-X platform as our customers continued to deploy our products to meet the growing bandwidth needs of their networks. The increase in Infinera DTN-X platform revenue was partially offset by a reduction in sales of the Infinera DTN platform.

Total services revenue increased by $17.1 million, or 22%, in 2014 from 2013 due to higher levels of deployment services as customers built new networks utilizing our teams' expertise as well as higher on-going support services as we continued to grow our installed base.

2013 Compared to 2012. Total revenue increased by $105.7 million, or 24%, in 2013 from 2012. Revenue was positively impacted by increased revenue from sales of the Infinera DTN-X platform in 2013.

Revenue included sales to existing customers transitioning their higher-capacity network deployments to the Infinera DTN-X platform and new customers purchasing our Intelligent Transport Network solutions for the first time. This increase in Infinera DTN-X platform revenue was partially offset by a reduction in sales of our DTN platform.

Total product revenue increased by $85.4 million, or 22%, in 2013 from 2012 reflecting increased sales of our Infinera DTN-X platform. Total services revenue increased by $20.3 million, or 35%, in 2013 from 2012 primarily due to increased deployment services due to the introduction and deployment of new networks based on the Infinera DTN-X platform.

The following table summarizes our revenue by geography and sales channel for the periods presented (in thousands, except percentages):

	Years Ended					
	December 27, 2014	% of total revenue	December 28, 2013	% of total revenue	Change	% Change
Total revenue by geography						
Domestic	$ 476,172	71%	$ 345,734	64%	$ 130,438	38 %
International	191,907	29%	198,388	36%	(6,481)	(3)%
	$ 668,079	100%	$ 544,122	100%	$ 123,957	23 %
Total revenue by sales channel						
Direct	$ 633,619	95%	$ 501,375	92%	$ 132,244	26 %
Indirect	34,460	5%	42,747	8%	(8,287)	(19)%
	$ 668,079	100%	$ 544,122	100%	$ 123,957	23 %

	Years Ended					
	December 28, 2013	% of total revenue	December 29, 2012	% of total revenue	Change	% Change
Total revenue by geography						
Domestic	$ 345,734	64%	$ 296,849	68%	$ 48,885	16%
International	198,388	36%	141,588	32%	56,800	40%
	$ 544,122	100%	$ 438,437	100%	$ 105,685	24%
Total revenue by sales channel						
Direct	$ 501,375	92%	$ 428,734	98%	$ 72,641	17%
Indirect	42,747	8%	9,703	2%	33,044	341%
	$ 544,122	100%	$ 438,437	100%	$ 105,685	24%

2014 Compared to 2013. Domestic revenue increased by $130.4 million to 71% of total revenue for 2014 from 64% of total revenue in 2013. Our revenue in North America continued to grow as many of our largest customers, including a Tier-1 carrier and the ICPs, are based in this region. International revenue decreased by $6.5 million to 29% of total revenue for 2014 from 36% of total revenue in 2013. International revenue decreased in absolute dollars and as a percentage of revenue during 2014 primarily due to lower demand and reduced spending by Service Providers in Europe in light of the challenging economic conditions in that region. In 2014, our revenue increased in the Latin America region through the use of indirect sales partners.

We believe that the Infinera DTN-X platform is well positioned across our diverse customer base, as existing customers continue to build out their networks and as we gain opportunities to deploy our products with new customers. We continue to see strong demand across multiple regions and customer verticals. We also expect growing momentum with our Cloud Xpress platform as we ramp up shipments in 2015. We currently expect overall revenue in the first quarter of 2015 to be roughly flat from the fourth quarter of 2014.

2013 Compared to 2012. Domestic revenue decreased by $48.9 million to 64% of total revenue in 2013 from 68% of total revenue in 2012. International revenue increased by $56.8 million to 36% of total revenue in 2013 from 32% of total revenue in 2012. This increase was primarily due to a number of network deployments in the Asia Pacific region, which increased to 7% of total revenue in 2013 compared to 3% of total revenue in 2012.

Cost of Revenue and Gross Margin

2014 Compared to 2013. Gross margin increased to 43% in 2014 from 40% in 2013. This increase was due to a combination of the following: financial leverage gained from our vertically integrated operating model as volumes continue to grow and we are able to spread a primarily fixed cost over a much broader base of units; yield improvements in our manufacturing operation; and the composition of our revenue included an improved ratio of capacity additions to existing networks versus new network builds.

2013 Compared to 2012. Gross margin increased to 40% in 2013 from 36% in 2012. This increase reflected improvements in manufacturing yields and product costs as Infinera DTN-X platform volumes increased and we ramped production in our manufacturing facilities. These improvements were somewhat offset by a greater mix of lower margin network footprint sales in 2013 as we added new customers and expanded market share with existing customers.

We currently expect that gross margin in the first quarter of 2015 will be slightly lower than the prior quarter.

Operating Expenses

The following table summarizes our operating expenses for the periods presented (in thousands, except percentages):

	Years Ended					
	December 27, 2014	% of total revenue	December 28, 2013	% of total revenue	Change	% Change
Research and development	$ 133,484	20%	$ 124,794	23%	$ 8,690	7%
Sales and marketing	79,026	12%	72,778	14%	6,248	9%
General and administrative	48,452	7%	45,253	8%	3,199	7%
Total operating expenses	$ 260,962	39%	$ 242,825	45%	$ 18,137	7%

	Years Ended					
	December 28, 2013	% of total revenue	December 29, 2012	% of total revenue	Change	% Change
Research and development	$ 124,794	23%	$ 117,233	27%	$ 7,561	6 %
Sales and marketing	72,778	14%	75,862	17%	(3,084)	(4)%
General and administrative	45,253	8%	47,475	11%	(2,222)	(5)%
Total operating expenses	$ 242,825	45%	$ 240,570	55%	$ 2,255	1 %

The following table summarizes the stock-based compensation expense included in our operating expenses for the periods presented (in thousands):

	Years Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
Research and development	$ 8,927	$ 10,900	$ 13,306
Sales and marketing	7,477	7,624	10,450
General and administration	6,383	5,956	9,529
Total	$ 22,787	$ 24,480	$ 33,285

Research and Development Expenses

2014 Compared to 2013. Research and development expenses increased $8.7 million, or 7%, in 2014 from 2013 primarily due to increased compensation expenses of $6.9 million related to higher bonus expense in connection with the improved financial results and increased headcount to allow us to execute to our product roadmap. In addition, we had increased facilities and depreciation costs of $3.0 million, increased costs of professional outside services of $2.1 million to support Cloud Xpress development activities, and increased other discretionary spending of $0.7 million in order to support our growing business. These increases were partially offset by a decrease in prototype and non-recurring engineering expense of $2.0 million due to timing of certain projects and decreased stock-based compensation expense of $2.0 million due to lower equity activity as compared to 2013.

2013 Compared to 2012. Research and development expenses increased $7.6 million, or 6%, in 2013 from 2012. This increase was primarily due to increases in compensation expenses of $8.7 million and professional outside services and other costs of $1.3 million as we continued to add software engineering resources to support the development of our future products. These increases were offset by decreased stock-based compensation expenses of $2.4 million.

Sales and Marketing Expenses

2014 Compared to 2013. Sales and marketing expenses increased $6.2 million, or 9%, in 2014 from 2013 primarily due to increased compensation expenses of $3.6 million from higher headcount to support the continued expansion of our business and higher sales commissions associated with revenue growth that was higher than our plan for the year. We also had increased travel, trade show and other marketing related expenses of $2.0 million and other discretionary spending of $0.9 million in order to support our growing business. These increases were partially offset by lower lab trial and related expenses of $0.3 million.

2013 Compared to 2012. Sales and marketing expenses decreased $3.1 million, or 4%, in 2013 from 2012 primarily due to decreased Infinera DTN-X platform related customer lab trial expenses of $4.9 million, stock-based compensation of $2.8 million, and outside services and related expenses of $2.1 million. These reductions were offset by increased compensation and personnel-related expenses of $6.7 million related to higher sales commissions and incremental sales headcount.

General and Administrative Expenses

2014 Compared to 2013. General and administrative expenses increased $3.2 million, or 7%, in 2014 from 2013 primarily due to higher compensation expenses of $2.7 million due to an increase in headcount as we continue to expand our team to support our growing business. In addition, we had increased equipment and software expenses and other discretionary spending of $1.0 million. These increases were partially offset by decreased depreciation expense of $0.5 million.

2013 Compared to 2012. General and administrative expenses decreased $2.2 million, or 5%, in 2013 from 2012 primarily due to decreased stock-based compensation expense of $3.6 million, and lower consulting services and other costs of $1.0 million, offset by increased compensation and personnel-related expenses of $2.4 million.

Other Income (Expense), Net

	Years Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
		(In thousands)	
Interest income	$ 1,456	$ 923	$ 911
Interest expense	(11,021)	(6,061)	—
Other gain (loss), net	(1,365)	(1,141)	(1,050)
Total other income (expense), net	$ (10,930)	$ (6,279)	$ (139)

2014 Compared to 2013. Interest income increased mainly due to a higher average investment balance due to having the proceeds from the Notes for the full year and cash generated from the business. Interest expense for 2014 and 2013 consisted of amortization of debt discount costs, debt issuance costs and contractual interest expense related to the Notes issued in May 2013. See Note 9, “Convertible Senior Notes,” to the Notes to Consolidated Financial Statements for more information. Other gain (loss), net for 2014 was mainly comprised of $1.4 million of losses due to foreign currency exchange. Other gain (loss), net for 2013 included $1.4 million of losses due to foreign currency exchange, partially offset by a gain of $0.2 million from auction rate securities (“ARS”) sold.

2013 Compared to 2012. Interest income increased by an insignificant amount in 2013 compared to 2012 mainly due to higher interest income earned on our foreign cash balance partially offset by a lower return on domestic investments, despite the higher average investment balance as a result of the proceeds from the Notes. Interest expense for 2013 consisted of contractual interest expense and amortization of debt discount and debt issuance costs related to the Notes issued in May 2013. See Note 9, “Convertible Senior Notes,” to the Notes to Consolidated Financial Statements for more information. Other gain (loss), net for 2013 included $1.4 million of losses due to foreign currency exchange, partially offset by a gain of $0.2 million from ARS sold. Other gain (loss), net for 2012 includes $1.5 million of losses due to foreign currency exchange, partially offset by a gain of $0.5 million from ARS called at par value.

Income Tax Provision

We recognized income tax expense of $2.8 million on income before income taxes of $16.4 million, $1.7 million on loss before income taxes of $30.5 million and $2.2 million on loss before income taxes of $83.1 million in fiscal years 2014, 2013 and 2012, respectively. The 2014 effective tax rate differs from the expected statutory rate of 35% based upon the utilization of unbenefited U.S. loss carryforwards, offset by state income taxes and foreign taxes provided on foreign subsidiary earnings. The 2013 and 2012 effective tax rates reflect unbenefited current U.S. losses and foreign taxes provided on our profitable foreign subsidiaries. The increase in 2014 tax expense compared to 2013 tax expense relates primarily to higher state income taxes because of the profitable position of our U.S. operations, additional tax reserves and an increase in taxable foreign profits. The decrease in 2013 tax expense compared to 2012 tax expense relates primarily to the release of tax reserves due to the lapsing of the statute of limitations.

The valuation allowance for deferred tax assets as of December 27, 2014 and December 28, 2013 was $199.7 million and $202.7 million, respectively. The net change in the valuation allowance were decreases of $3.0 million and $10.7 million for the years ended December 27, 2014 and December 28, 2013, respectively.

As of December 27, 2014, we had net operating loss carryforwards of approximately $309.1 million for federal tax purposes and $278.7 million for state tax purposes. The carryforward balance reflects expected utilization of both federal and state net operating losses for the year ended December 27, 2014. Additionally, we have federal and California research and development credits available to reduce future income taxes payable of approximately $28.0 million and $29.3 million, respectively. Infinera Canada Inc., an indirect wholly owned subsidiary, has Scientific Research and Experimental Development Expenditures (“SRED”) credits available of $2.1 million to offset future Canadian income tax payable. The federal research credits will begin to expire in the year 2021 if not utilized and the California research credits have no expiration date. Canadian SRED credits will begin to expire in the year 2030 if not fully utilized.

We maintain net operating losses generated from excess tax benefits associated with the accumulated stock award attributes in a memo account, not included in the deferred tax balances. The additional tax benefit associated with these stock award attributes, of which the net operating loss amounts are included in the carryforward amounts noted above is not recognized until the deduction reduces cash taxes payable. At December 27, 2014, we had unbenefited stock option deductions for federal and state tax purposes of $42.0 million and $37.8 million, respectively. When utilized, the estimated tax benefits of approximately $17.8 million will result in a credit to stockholders’ equity.

Under the Tax Reform Act of 1986, the amount of benefit from net operating loss and tax credit carryforwards may be impaired or limited in certain circumstances. Events which cause limitations in the amount of net operating losses that we may utilize in any one year include, but are not limited to, a cumulative ownership change of more than 50 percent as defined over a three-year testing period. As of December 27, 2014, we had determined that while ownership changes had occurred in the past, the resulting limitations were not significant enough to impact the utilization of the tax attributes against our taxable profits earned to date.

In determining future taxable income, we make assumptions to forecast federal, state and international operating income, the reversal of temporary differences, and the implementation of any feasible and prudent tax planning strategies. The assumptions require significant judgment regarding the forecasts of future taxable income, and are consistent with our income forecasts used to manage our business. We intend to maintain the remaining valuation allowance until sufficient further positive evidence exists to support a reversal of, or decrease, in the existing valuation allowance.

Liquidity and Capital Resources

	Years Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
		(In thousands)	
Net cash flow provided by (used in):			
Operating activities	$ 35,963	$ 35,180	$ (49,466)
Investing activities	$ (96,059)	$ (180,800)	$ 48,868
Financing activities	$ 22,861	$ 166,110	$ 10,698

	Years Ended	
	December 27, 2014	December 28, 2013
	(In thousands)	
Cash and cash equivalents	$ 86,495	$ 124,330
Short-term and long-term investments	298,861	237,079
Long-term restricted cash	5,460	3,904
	$ 390,816	$ 365,313

Cash, cash equivalents and short-term investments consist of highly-liquid investments in certificates of deposits, money market funds, commercial paper, corporate bonds and U.S. treasuries. Long-term investments primarily consist of corporate bonds. The restricted cash balance amounts are primarily pledged as collateral for certain stand-by and commercial letters of credit related to customer proposal guarantees, value added tax licenses and property leases.

Operating Activities

Net cash provided by operating activities for 2014 was $36.0 million as compared to net cash provided by operating activities of $35.2 million in 2013 and net cash used in operating activities of $49.5 million in 2012.

Net income for 2014 was $13.7 million, which included non-cash charges of $66.5 million, compared to a net loss of $32.1 million in 2013, which included non-cash charges of $62.3 million. Net loss for 2012 was $85.3 million, which included non-cash charges of $67.2 million.

Net cash used to fund working capital was $44.2 million for 2014. Accounts receivables increased by $54.0 million primarily due to higher revenue levels and the timing of invoicing of network deployments and collections during the period. Inventory levels increased by $25.5 million to support the higher expected demand. Accounts payable increased by $18.8 million primarily reflecting increased inventory purchases and timing of payments during the period. Accrued liabilities increased by $11.9 million primarily reflecting higher levels of compensation related accruals.

Net cash provided by working capital was $5.0 million for 2013. Accounts receivables decreased by $6.3 million primarily due to improved linearity of invoicing. Inventory levels increased by $3.0 million due to increased levels of Infinera DTN-X inventory. Accounts payable decreased by $20.2 million primarily reflecting the timing of inventory purchases and improved linearity of supply. Accrued liabilities increased by $11.3 million primarily related to the timing of vendor invoicing of external services costs.

Net cash used to fund working capital was $31.3 million for 2012. This increase in working capital requirements was primarily related to the introduction of the Infinera DTN-X platform. Inventory levels increased by $40.6 million as we added inventory for the Infinera DTN-X platform while maintaining Infinera DTN platform levels. Accounts receivable increased by $26.5 million primarily due to the timing of acceptance and invoicing of Infinera DTN-X platform deployments during the second half of 2012. Accrued liabilities increased by $6.9 million primarily related to external services performed but not invoiced by vendors.

Investing Activities

Net cash used in investing activities in 2014 was $96.1 million. This included net cash used of $65.9 million associated with purchases, maturities and sales of investments and $23.1 million of capital expenditures. We also invested an additional $5.5 million in an existing cost-method equity investment during 2014.

Net cash used in investing activities in 2013 was $180.8 million. This included net cash used of $159.7 million associated with purchases, maturities, calls and sales of investments and $21.1 million of capital expenditures. The increase in net cash used in investing activities as compared to 2012 primarily related to the investment of the proceeds received from the issuance of the Notes.

Net cash provided by investing activities in 2012 was $48.9 million primarily reflecting net proceeds of $75.0 million from maturities, calls and sales of investments, net of purchases in the period, offset by $25.4 million of capital expenditures.

Financing Activities

Net proceeds from financing activities were $22.9 million, $166.1 million and $10.7 million in 2014, 2013 and 2012, respectively. Financing activities primarily included net proceeds from the exercise of stock options and issuance of shares under the employee stock purchase plan ("ESPP"). These proceeds were offset by the minimum tax withholdings paid on behalf of employees for net share settlements of restricted stock units. Financing activities for 2013 also included net proceeds from the issuance of the Notes of $144.5 million.

Liquidity

We believe that our current cash, cash equivalents and investments, together with cash generated from operations, exercise of employee stock options and purchases under our ESPP will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least the next 12 months. If these sources of cash are insufficient to satisfy our liquidity requirements beyond 12 months, we may require additional capital from equity or debt financings to fund our operations, to respond to competitive pressures or strategic opportunities, or otherwise. We may not be able to secure timely additional financing on favorable terms, or at all. The terms of any additional financing may place limits on our financial and operating flexibility. If we raise additional funds through further issuances of equity, convertible debt securities or other securities convertible into equity, our existing stockholders could suffer dilution in their percentage ownership of us, and any new securities we issue could have rights, preferences and privileges senior to those of holders of our common stock.

In May 2013, we issued the Notes, which will mature on June 1, 2018, unless earlier purchased by us or converted. Interest is payable semi-annually in arrears on June 1 and December 1 of each year, commencing December 1, 2013. The net proceeds from the Notes issuance were approximately $144.5 million and were intended to be used for working capital and other general corporate purposes.

Upon conversion, it is our intention to pay cash equal to the lesser of the aggregate principal amount or the conversion value of the Notes. For any remaining conversion obligation, we intend to pay cash, shares of common stock or a combination of cash and shares of common stock, at our election. The carrying value of the Notes was $116.9 million as of December 27, 2014, which represents the liability component of the $150.0 million principal balance, net of $33.1 million debt discount. The debt discount is currently being amortized over the remaining term until maturity of the Notes on June 1, 2018. Any future redemption or conversion of the Notes could impact the timing of the repayment of these Notes.

As of December 27, 2014, contractual obligations related to the Notes are payments of $2.6 million due each year from 2015 through 2017 and $151.3 million due in 2018. These amounts represent principal and interest cash payments over the term of the Notes. Any future redemption or conversion of the Notes could impact the amount or timing of our cash payments. For more information regarding the Notes, see Note 9, “Convertible Senior Notes,” to the Notes to Consolidated Financial Statements.

As of December 27, 2014, we had $326.1 million of cash, cash equivalents, and short-term investments, including $15.9 million of cash and cash equivalents held by our foreign subsidiaries. Our cash in foreign locations is used for operational and investing activities in those locations, and we do not currently have the need or the intent to repatriate those funds to the United States. Our policy with respect to undistributed foreign subsidiaries' earnings is to consider those earnings to be indefinitely reinvested. If we were to repatriate these funds, we would be required to accrue and pay U.S. taxes on such amounts, however, due to our significant net operating loss carryforward position for both federal and state tax purposes, as well as the full valuation allowance provided against our U.S. and state net deferred tax assets, we would currently be able to offset any such tax obligations in their entirety. However, foreign withholding taxes may be applicable.

Contractual Obligations

The following is a summary of our contractual obligations as of December 27, 2014:

		Payments Due by Period			
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
			(In thousands)		
Purchase obligations[1]	$ 128,261	$ 126,211	$ 2,050	$ —	$ —
Operating leases[2]	38,053	7,063	11,994	10,450	8,546
Convertible senior notes, including interest	159,188	2,625	156,563	—	—
Total contractual obligations[3]	$ 325,502	$ 135,899	$ 170,607	$ 10,450	$ 8,546

(1) We have service agreements with our major production suppliers under which we are committed to purchase certain parts.

(2) We lease facilities under non-cancelable operating lease agreements. These leases have varying terms, predominantly no longer than ten years each and contain leasehold improvement incentives, rent holidays and escalation clauses that range from one to 10 years. In addition, some of these leases have renewal options for up to five years. We also have contractual commitments to remove leasehold improvements and return certain properties to a specified condition when the leases terminate. At the inception of a lease with such conditions, we record an asset retirement obligation liability and a corresponding capital asset in an amount equal to the estimated fair value of the obligation. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or estimated useful life of the asset. An assumption of lease renewal where a renewal option exists is used only when the renewal has been determined to be reasonably assured. The estimated useful life of leasehold improvements is one to ten years.

(3) Tax liabilities of $2.2 million related to uncertain tax positions are not included in the table because we are unable to determine the timing of settlement if any, of these future payments with a reasonably reliable estimate.

We had $5.0 million of standby letters of credit outstanding as of December 27, 2014. These consisted of $3.0 million related to a customer proposal guarantee, $1.3 million related to a value added tax license and $0.7 million related to property leases. We had $3.5 million of standby letters of credit outstanding as of December 28, 2013. These consisted of $1.4 million related to a value added tax license, $1.4 million related to a customer proposal guarantee and $0.7 million related to property leases.

Off-Balance Sheet Arrangements

As of December 27, 2014, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. GAAP. These accounting principles require us to make certain estimates and judgments that can affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements, as well as the reported amounts of revenue and expenses during the periods presented. Significant estimates, assumptions and judgments made by management include revenue recognition, stock-based compensation, accounting for income taxes, fair value measurement of investments, inventory valuation and accrued warranty. Management believes that the estimates and judgments upon which they rely are reasonable based upon information available to them at the time that these estimates and judgments are made. To the extent there are material differences between these estimates and actual results, our consolidated financial statements will be affected.

Revenue Recognition

Substantially all of our product sales are sold in combination with installation, deployment and software support services. Periodically, our product sales are also sold with spares management, on-site hardware replacement services or training. Software support services, generally delivered over a one-year period, are comprised of software warranty or software subscription service. Software warranty provides customers with maintenance releases during the warranty support period. Software subscription service includes software warranty and additionally provides customers with rights to receive unspecified software product upgrades released during the support period.

Spares management and on-site hardware replacement services include the replacement of defective units at customer sites in accordance with specified service level agreements and are generally delivered over a one-year period. Training services include the right to a specified number of instructor-led or web based training classes, and installation and deployment services may include customer site assessments, equipment installation and testing. These services are generally delivered over a 90-120 day period.

We recognize product revenue when all of the following have occurred: (1) we have entered into a legally binding arrangement with the customer; (2) delivery has occurred, which is when product title and risk of loss have transferred to the customer; (3) customer payment is deemed fixed or determinable; and (4) collectability is reasonably assured.

We allocate revenue to each element in our multiple-element arrangements based upon their relative selling prices. We determine the selling price for each deliverable based on a selling price hierarchy. The selling price for a deliverable is based on its vendor specific objective evidence ("VSOE") if available, third party evidence (“TPE”) if VSOE is not available, or estimated selling price (“ESP”) if neither VSOE nor TPE is available. Revenue allocated to each element is then recognized when the basic revenue recognition criteria for that element has been met.

VSOE of selling price is used in the selling price allocation in all instances where it exists. VSOE of selling price for products and services is determined when a substantial majority of the selling prices fall within a reasonable range when sold separately. In certain instances, we are not able to establish VSOE for all deliverables in an arrangement with multiple elements. This mainly occurs where insufficient standalone sales transactions have occurred or where pricing for that element has not been consistent.

TPE of selling price can be established by evaluating largely interchangeable competitor products or services in standalone sales to similarly situated customers. As our products contain a significant element of proprietary technology and the solution offered differs substantially from that of competitors, it is typically difficult to obtain the reliable standalone competitive pricing necessary to establish TPE.

ESP represents the best estimate of the price at which we would transact a sale if the product or service was sold on a standalone basis. We determine ESP for a product or service by considering multiple factors including, but not limited to market conditions, competitive landscape, gross margin objectives and pricing practices. The determination of ESP is made through formal approval by our management, taking into consideration the overall go-to-market pricing strategy.

As our 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 ESP. As a result, our future revenue recognition for multiple element arrangements could differ from that recorded in the current period. We regularly review VSOE, TPE, and ESP and maintain internal controls over the establishment and update of these inputs.

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. We evaluate each deliverable in an arrangement to determine whether they represent separate units of accounting.

We have a limited number of software offerings which are not required to deliver the tangible product's essential functionality and can be sold separately. Revenue from sales of these software products and related post-contract support will continue to be accounted for under software revenue recognition rules. Our multiple-element arrangements may therefore have a software deliverable that is subject to the existing software revenue recognition guidance. The revenue for these multiple-element arrangements is allocated to the software deliverable and the non-software deliverables based on the relative selling prices of all of the deliverables in the arrangement using the hierarchy in the new revenue recognition accounting guidance. Revenue related to these software offerings are not expected to be significant.

Services revenue includes software subscription services, installation and deployment services, spares management, on-site hardware replacement services, extended software warranty and extended hardware warranty services, and training. Revenue from software subscription, spares management, on-site hardware replacement services and extended software and hardware warranty contracts is deferred and is recognized ratably over the contractual support period, which is generally one year. Revenue related to training and installation and deployment services is recognized as the services are completed.

Contracts and customer purchase orders are generally used to determine the existence of an arrangement. In addition, shipping documents and customer acceptances, when applicable, are used to verify delivery and transfer of title. Revenue is recognized only when title and risk of loss pass to customers and when the revenue recognition criteria have been met. In instances where acceptance of the product occurs upon formal written acceptance, revenue is recognized only after such written acceptance has been received. We assess whether the fee is fixed or determinable based on the payment terms associated with the transaction. Payment terms to customers generally range from net 30 to 120 days from invoice, which are considered to be standard payment terms. However, payment terms greater than 120 days but less than or equal to one year from invoice may be considered standard if payment is supported by an irrevocable commercial letter of credit ("LOC") issued by a creditworthy bank or if the LOC has been accepted and confirmed by a creditworthy bank. In the event payment terms are provided that differ from our standard business practices, the fees are deemed to not be fixed or determinable and, therefore, revenue is not recognized until the fees become fixed or determinable which we believe is when they are legally due and payable. We assess our ability to collect from our customers based primarily on the creditworthiness and past payment history of the customer.

For sales to resellers, the same revenue recognition criteria apply. It is our practice to identify an end-user prior to shipment to a reseller. We do not offer rights of return or price protection to our resellers.

Shipping charges billed to customers are included in product revenue and related shipping costs are included in product cost. We report revenue net of any required taxes collected from customers and remitted to government authorities, with the collected taxes recorded as current liabilities until remitted to the relevant government authority.

Stock-Based Compensation

Stock-based compensation cost is measured at the grant date based on the fair value of the award, and is recognized as expense over the requisite service period (generally the vesting period) under the straight-line amortization method.

We estimate the fair value of the stock options granted using the Black-Scholes option pricing formula and a single option award approach. For new-hire grants, options typically vest with respect to 25% of the shares one year after the option's vesting commencement date and the remainder ratably on a monthly basis over three years, commencing one year after the vesting commencement date. For annual refresh grants, options typically vest ratably on a monthly basis over three years.

We make a number of estimates and assumptions in determining stock-based compensation related to options including the following:

- The expected forfeiture rate is estimated based on our historical forfeiture data and compensation costs are recognized only for those equity awards expected to vest. The estimation of the forfeiture rate requires judgment, and to the extent actual forfeitures differ from expectations, changes in estimate will be recorded as an adjustment in the period when such estimates are revised. Actual results may differ substantially from the estimates. We record stock-based compensation expense to adjust estimated forfeiture rates to actual.

- The expected term represents the weighted-average period that the stock options are expected to be outstanding prior to being exercised. The expected term is estimated based on our historical data on employee exercise patterns and post vesting termination behavior to estimate expected exercises over the contractual term of grants.

- Expected volatility of our stock has been historically based on the weighted-average implied and historical volatility of Infinera and its peer group. The peer group is comprised of similar companies in the same industrial sector. As we gained more historical volatility data, the weighting of our own data in the expected volatility calculation associated with options gradually increased to 100% by 2013.

We estimate the fair value of the rights to acquire stock under our ESPP using the Black-Scholes option pricing formula. Our ESPP provides for consecutive six-month offering periods and we use our own historical volatility data in the valuation of ESPP shares.

We account for the fair value of restricted stock units (“RSUs”) using the closing market price of our common stock on the date of grant. For new-hire grants, RSUs typically vest ratably on an annual basis over four years. For annual refresh grants, RSUs typically vest ratably on an annual basis over three years.

The Company granted performance stock units ("PSUs") to its executives in 2013 and 2014 as part of the Company's annual refresh grant process. These PSUs entitle the Company's executive officers to receive a number of shares of the Company's common stock based on its stock price performance compared to a specified target composite index”) for the same period. The PSUs vest over the span of one year, two years, and three years and the number of shares to be issued upon vesting ranges from 0 to 1.5 times the number of PSUs granted depending on the relative performance of the Company's common stock price compared to the target composite index. This performance metric is classified as a market condition.

We use the Monte Carlo simulation model to determine the fair value of PSUs on the date of grant. The Monte Carlo simulation model is based on a discounted cash flow approach, with the simulation of a large number of possible stock price outcomes for our stock and the target composite index. The use of the Monte Carlo simulation model requires the input of a number of assumptions including expected volatility of our stock price, expected volatility of target composite index, correlation between changes in our stock price and changes in the target composite index, risk-free interest rate, and expected dividends as applicable. Expected volatility of our stock is based on the weighted-average historical volatility of our stock. Expected volatility of target composite index is based on the historical data. Correlation is based on the historical relationship between our stock price and the target composite index average. The risk-free interest rate is based upon the treasury zero-coupon yield appropriate for the term of the PSU as of the grant date. The expected dividend yield is zero for us as we do not expect to pay dividends in the future. The expected dividend yield for the target composite index is the annual dividend yield expressed as a percentage of the composite average of the target composite index on the grant date.

In 2012, we granted PSUs with performance conditions and estimated the fair value using the closing market price of our common stock on the date of grant. These PSUs entitle our executive officers to receive a number of shares of our common stock based on pre-established performance criteria over approximately two and a half years. The PSUs cliff vest at 50% upon achievement of specific revenue criteria and 50% will cliff vest upon achievement of specific operating profit criteria. This performance metric is classified as a performance condition.

Accounting for Income Taxes

As part of the process of preparing our consolidated financial statements, we are required to estimate our taxes in each of the jurisdictions in which we operate. We estimate actual current tax expense together with assessing temporary differences resulting from different treatment of items, such as accruals and allowances not currently deductible for tax purposes. These differences result in deferred tax assets and liabilities, which are included in our consolidated balance sheets. In general, deferred tax assets represent future tax benefits to be received when certain expenses previously recognized in our consolidated statements of operations become deductible expenses under applicable income tax laws or loss or credit carryforwards are utilized. Accordingly, realization of our deferred tax assets is dependent on future taxable income within the respective jurisdictions against which these deductions, losses and credits can be utilized within the applicable future periods.

We must assess the likelihood that some portion or all of our deferred tax assets will be recovered from future taxable income within the respective jurisdictions, and to the extent we believe that recovery does not meet the "more-likely-than-not" standard, we must establish a valuation allowance. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. At December 27, 2014 and December 28, 2013, our domestic net deferred tax assets were fully reserved with a valuation allowance because, based on the available evidence, we believed at that time it was more likely than not
that we would not be able to utilize those deferred tax assets in the future. We intend to maintain a valuation allowance until sufficient evidence exists to support the reversal of the valuation allowance. We make estimates and judgments about our future taxable income, by jurisdiction, based on assumptions that are consistent with our plans and estimates. Should the actual amounts differ from our estimates, the amount of our valuation allowance could be materially impacted.

Fair Value Measurement of Investments

Pursuant to the accounting guidance for fair value measurements and its subsequent updates, fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, we consider the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Valuation techniques used by us are based upon observable and unobservable inputs. Observable or market inputs reflect market data obtained from independent sources, while unobservable inputs reflect our assumptions about market participant assumptions based on best information available. Observable inputs are the preferred source of values. These two types of inputs create the following fair value hierarchy:

Level 1	–	Quoted prices in active markets for identical assets or liabilities.
Level 2	–	Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3	–	Prices or valuations that require management inputs that are both significant to the fair value measurement and unobservable.

We measure our cash equivalents, foreign currency exchange forward contracts and debt securities at fair value and classifies our securities in accordance with the fair value hierarchy. Our money market funds and U.S. treasuries are classified within Level 1 of the fair value hierarchy and are valued based on quoted prices in active markets for identical securities.

We classify our certificates of deposit, commercial paper, corporate bonds and foreign currency exchange forward contracts within Level 2 of the fair value hierarchy as follows:

Certificates of Deposit

We review market pricing and other observable market inputs for the same or similar securities obtained from a number of industry standard data providers. In the event that a transaction is observed for the same or similar security in the marketplace, the price on that transaction reflects the market price and fair value on that day. In the absence of any observable market transactions for a particular security, the fair market value at period end would be equal to the par value. These inputs represent quoted prices for similar assets or these inputs have been derived from observable market data.

Commercial Paper

We review market pricing and other observable market inputs for the same or similar securities obtained from a number of industry standard data providers. In the event that a transaction is observed for the same or similar security in the marketplace, the price on that transaction reflects the market price and fair value on that day and then follows a revised accretion schedule to determine the fair market value at period end. In the absence of any observable market transactions for a particular security, the fair market value at period end is derived by accreting from the last observable market price. These inputs represent quoted prices for similar assets or these inputs have been derived from observable market data accreted mathematically to par.

Corporate Bonds

We review trading activity and pricing for each of the corporate bond securities in our portfolio as of the measurement date and determines if pricing data of sufficient frequency and volume in an active market exists in order to support Level 1 classification of these securities. If sufficient quoted pricing for identical securities is not available, we obtain market pricing and other observable market inputs for similar securities from a number of industry standard data providers. In instances where multiple prices exist for similar securities, these prices are used as inputs into a distribution-curve to determine the fair market value at period end.

Foreign Currency Exchange Forward Contracts

As discussed in Note 5, “Derivative Instruments,” to the Notes to Consolidated Financial Statements, we mainly hold non-speculative foreign exchange forward contracts to hedge certain foreign currency exchange exposures. We estimate the fair values of derivatives based on quoted market prices or pricing models using current market rates. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit risk, foreign exchange rates, and forward and spot prices for currencies.

We classified our ARS within Level 3 of the fair value hierarchy. Our ARS were classified within Level 3 because they were valued, in part, by using inputs that were unobservable in the market and were significant to the valuation. During 2013, we disposed of our remaining ARS. As of December 27, 2014, none of our existing securities were classified as Level 3 securities.

Inventory Valuation

Inventories consist of raw materials, work-in-process and finished goods and are stated at standard cost adjusted to approximate the lower of actual cost (first-in, first-out method) or market. Market value is based upon an estimated selling price reduced by the estimated cost of disposal. The determination of market value involves numerous judgments including estimated average selling prices based upon recent sales volumes, industry trends, existing customer orders, current contract price, future demand and pricing and technological obsolescence of our products.

Inventory that is obsolete or in excess of our forecasted demand or is anticipated to be sold at a loss is written down to its estimated net realizable value based on historical usage and expected demand. In valuing our inventory costs and deferred inventory costs, we considered whether the utility of the products delivered or expected to be delivered at less than cost, primarily comprised of common equipment, had declined. We concluded that, in the instances where the utility of the products delivered or expected to be delivered was less than cost, it was appropriate to value the inventory costs and deferred inventory costs at cost or market, whichever is lower, thereby recognizing the cost of the reduction in utility in the period in which the reduction occurred or can be reasonably estimated. We have, therefore, recognized inventory write-downs as necessary in each period in order to reflect inventory at the lower of cost or market.

We consider whether we should accrue losses on firm purchase commitments related to inventory items. Given that the net realizable value of common equipment is below contracted purchase price, we have also recorded losses on these firm purchase commitments in the period in which the commitment is made. When the inventory parts related to these firm purchase commitments are received, that inventory is recorded at the purchase price less the accrual for the loss on the purchase commitment.

Accrued Warranty

We warrant that our products will operate substantially in conformity with product specifications. Upon delivery of our products, we provide for the estimated cost to repair or replace products that may be returned under warranty. Our hardware warranty periods range from one to five years from date of acceptance for hardware and 90 days for software warranty. The hardware warranty accrual is based on actual historical returns and cost of repair experience and the application of those historical rates to our in-warranty installed base. The provision for warranty claims fluctuates depending upon the installed base of products and the failure rates and costs of repair associated with these products under warranty. Furthermore, our costs of repair vary based on repair volume and our ability to repair, rather than replace, defective units. In the event that actual product failure rates and costs to repair differ from our estimates, revisions to the warranty provision are required. Consequently, we regularly assess the adequacy of our warranty liabilities and adjust the amounts as necessary. In addition, we have software warranty support obligations and the costs associated with providing these software warranties have been insignificant to our consolidated financial statements to date.

Recent Accounting Pronouncements

See Note 2, “Significant Accounting Policies,” to the Notes to Consolidated Financial Statements for a full description of recent accounting pronouncements including the respective expected dates of adoptions and effects on us.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Risk

A majority of our revenue, expense and capital purchasing activities are transacted in U.S. dollars. However, we do incur some operating costs in other currencies. In addition, certain of our sales contracts are not priced in U.S. dollars and, therefore, a portion of our revenue is subject to foreign currency risks. Our operating expenses and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the India rupee, Chinese yuan, British pound and the euro.

The effect of an immediate 10% adverse change in foreign exchange rates on our foreign currency denominated transactions at December 27, 2014 would not be material to our results of operations or financial condition. We enter into foreign currency exchange forward contracts to reduce the impact of foreign currency fluctuations on accounts receivable and restricted cash denominated in currencies other than our functional currency, which is the U.S. dollar. As a result, we do not expect a significant impact to our results from a change in exchange rates on foreign denominated accounts receivable balances in the near-term.

If our international operations grow, our risks associated with fluctuation in currency rates will become greater and we will continue to reassess our approach to managing this risk. In addition, currency fluctuations or a weakening U.S. dollar may increase the costs of our international operations.

Interest Rate Sensitivity

We had cash and cash equivalents, short-term and long-term investments and short-term and long-term restricted cash totaling $390.8 million and $365.3 million as of December 27, 2014 and December 28, 2013, respectively. As of December 27, 2014, we have invested in certificates of deposit, money market funds, commercial paper, corporate bonds and U.S. treasuries. The unrestricted cash and cash equivalents are held for working capital purposes. We do not enter into investments for speculative purposes. We believe that we do not have any material exposure to changes in the fair value as a result of changes in interest rates. Declines in interest rates, however, will reduce future investment income. If overall interest rates fell by 10% in 2014 and 2013, our interest income would have declined approximately $0.1 million and $0.1 million, respectively, assuming consistent investment levels.

Market Risk and Market Interest Risk

Holders may convert the Notes prior to maturity upon the occurrence of certain circumstances. Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election.

As of December 27, 2014, the fair value of the Notes was $198.9 million. The fair value was determined based on the quoted bid price of the Notes in an over-the-counter market on December 26, 2014. The fair value of the Notes is subject to interest rate risk, market risk and other factors due to the convertible feature. The fair value of the Notes will generally increase as interest rates fall and decrease as interest rates rise. In addition, the fair value of the Notes will generally increase as our common stock price increases and will generally decrease as our common stock price declines in value. The interest and market value changes affect the fair value of the Notes but do not impact our financial position, cash flows or results of operations due to the fixed nature of the debt obligation. Additionally, we do not carry the Notes at fair value. We present the fair value of the Notes for required disclosure purposes only.

See Note 9, “Convertible Senior Notes,” to the Notes to Consolidated Financial Statements for further information.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Ernst & Young LLP, Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Infinera Corporation

We have audited the accompanying consolidated balance sheets of Infinera Corporation as of December 27, 2014 and December 28, 2013, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 27, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Infinera Corporation at December 27, 2014 and December 28, 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 27, 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Infinera Corporation's internal control over financial reporting as of December 27, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 18, 2015 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

San Jose, California
February 18, 2015

Report of Ernst & Young LLP, Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Infinera Corporation

We have audited Infinera Corporation's internal control over financial reporting as of December 27, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Infinera Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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.

In our opinion, Infinera Corporation maintained, in all material respects, effective internal control over financial reporting as of December 27, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Infinera Corporation as of December 27, 2014 and December 28, 2013, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 27, 2014 of Infinera Corporation and our report dated February 18, 2015 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

San Jose, California
February 18, 2015

INFINERA CORPORATION

CONSOLIDATED BALANCE SHEETS
(In thousands, except par values)

	December 27, 2014	December 28, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 86,495	$ 124,330
Short-term investments	239,628	172,660
Accounts receivable, net of allowance for doubtful accounts of $38 in 2014 and $43 in 2013	154,596	100,643
Inventory	146,500	123,685
Prepaid expenses and other current assets	24,636	17,752
Total current assets	651,855	539,070
Property, plant and equipment, net	81,566	79,668
Long-term investments	59,233	64,419
Cost-method investment	14,500	9,000
Long-term restricted cash	5,460	3,904
Other non-current assets	5,402	4,865
Total assets	$ 818,016	$ 700,926
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 61,533	$ 39,843
Accrued expenses	26,441	22,431
Accrued compensation and related benefits	38,795	33,899
Accrued warranty	12,241	12,374
Deferred revenue	35,321	32,402
Total current liabilities	174,331	140,949
Long-term debt, net	116,894	109,164
Accrued warranty, non-current	14,799	10,534
Deferred revenue, non-current	10,758	4,888
Other long-term liabilities	19,327	17,581
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, $0.001 par value Authorized shares—25,000 and no shares issued and outstanding	—	—
Common stock, $0.001 par value Authorized shares—500,000 in 2014 and 2013 Issued and outstanding shares—126,160 in 2014 and 119,887 in 2013	126	120
Additional paid-in capital	1,077,225	1,025,661
Accumulated other comprehensive loss	(4,618)	(3,486)
Accumulated deficit	(590,826)	(604,485)
Total stockholders' equity	481,907	417,810
Total liabilities and stockholders' equity	$ 818,016	$ 700,926

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

INFINERA CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Years Ended December 27, 2014	Years Ended December 28, 2013	Years Ended December 29, 2012
Revenue:			
Product	$ 572,276	$ 465,424	$ 380,035
Services	95,803	78,698	58,402
Total revenue	668,079	544,122	438,437
Cost of revenue:			
Cost of product	340,856	295,715	259,437
Cost of services	38,919	29,768	21,431
Total cost of revenue	379,775	325,483	280,868
Gross profit	288,304	218,639	157,569
Operating expenses:			
Research and development	133,484	124,794	117,233
Sales and marketing	79,026	72,778	75,862
General and administrative	48,452	45,253	47,475
Total operating expenses	260,962	242,825	240,570
Income (loss) from operations	27,342	(24,186)	(83,001)
Other income (expense), net:			
Interest income	1,456	923	911
Interest expense	(11,021)	(6,061)	—
Other gain (loss), net	(1,365)	(1,141)	(1,050)
Total other income (expense), net	(10,930)	(6,279)	(139)
Income (loss) before income taxes	16,412	(30,465)	(83,140)
Provision for income taxes	2,753	1,654	2,190
Net income (loss)	$ 13,659	$ (32,119)	$ (85,330)
Net income (loss) per common share:			
Basic	$ 0.11	$ (0.27)	$ (0.77)
Diluted	$ 0.11	$ (0.27)	$ (0.77)
Weighted average shares used in computing net income (loss) per common share:			
Basic	123,672	117,425	110,739
Diluted	128,565	117,425	110,739

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

INFINERA CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Years Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
Net income (loss)	$ 13,659	$ (32,119)	$ (85,330)
Other comprehensive loss:			
Reclassification of realized gain on auction rate securities	—	(166)	(141)
Unrealized gain (loss) on all other available-for-sale investments	(320)	(140)	158
Foreign currency translation adjustment	(812)	(952)	(43)
Tax effect on items related to available-for-sale investment	—	—	(7)
Net change in accumulated other comprehensive loss	(1,132)	(1,258)	(33)
Comprehensive income (loss)	$ 12,527	$ (33,377)	$ (85,363)

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

INFINERA CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 29, 2012, December 28, 2013 and December 27, 2014
(In thousands, except per share data)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount				
Balance at December 31, 2011	106,976	$ 107	$ 876,927	$ (2,195)	$ (487,036)	$ 387,803
Stock options exercised	582	1	2,552	—	—	2,553
ESPP shares issued	1,653	1	9,029	—	—	9,030
Shares withheld for tax obligations	(128)	—	(882)	—	—	(882)
Restricted stock units released	3,378	3	(3)	—	—	—
Stock-based compensation	—	—	42,995	—	—	42,995
Comprehensive loss:						
Unrealized gain on auction rate securities classified as available-for-sale investments	—	—	—	(141)	—	(141)
Unrealized gain on all other available-for-sale investments	—	—	—	158	—	158
Foreign currency translation adjustment	—	—	—	(43)	—	(43)
Tax effect on items related to available-for-sale investment	—	—	—	(7)	—	(7)
Net loss	—	—	—	—	(85,330)	(85,330)
Total comprehensive loss						(85,363)
Balance at December 29, 2012	112,461	$ 112	$ 930,618	$ (2,228)	$ (572,366)	$ 356,136
Stock options exercised	2,217	2	14,616	—	—	14,618
ESPP shares issued	1,656	2	8,557	—	—	8,559
Shares withheld for tax obligations	(223)	—	(1,544)	—	—	(1,544)
Restricted stock units released	3,754	4	(4)	—	—	—
Warrants exercised	22	—	—	—	—	—
Stock-based compensation	—	—	30,077	—	—	30,077
Conversion option related to convertible senior notes, net of allocated costs	—	—	43,341	—	—	43,341
Comprehensive loss:						
Unrealized gain on auction rate securities classified as available-for-sale investments	—	—	—	(166)	—	(166)
Unrealized gain on all other available-for-sale investments	—	—	—	(140)	—	(140)
Foreign currency translation adjustment	—	—	—	(952)	—	(952)
Tax effect on items related to available-for-sale investment	—	—	—	—	—	—
Net loss	—	—	—	—	(32,119)	(32,119)
Total comprehensive loss						(33,377)
Balance at December 28, 2013	119,887	$ 120	$ 1,025,661	$ (3,486)	$ (604,485)	$ 417,810

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

INFINERA CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 29, 2012, December 28, 2013 and December 27, 2014 — (Continued)
(In thousands, except per share data)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount				
Balance at December 28, 2013	119,887	$ 120	$ 1,025,661	$ (3,486)	$ (604,485)	$ 417,810
Stock options exercised	2,001	2	13,981	—	—	13,983
ESPP shares issued	1,438	1	10,727	—		10,728
Shares withheld for tax obligations	(217)	—	(1,846)	—	—	(1,846)
Restricted stock units released	3,051	3	(3)	—	—	—
Stock-based compensation	—	—	28,705		—	28,705
Comprehensive income:						
Unrealized loss on available-for-sale investments	—	—	—	(320)	—	(320)
Foreign currency translation adjustment	—	—	—	(812)	—	(812)
Net income	—	—	—	—	13,659	13,659
Total comprehensive income						12,527
Balance at December 27, 2014	126,160	$ 126	$ 1,077,225	$ (4,618)	$ (590,826)	$ 481,907

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

INFINERA CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
Cash Flows from Operating Activities:			
Net income (loss)	$ 13,659	$ (32,119)	$ (85,330)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	25,917	24,562	23,661
Amortization of debt discount and issuance costs	8,395	4,522	—
Amortization of premium on investments	3,772	1,539	2,068
Stock-based compensation expense	28,394	31,976	41,819
Other gain	(9)	(276)	(388)
Changes in assets and liabilities:			
Accounts receivable	(53,951)	6,341	(26,517)
Inventory	(25,486)	(3,036)	(40,623)
Prepaid expenses and other assets	(8,324)	(3,162)	6,140
Accounts payable	18,810	(20,202)	15,410
Accrued liabilities and other expenses	11,866	11,272	6,915
Deferred revenue	8,788	7,337	3,763
Accrued warranty	4,132	6,426	3,616
Net cash provided by (used in) operating activities	35,963	35,180	(49,466)
Cash Flows from Investing Activities:			
Purchase of available-for-sale investments	(302,398)	(288,140)	(54,150)
Purchase of cost-method investment	(5,500)	—	—
Proceeds from sales of available-for-sale investments	28,481	2,850	11,584
Proceeds from maturities and calls of investments	208,051	125,624	117,605
Purchase of property and equipment	(23,122)	(21,065)	(25,394)
Reimbursement of manufacturing capacity advance	—	—	50
Change in restricted cash	(1,571)	(69)	(827)
Net cash provided by (used in) investing activities	(96,059)	(180,800)	48,868
Cash Flows from Financing Activities:			
Proceeds from issuance of debt, net	—	144,469	—
Proceeds from issuance of common stock	24,707	23,185	11,580
Minimum tax withholding paid on behalf of employees for net share settlement	(1,846)	(1,544)	(882)
Net cash provided by financing activities	22,861	166,110	10,698
Effect of exchange rate changes on cash	(600)	(826)	108
Net change in cash and cash equivalents	(37,835)	19,664	10,208
Cash and cash equivalents at beginning of period	124,330	104,666	94,458
Cash and cash equivalents at end of period	$ 86,495	$ 124,330	$ 104,666
Supplemental disclosures of cash flow information:			
Cash paid for income taxes, net of refunds	$ 1,697	$ 2,135	$ 923
Cash paid for interest	$ 2,625	$ 1,320	$ —
Supplemental schedule of non-cash financing activities			
Non-cash settlement for manufacturing capacity advance	$ —	$ —	$ 275
Transfer of inventory to fixed assets	$ 2,569	$ 5,458	$ 3,222
Warrant exercise	$ —	$ 500	$ —

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

INFINERA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Basis of Presentation

Infinera Corporation ("Infinera" or the "Company"), headquartered in Sunnyvale, California, was founded in December 2000 and incorporated in the State of Delaware. Infinera provides optical transport networking equipment, software and services to Tier 1 and Tier 2 telecommunications service providers, Internet content providers ("ICPs"), cable operators, wholesale and enterprise carriers, research and education institutions, and government entities (collectively, "Service Providers") across the globe. Optical transport networks are deployed by Service Providers facing significant demands for transmission capacity prompted by increased use of high-speed Internet access, mobile broadband, high-definition video streaming services, business Ethernet services and cloud-based services.

Our technologies and platforms enable Service Providers to deliver vast amounts of bandwidth with greater ease. We leverage our unique large scale photonic integrated circuits ("PICs") to deliver innovative optical networking solutions for the most demanding network environments. The Infinera Intelligent Transport Network is an architecture that enables Service Providers to automate, converge and scale their long-haul, subsea, data center and metro optical networks.

The Company operates and reports financial results on a fiscal year of 52 or 53 weeks ending on the last Saturday of December in each year. Accordingly, fiscal years 2014, 2013 and 2012 were 52-week years that ended on December 27, 2014, December 28, 2013 and December 29, 2012, respectively. The next 53-week year will end on December 31, 2016.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated. The Company reclassified certain amounts reported in previous periods to conform to the current presentation.

2. Significant Accounting Policies

Use of Estimates

The consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). These accounting principles require the Company to make certain estimates, assumptions and judgments that can affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, as well as the reported amounts of revenue and expenses during the periods presented. Significant estimates, assumptions and judgments made by management include revenue recognition, stock-based compensation, inventory valuation, accrued warranty, fair value measurement of investments and accounting for income taxes. Other estimates, assumptions and judgments made by management include allowances for sales returns, allowances for doubtful accounts, useful life of property, plant and equipment, fair value measurement of the liability component of the convertible senior notes, other-than-temporary impairments and derivative instruments. Management believes that the estimates and judgments upon which they rely are reasonable based upon information available to them at the time that these estimates and judgments are made. To the extent there are material differences between these estimates and actual results, the Company's consolidated financial statements will be affected.

Revenue Recognition

Substantially all of the Company's product sales are sold in combination with installation, deployment and software support services. Periodically, the Company's product sales are also sold with spares management, on-site hardware replacement services or training. Software support services, generally delivered over a one-year period, are comprised of software warranty or software subscription service. Software warranty provides customers with maintenance releases during the warranty support period. Software subscription service includes software warranty and additionally provides customers with rights to receive unspecified software product upgrades released during the support period.

Spares management and on-site hardware replacement services include the replacement of defective units at customer sites in accordance with specified service level agreements and are generally delivered over a one-year period. Training services include the right to a specified number of instructor-led or web based training classes, and installation and deployment services may include customer site assessments, equipment installation and testing. These services are generally delivered over a 90-120 day period. Software warranty provides customers with maintenance releases and patches during the warranty support period.

The Company recognizes product revenue when all of the following have occurred: (1) it has entered into a legally binding arrangement with the customer; (2) delivery has occurred, which is when product title and risk of loss have transferred to the customer; (3) customer payment is deemed fixed or determinable; and (4) collectability is reasonably assured.

The Company allocates revenue to each element in its multiple-element arrangements based upon their relative selling prices. The Company determines the selling price for each deliverable based on a selling price hierarchy. The selling price for a deliverable is based on its vendor specific objective evidence ("VSOE") if available, third party evidence ("TPE") if VSOE is not available, or estimated selling price ("ESP") if neither VSOE nor TPE is available. Revenue allocated to each element is then recognized when the basic revenue recognition criteria for that element has been met.

VSOE of selling price is used in the selling price allocation in all instances where it exists. VSOE of selling price for products and services is determined when a substantial majority of the selling prices fall within a reasonable range when sold separately. In certain instances, the Company is not able to establish VSOE for all deliverables in an arrangement with multiple elements. This mainly occurs where insufficient standalone sales transactions have occurred or where pricing for that element has not been consistent.

TPE of selling price can be established by evaluating largely interchangeable competitor products or services in standalone sales to similarly situated customers. As the Company's products contain a significant element of proprietary technology and the solution offered differs substantially from that of competitors, it is typically difficult to obtain the reliable standalone competitive pricing necessary to establish TPE.

ESP represents the best estimate of the price at which the Company would transact a sale if the product or service was sold on a standalone basis. The Company determines ESP for a product or service by considering multiple factors including, but not limited to market conditions, competitive landscape, gross margin objectives and pricing practices. The determination of ESP is made through formal approval by the Company's management, taking into consideration the overall go-to-market pricing strategy.

As the Company's go-to-market strategies evolve, the Company may modify its pricing practices in the future, which could result in changes in selling prices, including both VSOE and ESP. As a result, the Company's future revenue recognition for multiple element arrangements could differ from that recorded in the current period. The Company regularly reviews VSOE, TPE and ESP and maintains internal controls over the establishment and update of these inputs.

The Company 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. The Company evaluates each deliverable in an arrangement to determine whether they represent separate units of accounting.

The Company has a limited number of software offerings which are not required to deliver the tangible product's essential functionality and can be sold separately. Revenue from sales of these software products and related post-contract support will continue to be accounted for under software revenue recognition rules. The Company's multiple-element arrangements may therefore have a software deliverable that is subject to the existing software revenue recognition guidance. The revenue for these multiple-element arrangements is allocated to the software deliverable and the non-software deliverables based on the relative selling prices of all of the deliverables in the arrangement using the hierarchy in the new revenue recognition accounting guidance. Revenue related to these software offerings are not expected to be significant.

Services revenue includes software subscription services, installation and deployment services, spares management, on-site hardware replacement services, extended software warranty and extended hardware warranty services, and training. Revenue from software subscription, spares management, on-site hardware replacement services and extended software and hardware warranty contracts is deferred and is recognized ratably over the contractual support period, which is generally one year. Revenue related to training and installation and deployment services is recognized as the services are completed.

Contracts and customer purchase orders are generally used to determine the existence of an arrangement. In addition, shipping documents and customer acceptances, when applicable, are used to verify delivery and transfer of title. Revenue is recognized only when title and risk of loss pass to customers and when the revenue recognition criteria have been met. In instances where acceptance of the product occurs upon formal written acceptance, revenue is recognized only after such written acceptance has been received. The Company assesses whether the fee is fixed or determinable based on the payment terms associated with the transaction. Payment terms to customers generally range from net 30 to 120 days from invoice, which are considered to be standard payment terms. However, payment terms greater than 120 days but less than or equal to one year from invoice may be considered standard if payment is supported by an irrevocable commercial letter of credit ("LOC") issued by a creditworthy bank or the LOC has been accepted and confirmed by a creditworthy bank. In the event payment terms are provided that differ from the Company's standard business practices, the fees are deemed to not be fixed or determinable and, therefore, revenue is not recognized until the fees become fixed or determinable which the Company believes is when they are legally due and payable. The Company assesses its ability to collect from its customers based primarily on the creditworthiness and past payment history of the customer.

For sales to resellers, the same revenue recognition criteria apply. It is the Company's practice to identify an end-user prior to shipment to a reseller. The Company does not offer rights of return or price protection to its resellers.

Shipping charges billed to customers are included in product revenue and related shipping costs are included in product cost. The Company reports revenue net of any required taxes collected from customers and remitted to government authorities, with the collected taxes recorded as current liabilities until remitted to the relevant government authority.

Stock-Based Compensation

Stock-based compensation cost is measured at the grant date based on the fair value of the award, and is recognized as expense over the requisite service period (generally the vesting period) under the straight-line amortization method.

The Company estimates the fair value of the stock options granted using the Black-Scholes option pricing formula and a single option award approach. For new-hire grants, options typically vest with respect to 25% of the shares one year after the option's vesting commencement date and the remainder ratably on a monthly basis over three years, commencing one year after the vesting commencement date. For annual refresh grants, options typically vest ratably on a monthly basis over three years.

The Company makes a number of estimates and assumptions in determining stock-based compensation related to options including the following:

- The expected forfeiture rate is estimated based on the Company's historical forfeiture data and compensation costs are recognized only for those equity awards expected to vest. The estimation of the forfeiture rate requires judgment, and to the extent actual forfeitures differ from expectations, changes in estimate will be recorded as an adjustment in the period when such estimates are revised. Actual results may differ substantially from the estimates. The Company records stock-based compensation expense to adjust estimated forfeiture rates to actual.
- The expected term represents the weighted-average period that the stock options are expected to be outstanding prior to being exercised. The expected term is estimated based on the Company's historical data on employee exercise patterns and post vesting termination behavior to estimate expected exercises over the contractual term of grants.
- Expected volatility of the Company's stock has been historically based on the weighted-average implied and historical volatility of Infinera and its peer group. The peer group is comprised of similar companies in the same industrial sector. As the Company gained more historical volatility data, the

weighting of its own data in the expected volatility calculation associated with options gradually increased to 100% by 2013.

The Company estimates the fair value of the rights to acquire stock under its Employee Stock Purchase Plan ("ESPP") using the Black-Scholes option pricing formula. The Company's ESPP provides for consecutive six-month offering periods and the Company uses its own historical volatility data in the valuation of ESPP shares.

The Company accounts for the fair value of restricted stock units ("RSUs") using the closing market price of the Company's common stock on the date of grant. For new-hire grants, RSUs typically vest ratably on an annual basis over four years. For annual refresh grants, RSUs typically vest ratably on an annual basis over three years.

The Company granted performance stock units ("PSUs") to its executives in 2013 and 2014 as part of the Company's annual refresh grant process. These PSUs entitle the Company's executive officers to receive a number of shares of the Company's common stock based on its stock price performance compared to a specified target composite index for the same period. The PSUs vest over the span of one year, two years and three years, and the number of shares to be issued upon vesting ranges from 0 to 1.5 times the number of PSUs granted depending on the relative performance of the Company's common stock price compared to the targeted composite index. This performance metric is classified as a market condition.

The Company uses the Monte Carlo simulation model to determine the fair value of PSUs on the date of grant. The Monte Carlo simulation model is based on a discounted cash flow approach, with the simulation of a large number of possible stock price outcomes for the Company's stock and the target composite index. The use of the Monte Carlo simulation model requires the input of a number of assumptions including expected volatility of the Company's stock price, expected volatility of target composite index, correlation between changes in the Company's stock price and changes in the target composite index, risk-free interest rate, and expected dividends as applicable. Expected volatility of the Company's stock is based on the weighted-average historical volatility of its stock. Expected volatility of target composite index is based on the historical and implied data. Correlation is based on the historical relationship between the Company's stock price and the target composite index average. The risk-free interest rate is based upon the treasury zero-coupon yield appropriate for the term of the PSU as of the grant date. The expected dividend yield is zero for the Company as it does not expect to pay dividends in the future. The expected dividend yield for the target composite index is the annual dividend yield expressed as a percentage of the composite average of the target composite index on the grant date.

In 2012, the Company granted PSUs with performance conditions and estimated the fair value using the closing market price of the Company's common stock on the date of grant. These PSUs entitle the Company's executive officers to receive a number of shares of the Company's common stock based on pre-established performance criteria over approximately two and a half years. The PSUs cliff vest at 50% upon achievement of specific revenue criteria and 50% will cliff vest upon achievement of specific operating profit criteria. This performance metric is classified as a performance condition.

Research and Development

All costs to develop the Company's hardware products are expensed as incurred. Software development costs are capitalized beginning when a product's technological feasibility has been established and ending when a product is available for general release to customers. Generally, the Company's software products are released soon after technological feasibility has been established. As a result, costs subsequent to achieving technological feasibility have not been significant and all software development costs have been expensed as incurred.

Advertising

All advertising costs are expensed as incurred. Advertising expenses in 2014, 2013 and 2012 were $1.5 million, $1.3 million and $1.6 million, respectively.

Accounting for Income Taxes

As part of the process of preparing the Company's consolidated financial statements, the Company is required to estimate its taxes in each of the jurisdictions in which it operates. The Company estimates actual current tax expense together with assessing temporary differences resulting from different treatment of items, such as accruals and allowances not currently deductible for tax purposes. These differences result in deferred tax assets and liabilities, which are included in the Company's consolidated balance sheets. In general, deferred tax assets represent future tax benefits to be received when certain expenses previously recognized in the Company's consolidated statements of operations become deductible expenses under applicable income tax laws or loss or credit carryforwards are utilized. Accordingly, realization of the Company's deferred tax assets is dependent on future taxable income within the respective jurisdictions against which these deductions, losses and credits can be utilized within the applicable future periods.

The Company must assess the likelihood that some portion or all of its deferred tax assets will be recovered from future taxable income within the respective jurisdictions, and to the extent the Company believes that recovery does not meet the "more-likely-than-not" standard, the Company must establish a valuation allowance. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management judgment is required in determining the Company's provision for income taxes, the Company's deferred tax assets and liabilities and any valuation allowance recorded against its net deferred tax assets. At December 27, 2014 and December 28, 2013, the Company's domestic net deferred tax assets were fully reserved with a valuation allowance because, based on the available evidence, the Company believed at that time it was more likely than not that it would not be able to utilize those deferred tax assets in the future. The Company intends to maintain a valuation allowance until sufficient evidence exists to support the reversal of the valuation allowance. The Company makes estimates and judgments about its future taxable income, by jurisdiction, based on assumptions that are consistent with its plans and estimates. Should the actual amounts differ from the Company's estimates, the amount of its valuation allowance could be materially impacted.

Foreign Currency Translation and Transactions

The Company considers the functional currencies of its foreign subsidiaries to be the local currency. Assets and liabilities recorded in foreign currencies are translated at the exchange rate as of the balance sheet date, and costs and expenses are translated at average exchange rates in effect during the period. Equity transactions are translated using historical exchange rates. The effects of foreign currency translation adjustments are recorded as a separate component of Accumulated Comprehensive Loss in the accompanying consolidated balance sheets.

For all non-functional currency account balances, the re-measurement of such balances to the functional currency will result in either a foreign exchange transaction gain or loss which is recorded to Other gain (loss), net in the same period that the re-measurement occurred. Aggregate foreign exchange transaction loss recorded in 2014, 2013 and 2012 were \$1.4 million, \$1.4 million and \$1.6 million, respectively.

The Company entered into foreign currency exchange forward contracts to reduce the impact of foreign exchange fluctuations on earnings from accounts receivable balances denominated in euros and British pounds, and restricted cash denominated in euros.

Cash, Cash Equivalents and Short-term and Long-term Investments

The Company considers all highly liquid instruments with an original maturity at the date of purchase of 90 days or less to be cash equivalents. These instruments may include cash, money market funds and commercial paper. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Cash, cash equivalents and short-term investments consist of highly-liquid investments in certificates of deposits, money market funds, commercial paper, corporate bonds and U.S. treasuries. Long-term investments primarily consist of corporate bonds. The Company considers all debt instruments with original maturities at the date of purchase greater than 90 days and remaining time to maturity of one year or less to be short-term investments. The Company classifies debt instruments with remaining maturities greater than one year as long-term investments, unless the Company intends to settle its holdings within one year or less and in such case it is considered to be short-term investments. The Company determines the appropriate classification of its marketable securities at the time of purchase and re-evaluates such designations as of each balance sheet date.

Available-for-sale investments are stated at fair market value with unrealized gains and losses recorded in Accumulated other comprehensive loss in the Company's consolidated balance sheets. The Company evaluates its available-for-sale marketable debt securities for other-than-temporary impairments and records any credit loss portion in Other income (expense), net in the Company's consolidated statements of operations. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity and for any credit losses incurred on these securities. Gains and losses are recognized when realized in the Company's consolidated statements of operations under the specific identification method.

Fair Value Measurement of Investments

Pursuant to the accounting guidance for fair value measurements and its subsequent updates, fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Valuation techniques used by the Company are based upon observable and unobservable inputs. Observable or market inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions about market participant assumptions based on the best information available. Observable inputs are the preferred source of values. These two types of inputs create the following fair value hierarchy:

Level 1	–	Quoted prices in active markets for identical assets or liabilities.
Level 2	–	Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3	–	Prices or valuations that require management inputs that are both significant to the fair value measurement and unobservable.

The Company measures its cash equivalents, foreign currency exchange forward contracts and debt securities at fair value and classifies its securities in accordance with the fair value hierarchy. The Company's money market funds and U.S. treasuries are classified within Level 1 of the fair value hierarchy and are valued based on quoted prices in active markets for identical securities.

The Company classifies its certificates of deposit, commercial paper, corporate bonds and foreign currency exchange forward contracts within Level 2 of the fair value hierarchy as follows:

Certificates of Deposit

The Company reviews market pricing and other observable market inputs for the same or similar securities obtained from a number of industry standard data providers. In the event that a transaction is observed for the same or similar security in the marketplace, the price on that transaction reflects the market price and fair value on that day. In the absence of any observable market transactions for a particular security, the fair market value at period end would be equal to the par value. These inputs represent quoted prices for similar assets or these inputs have been derived from observable market data.

Commercial Paper

The Company reviews market pricing and other observable market inputs for the same or similar securities obtained from a number of industry standard data providers. In the event that a transaction is observed for the same or similar security in the marketplace, the price on that transaction reflects the market price and fair value on that day and then follows a revised accretion schedule to determine the fair market value at period end. In the absence of any observable market transactions for a particular security, the fair market value at period end is derived by accreting from the last observable market price. These inputs represent quoted prices for similar assets or these inputs have been derived from observable market data accreted mathematically to par.

Corporate Bonds

The Company reviews trading activity and pricing for each of the corporate bond securities in its portfolio as of the measurement date and determines if pricing data of sufficient frequency and volume in an active market exists in order to support Level 1 classification of these securities. If sufficient quoted pricing for identical securities is not available, the Company obtains market pricing and other observable market inputs for similar securities from a number of industry standard data providers. In instances where multiple prices exist for similar securities, these prices are used as inputs into a distribution-curve to determine the fair market value at period end.

Foreign Currency Exchange Forward Contracts

As discussed in Note 5, "Derivative Instruments," to the Notes to Condensed Consolidated Financial Statements, the Company mainly holds non-speculative foreign exchange forward contracts to hedge certain foreign currency exchange exposures. The Company estimates the fair values of derivatives based on quoted market prices or pricing models using current market rates. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit risk, foreign exchange rates, and forward and spot prices for currencies.

The Company classified its auction rate securities ("ARS") within Level 3 of the fair value hierarchy. The Company's ARS were classified within Level 3 because they were valued, in part, by using inputs that were unobservable in the market and were significant to the valuation. During 2013, the Company disposed of its remaining ARS. As of December 27, 2014, none of the Company's existing securities were classified as Level 3 securities.

Other-Than-Temporary Impairments

The Company reviews its available-for-sale marketable debt securities on a regular basis to evaluate whether or not a security has experienced an other-than-temporary decline in fair value. If a debt security's market value is below amortized cost and the Company either intends to sell the security or it is more likely than not that the Company will be required to sell the security before its anticipated recovery, the Company records an other-than-temporary impairment ("OTTI") charge to earnings for the entire amount of the impairment.

When the Company does not intend to sell an impaired security and it is not more likely than not that the Company will be required to sell prior to recovery of its amortized cost basis, the Company separates the OTTI into credit and non-credit loss portions. The amount representing the credit loss is recognized in Other income (expense), net, and the amount related to all other factors is recognized in Accumulated other comprehensive loss.

In determining if a credit loss has occurred, it is the Company's policy to isolate the credit loss related portion of the discount rate used to derive the fair market value of the security and apply this to the expected cash flows in order to determine the portion of the OTTI that is credit loss related. This credit related portion of the discount rate is based on the financial condition of the issuer, changes in rating agency credit ratings for the security or increases in credit related yield spreads on similar securities offered by the same issuer.

Once a credit impairment loss has been recognized in the Company's consolidated statements of operations, the amortized cost basis of that available-for-sale security is reduced by the amount of the credit impairment loss, resulting in a new cost basis for the security. Any non-credit related unrealized gains and losses are recorded in Accumulated other comprehensive loss in the Company's consolidated balance sheets. The

Company will continue to monitor the security's credit rating and credit spread and will accrete any reduction in the credit impairment loss to interest income over the expected life of the security.

Accounts Receivable and Allowances for Doubtful Accounts

Accounts receivable consist of trade receivables recorded upon recognition of revenue for product and services, reduced by reserves for estimated bad debts. Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Credit is extended based on evaluation of the customer's financial condition. Management makes judgments as to its ability to collect outstanding receivables and provides allowances for a portion of receivables when collection becomes doubtful. Provisions are made based upon a review of all significant outstanding invoices.

Allowances for Sales Returns

Customer product returns are approved on a case by case basis. Specific reserve provisions are made based upon a specific review of all the approved product returns where the customer has yet to return the products to generate the related sales return credit at the end of a period. Estimated sales returns are provided for as a reduction to revenue in 2014, 2013 and 2012. At December 27, 2014, December 28, 2013 and December 29, 2012, revenue was reduced for estimated sales returns by $0.2 million, $0.1 million and $1.3 million, respectively.

Concentration of Risk

Financial instruments that are potentially subject to concentrations of credit risk consist primarily of cash equivalents, short-term investments, long-term investments, cost-method investments and accounts receivable. Investment policies have been implemented that limit investments to investment-grade securities.

As of December 27, 2014 and December 28, 2013, the Company has invested $14.5 million and $9.0 million in a privately-held company. This investment has been accounted for as a cost-basis investment, as the Company owns less than 20% of the voting securities and does not have the ability to exercise significant influence over operating and financial policies of the entity. See Note 4, "Cost-method Investment," to the Notes to Consolidated Financial Statements for more information.

The risk with respect to accounts receivable is mitigated by ongoing credit evaluations that the Company performs on its customers. As the Company expands its sales internationally, it may experience increased levels of customer credit risk associated with those regions. Collateral is generally not required for accounts receivable but may be used in the future to mitigate credit risk associated with customers located in certain geographical regions.

As of December 27, 2014, one customer accounted for approximately 13% of the Company's accounts receivable balance. As of December 28, 2013, one customer accounted for approximately 13% of the Company's accounts receivable balance.

To date, a few of the Company's customers have accounted for a significant portion of its revenue. One customer accounted for over 10% of total revenue in 2014. Revenue from this customer was 19% of total revenue in 2014. No individual customer accounted for over 10% of the Company's revenue in 2013 or 2012.

The Company depends on a single or limited number of suppliers for components and raw materials. The Company generally purchases these single or limited source components and materials through standard purchase orders and does not have long-term contracts with many of these limited-source suppliers. While the Company seeks to maintain sufficient reserve stock of such components and materials, the Company's business and results of operations could be adversely affected by a stoppage or delay in receiving such components and materials, the receipt of defective parts, an increase in the price of such components and materials or the Company's inability to obtain reduced pricing from its suppliers in response to competitive pressures.

Derivative Instruments

The Company is exposed to foreign currency exchange rate fluctuations in the normal course of its business. As part of its risk management strategy, the Company uses derivative instruments, specifically forward contracts, to reduce the impact of foreign exchange fluctuations on earnings. The forward contracts are with one high-quality institution and the Company monitors the creditworthiness of the counter party consistently. The Company's objective is to offset gains and losses resulting from these exposures with gains and losses on the derivative contracts used to hedge them, thereby reducing volatility of earnings or protecting fair values of assets. None of the Company's derivative instruments contain credit-risk related contingent features, any rights to reclaim cash collateral or any obligation to return cash collateral. The Company does not have any leveraged derivatives. The Company does not use derivative contracts for trading or speculative purposes.

The Company enters into foreign currency exchange forward contracts to manage its exposure to fluctuations in foreign exchange rates that arise primarily from its euro and British pound denominated receivables and euro denominated restricted cash balance amounts that are pledged as collateral for certain stand-by letters of credit. Gains and losses on these contracts are intended to offset the impact of foreign exchange rate changes on the underlying foreign currency denominated accounts receivables and restricted cash, and therefore, do not subject the Company to material balance sheet risk. The forward contracts are with one high-quality institution and the Company consistently monitors the creditworthiness of the counterparty. The forward contracts entered into during 2014 were denominated in euros and British pounds, and typically had maturities of no more than 35 days. The contracts are settled for U.S. dollars at maturity at rates agreed to at inception of the contracts.

Inventory Valuation

Inventories consist of raw materials, work-in-process and finished goods and are stated at standard cost adjusted to approximate the lower of actual cost (first-in, first-out method) or market. Market value is based upon an estimated selling price reduced by the estimated cost of disposal. The determination of market value involves numerous judgments including estimated average selling prices based upon recent sales volumes, industry trends, existing customer orders, current contract price, future demand and pricing and technological obsolescence of the Company's products.

Inventory that is obsolete or in excess of the Company's forecasted demand or is anticipated to be sold at a loss is written down to its estimated net realizable value based on historical usage and expected demand. In valuing its inventory costs and deferred inventory costs, the Company considered whether the utility of the products delivered or expected to be delivered at less than cost, primarily comprised of common equipment, had declined. The Company concluded that, in the instances where the utility of the products delivered or expected to be delivered was less than cost, it was appropriate to value the inventory costs and deferred inventory costs at cost or market, whichever is lower, thereby recognizing the cost of the reduction in utility in the period in which the reduction occurred or can be reasonably estimated. The Company has, therefore, recognized inventory write-downs as necessary in each period in order to reflect inventory at the lower of cost or market ("LCM").

The Company considers whether it should accrue losses on firm purchase commitments related to inventory items. Given that the net realizable value of common equipment is below contractual purchase price, the Company has also recorded losses on these firm purchase commitments in the period in which the commitment is made. When the inventory parts related to these firm purchase commitments are received, that inventory is recorded at the purchase price less the accrual for the loss on the purchase commitment.

Deferred Inventory Costs

When the Company's products have been delivered and ownership (typically defined as title and risk of loss) has transferred to the customer, but the product revenue associated with the arrangement has been deferred as a result of not meeting the revenue recognition criteria, the Company also defers the related inventory costs for the delivered items and recognizes the inventory costs either ratably or when the related revenue meets the revenue recognition criteria.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. This includes enterprise-level business software that the Company customizes to meets its specific operational needs. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or estimated useful life of the asset. An assumption of lease renewal where a renewal option exists is used only when the renewal has been determined to be reasonably assured. Repair and maintenance costs are expensed as incurred. The estimated useful life for each asset category is as follows:

	Estimated Useful Lives
Laboratory and manufacturing equipment	1.5 to 10 years
Furniture and fixtures	3 to 5 years
Computer hardware and software	1.5 to 7 years
Leasehold improvements	1 to 10 years

The Company regularly reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable or that the useful life is shorter than originally estimated. If impairment indicators are present and the projected future undiscounted cash flows are less than the carrying value of the assets, the carrying values are reduced to the estimated fair value. If assets are determined to be recoverable, but the useful lives are shorter than originally estimated, the carrying value of the assets is depreciated over the newly determined remaining useful lives.

Accrued Warranty

The Company warrants that its products will operate substantially in conformity with product specifications. Upon delivery of the Company's products, we provide for the estimated cost to repair or replace products that may be returned under warranty. The Company's hardware warranty periods range from one to five years from date of acceptance for hardware and 90 days for software warranty. The hardware warranty accrual is based on actual historical returns and cost of repair experience and the application of those historical rates to the Company's in-warranty installed base. The provision for warranty claims fluctuates depending upon the installed base of products and the failure rates and costs of repair associated with these products under warranty. Furthermore, the Company's costs of repair vary based on repair volume and its ability to repair, rather than replace, defective units. In the event that actual product failure rates and costs to repair differ from the Company's estimates, revisions to the warranty provision are required. Consequently, the Company regularly assesses the adequacy of its warranty liabilities and adjusts the amounts as necessary. In addition, the Company has software warranty support obligations and the costs associated with providing these software warranties have been insignificant to the Company's consolidated financial statements to date.

Recent Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2013-11, "Income Taxes - Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry Forward, a Similar Tax Loss, or a Tax Credit Carry Forwards Exists" ("ASU 2013-11"). ASU 2013-11 requires entities to present the unrecognized tax benefits in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward. ASU 2013-11 is effective for annual and interim periods for fiscal years beginning on or after December 15, 2013. The Company's adoption of ASU 2013-11 during the first quarter of 2014 had no impact on the Company's financial position, results of operations or cash flow.

In May 2014, the FASB issued Accounting Standards Update 2014-09, "Revenue from Contracts from Customers" ("ASU 2014-09"). ASU 2014-09 provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 will require an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update creates a five-step model that requires entities to exercise judgment when considering the terms of the contract(s), which include (i) identifying the contract(s) with the customer; (ii) identifying the separate performance obligations in the contract; (iii) determining the transaction price; (iv) allocating the transaction price to the separate performance obligations; and (v) recognizing revenue when each performance obligation is satisfied. ASU 2014-09 will be effective for the Company's first quarter of 2017. The Company has the option to apply the provisions of ASU 2014-09 either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of applying this ASU recognized at the date of initial application. Early adoption is not permitted. The Company is currently evaluating the method and impact the adoption of ASU 2014-09 will have on the Company's consolidated financial statements.

In June 2014, the FASB issued Accounting Standards Update No. 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period" ("ASU 2014-12"). ASU 2014-12 requires that a performance target that affects vesting and could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Accounting Standard Codification ("ASC") 718, "Compensation—Stock Compensation" ("ASC 718"), as it relates to such awards. ASU 2014-12 will be effective for the Company's first quarter of fiscal 2017 with early adoption permitted using either of two methods: (i) prospective to all awards granted or modified after the effective date; or (ii) retrospective to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter, with the cumulative effect of applying ASU 2014-12 as an adjustment to the opening retained earnings balance as of the beginning of the earliest annual period presented in the financial statements. The Company is currently evaluating the impact of the pending adoption of ASU 2014-12 on the Company's consolidated financial statements.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"). ASU 2014-15 provides guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 is effective for the Company in its fourth quarter of fiscal 2017 with early adoption permitted. The Company is currently evaluating the impact of the pending adoption of ASU 2014-15 on its consolidated financial statements.

In January 2015, the FASB issued Accounting Standards Update 2015-01, "Income Statement - Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items" ("ASU 2015-01"). ASU 2015-01 eliminates the concept of an extraordinary item from GAAP. As a result, an entity will no longer be required to segregate extraordinary items from the results of ordinary operations, to separately present an extraordinary item on its income statement, net of tax, after income from continuing operations or to disclose income taxes and earnings-per-share data applicable to an extraordinary item. However, ASU 2015-01 will still retain the presentation and disclosure guidance for items that are unusual in nature and occur infrequently. ASU 2015-01 will be effective for the Company in its first quarter of fiscal 2017. The adoption of ASU 2015-01 is not expected to have a material effect on the Company's consolidated financial statements.

In February 2015, the FASB issued Accounting Standards Update 2015-02, "Consolidation (Topic 10): Amendments to the Consolidation Analysis" ("ASU 2015-02"). ASU 2015-02 provides guidance on the consolidation evaluation for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. In accordance with ASU 2015-02, all legal entities are subject to reevaluation under the revised consolidation model. ASU 2015-02 will be effective for the Company in its first quarter of fiscal 2016. The Company is currently evaluating the impact of the pending adoption of ASU 2015-02 on its consolidated financial statements."

3. Fair Value Measurements and Other-Than-Temporary Impairments

Fair Value Measurements

The following tables represent the Company's fair value hierarchy for its marketable securities measured at fair value on a recurring basis (in thousands):

	As of December 27, 2014				As of December 28, 2013			
	Fair Value Measured Using				Fair Value Measured Using			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Money market funds	$21,478	$ —	$ —	$ 21,478	$51,749	$ —	$ —	$ 51,749
Certificates of deposit	—	8,060	—	8,060	—	3,840	—	3,840
Commercial paper	—	46,072	—	46,072	—	85,860	—	85,860
Corporate bonds	—	235,285	—	235,285	—	150,595	—	150,595
U.S. treasuries	14,810	—	—	14,810	4,804	—	—	4,804
Foreign currency exchange forward contracts	$ —	$ —	$ —	$ —	$ —	$ 29	$ —	$ 29
Total assets	$36,288	$289,417	$ —	$325,705	$56,553	$240,324	$ —	$296,877
Liabilities								
Foreign currency exchange forward contracts	$ —	$ (64)	$ —	$ (64)	$ —	$ (26)	$ —	$ (26)

During 2014 and 2013, there were no transfers of assets or liabilities between Level 1 and Level 2 and there were no transfers into or out of Level 3 financial assets.

During 2013, the Company disposed of its remaining $3.1 million (par value) of ARS, with $0.1 million of ARS called at par value and $3.0 million of ARS tendered at 95% of par value. The following table presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (in thousands):

	December 29, 2012	Total Net Gains Included in Other Comprehensive Income	Calls	Sold	December 28, 2013
ARS—available-for-sale	$ 2,873	$ —	$ (92) (1)	$ (2,781) (2)	$ —

(1) Amount represents the fair market value of the securities called. Realized gains on these calls were not significant in 2013.

(2) Amount represents the fair market value of the securities sold at 95% par value. Realized gains for 2013 were $0.2 million.

Investments were as follows (in thousands):

	December 27, 2014			
	Adjusted Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	$ 21,478	$ —	$ —	$ 21,478
Certificates of deposit	8,060	—	—	8,060
Commercial paper	46,073	—	(1)	46,072
Corporate bonds	235,713	2	(430)	235,285
U.S. treasuries	14,825	1	(16)	14,810
Total available-for-sale investments	$ 326,149	$ 3	$ (447)	$ 325,705

	December 28, 2013			
	Adjusted Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	$ 51,749	$ —	$ —	$ 51,749
Certificates of deposit	3,840	—	—	3,840
Commercial paper	85,870	2	(12)	85,860
Corporate bonds	150,711	27	(143)	150,595
U.S. treasuries	4,802	2	—	4,804
Total available-for-sale investments	$ 296,972	$ 31	$ (155)	$ 296,848

As of December 27, 2014, the Company's available-for-sale investments in certificates of deposit, commercial paper, corporate bonds and U.S. treasuries have a contractual maturity term of up to 18 months. Proceeds from sales, maturities and calls of available-for-sale investments were $236.5 million, $128.5 million and $129.2 million in 2014, 2013 and 2012, respectively. Gross realized gains (losses) on short-term and long-term investments were insignificant for these periods. The specific identification method is used to account for gains and losses on available-for-sale investments.

Other-Than-Temporary Impairments

As a result of the Company's disposal of $3.1 million of ARS (par value) during 2013, it recorded an approximately $0.2 million gain, which was recognized as Other gain (loss) in the Company's consolidated statements of operations. There were no other-than-temporary impairments during 2014.

A roll-forward of amortized cost, cumulative OTTI recognized in earnings and Accumulated other comprehensive loss is as follows (in thousands):

	Amortized Cost	Cumulative OTTI in Earnings	Unrealized Gain	OTTI Loss in Accumulated Other Comprehensive Loss	Accumulated Other Comprehensive Income (Loss)
Balance at December 29, 2012	$ 2,707	$ (394)	$ 784	$ (618)	$ 166
Call on investments	(87)	13	(25)	20	(5)
Investments sold	(2,620)	381	(759)	598	(161)
Balance at December 28, 2013	$ —	$ —	$ —	$ —	$ —

4. Cost-method Investment

As of December 27, 2014 and December 28, 2013, the Company's investment in a privately-held company was $14.5 million and $9.0 million, respectively. This investment is accounted for as a cost-basis investment as the Company owns less than 20% of the voting securities and does not have the ability to exercise significant influence over operating and financial policies of the entity. The Company's investment is in an entity that is not publicly traded and, therefore, no established market for the securities exists. The Company's investment is carried at historical cost in its consolidated financial statements and will be measured at fair value on a nonrecurring basis if indicators of impairment exist in the future. If the Company believes that the carrying value of the cost basis investment is in excess of estimated fair value, the Company's policy is to record an impairment charge in Other income (expense), net in the accompanying consolidated statements of operations to adjust the carrying value to estimated fair value, when the impairment is deemed other-than-temporary. The Company regularly evaluates the carrying value of this cost-method investment for impairment. As of December 27, 2014 and December 28, 2013, no event had occurred that would be considered an indicator of impairment, therefore, the fair value of the cost-method investment is not estimated. The Company did not record any impairment charges for this cost-method investment during 2014, 2013 and 2012.

5. Derivative Instruments

Foreign Currency Exchange Forward Contracts

As of December 27, 2014, the Company did not designate foreign currency exchange forward contracts related to euro and British pound denominated receivables and restricted cash as hedges for accounting purposes, and, accordingly, changes in the fair value of these instruments are included in Other gain (loss), net in the accompanying consolidated statements of operations. The before-tax effect of foreign currency exchange forward contracts for euro and British pound denominated receivables and restricted cash not designated as hedging instruments was a gain of $1.6 million for 2014, a loss of $2.2 million for 2013, and a gain of $1.4 million in 2012, included in Other gain (loss), net in the consolidated statements of operations.

The fair value of derivative instruments not designated as hedging instruments in the Company's consolidated balance sheets was as follows (in thousands):

	As of December 27, 2014			As of December 28, 2013		
	Gross Notional[(1)]	Prepaid Expenses and Other Assets	Other Accrued Liabilities	Gross Notional[(1)]	Prepaid Expenses and Other Assets	Other Accrued Liabilities
Foreign currency exchange forward contracts						
Related to euro denominated receivables	$ 34,445	$ —	$ (53)	$ 16,867	$ 27	$ —
Related to British pound denominated receivables	$ 2,678	$ —	$ (9)	$ 13,271	$ —	$ (26)
Related to restricted cash	$ 1,236	$ —	$ (2)	$ 1,391	$ 2	$ —
Total		$ —	$ (64)		$ 29	$ (26)

(1) Represents the face amounts of forward contracts that were outstanding as of the period noted.

6. Balance Sheet Details

Restricted Cash

The Company's long-term restricted cash balance is primarily comprised of certificates of deposit, of which the majority is not insured by the Federal Deposit Insurance Corporation. These amounts primarily collateralize the Company's issuances of stand-by and commercial letters of credit. Additionally, the Company's restricted cash balance includes a leave encashment fund for India employees and a corporate bank card deposit for employees in the United Kingdom.

The following table provides details of selected balance sheet items (in thousands):

	December 27, 2014	December 28, 2013
Inventory:		
Raw materials	$ 15,169	$ 14,311
Work in process	50,046	49,172
Finished goods[(1)]	81,285	60,202
Total[(2)]	$ 146,500	$ 123,685
Property, plant and equipment, net:		
Computer hardware	$ 8,785	$ 9,692
Computer software[(3)]	17,684	16,988
Laboratory and manufacturing equipment	162,004	146,834
Furniture and fixtures	1,340	1,347
Leasehold improvements	37,825	35,913
Construction in progress	14,726	8,950
Subtotal	$ 242,364	$ 219,724
Less accumulated depreciation and amortization[(4)]	(160,798)	(140,056)
Total	$ 81,566	$ 79,668
Accrued expenses:		
Loss contingency related to non-cancelable purchase commitments	$ 5,390	$ 5,120
Professional and other consulting fees	1,831	1,411
Taxes payable	3,993	2,372
Royalties	2,648	1,540
Accrued rebate and customer prepay liability	941	3,807
Accrued interest on convertible senior notes	219	219
Other accrued expenses	11,419	7,962
Total	$ 26,441	$ 22,431

(1) Included in finished goods inventory at December 27, 2014 and December 28, 2013 were $10.2 million and $9.2 million, respectively, of inventory at customer locations for which product acceptance had not occurred.

(2) As of December 27, 2014 and December 28, 2013, the Company's inventory value had been reduced by $10.1 million and $8.7 million, respectively, for excess and obsolescence, and $7.1 million and $5.0 million, respectively, for LCM adjustments.

(3) Included in computer software at December 27, 2014 and December 28, 2013 were $7.9 million and $7.9 million, respectively, related to an enterprise resource planning ("ERP") system that the Company implemented during 2012. The unamortized ERP costs at December 27, 2014 and December 28, 2013 were $5.2 million and $6.3 million, respectively.

(4) Depreciation expense was $25.9 million, $24.5 million and $23.5 million (which includes depreciation of capitalized ERP costs of $1.1 million, $1.1 million and $0.4 million, respectively) for 2014, 2013 and 2012, respectively.

7. Comprehensive Loss

Other comprehensive loss includes certain changes in equity that are excluded from net loss. The following table sets forth the changes in accumulated other comprehensive loss by component for the periods presented (in thousands):

	Unrealized Gain (Loss) on Auction Rate Securities	Unrealized Gain (Loss) on Other Available-for-Sale Securities	Foreign Currency Translation	Accumulated Tax Effect	Total
Balance at December 31, 2011	$ 307	$ (142)	$ (1,607)	$ (753)	$ (2,195)
Other comprehensive loss before reclassifications	—	158	(43)	(7)	108
Amounts reclassified from accumulated other comprehensive loss	(141)	—	—	—	(141)
Net current-period other comprehensive loss	(141)	158	(43)	(7)	(33)
Balance at December 29, 2012	$ 166	$ 16	$ (1,650)	$ (760)	$ (2,228)
Other comprehensive loss before reclassifications	—	(140)	(952)	—	(1,092)
Amounts reclassified from accumulated other comprehensive loss	(166)	—	—	—	(166)
Net current-period other comprehensive loss	(166)	(140)	(952)	—	(1,258)
Balance at December 28, 2013	$ —	$ (124)	$ (2,602)	$ (760)	$ (3,486)
Other comprehensive loss before reclassifications	—	(320)	(812)	—	(1,132)
Amounts reclassified from accumulated other comprehensive loss	—	—	—	—	—
Net current-period other comprehensive loss	—	(320)	(812)	—	(1,132)
Balance at December 27, 2014	$ —	$ (444)	$ (3,414)	$ (760)	$ (4,618)

The following table provides details about reclassifications out of accumulated other comprehensive loss for the periods presented (in thousands):

Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss			Affected Line Item in the Statement Where Net Loss is Presented
	Years Ended			
	December 27, 2014	December 28, 2013	December 29, 2012	
Unrealized gain on auction rate securities	$ —	$ (166)	$ (141)	Other gain (loss), net
	—	—	—	Provision for income taxes
Total reclassifications for the period	$ —	$ (166)	$ (141)	Total, net of income tax

8. Basic and Diluted Net Income (Loss) Per Common Share

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per common share is computed using net income (loss) and the weighted average number of common shares outstanding plus potentially dilutive common shares outstanding during the period. Potentially dilutive common shares include the assumed exercise of outstanding stock options, assumed release of outstanding restricted stock units ("RSUs") and performance stock units ("PSUs"), assumed conversion of convertible senior notes from conversion spread, and assumed issuance of stock under the Company's ESPP using the treasury stock method. The Company includes the common shares underlying PSUs in the calculation of diluted net income per share only when they become contingently issuable. In net loss periods, these potentially diluted common shares have been anti-dilutive and therefore, excluded from the diluted net loss calculation.

The following table sets forth the computation of net income (loss) per common share—basic and diluted (in thousands, except per share amounts):

	Years Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
Numerator:			
Net income (loss)	$ 13,659	$ (32,119)	$ (85,330)
Denominator:			
Basic weighted average common shares outstanding	123,672	117,425	110,739
Effect of dilutive securities:			
Employee equity plans	4,778	—	—
Assumed conversion of convertible senior notes from conversion spread	115	—	—
Dilutive weighted average common shares outstanding	128,565	117,425	110,739
Net income (loss) per common share			
Basic	$ 0.11	$ (0.27)	$ (0.77)
Diluted	$ 0.11	$ (0.27)	$ (0.77)

The number of shares outstanding used in the computation of basic and diluted net income (loss) per share does not include the effect of the potential outstanding common stock listed in the following table. The effects of these potentially outstanding shares were not included in the calculation of diluted net income (loss) per share because their effect would have been anti-dilutive under the treasury stock method or the performance condition of the award has not been met (in thousands):

	As of		
	December 27, 2014	December 28, 2013	December 29, 2012
Stock options outstanding	362	6,367	9,008
Restricted stock units	331	6,583	6,703
Performance stock units	124	721	1,368
Employee stock purchase plan shares	741	661	1,100
Warrants to purchase common stock	—	—	93
Total	1,558	14,332	18,272

In 2014, the Company included the dilutive effects of the Company's convertible senior notes in the calculation of diluted net income per common share as the average market price was above the conversion price. The dilutive impact of the Company's convertible senior notes was based on the difference between the Company's average stock price and the conversion price of the convertible senior notes, provided there is a spread. In 2013, the Company excluded the potential shares issuable upon conversion of the convertible senior notes in the calculation of diluted earnings per share because the market price was below the conversion price. Upon conversion of the convertible senior notes, it is the Company’s intention to pay cash equal to the lesser of the aggregate principal amount or the conversion value of the Notes being converted, therefore, only the conversion spread relating to the notes would be included in the Company’s diluted earnings per share calculation unless their effect is anti-dilutive.

9. Convertible Senior Notes

In May 2013, the Company issued $150.0 million of 1.75% convertible senior notes due June 1, 2018 (the “Notes”). The Notes will mature on June 1, 2018, unless earlier purchased by the Company or converted. Interest is payable semi-annually in arrears on June 1 and December 1 of each year, commencing December 1, 2013. The net proceeds to the Company were approximately $144.5 million.

The Notes are governed by an indenture dated as of May 30, 2013 (the “Indenture”), between the Company, as issuer, and U.S. Bank National Association, as trustee. The Notes are unsecured and do not contain any financial covenants or any restrictions on the payment of dividends, the incurrence of senior debt or other indebtedness, or the issuance or repurchase of securities by the Company.

Upon conversion, it is the Company's intention to pay cash equal to the lesser of the aggregate principal amount or the conversion value of the Notes. For any remaining conversion obligation, The Company intends to pay cash, shares of common stock or a combination of cash and shares of common stock, at the Company's election. The initial conversion rate is 79.4834 shares of common stock per $1,000 principal amount of Notes, subject to anti-dilution adjustments. The initial conversion price is approximately $12.58 per share of common stock.

Throughout the term of the Notes, the conversion rate may be adjusted upon the occurrence of certain events, including for any cash dividends. Holders of the Notes will not receive any cash payment representing accrued and unpaid interest upon conversion of a Note. Accrued but unpaid interest will be deemed to be paid in full upon conversion rather than canceled, extinguished or forfeited. Holders may convert their Notes under the following circumstances:

- during any fiscal quarter commencing after the fiscal quarter ending on September 28, 2013 (and only during such fiscal quarter) if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- during the five business day period after any five consecutive trading day period (the “measurement period”) in which the trading price per $1,000 principal amount of Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company’s common stock and the conversion rate on each such trading day;
- upon the occurrence of specified corporate events described under the Indenture, such as a consolidation, merger or binding share exchange; or
- at any time on or after December 1, 2017 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their Notes at any time, regardless of the foregoing circumstances.

If the Company undergoes a fundamental change as defined in the Indenture governing the Notes, holders may require the Company to repurchase for cash all or any portion of their Notes at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date. In addition, upon the occurrence of a “make-whole fundamental change” (as defined in the Indenture), the Company will, in certain circumstances, increase the conversion rate by a number of additional shares for a holder that elects to convert its Notes in connection with such make-whole fundamental change.

The carrying amounts of the liability components of the Notes were as follows (in thousands):

	December 27, 2014	December 28, 2013
Principal	$ 150,000	$ 150,000
Unamortized discount [(1)]	(30,257)	(37,322)
Carrying amount	119,743	112,678

(1) Unamortized discount includes debt conversion discount and issuance costs, which will be amortized over the remaining life of the Notes, which is approximately 4 years.

As of December 27, 2014 and December 28, 2013, the carrying amount of the equity components of the Notes was as follows (in thousands):

Debt discount related to value of conversion option	45,000
Debt issuance cost	(1,659)
Total	43,341

In accounting for the issuance of the Notes, the Company separated the Notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar debt instrument that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was determined by deducting the fair value of the liability component from the par value of the Notes. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. The excess of the principal amount of the liability component over its carrying amount (“debt discount”) is amortized to interest expense over the term of the Notes. The remaining debt conversion discount amount to be amortized over the remaining years until maturity of the Notes was $33.1 million as of December 27, 2014.

In accounting for the issuance costs of $5.5 million related to the Notes, the Company allocated the total amount incurred to the liability and equity components of the Notes based on their relative values. Issuance costs attributable to the liability component were recorded as other non-current assets and will be amortized to interest expense over the term of the Notes. The issuance costs attributable to the equity component were netted with the equity component in stockholders’ equity. Additionally, the Company initially recorded a deferred tax liability of $17.0 million in connection with the issuance of the Notes, and a corresponding reduction in valuation allowance. The impact of both was recorded to stockholders’ equity.

The Company determined that the embedded conversion option in the Notes does not require separate accounting treatment as a derivative instrument because it is both indexed to the Company’s own stock and would be classified in stockholder’s equity if freestanding.

The following table sets forth total interest expense recognized related to the Notes (in thousands):

	Years Ended	
	December 27, 2014	December 28, 2013
Contractual interest expense	$ 2,626	$ 1,539
Amortization of debt issuance costs	665	358
Amortization of debt discount	7,730	4,164
Total interest expense	$ 11,021	$ 6,061

The coupon rate was 1.75%. For the years ended December 27, 2014 and December 28, 2013, the debt discount and debt issuance costs were amortized, using an annual effective interest rate of 10.23%, to interest expense over the term of the Notes.

As of December 27, 2014, the fair value of the Notes was $198.9 million. The fair value was determined based on the quoted bid price of the Notes in an over-the-counter market on December 26, 2014. The Notes are classified as Level 2 of the fair value hierarchy. Based on the closing price of the Company's common stock of $14.91 on December 26, 2014, the if-converted value of the Notes exceeded their principal amount by approximately $27.8 million.

During the fourth quarter of 2014, the closing price of our common stock did not meet or exceed 130% of the applicable conversion price of our Notes on at least 20 of the last 30 consecutive trading days of the quarter; furthermore, no other conditions allowing holders of the Notes to convert have been met as of December 27, 2014. Therefore, the Notes are not convertible as of December 27, 2014 and are classified as long-term debt.

10. Commitments and Contingencies

Operating Leases

The Company leases facilities under non-cancelable operating lease agreements. These leases have varying terms that range from one to ten years, predominantly no longer than ten years each and contain leasehold improvement incentives, rent holidays and escalation clauses. In addition, some of these leases have renewal options for up to five years. The Company has contractual commitments to remove leasehold improvements and return certain properties to a specified condition when the leases terminate. At the inception of a lease with such conditions, the Company records an asset retirement obligation liability and a corresponding capital asset in an amount equal to the estimated fair value of the obligation. Asset retirement obligations were $2.7 million and $2.6 million as of December 27, 2014 and December 28, 2013, respectively. These obligations are classified as other long-term liabilities on the accompanying consolidated balance sheets.

The Company recognizes rent expense on a straight-line basis over the lease period factoring in leasehold improvement incentives, rent holidays and escalation clauses. Rent expense for all leases was $7.2 million, $6.8 million and $6.7 million for 2014, 2013 and 2012, respectively. The Company did not have any sublease rental income for 2014, 2013 and 2012.

Future annual minimum operating lease payments at December 27, 2014 were as follows (in thousands):

	2015	2016	2017	2018	2019	Thereafter	Total
Operating lease payments	$ 7,063	$ 6,419	$ 5,575	$ 5,106	$ 5,344	$ 8,546	$ 38,053

Purchase Commitments

The Company has service agreements with its major production suppliers, where the Company is committed to purchase certain parts. These obligations are typically less than the Company's purchase needs.

As of December 27, 2014, December 28, 2013 and December 29, 2012, these non-cancelable purchase commitments were $128.3 million, $69.6 million and $52.7 million, respectively.

Future purchase commitments at December 27, 2014 were as follows (in thousands):

	2015	2016	2017	2018	2019	Thereafter	Total
Purchase obligations	$ 126,211	$ 2,050	$ —	$ —	$ —	$ —	$ 128,261

The contractual obligation tables above exclude tax liabilities of $2.2 million related to uncertain tax positions because the Company is unable to determine the timing of settlement, if any, of these future payments with a reasonably reliable estimate.

Indemnification Obligations

From time to time, the Company enters into certain types of contracts that contingently require it to indemnify parties against third party claims. These contracts primarily relate to: (i) certain real estate leases under which the Company may be required to indemnify property owners for environmental and other liabilities, and other claims arising from the Company's use of the applicable premises; (ii) certain agreements with the Company's officers, directors and certain key employees, under which the Company may be required to indemnify such persons for liabilities; and (iii) certain provisions in the Company's customer agreements that may require the Company to indemnify their customers and their affiliated parties against certain liabilities, including if the Company's products infringe a third party's intellectual property rights.

The terms of such indemnification obligations vary. Because the maximum obligated amounts under these agreements generally are not explicitly stated, the maximum potential amount of future payments the Company could be required to make under these indemnification agreements is generally unlimited.

To date, the Company has not incurred any material costs as a result of the indemnification obligations and has not accrued any liabilities related to such obligations in the Company's consolidated financial statements. The Company may be obligated to indemnify the Company's customers in connection with the lawsuit filed by Cambrian Science Corporation ("Cambrian") on July 7, 2011, to the extent the Company's product is found to infringe the Cambrian patent at issue (Patent No. 6,775,312) (see Note 12, "Legal Matters," to the Notes to Consolidated Financial Statements).

As permitted under Delaware law and the Company's charter and bylaws, the Company has agreements whereby it indemnifies certain of its officers and each of its directors for certain events or occurrences while the officer or director is, or was, serving at the Company's request in such capacity. The term of the indemnification period is for the officer's or director's lifetime. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a Director and Officer insurance policy that may reduce its exposure and enable it to recover all or a portion of any future amounts paid. As a result of its insurance policy coverage, the Company believes the estimated fair value of these indemnification agreements is minimal.

11. Guarantees

Product Warranties

Upon delivery of products, the Company provides for the estimated cost to repair or replace products or the related components that may be returned under hardware warranties. In general, hardware warranty periods range from one to five years. Hardware warranties provide the purchaser with protection in the event that the product does not perform to product specifications. During the warranty period, the purchaser's sole and exclusive remedy in the event of such defect or failure to perform is limited to the correction of the defect or failure by repair, refurbishment or replacement, at the Company's sole option and expense. The Company estimates its hardware warranty obligations based on the Company's historical and industry experience of product failure rates, use of materials to repair or replace defective products, and service delivery costs incurred in correcting product failures. In addition, from time to time, specific hardware warranty accruals may be made if unforeseen technical problems arise with specific products. Management periodically assesses the adequacy of the Company's recorded warranty liabilities and adjusts the amounts as necessary.

Activity related to product warranty was as follows (in thousands):

	December 27, 2014	December 28, 2013
Beginning balance	$ 22,908	$ 16,482
Charges to operations	22,697	21,193
Utilization	(10,860)	(9,404)
Change in estimate[1]	(7,705)	(5,363)
Balance at the end of the period	$ 27,040	$ 22,908

(1) The Company records hardware warranty liabilities based on the latest quality and cost information available as of that date. The changes in estimate shown here are due to changes in overall actual failure rates and the resulting impact of these changes on the Company's estimate of expected future returns, as well as changes in the estimated cost and the mix of new versus used units related to replacement of failed units.

Letters of Credit

The Company had $5.0 million of standby letters of credit outstanding as of December 27, 2014. These consisted of $3.0 million related to a customer proposal guarantee, $1.3 million related to a value added tax license and $0.7 million related to property leases. The Company had $3.5 million of standby letters of credit outstanding as of December 28, 2013. These consisted of $1.4 million related to a customer proposal guarantee, $1.4 million related to a value added tax license and $0.7 million related to property leases.

12. Legal Matters

Cambrian Science Patent Infringement Litigation

On July 12, 2011, the Company was notified by Level 3 that Cambrian Science Corporation ("Cambrian") filed suit against Level 3 and six other defendants, including Cox Communications, Inc., XO Communications, LLC, Global Crossing Limited, 360Networks (USA), Inc., Integra Telecom, Inc. and IXC, Inc. dba Telekenex (collectively, the "Defendants") in the U.S. District Court for the Central District of California alleging infringement of patent no. 6,775,312 (the "'312 Patent") and requesting damages for such alleged infringement (the "Cambrian Claim"). The nature of the Cambrian Claim involves allegations of infringement of the '312 Patent resulting from the Defendants' use of certain products and systems in the Defendants' networks, including the Infinera DTN platform. On August 24, 2011, Cambrian amended the complaint to name the Company as a defendant. The Company assumed the defense of the Cambrian Claim and filed an answer to Cambrian's complaint on September 21, 2011, in which the Company denied infringement of the '312 Patent and raised other defenses. Cambrian filed a second amended complaint on October 6, 2011, which included many of the same allegations as in the original complaint. The Company filed its answer to the second amended complaint on October 21, 2011, in which the Company maintained the same denials and defenses as in the Company's initial answer. On December 23, 2011, the Company filed a motion requesting that the court stay the case with respect to each of the above-noted customer Defendants. Cambrian filed its opposition to the Company's motion on December 30, 2011. The Company's request was denied in the court's decision on March 7, 2012. The Company presented evidence on the appropriate meanings of relevant key words used in the patent claims during a claim construction hearing on November 20, 2012.

On June 17, 2013, the court issued an order regarding claim construction, in which the court agreed with almost all of the Company's proposed claim constructions. On October 17, 2013, the parties met for a court-mandated mediation. On April 24, 2014, the Company filed two motions for summary judgment relating to non-infringement and Cambrian's claim to an earlier date of invention. The court held a hearing on the summary judgment motions on June 9, 2014. On July 2, 2014, the court granted the Company's motion for summary judgment on non-infringement and entered a final judgment of non-infringement of the '312 Patent. On August 1, 2014, Cambrian filed a notice of appeal regarding the ruling of non-infringement to the Court of Appeals for the Federal Circuit and Cambrian's appeal brief was filed on November 6, 2014. The Company filed its responsive brief on January 5, 2015, and on February 5, 2015, Cambrian filed their reply brief. The Company is seeking to recover certain costs and attorney's fees from Cambrian.

As of December 27, 2014, the Company concluded that the likelihood of a loss with respect to this suit was remote and the amount of any loss would be insignificant. The Company does not believe the outcome of this matter will have a material adverse effect on the Company's business, consolidated financial position, results of operations, or cash flows. Factors that the Company considered in the determination of the likelihood of a loss and the estimate of that loss in respect to this matter included the merits of the case, the district court granting the Company's motion for summary judgment for non-infringement, the entry of final judgment of non-infringement and the current stage of the litigation. However, the outcome of such legal matters is inherently unpredictable and subject to uncertainty.

Loss Contingencies

The Company 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. In the preparation of its quarterly and annual financial statements, the Company considers the likelihood of loss or the incurrence of a liability, including whether it is probable, reasonably possible or remote that a liability has been incurred, as well as the Company's ability to reasonably estimate the amount of loss, in determining loss contingencies. In accordance with U.S. GAAP, 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. The Company regularly evaluates current information to determine whether any accruals should be adjusted and whether new accruals are required. As of December 27, 2014, the Company has not accrued or recorded any such material liabilities.

13. Stockholders' Equity

2000 Stock Plan, 2007 Equity Incentive Plan and Employee Stock Purchase Plan

In December 2000, the Company adopted the 2000 Stock Plan ("2000 Plan"). Under the 2000 Plan, as amended, the Company had reserved an aggregate of 14.2 million shares of its common stock for issuance. As of December 27, 2014, options to purchase 0.8 million shares of the Company's common stock were outstanding under the 2000 Plan. The Company's board of directors decided not to grant any additional options or other awards under the 2000 Plan following the Company's IPO in 2007. The 2000 Plan expired on December 6, 2010. However, the 2000 Plan will continue to govern the terms and conditions of the outstanding options previously granted under the 2000 Plan.

In February 2007, the Company's board of directors adopted the 2007 Equity Incentive Plan ("2007 Plan") and the Company's stockholders approved the 2007 Plan in May 2007. The Company has reserved a total of 46.8 million shares of common stock for issuance under the 2007 Plan. Pursuant to the 2007 Plan, the Company may award stock options, restricted stock, RSUs, PSUs, performance shares and stock appreciation rights to employees, consultants and members of the Company's board of directors. The 2007 Plan has a maximum term of 10 years from the date of adoption, or it can be earlier terminated by the Company's board of directors.

The ESPP was adopted by the board of directors in February 2007 and approved by the stockholder in May 2007. The ESPP was last amended by the stockholders in May 2014 to increase the shares authorized under the ESPP to 16.6 million shares of common stock. The ESPP has a 20-year term. Eligible employees may purchase the Company's common stock through payroll deductions at a price equal to 85% of the lower of the fair market values of the stock as of the beginning or the end of six-month offering periods. An employee's payroll deductions under the ESPP are limited to 15% of the employee's compensation and employees may not purchase more than $25,000 of stock during any calendar year.

Shares Reserved for Future Issuances

Common stock reserved for future issuance was as follows (in thousands):

	December 27, 2014
Outstanding stock options and awards	11,217
Reserved for future option and award grants	17,256
Reserved for future ESPP	7,262
Total common stock reserved for stock options and awards	35,735

Stock-based Compensation Plans

The Company has stock-based compensation plans pursuant to which the Company has granted stock options, RSUs and PSUs. The Company also has an ESPP for all eligible employees. As of December 27, 2014, there were a total of 17.3 million shares of common stock available for grant under the Company's 2007 Plan. The following tables summarize the Company's equity award activity and related information (in thousands, except per share data):

	Number of Options	Weighted-Average Exercise Price Per Share	Aggregate Intrinsic Value
Outstanding at December 31, 2011	**9,873**	**$ 7.03**	**$ 7,924**
Options granted	127	$ 7.18	
Options exercised	(582)	$ 4.39	$ 1,484
Options canceled	(410)	$ 8.50	
Outstanding at December 29, 2012	**9,008**	**$ 7.13**	**$ 5,726**
Options granted	—	$ —	
Options exercised	(2,217)	$ 6.59	$ 7,583
Options canceled	(424)	$ 8.04	
Outstanding at December 28, 2013	**6,367**	**$ 7.26**	**$ 17,452**
Options granted	25	$ 9.02	
Options exercised	(2,001)	$ 6.99	$ 8,182
Options canceled	(93)	$ 12.38	
Outstanding at December 27, 2014	**4,298**	**$ 7.29**	**$ 32,833**
Vested and expected to vest as of December 27, 2014	**4,296**		**$ 32,814**
Exercisable at December 27, 2014	**4,219**	**$ 7.28**	**$ 32,261**

	Number of Restricted Stock Units	Weighted-Average Grant Date Fair Value Per Share	Aggregate Intrinsic Value
Outstanding at December 31, 2011	**5,957**	**$ 8.77**	**$ 37,407**
RSUs granted	3,620	$ 7.51	
RSUs released	(2,495)	$ 9.07	$ 17,742
RSUs canceled	(379)	$ 8.27	
Outstanding at December 29, 2012	**6,703**	**$ 8.01**	**$ 38,873**
RSUs granted	3,602	$ 7.63	
RSUs released	(3,070)	$ 8.26	$ 25,028
RSUs canceled	(652)	$ 7.63	
Outstanding at December 28, 2013	**6,583**	**$ 7.72**	**$ 64,443**
RSUs granted	2,705	$ 8.80	
RSUs released	(2,797)	$ 7.84	$ 24,858
RSUs canceled	(449)	$ 7.85	
Outstanding at December 27, 2014	**6,042**	**$ 8.14**	**$ 90,085**
Expected to vest as of December 27, 2014	**5,850**		**$ 87,221**

	Number of Performance Stock Units	Weighted-Average Grant Date Fair Value Per Share	Aggregate Intrinsic Value
Outstanding at December 31, 2011	**2,595**	**$ 10.51**	**$ 16,304**
PSUs granted	515	$ 7.85	
PSUs released	(883)	$ 9.40	$ 5,448
PSUs canceled	(859)	$ 10.04	
Outstanding at December 29, 2012	**1,368**	**$ 10.53**	**$ 7,933**
PSUs granted	552	$ 6.63	
PSUs released	(684)	$ 10.53	$ 4,284
PSUs canceled	(515)	$ 11.31	
Outstanding at December 28, 2013	**721**	**$ 7.04**	**$ 7,054**
PSUs granted	508	$ 8.34	
PSUs released	(255)	$ 6.36	$ 2,097
PSUs canceled	(98)	$ 7.18	
Outstanding at December 27, 2014	**876**	**$ 7.49**	**$ 13,067**
Expected to vest as of December 27, 2014	**663**		**$ 9,884**

The aggregate intrinsic value of unexercised options is calculated as the difference between the closing price of the Company’s common stock of $14.91 at December 26, 2014 and the exercise prices of the underlying stock options. The aggregate intrinsic value of the options which have been exercised is calculated as the difference between the fair market value of the common stock at the date of exercise and the exercise price of the underlying stock options. The aggregate intrinsic value of unreleased RSUs and unreleased PSUs is calculated using the closing price of the Company's common stock of $14.91 at December 26, 2014. The aggregate intrinsic value of RSUs and PSUs released is calculated using the fair market value of the common stock at the date of release.

The following table presents total stock-based compensation cost for instruments granted but not yet amortized, net of estimated forfeitures, of the Company's equity compensation plans as of December 27, 2014. These costs are expected to be amortized on a straight-line basis over the following weighted-average periods (in thousands, except for weighted-average period):

	Unrecognized Compensation Expense, Net	Weighted-Average Period (in years)
Stock options	$ 239	1.5
RSUs	$ 28,287	2.3
PSUs	$ 2,055	1.5

The following table summarizes information about options outstanding at December 27, 2014.

	Options Outstanding			Vested and Exercisable Options	
Exercise Price	Number of Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
	(In thousands)	(In years)		(In thousands)	
$0.76 - $ 4.04	754	1.51	$ 2.06	754	$ 2.06
$6.30 - $ 7.25	536	5.29	$ 6.87	504	$ 6.88
$7.45 - $ 7.61	706	3.72	$ 7.54	704	$ 7.54
$7.68 - $ 8.19	1,069	3.91	$ 8.12	1,049	$ 8.13
$8.39 - $ 8.58	627	6.01	$ 8.57	627	$ 8.57
$8.85 - $ 22.36	606	3.91	$ 11.05	581	$ 11.14
	4,298	3.94	$ 7.29	4,219	$ 7.28

Employee Stock Options

In February 2012, the Compensation Committee of the Company's board of directors shortened the maximum term of future option grants under the 2007 Plan from 10 years to 7 years. The weighted-average remaining contractual term of options outstanding and exercisable was 3.9 years as of December 27, 2014. Total fair value of stock options granted to employees and directors that vested during 2014, 2013 and 2012 was approximately $0.8 million, $3.2 million and $10.0 million, respectively, based on the grant date fair value.

The estimated values of stock options, as well as assumptions used in calculating these values were based on estimates as follows (expense amounts in thousands):

	Years Ended		
Employee and Director Stock Options	December 27, 2014	December 28, 2013	December 29, 2012
Volatility	52%	N/A	65% - 68%
Risk-free interest rate	1.3%	N/A	0.7% - 1.0%
Expected life	4.3 years	N/A	4.0 - 5.3 years
Estimated fair value	3.85	N/A	$3.75 - $3.76
Total stock-based compensation expense	$702	$2,792	$8,436

N/A Not applicable because the Company did not grant any options to employees for the period presented.

Employee Stock Purchase Plan

The fair value of the ESPP shares was estimated at the date of grant using the following assumptions:

	Years Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
Volatility	46% - 51%	46% - 49%	54% - 57%
Risk-free interest rate	0.02% - 0.11%	0.10% - 0.14%	0.16% - 0.17%
Expected life	0.3 - 0.5 years	0.5 years	0.5 years
Estimated fair value	\$2.05 - \$2.57	\$1.87 - \$3.00	\$1.73 - \$2.63

The Company's ESPP activity for the following periods was as follows (in thousands):

	Years Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
Stock-based compensation expense	\$ 3,760	\$ 3,022	\$ 3,586
Employee contributions	\$ 10,728	\$ 8,559	\$ 9,030
Shares purchased	1,438	1,656	1,653

Restricted Stock Units

During 2014, 2013 and 2012, the Company granted RSUs to employees and members of the Company's board of directors to receive an aggregate of 2.7 million, 3.6 million and 3.6 million shares of the Company's common stock, respectively. The Company accounted for the fair value of the RSUs using the closing market price of the Company's common stock on the date of grant. Amortization of stock-based compensation expense related to RSUs in 2014, 2013 and 2012 was approximately \$21.6 million, \$23.8 million and \$27.9 million, respectively.

Performance Stock Units

Pursuant to the 2007 Plan, during 2014, the Company granted 0.4 million shares of PSUs to certain of the Company's executive officers. The number of shares to be issued upon vesting of PSUs range from 0 to 1.5 times the number of PSUs granted depending on the relative performance of the Company's common stock price compared to the IGN Index over the span of one, two and three years of total shareholder returns.

The ranges of estimated values of the PSUs granted, as well as assumptions used in calculating these values were based on estimates as follows:

	Year Ended December 27, 2014
Infinera Volatility	49% - 50%
IGN Index Volatility	25%
Risk-free interest rate	0.66% - 0.71%
Correlation with IGN Index	0.60
Estimated fair value	\$6.59 - \$7.60

Pursuant to the 2007 Plan, during 2014, the Company granted 0.1 million shares of PSUs to several employees. These PSUs will only vest upon the achievement of certain specific performance criteria and are subject to each employee's continued service to the Company. If the specific performance metrics are not met within the time limits specified in the award agreements, the PSUs will be canceled.

Pursuant to the 2007 Plan, during 2013, the Company granted 0.6 million shares of PSUs to certain of its executive officers. The number of shares to be issued upon vesting of PSUs range from 0 to 1.5 times the number of PSUs granted depending on the relative performance of the Company's common stock price compared to the NASDAQ Telecom Composite Index over the span of one, two and three years of total shareholder returns. If the specific performance metrics are not met within the time limits specified in the award agreements, the PSUs will be cancelled. During 2014, the Company released 0.3 million shares of PSUs based on a payout of 1.5 times of the target number of PSUs.

The ranges of estimated values of the PSUs granted, as well as assumptions used in calculating these values were based on estimates as follows:

	Year Ended December 28, 2013
Infinera Volatility	55%
NASDAQ Telecom Composite Index Volatility	23%
Risk-free interest rate	0.42%
Correlation with NASDAQ Telecom Composite Index	0.56
Estimated fair value	$6.27 - $7.06

Pursuant to the 2007 Plan, during 2012, the Company granted 0.5 million shares of PSUs to certain of its executive officers. These PSUs will only vest upon the achievement of certain specific revenue and operating profit criteria and are subject to each named executive officer's continued service to the Company. If the financial performance metrics are not met within the time limits specified in the award agreements, the PSUs will be canceled. During 2014, the Company did not release any shares subject to these PSUs.

During 2009, the Company granted PSUs primarily to members of the Company's board of directors and executive officers. The number of shares to be issued upon vesting of PSUs range from 0.5 to 2.0 times the number of PSUs granted depending on the relative performance of the Company's common stock price compared to the NASDAQ Composite Index over a three-year and four-year periods. If the specific performance metrics are not met within the time limits specified in the award agreements, the PSUs will be cancelled. During 2013, the Company released 0.5 million shares of these PSUs based on a payout of 0.5 of the target number of PSUs.

Amortization of stock-based compensation related to PSUs in 2014, 2013 and 2012 was approximately $2.2 million, $0.7 million and $3.3 million, respectively. Amortization of stock-based compensation in 2013 included $2.1 million of expense offset by a $1.4 million decrease in fair value for one award classified as a liability award, in accordance with ASC 718.

Common Stock Warrants

During 2013, warrants to purchase 92,592 shares of common stock were net exercised. The aggregate consideration for such exercises was approximately $0.5 million. As of December 27, 2014, there were no warrants of common stock outstanding.

Stock-based Compensation Expense

The following tables summarize the effects of stock-based compensation on the Company's consolidated balance sheets and statements of operations for the periods presented (in thousands):

	Years Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
Stock-based compensation effects in inventory	$ 3,088	$ 3,189	$ 4,891
Stock-based compensation effects in deferred inventory cost	$ 13	$ 15	$ 42
Stock-based compensation effects in fixed assets	$ 119	$ 145	$ 146
Stock-based compensation effects in net income (loss) before income taxes			
Cost of revenue	$ 1,921	$ 1,871	$ 2,710
Research and development	8,927	10,900	13,306
Sales and marketing	7,477	7,624	10,450
General and administrative	6,383	5,956	9,529
	24,708	26,351	35,995
Cost of revenue—amortization from balance sheet [1]	3,686	5,625	5,824
Total stock-based compensation expense	$ 28,394	$ 31,976	$ 41,819

(1) Represents stock-based compensation expense deferred to inventory and deferred inventory costs in prior periods and recognized in the current period.

14. Income Taxes

The following is a geographic breakdown of the provision for income taxes (in thousands):

	Years Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
Current:			
Federal	$ —	$ —	$ (133)
State	446	(135)	22
Foreign	2,423	1,719	2,169
Total current	$ 2,869	$ 1,584	$ 2,058
Deferred:			
Federal	$ —	$ —	$ —
State	—	—	—
Foreign	(116)	70	132
Total deferred	$ (116)	$ 70	$ 132
Total provision	$ 2,753	$ 1,654	$ 2,190

Income before provision for income taxes from international operations was $5.6 million, $5.8 million and $5.5 million for the years ended December 27, 2014, December 28, 2013 and December 29, 2012, respectively.

The provisions for income taxes differ from the amount computed by applying the statutory federal income tax rates as follows:

	Years Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
Expected tax at federal statutory rate	35.0 %	35.0 %	35.0 %
State taxes, net of federal benefit	1.8 %	0.3 %	— %
Research credits	(11.4)%	4.9 %	— %
Stock-based compensation	14.7 %	(12.2)%	(3.9)%
Change in valuation allowance	(25.3)%	(34.2)%	(33.5)%
Other	2.0 %	0.8 %	(0.2)%
Effective tax rate	16.8 %	(5.4)%	(2.6)%

The Company recognized income tax expense of $2.8 million on income before income taxes of $16.4 million, $1.7 million on loss before income taxes of $30.5 million and $2.2 million on loss of $83.1 million in fiscal years 2014, 2013 and 2012, respectively. The resulting effective tax rates were 16.8%, (5.4)% and (2.6)% for 2014, 2013 and 2012, respectively. The 2014 effective tax rate differs from the expected statutory rate of 35% based upon the utilization of unbenefited U.S. loss carryforwards , offset by state income taxes and foreign taxes provided on foreign subsidiary earnings. The 2013 and 2012 effective tax rates reflect unbenefited current U.S. losses and foreign taxes provided on our profitable foreign subsidiaries. The increase in 2014 tax expense compared to 2013 tax expense relates primarily to higher state income taxes because of the profitable position of the U.S. operations, additional tax reserves and an increase in taxable foreign profits. The decrease in 2013 tax expense compared to 2012 tax expense relates primarily to the release of tax reserves due to the lapsing of the statute of limitations.

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

	Years Ended	
	December 27, 2014	December 28, 2013
Deferred tax assets:		
Net operating losses	$ 107,601	$ 123,908
Research credits	37,435	33,647
Nondeductible accruals	31,151	26,365
Inventory valuation	19,625	13,540
Property, plant and equipment	1,387	1,453
Intangible assets	2,119	3,446
Stock-based compensation	12,830	15,454
Total deferred tax assets	$ 212,148	$ 217,813
Valuation allowance	(199,698)	(202,747)
Net deferred tax assets	$ 12,450	$ 15,066
Deferred tax liabilities:		
Depreciation	(203)	(161)
Convertible senior notes	(12,167)	(14,941)
Total deferred tax liabilities	$ (12,370)	$ (15,102)
Net deferred tax assets (liabilities)	$ 80	$ (36)

The realization of tax benefits of deferred tax assets is dependent upon future levels of taxable income, of an appropriate character, in the periods the items are scheduled to be deductible or taxable. Based on the available objective evidence, management believes it is more likely than not that the domestic net deferred tax assets will not be realizable. Accordingly, the Company has provided a full valuation allowance against its domestic deferred tax assets, net of deferred tax liabilities, as of December 27, 2014 and December 28, 2013. In determining future taxable income, the Company makes assumptions to forecast federal, state and international operating income, the reversal of taxable temporary differences, and the implementation of any feasible and prudent tax planning strategies. The assumptions require judgment regarding the forecasts of future taxable income and are consistent with the Company's forecasts used to manage its business. The Company intends to maintain the remaining valuation allowance until sufficient positive evidence exists to support a reversal of, or decrease, in the valuation allowance.

As of December 27, 2014, the Company has net operating loss carryforwards of approximately $309.1 million for federal tax purposes and $278.7 million for state tax purposes. The carryforward balance reflects expected utilization of both federal and state net operating losses for the year ended December 27, 2014. Additionally, the Company has federal and California research and development credits available to reduce future income taxes payable of approximately $28.0 million and $29.3 million, respectively, as of December 27, 2014. Infinera Canada Inc., an indirect wholly owned subsidiary, has Scientific Research and Experimental Development Expenditures ("SRED") credits available of $2.1 million to offset future Canadian income tax payable as of December 27, 2014. The federal research credits will begin to expire in the year 2021 if not utilized and the California research credits have no expiration date. Canadian SRED credits will begin to expire in the year 2030 if not fully utilized.

The Company maintains net operating losses generated from excess tax benefits associated with the accumulated stock award attributes in a memo account, not included in the deferred tax balances. The additional tax benefit associated with these stock award attributes, of which the net operating loss amounts are included in the carryforward amounts noted above is not recognized until the deduction reduces cash taxes payable. At December 27, 2014, the Company had unbenefited stock option deductions for federal and state tax purposes of $42.0 million and $37.8 million, respectively. When utilized, the estimated tax benefits of approximately $17.8 million will result in a credit to stockholders' equity.

Under the Tax Reform Act of 1986, the amount of benefit from net operating loss and tax credit carryforwards may be impaired or limited in certain circumstances. Events which cause limitations in the amount of net operating losses that the Company may utilize in any one year include, but are not limited to, a cumulative ownership change of more than 50 percent as defined over a three-year testing period. As of December 27, 2014, the Company had determined that while ownership changes had occurred in the past, the resulting limitations were not significant enough to impact the utilization of the tax attributes against its taxable profits earned to date.

The Company's policy with respect to its undistributed foreign subsidiaries' earnings is to consider those earnings to be indefinitely reinvested and, accordingly, no related provision for U.S. federal and state income taxes has been provided. Upon distribution of those earnings in the form of dividends or otherwise, the Company may be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes in the various foreign countries. At December 27, 2014, the undistributed earnings approximated $20.3 million. The future tax consequence of the remittance of these earnings is negligible because of the significant net operating loss carryforwards for U.S. and state purposes and full valuation allowance provided against such carryforwards.

The aggregate changes in the balance of gross unrecognized tax benefits were as follows (in thousands):

	December 27, 2014	December 28, 2013	December 29, 2012
Beginning balance	$ 15,148	$ 13,902	$ 13,066
Tax position related to current year			
Additions	1,990	1,676	1,437
Tax positions related to prior years			
Additions	140	32	75
Reductions	(76)	(132)	(580)
Lapses of statute of limitations	(224)	(330)	(96)
Ending balance	$ 16,978	$ 15,148	$ 13,902

As of December 27, 2014, the cumulative unrecognized tax benefit was $17.0 million, of which $15.1 million was netted against deferred tax assets, which would have otherwise been subjected with a full valuation allowance. Of the total unrecognized tax benefit as of December 27, 2014, approximately $1.8 million, if recognized, would impact the Company's effective tax rate.

As of December 27, 2014, December 28, 2013 and December 29, 2012, the Company had $0.4 million, $0.2 million and $0.2 million, respectively, of accrued interest or penalties related to unrecognized tax benefits, of which less than $0.2 million was included in the Company's provision for income taxes in the year ended December 27, 2014, and less than $0.1 million was included in the Company's provision for income taxes each for the years ended December 28, 2013 and December 29, 2012.

The Company's policy is to include interest and penalties related to unrecognized tax benefits within the Company's provision for income taxes.

The Company is potentially subject to examination by the Internal Revenue Service and the relevant state income taxing authorities under the statute of limitations for years 2002 and forward.

The Company has received assessments of tax resulting from a transfer pricing examinations in India for fiscal years ended March 31, 2008 through March 31, 2009. The Company is appealing the assessment and does not expect a significant adjustment to unrecognized tax benefits as a result of this inquiry. Fiscal years subsequent to March 2009 remain open to examination in India.

The Company does not currently believe there to be a reasonable possibility of a significant change in total unrecognized tax benefits that would occur within the next 12 months and, as such, amounts are classified as other long-term liabilities on the accompanying consolidated balance sheets as of December 27, 2014.

15. Segment Information

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is the Company's Chief Executive Officer ("CEO"). The Company's CEO reviews financial information presented on a consolidated basis, accompanied by information about revenue by geographic region for purposes of allocating resources and evaluating financial performance. The Company has one business activity. Accordingly, the Company is considered to be in a single reporting segment and operating unit structure.

Revenue by geographic region is based on the shipping address of the customer. The following tables set forth revenue and long-lived assets by geographic region (in thousands):

Revenue

	Years Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
Americas:			
United States	$ 476,172	$ 345,734	$ 296,849
Other Americas	34,379	10,377	11,811
	$ 510,551	$ 356,111	$ 308,660
Europe, Middle East and Africa	132,271	150,912	116,663
Asia Pacific	25,257	37,099	13,114
Total revenue	$ 668,079	$ 544,122	$ 438,437

Property, plant and equipment, net

	December 27, 2014	December 28, 2013
United States	$ 79,025	$ 76,850
Other Americas	196	319
Asia Pacific	1,477	1,451
Europe, Middle East and Africa	868	1,048
Total property, plant and equipment, net	$ 81,566	$ 79,668

16. Employee Benefit Plan

The Company has established a savings plan under Section 401(k) of the Internal Revenue Code (the "Plan"). As allowed under Section 401(k) of the Internal Revenue Code, the Plan provides tax-deferred salary contributions for eligible U.S. employees. Employee contributions are limited to a maximum annual amount as set periodically by the Internal Revenue Code. Expenses related to the Company's 401(k) plan were insignificant for 2014, 2013 and 2012.

17. Financial Information by Quarter (Unaudited)

The following table sets forth the Company's unaudited quarterly consolidated statements of operations data for 2014 and 2013. The data has been prepared on the same basis as the audited consolidated financial statements and related notes included in this report. The table includes all necessary adjustments, consisting only of normal recurring adjustments that the Company considers necessary for a fair presentation of this data.

	For the Three Months Ended (Unaudited)							
	2014				2013			
	Dec. 27	Sep. 27	Jun. 28	Mar. 29	Dec. 28	Sep. 28	Jun. 29	Mar. 30
	(In thousands, except per share data)							
Revenue:								
Product	$158,492	$147,178	$142,364	$124,242	$115,102	$121,332	$120,647	$108,343
Services	27,814	26,381	23,035	18,573	23,990	20,688	17,738	16,282
Total revenue	186,306	173,559	165,399	142,815	139,092	142,020	138,385	124,625
Cost of revenue:								
Cost of product	89,809	86,703	85,906	78,438	73,385	66,685	80,198	75,447
Cost of services	12,154	11,554	9,240	5,971	9,795	6,964	6,533	6,476
Total cost of revenue	101,963	98,257	95,146	84,409	83,180	73,649	86,731	81,923
Gross profit	84,343	75,302	70,253	58,406	55,912	68,371	51,654	42,702
Operating expenses	71,477	67,822	62,201	59,462	62,993	61,926	60,262	57,644
Income (loss) from operations	12,866	7,480	8,052	(1,056)	(7,081)	6,445	(8,608)	(14,942)
Other income (expense), net	(2,773)	(2,432)	(2,655)	(3,070)	(2,683)	(2,790)	(800)	(6)
Income (loss) before income taxes	10,093	5,048	5,397	(4,126)	(9,764)	3,655	(9,408)	(14,948)
Provision for income taxes	1,683	205	617	248	414	308	601	331
Net income (loss)	$ 8,410	$ 4,843	$ 4,780	$ (4,374)	$ (10,178)	$ 3,347	$ (10,009)	$ (15,279)
Net income (loss) per common share								
Basic	$ 0.07	$ 0.04	$ 0.04	$ (0.04)	$ (0.08)	$ 0.03	$ (0.09)	$ (0.13)
Diluted	$ 0.06	$ 0.04	$ 0.04	$ (0.04)	$ (0.08)	$ 0.03	$ (0.09)	$ (0.13)

The Company operates and reports financial results on a fiscal year of 52 or 53 weeks ending on the last Saturday of December in each year. Accordingly, fiscal years 2014 and 2013 were 52-week years that ended on December 27, 2014 and December 28, 2013, respectively. The quarters for fiscal years 2014 and 2013 were 13-week quarters.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Attached as exhibits to this Form 10-K are certifications of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), which are required in accordance with Rule 13a-14 of the Exchange Act. This "Controls and Procedures" section includes information concerning the internal controls and controls evaluation referred to in the certifications.

Evaluation of Disclosure Controls and Procedures

An evaluation was performed by our management, with the participation of our CEO and our CFO, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d -15(e) under the Exchange Act). Disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our CEO and CFO concluded that, as of December 27, 2014, our disclosure controls and procedures were effective.

Inherent Limitations Over Internal Controls

Our management, including the CEO and CFO, does not expect that our disclosure controls or our internal controls over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in business conditions or deterioration in the degree of compliance with policies or procedures.

Management's Annual Report on Internal Control Over Financial Reporting

Our management, with the participation of our CEO and CFO, 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 Exchange Act) to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP.

Management assessed the effectiveness of our internal control over financial reporting as of December 27, 2014, the end of our fiscal year. Management based its assessment on the framework established in the 2013 *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("2013 COSO framework"). Management's assessment included evaluation of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment. This assessment is supported by testing and monitoring performed by our internal audit and finance personnel utilizing the 2013 COSO framework.

Based on our assessment, management has concluded that our internal control over financial reporting was effective as of December 27, 2014, the end of our fiscal year, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

Our independent registered public accounting firm, Ernst & Young LLP, has issued an audit report on our internal control over financial reporting, which appears in Part II, Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the most recently completed fiscal year ended December 27, 2014 (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information responsive to this item is incorporated herein by reference to our definitive proxy statement with respect to our 2015 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K. This includes information regarding our directors, compliance with Section 16(a) of the Exchange Act, procedures by which our stockholders may recommend nominees to our board of directors and the Audit Committee. For information pertaining to our executive offers, refer to the section entitled “Executive Officers of the Company” in Part 1, Item 1 of this Annual Report on Form 10-K.

As part of our system of corporate governance, our board of directors has adopted a code of business conduct and ethics. The code applies to all of our employees, officers (including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions), agents and representatives, including our independent directors and consultants, who are not employees of Infinera, with regard to their Infinera-related activities. The full text of our code of business conduct and ethics is posted on our web site at *http://www.infinera.com*. We intend to disclose future amendments to certain provisions of our code of business conduct and ethics, or waivers of such provisions, applicable to any principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions or our directors on our web site identified above. The inclusion of our web site address in this report does not include or incorporate by reference the information on our web site into this report.

ITEM 11. EXECUTIVE COMPENSATION

Information responsive to this item is incorporated herein by reference to our definitive proxy statement with respect to our 2015 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on 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 our definitive proxy statement with respect to our 2015 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information responsive to this item is incorporated herein by reference to our definitive proxy statement with respect to our 2015 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information responsive to this item is incorporated herein by reference to our definitive proxy statement with respect to our 2015 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) *Consolidated Financial Statements*

This Annual Report on Form 10-K contains the following financial statements which appear under Part II, Item 8 of this Form 10-K on the pages noted below:

(a)(2) *Financial Statement Schedule*

Schedule II: Valuation and Qualifying Accounts

	Years Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
		(In thousands)	
Deferred tax asset, valuation allowance			
Beginning balance	$ 202,747	$ 213,449	$ 188,351
Additions	17,276	5,706	25,098
Reductions	(20,325)	(16,408)	—
Ending balance	$ 199,698	$ 202,747	$ 213,449
Allowance for doubtful accounts			
Beginning balance	$ 43	$ 94	$ —
Additions	18	56	94
Reductions	(23)	(107)	—
Ending balance	$ 38	$ 43	$ 94
Provision for other receivables			
Beginning balance	$ —	$ —	$ 563
Additions	—	—	—
Reductions	—	—	(563)
Ending balance	$ —	$ —	$ —

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the consolidated financial statements or notes thereto.

(a)(3) *Exhibits.*

See Index to Exhibits. The Exhibits listed in the accompanying Index to Exhibits are filed or incorporated by reference as part of this Annual Report on Form 10-K.

INDEX TO EXHIBITS

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation, incorporated herein by reference to Exhibit 3.1 of the Registrant’s Current Report on Form 8-K (No. 001-33486), filed with the SEC on June 12, 2007.
3.2	Amended and Restated Bylaws, incorporated herein by reference to Exhibit 3.1 of the Registrant’s Current Report on Form 8-K (No. 001-33486), filed with the SEC on February 17, 2009.
4.1	Form of Common Stock Certificate, incorporated herein by reference to Exhibit 4.1 of the Registrant’s Form S-1/A (No. 333-140876), filed with the SEC on April 27, 2007.
4.2	Indenture dated May 30, 2013, between the Registrant and U.S. Bank National Association, as trustee, incorporated herein by reference to Exhibit 4.1 of the Registrant’s Current Report on Form 8-K (No. 001-33486), filed with the SEC on May 30, 2013.
10.1*	Form of Indemnification Agreement between Registrant and each of its directors and executive officers, incorporated herein by reference to Exhibit 10.1 of the Registrant’s Form S-1 (No. 333-140876), filed with the SEC on February 26, 2007.
10.2*	2000 Stock Plan, as amended, and forms of stock option agreements thereunder, incorporated herein by reference to Exhibit 10.2 of the Registrant’s Form S-1 (No. 333-140876), filed with the SEC on February 26, 2007.
10.3*	2007 Equity Incentive Plan.
10.4*	Infinera Corporation 2007 Employee Stock Purchase Plan, incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K (no. 001-33486), filed with the SEC on May 20, 2014.
10.5*	Form of 2007 Employee Stock Purchase Plan Subscription Agreement, incorporated herein by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K (no. 001-33486), filed with the SEC on May 20, 2014.
10.6*	Bonus Plan, incorporated by reference herein to Exhibit 10.1 of the Registrant’s Current Report on 8-K (No. 001-33486), filed with the SEC on February 14, 2011.
10.7*	Form of Section 16 Officer Restricted Stock Unit Agreement under the 2007 Equity Incentive Plan.
10.8*	Form of Section 16 Officer Performance Share Agreement under the 2007 Equity Incentive Plan.
10.9*	Form of Director Restricted Stock Unit Agreement under the 2007 Equity Incentive Plan.
10.10*	Form of Stock Option Agreement under the 2007 Equity Incentive Plan, incorporated herein by reference to Exhibit 10.1 of the Registrant’s Quarterly Report on Form 10-Q (No. 001-33486), filed with the SEC on May 5, 2010.
10.11*	Form of CEO Amended and Restated Change of Control Severance Agreement, incorporated herein by reference to Exhibit 10.10 of the Registrant’s Annual Report on Form 10-K (No. 001-33486), filed with the SEC on March 5, 2013.
10.12*	Form of Section 16 Officer Amended and Restated Change of Control Severance Agreement, incorporated herein by reference to Exhibit 10.11 of the Registrant’s Annual Report on Form 10-K (No. 001-33486), filed with the SEC on March 5, 2013.
10.13*	Executive Clawback Policy, incorporated herein by reference to Exhibit 10.2 of the Registrant’s Current Report on Form 8-K (No. 001-33486), filed with the SEC on January 17, 2013.
10.14	Separation Agreement and General Release of All Claims between Ronald D. Martin and the Registrant dated January 15, 2013, incorporated herein by reference to Exhibit 10.1 of the Registrant’s Current Report on Form 8-K (No. 001-33486), filed with the SEC on January 17, 2013.
10.15	Consulting Agreement dated April 10, 2013, between the Registrant and Michael O. McCarthy III, incorporated herein by reference to Exhibit 10.1 of the Registrant’s Current Report on Form 8-K (No. 001-33486), filed with the SEC on April 11, 2013.
10.16	Purchase Agreement dated May 23, 2013, between the Registrant and Morgan Stanley and Co. LLC and Goldman, Sachs & Co., as representatives of the initial purchasers, incorporated herein by reference to Exhibit 10.1 of the Registrant’s Current Report on Form 8-K (No. 001-33486), filed with the SEC on May 24, 2013.

Exhibit No.	Description
10.17	Consulting Agreement between Ita Brennan and the Company dated February 28, 2014, Incorporated herein by reference to Exhibit 10.1 of the Registrant’s Current Report on Form 8-K (No. 001-33486), filed with the SEC on March 3, 2014.
10.18	Separation Agreement and General Release of All Claims between Alastair A. Short and the Company, incorporated herein by reference to Exhibit 10.1 of the Registrant’s Current Report on Form 8-K (No. 001-33486), filed with the SEC on July 17, 2014.
10.19*	Executive Severance Policy.
21.1	Subsidiaries.
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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.
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.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

---

* Management contracts or compensation plans or arrangements in which directors or executive officers are eligible to participate.

** This exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filings under the Securities Act of 1933 or the Securities Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

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.

Dated: February 18, 2015

Infinera Corporation

By: /s/ BRAD FELLER

Brad Feller
Chief Financial Officer
Principal Financial and Accounting Officer

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Thomas J. Fallon and Brad Feller, and each of them individually, his or her attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

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 dates indicated.

Name and Signature	Title	Date
/s/ THOMAS J. FALLON **Thomas J. Fallon**	Chief Executive Officer and Director and Principal Executive Officer	February 18, 2015
/s/ BRAD FELLER **Brad Feller**	Chief Financial Officer, Principal Financial and Accounting Officer	February 18, 2015
/s/ DAVID F. WELCH, PH.D. **David F. Welch, Ph.D.**	Co-founder, President and Director	February 18, 2015
/s/ KAMBIZ Y. HOOSHMAND **Kambiz Y. Hooshmand**	Chairman of the Board	February 18, 2015
/s/ JAMES DOLCE **James Dolce**	Director	February 18, 2015
/s/ MARCEL GANI **Marcel Gani**	Director	February 18, 2015
/s/ PAUL J. MILBURY **Paul J. Milbury**	Director	February 18, 2015
/s/ CARL REDFIELD **Carl Redfield**	Director	February 18, 2015
/s/ MARK A. WEGLEITNER **Mark A. Wegleitner**	Director	February 18, 2015

[THIS PAGE INTENTIONALLY LEFT BLANK]

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas J. Fallon, certify that:

1. I have reviewed this Annual Report on Form 10-K of Infinera 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.

Dated: February 18, 2015

By: /s/ THOMAS J. FALLON

Thomas J. Fallon
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Brad Feller, certify that:

1. I have reviewed this Annual Report on Form 10-K of Infinera 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.

Dated: February 18, 2015

By: /s/ BRAD FELLER

Brad Feller
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

INFINERA CORPORATION
Written Statement of Chief Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Thomas J. Fallon, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended, that, to my knowledge on the date hereof:

(a) the Annual Report on Form 10-K of Infinera Corporation for the year ended December 27, 2014 (the “Annual Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) the information contained in the Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Infinera Corporation.

Date: February 18, 2015

/s/ THOMAS J. FALLON

Thomas J. Fallon
Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Infinera Corporation and will be retained by Infinera Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

This certification “accompanies” the Annual Report on Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Annual Report on Form 10-K), irrespective of any general incorporation language contained in such filing.

EXHIBIT 32.2

INFINERA CORPORATION
Written Statement of Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Brad Feller, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended, that, to my knowledge on the date hereof:

(a) that the Annual Report on Form 10-K of Infinera Corporation for the year ended December 27, 2014 (the “Annual Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) the information contained in the Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Infinera Corporation.

Date: February 18, 2015

/s/ BRAD FELLER

Brad Feller
Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Infinera Corporation and will be retained by Infinera Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

This certification “accompanies” the Annual Report on Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Annual Report on Form 10-K), irrespective of any general incorporation language contained in such filing.