Infinera Corporation
2022 Proxy Statement and
2021 Annual Report on Form 10-K

Infinera Corporation
6373 San Ignacio Avenue
San Jose, California 95119

Dear Shareholders,

It is difficult to reflect on 2021 without noting the formidable challenges the company faced throughout the year, including the ongoing effects of a global pandemic, a continuation of supply chain disruption, and the economic impact of rising inflation. Despite these headwinds, our people demonstrated remarkable resilience and unwavering focus on executing against our strategy. The result was a year of significant achievements:

- Delivered strong financial performance — in 2021, we did what we said we would do, delivering against key financial milestones including above market revenue growth, margin expansion, and record bookings and backlog, milestones that mark solid progress toward our long-term business model.
- Drove substantial portfolio innovation — driven by superior performance and game-changing innovation, we continued to advance our vertically integrated portfolio of coherent optical networking solutions in the year, gaining share in key growth markets and positioning us for expansion in new markets as network architectures evolve to meet the challenges of relentless bandwidth growth.
- Improved customer experience — while aligning the organization to deliver increased value to our customers, 2021 marked another year of tangible improvements in key metrics that reflect our commitment to delivering a superior customer experience and unlocking the value of true customer centricity.

Our accomplishments this past year further underscore the dedication and talent of an exceptional global team I am honored to lead and the power of a culture we continue to strengthen through our commitment to inclusion, social responsibility, innovation, and execution excellence. We continued to bolster our executive leadership team by attracting several industry veterans in 2021. Our people remain our greatest asset and the heart of our success, and we continue to focus on their safety, well-being, and career advancement as we drive the business forward.

Our global communications infrastructure serves as a robust foundation for sustainable social and economic value, from enhanced business efficiency and improved education to better health care and the connectivity of diverse cultures and communities. As a technology leader in optical networking and vertically integrated company with optical semiconductor manufacturing based in the U.S., Infinera is helping its customers around the world successfully realize unprecedented levels of infrastructure network efficiency and scalability that empower these and other critical end-user applications. With a strategy to drive shareholder value in the years ahead, our progress in 2021 represents a tangible proof point that we are on the right trajectory to gain market share, continue to innovate to the delight of our customers, and achieve our long-term business objectives.

We remain confident in our ability to create sustainable, long-term value for our shareholders, customers, partners, and employees as we advance our mission of delivering industry-leading innovation in open optical systems and coherent optical subsystems.

Your voting support of the proposals described in the accompanying proxy statement would be deeply appreciated as we work together to increase the value of your investment in Infinera. We continue to thank you for your commitment to Infinera and belief in our team.

Sincerely,

David W. Heard
Chief Executive Officer

Infinera Corporation
6373 San Ignacio Avenue
San Jose, California 95119

Dear Fellow Shareholders,

Infinera has undergone a remarkable transformation in recent years as it set a clear course to extend market leadership in coherent optical networking. Marking progress along this journey, we are pleased with the company's financial performance and portfolio advances in 2021 as it rose to the challenge of navigating another year of profound changes impacting not only our industry, but the world around us. If anything, these changes have taught us that the vision of the company — "A connected world with unlimited bandwidth for everyone — Everywhere, Always and Instantly" — has never been more important.

We are encouraged by the robust demand we are seeing for our solutions across geographies, customers, and network segments, including long-haul, subsea, metro, and access. This demand helped drive operating improvements in 2021 and bodes well for the future as bandwidth and connectivity become increasingly integral to all of our lives. Drawing on an expanded portfolio, a newly strengthened leadership team, a customer-centric approach infusing the entire organization, and strong market cycles driving new growth opportunities, we are well-positioned to execute our strategy and drive continued progress toward our long-term business model.

In keeping with our strategy and long-term goals, we remain committed to becoming increasingly sophisticated in environmental, social, and governance (ESG) practices and taking a proactive and collaborative approach by anticipating evolving regulations and keeping pace with customer and investor expectations. Our commitment to ESG starts at the top with the Board and our executive leadership team, and our programs have full support and enablement from management. Our employees share the company's vision of sustainability and equity and support our goal of creating value for our stakeholders through our ESG initiatives. We are proud of the achievements we've made in 2021, and know that with dedication and innovation, we can tackle the challenges and seize the opportunities ahead of us.

I have the privilege of leading a highly qualified, independent and diverse Board, one which continues to be inspired by the ability of the Infinera team to overcome challenging external conditions to deliver strong results while looking after its customers, partners, and employees and living the core values that define great companies. We are excited about the future ahead and the company's ability to achieve long-term success.

In closing, as you review the accompanying proxy statement, the Board hopes our collective commitment to excellence in our corporate governance and executive compensation practices is evident. We value the ongoing support of our shareholders and thank you for your investment.

Sincerely,

George A. Riedel
Independent Board Chair

Infinera Corporation
6373 San Ignacio Avenue
Sunnyvale, California 95119

NOTICE OF 2022 ANNUAL MEETING OF SHAREHOLDERS

To Be Held on May 19, 2022
10:00 a.m. Pacific Time

Dear Shareholder:

You are cordially invited to attend the virtual 2022 Annual Meeting of Shareholders of Infinera Corporation ("Infinera"), a Delaware corporation, and any postponement, adjournment or other delay thereof (the "Annual Meeting"). The Annual Meeting will be held via live webcast at *www.virtualshareholdermeeting.com/INFN2022* on Thursday, May 19, 2022 at 10:00 a.m. Pacific Time. You will be able to attend the Annual Meeting online and submit questions during the Annual Meeting by visiting the website listed above. You will also be able to vote your shares electronically at the Annual Meeting.

This Annual Meeting is being held for the following purposes:

1. To elect three Class III directors to the Board of Directors to hold office until the 2025 annual meeting of stockholders or until their respective successors have been duly elected and qualified, or until their earlier death, resignation or removal from the Board of Directors;
2. To approve the Infinera Corporation 2016 Equity Incentive Plan, as amended, which increases the number of shares authorized for issuance thereunder by 8,500,000 shares;
3. To approve, on an advisory basis, the compensation of Infinera's named executive officers, as described in the Proxy Statement;
4. To ratify the appointment of Ernst & Young LLP as Infinera's independent registered public accounting firm for the fiscal year ending December 31, 2022; and
5. 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 was March 22, 2022 (the "Record Date"). Only shareholders of record at the close of business on that date may vote at the Annual Meeting. **Your vote is important. Whether or not you expect to attend the Annual Meeting, 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 April 1, 2022.** The proxy materials and our annual report can be accessed by visiting *www.virtualshareholdermeeting.com/INFN2022*.

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

By Order of the Board,

Nancy Erba
Chief Financial Officer

San Jose, California
April 1, 2022

Important Notice Regarding Proxy Materials for the Shareholder Meeting to be Held on May 19, 2022

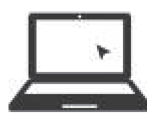
The Notice of Annual Meeting, Proxy Statement and Form of Proxy are first being mailed on or about April 1, 2022 to all shareholders entitled to vote at the Annual Meeting. This Proxy Statement and our 2021 Annual Report are also available on the Investors page at *investors.infinera.com*.

Virtual Meeting Admission

Shareholders of record as of March 22, 2022 will be able to participate in the Annual Meeting by visiting our Annual Meeting website at *www.virtualshareholdermeeting.com/INFN2022*. To participate in the Annual Meeting, you will need the 16-digit control number included on your proxy card.

The Annual Meeting will begin promptly at 10:00 a.m. Pacific time on Thursday, May 19, 2021. Online check-in will begin at 9:45 a.m. Pacific time, and you should allow approximately 15 minutes for the online check-in procedures.

Voting. Whether or not you plan to virtually attend the Annual Meeting and regardless of the number of shares of common stock that you own, please cast your vote, at your earliest convenience, as instructed on your proxy card and/or voting instruction form. **Your vote is very important.** Your vote before the Annual Meeting will ensure representation of your shares at the Annual Meeting even if you are unable to virtually attend. You may submit your vote by the Internet, telephone, mail or virtually at the Annual Meeting. Voting over the Internet or by telephone is fast and convenient, and your vote is immediately confirmed and tabulated. By using the Internet or telephone, you help us reduce postage, printing and proxy tabulation costs. We encourage all holders of record to vote in accordance with the instructions on the proxy card and/or voting instruction form prior to the Annual Meeting even if they plan on virtually attending the Annual Meeting. Submitting a vote before the Annual Meeting will not preclude you from voting your shares at the Annual Meeting should you decide to virtually attend. You may vote using the following methods:



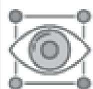
Prior to the Annual Meeting, visit the website listed on your proxy card/voting instruction form to vote via the Internet.

During the Annual Meeting, visit our Annual Meeting website at *www.virtualshareholdermeeting.com/INFN2022*

Sign, date and return your proxy card/voting instruction form to vote by mail.

Call the telephone number on your proxy card/voting instruction form to vote by telephone.

INFINERA AT A GLANCE

<table>
<tr><th colspan="4">About Infinera</th></tr>
<tr><td colspan="4"> Our Vision
A connected world with unlimited bandwidth for everyone — Everywhere, Always and Instantly</td></tr>
<tr><td colspan="4"> Our Mission
Lead the industry into an era of Open Optical Networking — a simplified, open, and modular approach to delivering innovations that fundamentally change the economics and agility of networks — in order to provide meaningful value to our customers and shareholders</td></tr>
<tr><td colspan="4"> Our Differentiation
The Infinera Experience defines our promise of a differentiated business relationship with our customers — from how we design our products for ease of use and help our customers gain a competitive advantage to how we rapidly respond to customer needs, issues, and challenges</td></tr>
<tr><td colspan="4">Our Company, Customers, and Solutions</td></tr>
<tr><td>$1.4B+ in Revenue</td><td>~1,900 Patents</td><td>3,000+ Employees</td><td>45+ Countries with Operations</td></tr>
<tr><td>High-End Subcomponent Technology</td><td>Transport Systems for Network Infrastructure</td><td>Automation Software</td><td>Professional Services</td></tr>
<tr><td>1,000+ Customers Worldwide</td><td>9 of the Top 10 Service Providers</td><td>7 of the Top 9 Internet Content Providers</td><td></td></tr>
<tr><td colspan="4">History of Technology Innovation</td></tr>
<tr><td colspan="4">Infinera has a distinguished history of delivering breakthrough innovation through multi-discipline opto-electronic R&D including: industry-leading high-performance optical engines, revolutionary point-to-multipoint coherent optics, and customized design and production</td></tr>
<tr><td>AISC/DSP Design</td><td>Analog Electronics Design</td><td>PIC Design and Fabrication</td><td>Solution Packaging</td></tr>
<tr><td>Holistic Co-design</td><td>RF Interconnects</td><td>TROSA Design and Production</td><td>Coherent Pluggables Design and Production</td></tr>
</table>

Responsibility & Ethics Throughout Our Business

At Infinera, we focus our innovation and our efforts on the elements of sustainability that are most material to our business and to our stakeholders.

Corporate governance

- Business ethics
- Transparency and reporting
- Supply chain management
- Data security
- Product safety and compliance

Environmental responsibility

- Greenhouse gas emissions
- Energy management
- Waste and hazardous materials management
- Environmental compliance

Social responsibility

- Employee health and safety
- Employee development and engagement
- Diversity, equity and inclusion
- Labor practices and human rights
- Community engagement

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Table of Contents

	Page
Proxy Statement Summary	1
Meeting Agenda and Voting Matters	1
Board Nominees	1
Board and Governance Highlights	1
Executive Compensation Program Highlights	2
Our Board of Directors	4
Proposal 1—Election of Directors	4
Who We Are	4
How We Are Selected and Elected	15
How We Govern and Are Governed	17
How We Are Organized	20
How to Communicate with Us	25
How We Are Paid	25
Our Pay	30
Compensation Discussion and Analysis	30
Executive Summary	30
Overview of our Executive Compensation Program Philosophy and Process	34
Fiscal 2021 Compensation	39
Additional Information Regarding Our Compensation Practices	44
Compensation Committee Report	48
Executive Compensation Tables	49
Risk Assessment of Compensation Practices	59
Proposal 2—Approval of the Infinera Corporation 2016 Equity Incentive Plan, As Amended	60
Proposal 3—Advisory Approval of Named Executive Officer Compensation	71
Our Auditors	72
Proposal 4—Ratification of Appointment of Independent Registered Public Accounting Firm	72
Report of the Audit Committee	74
Certain Relationships and Related Party Transactions	75
Delinquent Section 16(a) Reports	75
Equity Compensation Plan Information	76
Our Shareholders	77
Security Ownership of Certain Beneficial Owners and Management	77
Shareholder Proposals for 2023 Annual Meeting	78
Delivery of Documents to Shareholders Sharing the Same Last Name and Address	79
Other Matters	80
User's Guide	81
Annual Meeting	81
Stock Ownership	83
Quorum and Voting	83
Additional Information	86
Appendix A—Unaudited Reconciliations from GAAP to Non-GAAP	A-1
Appendix B—Infinera Corporation 2016 Equity Incentive Plan	B-1

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PROXY STATEMENT SUMMARY

Here are highlights of important information you will find in this Proxy Statement. As it is only a summary, please review the complete Proxy Statement before you vote.

Virtual Shareholder Meeting
Our 2022 Annual Meeting will be conducted as a virtual meeting held over the Internet, allowing all of our shareholders the option to participate in the live, online meeting from any location convenient to them, providing shareholder access to our Board and management, and enhancing participation while supporting the safety of our shareholders during the ongoing COVID-19 pandemic. Shareholders at the close of business on March 22, 2022 will be allowed to communicate with us and ask questions in our virtual shareholder meeting forum before and during the meeting. All directors and executive officers are expected to be available to answer questions. Representatives of Ernst & Young LLP will be available to respond to appropriate questions. For further information on the virtual meeting, please see the "User's Guide" at the back of this Proxy Statement. Please note that there will not be a physical meeting.

Meeting Agenda and Voting Matters

Agenda Items	Board Vote Recommendation	Page Reference (for more detail)
1. To elect three Class III directors to the Board of Directors to hold office until the 2025 annual meeting of stockholders or until their respective successors have been duly elected and qualified, or until their earlier death, resignation or removal from the Board of Directors.	FOR EACH DIRECTOR NOMINEE	4
2. To approve the Infinera Corporation 2016 Equity Incentive Plan (the "2016 Plan"), as amended, which increases the number of shares authorized for issuance thereunder by 8,500,000 shares.	FOR	60
3. To approve, on an advisory basis, the compensation of Infinera's named executive officers, as described in the Proxy Statement.	FOR	71
4. To ratify the appointment of Ernst & Young LLP as Infinera's independent registered public accounting firm for the fiscal year ending December 31, 2022.	FOR	72
5. To transact such other business that may properly come before the meeting or any postponement or adjournment thereof.		

Board Nominees

				Committee Memberships[2]		
Name	**Age**	**Director Since**	**Independent[1]**	**AC**	**CC**	**NGC**
Christine Bucklin	59	2020	✓	M	—	—
Gregory P. Dougherty	62	2019	✓	—	M	M
Sharon Holt	57	2019	✓	—	C	—

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

(1) Under the rules and regulations of the SEC and the listing standards of The Nasdaq Stock Market ("Nasdaq").

(2) Committee memberships shown are effective upon the conclusion of our 2022 Annual Meeting of Shareholders.

Board and Governance Highlights

Board Independence. Nine out of eleven of our directors are independent in accordance with the rules and regulations of the SEC and the listing standards of Nasdaq.

Board Diversity. The Board consists of a diverse group of professionals who bring significant experience, leadership and distinct qualities and skill sets to Infinera. Three of our directors are female, one of whom was appointed as chair of our Nominating and Governance Committee during 2020 and will become chair of our Compensation Committee effective upon the conclusion of our 2022 Annual Meeting of Shareholders, relinquishing her position on our Nominating and Governance Committee. One of our directors is an "underrepresented minority," as such term is defined under the Nasdaq Board Diversity Rule. While we believe the current composition of the Board provides a diverse range of perspectives and experience to engage each other and management to effectively represent our shareholders, we are actively engaged in efforts to further increase our Board's cultural and ethnic diversity.

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

Board and Committee Evaluation. The Board and its committees assess their performance through an annual self-evaluation.

Board Tenure. The average tenure of our current Board members is approximately five years. We have refreshed our Board by appointing six new directors in the last three years.

Board Committees. We have three standing committees of the Board – Audit, Compensation, and Nominating and Governance. All committees are composed entirely of independent directors.

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 for service as a director.

Risk Oversight. 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.

Executive Compensation Program Highlights

The design of our executive compensation program for fiscal 2021 reflects our ongoing commitment to pay-for-performance and the continued strong alignment of the interests of our named executive officers ("NEOs") with those of our shareholders. At the beginning of fiscal 2021, when a majority of executive compensation decisions were made, the Compensation Committee considered the performance of our company as we exited fiscal 2020 and the goals of achieving profitable revenue growth and non-GAAP operating income growth despite a very dynamic supply chain environment during the COVID-19 pandemic. The decisions made reflected a continuing effort to maintain a strong pay-for-performance profile and supported accountability of our leadership team for our financial performance.

Highlights of our executive compensation program for fiscal 2021 included:

Our compensation program continues to emphasize pay-for-performance. We emphasize performance-based incentives for compensation for all of our NEOs, including, in particular, our CEO. Our compensation programs are designed to reward executives with realized compensation that exceeds target through a combination of strong shareholder returns and performance that exceeds the targets approved for our short- and long-term incentive plans. In furtherance of our pay-for-performance goals, 60% of Mr. Heard's targeted equity awards in fiscal 2021 were granted in the form of performance share awards.

We continued to focus on expense reduction and cash preservation. In fiscal 2021, our Compensation Committee continued to focus on expense reduction and cash preservation in the face of continued challenges and uncertainty related to the ongoing COVID-19 pandemic, while balancing the need to effectively retain critical talent and incentivize achievement of key business objectives by our NEOs. In lieu of participating in our annual incentive cash compensation plan, our executive officers other than the CEO were provided with retention equity awards while we strategically conserved cash during the ongoing COVID-19 pandemic, thus helping to continue to promote executive officer and shareholder alignment, as discussed further below. These retention equity awards also vest over a longer period than would be the case for incentive cash compensation to be earned under our normal annual cash bonus program. Although we did not have an incentive compensation program with either cash or equity for our CEO, in March 2022 our Compensation Committee approved a cash bonus for our CEO in recognition of his leadership and performance in fiscal 2021.

We made progress towards our longer-term strategic goals. During fiscal 2021, we continued to make progress toward achievement of our longer-term strategic goals. Under our fiscal 2021 executive compensation program, and consistent with our compensation policy promoting strong pay and performance alignment:

- None of the performance shares granted in 2020 and 2021 became eligible to vest based on performance during 2021;
- Performance shares granted in 2019 were earned during fiscal 2021 based on our achievement of positive non-GAAP operating income for four consecutive fiscal quarters; and
- Realized compensation value for our CEO in fiscal 2021 was 105% of his target compensation.

We continue to maintain sound corporate governance policies and practices. During fiscal 2021, the following policies and practices continued to be in effect:

- Compensation At-Risk
- Executive Clawback Policy
- Anti-Hedging Policy
- No Pledging of our Common Stock by NEOs
- Fully Independent Compensation Committee
- Majority Voting for the Election of Directors
- Stock Ownership Policy
- “Double-Trigger” Change-of-Control Agreements
- Annual Compensation Risk Assessment
- Independent Compensation Consultant Reporting Directly to Compensation Committee

INFINERA CORPORATION

PROXY STATEMENT
2022 ANNUAL MEETING OF SHAREHOLDERS

OUR BOARD OF DIRECTORS

Proposal 1—Election of Directors

WHO WE ARE

Our Board members have created and patented technologies, founded and grown companies, managed complex financial, accounting and technology matters and spent significant time representing customers, investors and shareholders. We believe that the caliber of our people and the breadth, diversity and complementary nature of their skills, attributes and experiences are among the most important aspects of our governance best practices.

The director information we provide includes information related to principal occupations, public company directorships, 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. The committee memberships listed in the director information provided below do not incorporate expected changes to our committee composition to be effective upon the conclusion of our 2022 Annual Meeting of Shareholders. For additional information on expected changes to our committee composition, please see the section entitled "Our Board of Directors–How We Are Organized," below. Our Board is divided into three classes with staggered three-year terms. Thus, at each annual meeting of shareholders, a class of directors will be elected for a three-year term to succeed the class whose term is then expiring.

Nominees for Election as Class III Directors. If re-elected, the Class III Director terms would expire at the 2025 Annual Meeting of Shareholders.

Vote Required

Directors are elected by a majority vote, which means that each of the three director nominees requires the affirmative vote of a majority of the votes cast in order to be elected. 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 1—Recommendation of the Board

The Board unanimously recommends a vote "FOR" the election of each of the three Class III nominees listed below. Messrs. Gani and Wegleitner are current Class III directors and are not standing for re-election to our Board. Effective upon the conclusion of our 2022 Annual Meeting of Shareholders and the election of these nominees, the number of Class III directors will be reduced from four directors to three directors.

Christine Bucklin

Age: 59

Independent Director since June 2020

Current Committees: Audit

Experience:

- Managing Director, Operations Group at Gryphon Investors, Inc., a private equity firm (2015 to 2018)
- Senior Vice President, Corporate Strategic Planning at Sun Microsystems, Inc., a technology company, prior to its acquisition by Oracle Corporation in 2010 (2008 to 2010)
- Chief Operating Officer of Internet Brands, Inc., an Internet media company (1999 to 2007)
- Held multiple roles at McKinsey & Company, a consulting company, including as a partner (1988 to 1999)

Qualifications:

- Substantial experience in operations, strategic planning and sales and marketing
- Provides perspective from outside the optical networking industry

Gregory P. Dougherty[(1)]

Age: 62

Independent Director since January 2019

Current Committees: Compensation

Experience:

- CEO of Oclaro, Inc. (June 2013 until its acquisition by Lumentum Holdings Inc. in December 2018)
- Interim CEO of Picarro, Inc., a manufacturer of ultra-sensitive gas spectroscopy equipment using laser-based technology (January 2003 to April 2004)
- COO of SDL (1997 to 2001, when the company was acquired by JDS Uniphase Corporation), where he continued in the role until 2002
- Director of Product Management and Marketing at Lucent Technologies Microelectronics in the Optoelectronics Strategic Business Unit (1989 to 1997)

Other Boards:

- IPG Photonics Corporation, a fiber laser manufacturer (January 2019 to present)
- Max Linear, a fabless integrated circuit design company (March 2020 to present)
- Former:
    - Fabrinet, an optical, electro-mechanical and electronic manufacturing services company (February 2019 to January 2022)
    - Oclaro, Inc. (April 2009 to December 2018)
    - Avanex Corporation, a leading global provider of intelligent photonic solutions (April 2005 to April 2009, when Avanex and Bookham merged to become Oclaro)

Qualifications:

- Board expertise as Lead Independent Director and Compensation Committee chair
- Extensive knowledge of the fiber optic component and transceiver markets
- Significant restructuring and integration experience

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(1) Mr. Dougherty is currently a Class II director and is standing for election to Class III at the 2022 Annual Meeting of Shareholders. Mr. Dougherty has agreed to no longer serve as a Class II director if elected as a Class III director.

Sharon Holt

Age: 57

Independent Director since June 2019

Current Committees: Nominating and Governance (Chair)

Experience:

- Principal at Fraser Stuart Ventures, LLC, a private investment and advisory firm (2016 to present)
- Advisor to several technology companies (2012 to present)
- Senior executive at Rambus Inc., a leading technology development and licensing company, where she served as Senior Vice President of Sales, Licensing and Marketing, and Senior Vice President and General Manager of the Semiconductor Business Group (2004 to 2012)
- Executive at Agilent Technologies in the Semiconductor Products Group (now Broadcom), where her last position was Vice President & General Manager of Americas Field Operations, overseeing sales and technical support operations for the semiconductor business, including ASICs, ASSPs, optical and wireless ICs and previously ran sales operations focused on Agilent's largest global customers (1999 to 2004)
- Worked at HP in Applications Engineering, Sales, and Distribution Channel Management for the Semiconductor Products Group (1986 to 1999)

Other Boards:

- Former: Immersion Corporation, a developer of haptics technology for cellphones and other devices (August 2016 to May 2021)

Qualifications:

- Board expertise as Lead Independent Director and Nominating and Governance and Compensation Committee chairs
- Wide technology sector executive leadership experience and intellectual property expertise

Class I Directors whose terms expire at the 2023 Annual Meeting of Shareholders

Roop K. Lakkaraju

Age: 51

Independent Director since February 2021

Current Committees: Audit

Experience:

- EVP, CFO of Benchmark Electronics, Inc., a worldwide provider of product design services, engineering services, technology solutions and advanced manufacturing services company (January 2018 to present)
- CFO of Maana, Inc., an enterprise software company (February 2017 to January 2018)
- COO and CFO of Support.com, a provider of cloud-based software and services for technology support (October 2013 to February 2017)
- CFO of Quantros, Inc., a provider of enterprise SaaS-based solutions and information services (July 2011 to October 2013)
- Held various executive financial and operational roles at 2Wire, Solectron Corporation, and Safeguard Scientifics
- Began career as an auditor with Grant Thornton before joining PricewaterhouseCoopers in their Audit and Business Advisory Services

Qualifications:

- Management experience in overall financial strategy, including as a public company CFO
- Significant finance, accounting and technology operations experience; Financial Expert

Amy H. Rice

Age: 42

Independent Director since April 2020

Current Committees: Nominating and Governance

Experience:

- Managing Director in Oaktree Capital Management L.P.'s Special Situations Group and leads the group's investing efforts in several industry sectors (February 2019 to present)
- Senior Vice President for Oaktree Capital Management L.P. (February 2013 to February 2019)
- Prior to joining Oaktree in 2009, Ms. Rice spent two years as an associate at Lindsay Goldberg, LLC, and before that, she spent two years as an analyst in the Leveraged Finance group at Deutsche Bank

Qualifications:

- Expertise in capital markets transactions and merger and acquisition transactions, outside of her primary industry coverage
- Representative of the investor perspective

George A. Riedel

Age: 64

Chairman of the Board since November 2020

Independent Director since June 2020

Current Committees: Compensation

Experience:

- Senior Lecturer in the General Management Unit at Harvard Business School (2017 to present)
- Chairman and Chief Executive Officer of CloudMark, Inc., a cybersecurity company, overseeing the company's sale to Proofpoint, Inc. in 2017 (2014 to 2017)
- Held executive leadership roles at Nortel Networks Corporation, a telecommunications and data networking equipment manufacturing company, including Chief Strategy Officer and Vice President of Business Units (2006 to 2011)
- Vice President of Strategy and M&A at Juniper Networks, a networking and cybersecurity company (2003 to 2006)
- Held multiple roles at McKinsey & Company, including as a senior partner (1987 to 2003)

Other Boards:

- Cerner Corporation, a health information technology company (April 2019 to present)
- Former: Xperi Corporation, a technology and intellectual property licensing company (May 2013 to June 2020)

Qualifications:

- Extensive executive leadership experience in the global networking and cybersecurity industries
- Excellent track record in strategy and M&A

Class II Directors whose terms expire at the 2024 Annual Meeting of Shareholders[2]

David W. Heard

Age: 53

Chief Executive Officer of Infinera

Director since November 2020

Committees: None

Experience:

- CEO of Infinera (November 2020 to present); COO (October 2018 to November 2020); oversaw Product Realization Team, encompassing marketing, business development, product management, R&D, global services, and business operations (June 2017 to October 2018)
- President of Network and Service Enablement at JDS Uniphase (October 2010 to April 2015)
- COO at BigBand Networks (now Arris) (2007 to 2010)
- President and CEO at Somera Communications (now Jabil) (2004 to 2006)
- President and General Manager, Switching Division, at Tekelec (now Oracle) (2003 to 2004)
- President and CEO at Santera Systems (2000 to 2003)
- Various positions at Lucent Technologies and AT&T (1990 to 2000)

Qualifications:

- Expertise in operations and corporate strategy
- Extensive knowledge of Infinera and the optical networking industry

(2) Mr. Dougherty is currently a Class II director and is standing for election to Class III at the 2022 Annual Meeting of Shareholders. Mr. Dougherty has agreed to no longer serve as a Class II director if elected as a Class III director. Effective upon the conclusion of our 2022 Annual Meeting of Shareholders and the election of Mr. Dougherty to Class II, the number of Class II directors will be reduced from four directors to three directors.

Paul J. Milbury

Age: 73

Independent Director since July 2010

Current Committees: Audit (Chair); Compensation

Experience:

- Cisco Systems — Played a key role in integrating Starent Networks into Cisco Systems to create the Mobile Internet Technology Group (2009 to 2010)
- Vice President of Operations and CFO of Starent Networks, Corp, a provider of mobile network solutions (2006 to 2009, when acquired by Cisco Systems)
- Vice President and CFO of Avid Technology, a digital media creation, management and distribution solutions company (2000 to 2007)
- Vice President and CFO of private internet companies iBelong and JuniorNet (1998 to 2000)
- Vice President and Treasurer of Digital Equipment Corporation (1994 to 1998, when acquired by Compaq Computer)

Other Boards:

- Former: Gigamon, a provider of network visibility and analytics (January 2014 to December 2017, acquired by Elliott Management Corp)

Qualifications:

- Significant finance, accounting and technology operations experience; Financial Expert
- Wide executive management and board experience at leading public and private technology companies

David F. Welch, Ph.D

Age: 61

Director since October 2010; previously May 2001 to November 2006

Committees: None

Experience:

- Co-founded the Company; Chief Innovation Officer (October 2018 to present); Chief Strategy and Technology Officer (November 2017 to October 2018); President (June 2013 to November 2017); Executive Vice President and Chief Strategy Officer (May 2004 to June 2013); Chief Development Officer/Chief Technology Officer (May 2001 to May 2004)
- Chief Technology Officer of the Transmission Division of JDS Uniphase Corporation, an optical component company (February 2001 to April 2001)
- Served in various executive roles, including Chief Technology Officer and Vice President of Corporate Development of SDL, an optical component company (January 1985 to February 2001)

Other Boards:

- Former:
    - CytoDyn Inc., a biopharmaceutical company (January 2019 to September 2020)
    - Rezolute, Inc., a clinical stage biopharmaceutical company (June 2015 to January 2019)

Other:

- Holds over 130 patents
- 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
- Fellow of OSA and the Institute of Electrical and Electronics Engineers

Qualifications:

- One of the most highly regarded innovators in our sector
- Deep technology knowledge of the optical networking industry
- Experience as an Infinera founder, executive leader and board member
- Product development, marketing and sales strategies insights

Departing Directors

Infinera thanks Messrs. Gani and Wegleitner for their dedicated service on the Infinera Board.

Marcel Gani

Age: 69

Independent Director since June 2014

Current Committees: Compensation (Chair); Audit

Experience:

- Independent consultant (2009 to present)
- Lecturer in Accounting and Finance at the Leavey School of Business at Santa Clara University (2005 to 2009)
- Held multiple roles at Juniper Networks, Inc., including Chief of Staff (January 2005 to March 2006); Executive Vice President and CFO (February 1997 to December 2004)
- Vice President and CFO of NVIDIA Corporation (February 1996 to February 1997)
- Served as CFO of Grand Junction Networks, Primary Access Corporation and NeXT Computer, Inc.

Other Boards:

- SolarEdge Technologies, Inc., a power optimizer solutions company (March 2015 to present)
- Former: Envivio, Inc., a video technology company (May 2011 to October 2015.)

Qualifications:

- Public and private company technology industry CFO experience
- Financial, accounting and financial reporting experience; Financial Expert

Mark A. Wegleitner

Age: 71

Independent Director since May 2011

Current Committees: Nominating and Governance

Experience:

- President of Wegleitner Consulting, LLC, a privately-owned telecommunications consulting company (April 2011 to present)
- 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 (September 2007 until his retirement in July 2010); Chief Technology Officer, with responsibility for wireline communications technologies (July 2000 to September 2007)
- Held various positions in the Network Services division of Bell Atlantic, a telecommunications company, including Chief Technology Officer from January 1999 to July 2000
- Worked at Bell Laboratories and AT&T General Departments

Qualifications:

- Extensive telecommunications industry experience
- Representative of the customer perspective
- Technical expertise

HOW WE ARE SELECTED AND ELECTED

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 seeks to ensure that the Board is composed of individuals of diverse backgrounds who have a variety of complementary experience, training, attributes and relationships relevant to our business. 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 III 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. After the Annual Meeting, the Board expects that it will have nine directors.

The Board currently consists of eleven directors and is divided into three classes. Each class of the Board serves a staggered three-year term. Our Class III directors, whose terms expire at the Annual Meeting, are Christine Bucklin, Marcel Gani, Sharon Holt and Mark Wegleitner. Messrs. Gani and Weigleitner are not standing for re-election.

There are three nominees for election to Class III of the Board this year: Mses. Bucklin and Holt and Gregory P. Dougherty. Mr. Dougherty is currently a Class II director and has agreed to no longer serve as a Class II director if elected as a Class III director. 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 III directors, if elected, will serve for a three-year term expiring at the 2025 Annual Meeting of Shareholders, or until his or her successor is duly elected and qualified, or until his or her earlier death, resignation or removal from the Board.

Our Amended and Restated Bylaws ("Bylaws") provide that, in an election of directors where the number of nominees does not exceed the number of directors to be elected, each director nominee must receive a majority of votes cast with respect to that director nominee. Should one of the nominees up for election not receive a majority of votes cast, the Board, after taking into consideration the recommendation of the Nominating and Governance Committee, will determine whether or not to accept a pre-tendered resignation of such nominee. The Board will publicly disclose its decision and its rationale within 90 days of the certification of the election results. The director whose resignation is under consideration shall abstain from participating in any decision regarding that resignation.

We will also disclose the voting results from the Annual Meeting on a Current Report on Form 8-K that we will file with the SEC within four business days after the meeting. If final voting results are not available to us in time to file a Form 8-K, we will file a Form 8-K to publish preliminary results and will provide the final results in an amendment to the Form 8-K as soon as they become available.

Director Diversity

We believe the current Board consists of a diverse group of professionals, including former CEOs, CFOs and industry leaders, who bring significant leadership and distinct qualities and skill sets to Infinera, including direct shareholder representation by our second largest shareholder. This group provides a diverse range of perspectives and experience to engage each other and management to effectively represent our shareholders. In addition, the Board added its first female director in June 2019 and second and third female directors in 2020. In 2020, the Board appointed a female director to chair our Nominating and Governance Committee; she will become chair of our Compensation Committee effective upon the conclusion of our 2022 Annual Meeting of Shareholders, relinquishing her position on our Nominating and Governance Committee. In 2022, the Board added a director who is an "underrepresented minority," as such term is defined under the Nasdaq Board Diversity Rule. These actions further highlight our commitment to diversity. **Any search firms retained to assist the Nominating and Governance Committee will be specifically advised to seek to include qualified, diverse candidates from traditional and nontraditional environments, including members of underrepresented communities, as was done for the Board search process conducted in 2021**.

The following table provides certain information regarding the diversity of our Board of directors as of April 1, 2022. As shown below in the board diversity matrix, the Company is currently in compliance with the diversity requirements of Sections 301.3 and 301.4 of the California Corporations Code.

Board Diversity Matrix (As of April 1, 2022)			
Total number of directors	11		
	Female	*Male*	*Did Not Disclose Gender*
Gender Identity			
Directors	3	7	1
Demographic Background			
Asian	0	1	
White	3	6	
Did Not Disclose Demographic Background	1		
Directors Who Are Military Veterans	1		

Independence of the Board

On an annual basis, in accordance with the current listing standards of Nasdaq, the Board affirmatively determines the independence of each director or nominee for election as a director. The Board has determined that nine out of eleven of our directors (with the exception of Mr. Heard and Dr. Welch, both of whom are employees of Infinera) are "independent" in accordance with the rules and regulations of the SEC and 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. In making these determinations, our Board considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances that our Board deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director, and the transactions involving them described in the section titled "Certain Relationships and Related Person Transactions." There are no family relationships among any of our directors, director nominees or executive officers.

HOW WE GOVERN AND ARE GOVERNED

Although it is important and exciting to focus on opportunities and successes, we at Infinera believe it is also important to focus on responsible compliance, risk management, and governance structures and functions. Success in our sector in particular depends on maintaining an ability to identify challenges early, maintaining best possible security and governance practices, and fostering an ability to pivot quickly and continually.

Board Oversight of Risk

Risk is inherent with every business and the Board is responsible for overseeing our risk management function, including a regular review of our strategic plans and business objectives. 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 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, key accounting and reporting policies, and cybersecurity, as well as meeting with the Head of Internal Audit and our external independent auditors. 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. 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, most recently updated in March 2019, which 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 honestly and with integrity with everyone, including our customers, employees, investors and suppliers. We require all employees to complete training on our Code of Business Conduct and Ethics.

Our Code of Business Conduct and Ethics is just one element of the many practices and procedures we utilize to try to create a diverse and inclusive culture that encourages helpful and honest communication both up and down reporting relationship chains. Our executive leaders set the tone for this culture at the top and our ability to maintain a positive and creative work environment depends on its success. Our annual Infinera Sustainability Report describes some of the additional programs and practices we maintain to protect our people and their productivity, health and well-being.

A copy of our Code of Business Conduct and Ethics is available on our website at *investors.infinera.com*/ by clicking on "Governance Documents" under the "Governance" heading. 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, 6373 San Ignacio Avenue, San Jose, California 95119. 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 Current Report on 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, Board composition, Board responsibilities, committee composition, management succession and shareholder communications. You can access these Corporate Governance Guidelines, along with other materials such as Board committee charters, on our website at *investors.infinera.com*/ by clicking on "Governance Documents" under the "Governance" heading.

Stock Ownership Policy

The Board believes that it is important to link the interests of our directors and management to those of our shareholders. Accordingly, the Board has adopted a Stock Ownership Policy for our directors and executive officers who are designated as reporting officers under Section 16 ("Section 16 Officers") of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). 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."

ESG and Corporate Social Responsibility

We focus our efforts on the elements of sustainability that are most important and impactful to our business and to our stakeholders. Through our last materiality assessment, the following topics were determined to be the most material ESG issues. Our programs, goals and disclosures have been aligned to emphasize these topics.

Corporate Governance	Environmental Responsibility	Social Responsibility
Business ethics	Greenhouse gas emissions	Employee health and safety
Transparency and reporting	Energy management	Employee development and engagement
Supply chain management	Waste and hazardous materials management	Diversity and inclusion
Data security	Environmental compliance	Labor practices and human rights
Product safety and compliance		

We are committed to acting as a good corporate citizen and recognize our role and influence in the global community. We are dedicated to paving a sustainable path that strategically considers our impact on our key stakeholders, our communities, and our planet. In our operations and our supply chain, we strive to act in ways that support a more sustainable, equitable, and connected world and to execute our programs with intention through our global sustainability program.

Each year we summarize our sustainability program and activities in the Infinera Sustainability Report, which describes our practices, metrics, targets and disclosures. We encourage you to read our 2020 Infinera Sustainability Report, published in 2021, as well as our 2021 report when released in the coming months. A copy of the Sustainability Report can be found on the "Corporate Social Responsibility" page at our website at *www.infinera.com/social-responsibility*, where you can also find other related policies and information.

In 2021, we continued to make progress toward our ESG goals and improved our programs with dedicated resources. Some notable highlights of the year include:

- ESG Management: Our Global ESG Working Group collaborates with functions across the globe to set goals, report progress, implement programs and meet customer expectations. In 2021, this team worked closely with our sales teams to ensure alignment on our ESG objectives and progress.
- Transparency and Reporting: In 2021, we're proud to have been awarded EcoVadis' gold medal in recognition of our sustainability achievements in the areas of Environment, Labor & Human Rights, Ethics, and Sustainable Procurement.
- Diversity and Inclusion (D&I): We strive to foster a diverse and inclusive workforce, where employees are treated with respect and valued for their differences in perspective and experience. Last year, we are proud that through our ALL-In program, in addition to our Women In Infinera employee resource group, we were able to launch two new employee resource groups for our Black and Latin American colleagues. Through engaging with our D&I site leaders around the globe, we identified and provided specialized training and speakers series to help our employees be more conscious and inclusive in the workplace.
- Employee Health and Safety: We are proud of our strong safety culture and comprehensive health and safety management system, which is standardized around the globe. Last year, we completed the roll-out of our health and safety working committees across all Tier 1 and Tier 2 sites—which include manufacturing and research and development—to better track, manage, and improve on health and safety metrics.
- Carbon Emissions: It takes industry-wide effort to move the needle in mitigating climate change, and we are committed to doing our part to reduce emissions in our operations and from within our value chain. Last year, we completed our first full carbon report through CDP (formerly the Carbon Disclosure Project)

to share our emissions and our progress transparently. Though we have more work to do to meet our goal of 50% reduction of greenhouse gases by 2030, we know this disclosure will continue to hold us and our business partners accountable.

- Supply Chain Management: We set high standards of conduct for our business and expect those standards be met in our supply chain as well. In 2021, we launched an ESG survey platform for our top customers to share their performance in the areas of labor practices and environmental sustainability.
- Business Ethics: At Infinera, we strive to foster a culture of integrity and honesty, and provide our employees with the tools and training to make ethical decisions in their daily work. In 2021, we are proud that we surpassed our goal of a 95% completion rate for employee ethics trainings.

In addition:

- As a global company, Infinera seeks to be a good corporate citizen when dealing with customers, suppliers, employees, and the communities where we operate throughout the world. To ensure alignment across the supply chain, the Infinera Supplier Code of Conduct sets out the minimum standards expected of Infinera's suppliers, so they act ethically, responsibly, and in compliance with applicable laws and regulations. This code is required to be applied by our suppliers to their direct suppliers and subcontractors, including providers of contract labor, at a minimum. A copy of the Supplier Code of Conduct can be found on our website at *www.infinera.com/social-responsibility/code-of-ethics/*.
- We are committed to using our design, development and sales practices to protect personal data against unauthorized access, use, retention and disclosure. Infinera's data security practices are managed by our Chief Information Security Officer, and we have implemented an Information Security Management System and security controls for data privacy protection.
- All of our full-time employees, and regular part-time employees working at least 24 hours per week, are eligible for all Infinera benefits.
- We are members of the Responsible Minerals Initiative.

In addition to the accomplishments, best practices, activities and disclosures summarized above, our products and solutions help keep people connected socially and professionally; run their businesses more efficiently, fairly and globally; and manage the risks that are created by living in a connected global economy.

HOW WE ARE ORGANIZED

Board Leadership Structure

The Board believes its current leadership structure best serves the objectives of the Board's oversight of management, the Board's ability to carry out its roles and responsibilities on behalf of our shareholders, and our overall corporate governance. Separating the positions of Chairman of the Board and CEO 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 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 also believes that the combination of an independent Chairman of the Board, all three of our current standing committees being 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.

Agreement with Oaktree Optical Holdings

In April 2020, we entered into a letter agreement with Oaktree Optical Holdings, L.P. ("Oaktree") pursuant to which we agreed, among other things, to nominate and support Ms. Rice for election as a director at the 2020

Annual Meeting of Shareholders. Subject to certain exceptions set forth in the letter agreement, Oaktree and certain affiliates agreed to vote all of its shares at the 2020 Annual Meeting of Shareholders in a manner consistent with the recommendation of our Board. Oaktree also agreed to customary standstill restrictions. Our letter agreement with Oaktree also required that Infinera and Oaktree reasonably cooperate to identify a director candidate (the “Independent Designee”) for consideration by our Nominating and Governance Committee. In June 2020, Ms. Bucklin joined the Board as the Independent Designee. Ms. Bucklin has been nominated for election as a Class III director at the 2022 Annual Meeting of Shareholders.

Information Regarding the Board and its Committees

Mr. Lakkaraju joined our Board in February 2022. Thomas J. Fallon and Kambiz Y. Hooshmand resigned from our Board in February 2022.

The Board met 11 times during fiscal 2021. The Board acted by written consent once during fiscal 2021. During fiscal 2021, each director then in office attended 75% or more of the meetings of the Board. During fiscal 2021, each director then in office attended 75% or more of the meetings of the committees on which he or she served during the period for which he or she was a committee chairman or committee member, as applicable. 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 shareholders. All twelve of the then-serving members of the Board attended our 2021 Annual Meeting of Shareholders.

The Board had three standing committees as of the end of fiscal 2021: an Audit Committee, a Compensation Committee and a Nominating and Governance Committee. Mr. Fallon did not serve on any committees of the Board prior to his resignation in February 2022. Mr. Heard and Dr. Welch do not currently serve on any committees of the Board. The following table presents our current Board and committee composition.

Name	Board	Audit	Compensation	Nominating and Governance
Christine Bucklin	M	M	—	—
Gregory P. Dougherty	M	—	M	—
Marcel Gani	M	M	C	—
David W. Heard	M	—	—	—
Sharon E. Holt	M	—	—	C
Roop K. Lakkaraju[(1)]	M	M	—	—
Paul J. Milbury	M	C	M	—
Amy H. Rice[(4)]	M	—	—	M
George A. Riedel[(5)]	C	—	M	—
Mark A. Wegleitner	M	—	—	M
David F. Welch, Ph.D.	M	—	—	—
Total Meetings in Fiscal 2021	11	9	9	15

C = Chair; M = Member

(1) Effective as of February 16, 2022, Mr. Lakkaraju joined the Board and was appointed to the Audit Committee.

The following table presents our Board and committee composition effective upon the conclusion of the 2022 Annual Meeting of Shareholders, assuming election of the nominees for Class III director who are standing for election at the 2022 Annual Meeting of Shareholders.

Name	Board	Audit	Compensation	Nominating and Governance
Christine Bucklin	M	M	—	—
Gregory P. Dougherty	M	—	M	M
David W. Heard	M	—	—	—
Sharon E. Holt[(2)]	M	—	C	—
Roop K. Lakkaraju	M	M	—	—
Paul J. Milbury	M	C	M	—
Amy H. Rice[(4)]	M	—	—	M
George A. Riedel[(5)]	C	—	—	C
David F. Welch, Ph.D.	M	—	—	—

C = Chair; M = Member

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. The Audit Committee also consults with our management and our independent registered public accounting firm prior to the presentation of financial statements to shareholders and, as appropriate, initiates inquiries into aspects of our financial affairs. The 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, the 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 the Audit Committee. A more detailed description of the Audit Committee's functions can be found in our Audit Committee charter. In addition, the Audit Committee meets in executive sessions, without management present and with the independent registered public accounting firm, during most regular meetings of the Audit Committee. A copy of the Audit Committee charter is available on our website at *investors.infinera.com/* by clicking on "Governance Documents" under the "Governance" heading.

The current members of the Audit Committee are Ms. Bucklin and Messrs. Gani, Lakkaraju and Milbury. Mr. Milbury chairs the Audit Committee. Mr. Hooshmand resigned from the Audit Committee effective as of February 16, 2022 in connection with his resignation from the Board. Mr. Lakkaraju was appointed to the Audit Committee effective as of February 16, 2022 and therefore did not serve on the Audit Committee during fiscal 2021. Effective upon the conclusion of our 2022 Annual Meeting of Shareholders, Mr. Gani will no longer be a member of the Audit Committee. Other than Mr. Lakkaraju, each current member of the Audit Committee and Mr. Hooshmand served the entirety of fiscal 2021. The Audit Committee met nine times during fiscal 2021. The Audit Committee did not act by written consent during fiscal 2021. Each member of the Audit Committee is independent for Audit Committee purposes under the rules and regulations of the SEC and the applicable Nasdaq listing standards. In addition to qualifying as independent under the Nasdaq rules, each member of the Audit Committee can read and understand fundamental financial statements in accordance with Nasdaq Audit Committee requirements. The Board has determined that Messrs. Gani, Lakkaraju 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, Lakkaraju and Milbury any duties, obligations or liabilities that are greater than those 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 shareholder 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 assists the Board in its oversight of our strategies, initiatives and programs relating to human capital management, including culture, talent acquisition, employee development, retention, and diversity, equity and inclusion. 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 *investors.infinera.com/* by clicking on "Governance Documents" under the "Governance" heading.

The current members of the Compensation Committee are Messrs. Dougherty, Gani, Milbury and Riedel. Mr. Gani chairs the Compensation Committee. Effective upon the conclusion of our 2022 Annual Meeting of Shareholders, Messrs. Gani and Riedel will no longer be members of the Compensation Committee and Ms. Holt, assuming her re-election as a Class III director, will join the Compensation Committee, serving as Chair. Each current member of the Compensation Committee served the entirety of fiscal 2021. The Compensation Committee met nine times during fiscal 2021. The Compensation Committee acted by written consent three times during fiscal 2021. Each member of the 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) ("Section 162(m)") of the Internal Revenue Code, as amended (the "Code") and satisfies the director and compensation committee independence requirements under the applicable Nasdaq listing standards.

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 shareholders. 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. In addition, the Nominating and Governance Committee oversees our succession planning process. 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 *investors.infinera.com/* by clicking on "Governance Documents" under the "Governance" heading.

The current members of the Nominating and Governance Committee are Mses. Holt and Rice and Mr. Wegleitner. Mr. Hooshmand resigned from the Audit Committee effective as of February 16, 2022 in connection with his resignation from the Board. Effective upon the conclusion of our 2022 Annual Meeting of Shareholders, Ms. Holt and Mr. Wegleitner will no longer be members of the Nominating and Governance Committee and Messrs. Dougherty, assuming his election as a Class III director, and Riedel will join the Nominating and Governance Committee, with Mr. Riedel serving as Chair. Each current member of the Nominating and Governance Committee and Mr. Hooshmand served the entirety of fiscal 2021. The Nominating and Governance Committee met fifteen times during fiscal 2021. The Nominating and Governance Committee did not act by written consent during fiscal 2021. Each member of the Nominating and Governance Committee satisfies the independence requirements under the applicable Nasdaq listing standards.

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, the Nominating and Governance Committee reviews and makes recommendations to the Board regarding the size and composition of the Board and the appropriate skills and characteristics 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 shareholders' long-term interests. The Board and the Nominating and Governance Committee follow a process in which we consider governance best practices 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. The Board and Nominating and Governance Committee evaluate the skill sets needed to provide the right level of guidance and oversight to the management team. Within the context of evaluating the skills needed on the Board, the Nominating and Governance Committee also considers diversity attributes, including gender, race, ethnicity, specialized expertise and a range of insight gathered from relevant industries. These factors, and others considered useful by the 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.

The 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. From time to time, the Nominating and Governance Committee may engage the services of a search firm to identify director candidates. **Any search firms retained to assist the Nominating and Governance Committee will be specifically advised to seek to include qualified, diverse candidates from traditional and nontraditional environments, including members of underrepresented communities, as was done for the Board search process conducted in 2021**. The Nominating and Governance Committee will also consider candidates proposed in writing by shareholders, provided such proposal meets the eligibility requirements for submitting shareholder 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 shareholders are evaluated by the Nominating and Governance Committee using the same criteria as for all other candidates.

If a shareholder wishes to recommend a director candidate for consideration by the Nominating and Governance Committee, pursuant to our Corporate Governance Guidelines, the shareholder 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 would be 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 shareholder believes is relevant in considering the director candidate.

Non-Executive Equity Award Subcommittee

The guidelines for the size of new hire, promotional and annual retention equity awards for Section 16 Officers are periodically reviewed and approved by the Compensation Committee. The Compensation Committee has delegated to the Non-Executive Equity Award Subcommittee (the "Subcommittee") the authority to formally approve new hire, promotional and retention equity awards to certain employees pursuant to guidelines pre-approved from time to time by the Compensation Committee. 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. 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 twelve times during fiscal 2021. This Subcommittee is currently comprised solely of our CEO (who is also a Board member).

Compensation Committee Interlocks and Insider Participation

During fiscal 2021, Messrs. Dougherty, Gani, Milbury and Riedel served on the Compensation Committee. None of these individuals was an executive officer or employee of Infinera at any time during fiscal 2021, or at any other time. No member of the Compensation Committee had any relationship with Infinera during fiscal 2021 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.

HOW TO COMMUNICATE WITH US

The Board actively seeks input from shareholders, stakeholders, thought leaders and many others to perform its functions optimally. As shareholders bring wide and relevant experiences and have a financial stake in the wisdom of their input, the Board values maintaining a number of avenues to receive that input. These include:

- Shareholder attendance or participation at our annual shareholders meetings
- Input from proxy voting
- Use of the company's various reporting mechanisms such as its "hot lines" and reports to the internal audit function
- Participation in our numerous investor relations programs and conferences

Write to the Board as a whole, or to individual directors, at the following address:

Board of Directors c/o Corporate Secretary
Infinera Corporation
6373 San Ignacio Avenue
San Jose, California 95119

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.

HOW WE ARE PAID

Our compensation program for our non-employee directors is designed to attract and retain highly qualified, independent directors to represent shareholders on the Board and to act in their best interests. Non-employee directors receive a mix of cash compensation and equity awards under this program. 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. The Compensation Committee, which consists solely of independent directors, 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.

During fiscal 2021, as part of its review of our director compensation program, the Compensation Committee engaged Compensia, an independent compensation consultant, to provide relevant market data regarding the program derived from the same peer group used for evaluating our executive compensation, as discussed below in "Compensation Discussion and Analysis." This review had previously occurred most recently in 2019. Following this review, in December 2021 the Compensation Committee recommended that the Board approve certain changes to our director compensation program to align more closely with market practice, including an increase in cash compensation for the Chairman of the Board, an increase in the annual equity grant value, the elimination of the initial equity grant for new non-employee directors, and the revision of the annual equity grant to provide for a full pro rata provision based on when a director joins the Board. In February 2022, our Board approved these compensation changes, which are discussed below in "How We Are Paid—Director Fees" and "How We Are Paid—Director Equity Awards." Prior to these changes, cash and equity compensation amounts under the

program had not increased since 2015 and 2014, respectively, and cash compensation was temporarily decreased during fiscal 2020 as part of COVID-19-related compensation reductions at Infinera.

Director Fees

During fiscal 2021, our cash compensation program for our non-employee directors was as follows:

Position	Annual Retainer Fee[1] ($)
Non-Employee Director	50,000
Chairman of the Board[1]	50,000
Audit Committee Chairman	30,000
Audit Committee Member	12,500
Compensation Committee Chairman	20,000
Compensation Committee Member	10,000
Nominating and Governance Committee Chairman	11,000
Nominating and Governance Committee Member	6,000

(1) Effective February 16, 2022, the annual retainer fee for the Chairman of the Board increased to $70,000.

We do not pay 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

Prior to the February 2022 revisions in our non-employee director compensation program, non-employee directors have been eligible to receive equity awards as follows:

- *Initial RSU Award*. Each individual who commences service as a non-employee director upon his or her appointment to the Board or election at an annual meeting of shareholders will be eligible for an RSU award covering a number of shares determined by dividing $165,000 by the closing price of the Company's common stock on the date of grant, with any resulting fractional share rounded down to the nearest whole share (the "Initial RSU Award"). The Initial RSU Award vests in annual installments over three years, provided that the non-employee director remains a service provider of Infinera through each applicable vesting date.
- *Annual RSU Award.* On the date of each annual meeting of shareholders, each individual who continues to serve as a non-employee director after that annual meeting will automatically be granted an RSU award covering a number of shares determined by dividing $165,000 by the closing price of the Company's common stock on the date of grant, with any resulting fractional share rounded down to the nearest whole share (the "Annual RSU Award"). The Annual RSU Award will vest as to 100% of the underlying shares on the earlier of the date of the next annual meeting of shareholders or the one-year anniversary of the date of grant, provided that the non-employee director remains a service provider of Infinera on the applicable vesting date.
- *Prorated Annual RSU Award*. Assuming a non-employee director is appointed to the Board after (rather than at) the most recently held annual meeting of shareholders but at least six months prior to the next annual meeting of shareholders, such non-employee director will be eligible for an annual RSU award covering a number of shares determined by first prorating $165,000 for the number of months remaining until the next scheduled annual meeting of shareholders and then dividing such prorated dollar amount by the closing price of the Company's common stock on the date of grant, with any resulting fractional share rounded down to the nearest whole share (the "Prorated Annual RSU Award"). The Prorated Annual RSU Award will vest as to 100% of the underlying shares on the earlier of the date of the next annual meeting of shareholders or the one-year anniversary of the most recently held annual meeting of shareholders, provided that the non-employee director remains a service provider of Infinera on the applicable vesting date.

Beginning with grants made on or after our 2022 Annual Meeting of Shareholders, non-employee directors will be eligible to receive equity awards as follows:

- *Annual RSU Award.* On the date of each annual meeting of shareholders, each individual who continues to serve as a non-employee director after that annual meeting will automatically be granted an RSU award covering a number of shares determined by dividing $200,000 by the closing price of the Company's common stock on the date of grant, with any resulting fractional share rounded down to the nearest whole share (the "Revised Annual RSU Award"). The Revised Annual RSU Award will vest as to 100% of the underlying shares on the earlier of the date of the next annual meeting of shareholders or the one-year anniversary of the date of grant, provided that the non-employee director remains a service provider of Infinera on the applicable vesting date.
- *Prorated Annual RSU Award for New Directors*. Each new non-employee director will be eligible for an annual RSU award covering a number of shares determined by first prorating $200,000 for the number of months remaining until the next scheduled annual meeting of shareholders and then dividing such prorated dollar amount by the closing price of the Company's common stock on the date of grant, with any resulting fractional share rounded down to the nearest whole share (the "Revised Prorated Annual RSU Award"). The Revised Prorated Annual RSU Award will vest as to 100% of the underlying shares on the earlier of the date of the next annual meeting of shareholders or the one-year anniversary of the most recently held annual meeting of shareholders, provided that the non-employee director remains a service provider of Infinera on the applicable vesting date.

Fiscal 2021 Director Compensation

The following table sets forth all of the compensation awarded to or earned by the non-employee members of the Board in fiscal 2021. In addition, the table sets forth compensation awarded to or earned by Dr. Welch for his services as an employee of Infinera; Dr. Welch does not receive compensation for his services as a director. Compensation information for Dr. Welch is not disclosed in "Our Pay—Fiscal 2021 Compensation," below, because he is not an NEO.

Name	Fees Earned or Paid in Cash ($)[1]	Stock Awards ($)[2]	All Other Compensation ($)	Total ($)
Christine Bucklin	62,500	164,992[3]	—	227,492
Gregory P. Dougherty	60,000	164,992[3]	—	224,992
Thomas J. Fallon[4]	45,055	164,992[3]	39,375[5]	249,422
Marcel Gani	82,500	164,992[3]	—	247,492
Sharon E. Holt	61,000	164,992[3]	—	225,992
Kambiz Y. Hooshmand[4]	68,500	164,992[3]	—	233,492
Paul J. Milbury	90,000	164,992[3]	—	254,992
Amy H. Rice[6]	—	—	—	—
George A. Riedel	110,000	164,992[3]	—	274,992
Mark A. Wegleitner	56,000	164,992[3]	—	220,992
David F. Welch, Ph.D.	—	721,518[7]	457,504[8]	1,179,022

(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 2021 computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, "Compensation – Stock Compensation" ("ASC 718"). See Notes 2 and 15 of the notes to our consolidated financial statements contained in our 2021 Annual Report for a discussion of all assumptions made by us in determining the ASC 718 values of equity awards.

(3) Reflects the value of the Annual RSU Award awarded in connection with the 2021 Annual Meeting of Stockholders, covering 18,211 shares of Infinera common stock based on Infinera's closing stock price on May 21, 2021, the date of grant.

(4) Messrs. Fallon and Hooshmand resigned from our Board in February 2022. Prior to the effective date of such resignations, Messrs. Fallon and Hooshmand each entered into an advisor agreement with the Company and will serve as an advisor to the Company through February 15, 2023.

(5) As further discussed below, reflects compensation earned by Mr. Fallon as an advisor under his Transition Agreement during fiscal 2021. Mr. Fallon's advisor role under the Termination Agreement terminated effective February 1, 2021.

(6) Ms. Rice has waived any participation in the compensation benefits available to the Company's non-employee directors, except for customary reimbursement of expenses.

(7) Reflects the value of Dr. Welch's equity compensation received as compensation for his services as an employee of Infinera.

(8) Reflects Dr. Welch's employee salary of $450,000 and payment of life insurance premiums and 401(k) match with a value of $7,504.

On November 23, 2020, following Mr. Fallon's 16 years of service with our Company, including ten years as our CEO, Mr. Fallon transitioned to an advisory role that would be in effect through February 1, 2021 while continuing to serve as a member of our Board. Mr. Fallon's transition was not treated as a termination of employment by the Company and did not trigger any of the severance benefits included in his change of control agreement. To support a smooth transition of leadership, our Compensation Committee approved our entering into a "Transition Agreement" with Mr. Fallon. The Transition Agreement provided that Mr. Fallon would continue as an advisor through February 1, 2021 to assist with the transition of his duties and continue to receive compensation at his previously effective base salary of $487,500, but would not be eligible for a bonus for any services he would provide in 2021.

Further, the Transition Agreement provided that upon termination of his services as an advisor, the vesting of all of Mr. Fallon's outstanding restricted stock units would accelerate and his performance share award granted in 2018 (the "Fallon 2018 PSA") would remain outstanding and would be paid (and shares issued) to the extent the goals were actually achieved during the performance period ending December 31, 2020. The treatment of this performance share award was approved with consideration given to Mr. Fallon's service as our CEO or advisor for the full three-year performance period. In addition, Mr. Fallon's options to purchase Company common stock, all of which were fully vested at the time of the transition, would continue in effect in accordance with their terms and conditions. At the time of his transition, Mr. Fallon also held unvested performance share awards that had been granted in 2019 and 2020 and would have been eligible to continue to vest during his ongoing service as a member of our Board. Pursuant to the Transition Agreement, these performance share awards held by Mr. Fallon would terminate and be cancelled. Under the Transition Agreement, Mr. Fallon waived all rights to any other compensation or severance and agreed to a release of claims and non-disparagement obligation in favor of the Company.

During fiscal 2021, Mr. Fallon received compensation in his advisor role at the annual compensation rate of $487,500 until his advisor role terminated pursuant to the Transition Agreement effective February 1, 2021. Upon termination of his services as an advisor and the effectiveness of his supplemental release of claims in favor of the Company, the vesting of Mr. Fallon's outstanding restricted stock units accelerated. As a result, 316,415 shares of common stock underlying Mr. Fallon's outstanding RSUs vested on February 9, 2021, at a value of $3,312,865 based on the fair market value of such shares at vesting. The performance objective related to the Fallon 2018 PSA was partially achieved for the third performance period, as determined by our Compensation Committee per the terms of the original grant. As a result, 64,485 shares of common stock underlying the Fallon 2018 PSA vested on May 5, 2021, at a value of $553,281 based on the fair market value of such shares at vesting. Following the termination of his advisor role, Mr. Fallon received compensation in fiscal 2021 for his services as a non-employee director in accordance with our non-employee director compensation program.

During fiscal 2021, Dr. Welch, our Chief Innovation Officer and employee member of the Board, did not receive compensation for his services as a director. Dr. Welch was paid a base salary of $450,000 in fiscal 2021. Dr. Welch was eligible for a target bonus opportunity of 90% during fiscal 2021, the same as in fiscal 2020, which was used to determine the value of a retention equity award for Dr. Welch in lieu of an annual cash incentive program. The retention equity award was intended to provide an award value at the time of award approximately equivalent to 75% of the target bonus opportunity for Dr. Welch. On March 9, 2021, Dr. Welch was granted a retention RSU award of 33,800 shares, which is scheduled to vest over a two-year period, with one-half of the underlying shares vesting on April 5, 2022, and one-eighth of the underlying shares vesting quarterly thereafter, subject to his continued service to Infinera through each applicable vesting date. This retention RSU award had an aggregate grant date fair market value of $291,018, computed in accordance with ASC 718. On March 9, 2021, Dr. Welch was also granted an RSU award of 50,000 shares, which is scheduled to vest over a three-year period, with one-third of the underlying shares vesting on April 5, 2022, and one-twelfth of the underlying shares vesting quarterly thereafter, subject to his continued service to Infinera through each applicable vesting date. This RSU award had an aggregate grant date fair market value of $430,500, computed in accordance with ASC 718. See Notes 2 and 15 of the notes to our consolidated financial statements contained in our 2021 Annual Report for a discussion of all assumptions made by us in determining the ASC 718 values of equity awards.

Additional Information with Respect to Director Equity Awards

Name	Number of Shares Subject to Outstanding Stock Awards at Fiscal Year-End (#)[1]
Christine Bucklin	39,907
Gregory P. Dougherty	30,825
Thomas J. Fallon[2]	18,211
Marcel Gani	18,211
Sharon E. Holt	36,068
Kambiz Y. Hooshmand[2]	18,211
Paul J. Milbury	18,211
Amy H. Rice[3]	—
George A. Riedel	39,907
Mark A. Wegleitner	18,211
David F. Welch, Ph.D	821,126[4]

(1) Unvested time-based RSU awards, except with respect to Dr. Welch.

(2) Messrs. Fallon and Hooshmand resigned from our Board in February 2022.

(3) Ms. Rice has waived any participation in the compensation benefits available to the Company's non-employee directors, except for customary reimbursement of expenses.

(4) Comprised of 165,570 unvested time-based RSU awards and 655,556 performance share awards for which the performance goals have not yet been met.

OUR PAY

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis provides information related to the fiscal 2021 compensation program and related decisions for our NEOs identified below.

Our Named Executive Officers

For fiscal 2021, our NEOs were the following:

- David W. Heard, our CEO;
- Nancy Erba, our CFO;
- David L. Teichmann, our Chief Legal Officer ("CLO") and Corporate Secretary; and
- Nicholas Walden, our Senior Vice President, Worldwide Sales.

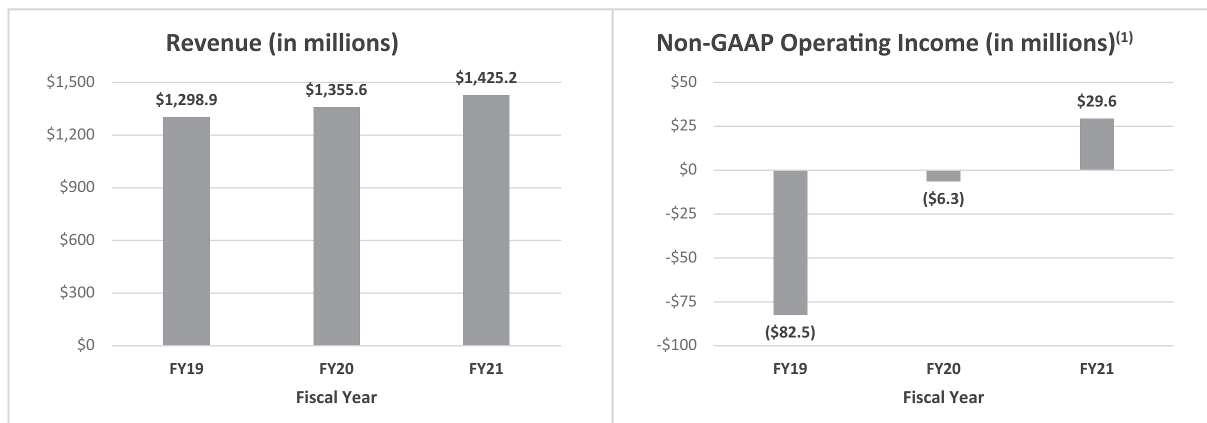
Executive Summary

Fiscal 2021 Business Results

Fiscal 2021 was a year in which we strengthened our product portfolio, accelerated growth and expanded margins. We were able to make strong progress toward our financial and strategic goals while navigating an ongoing global pandemic and the increased impact of supply chain disruptions. Below are five key accomplishments in fiscal 2021:

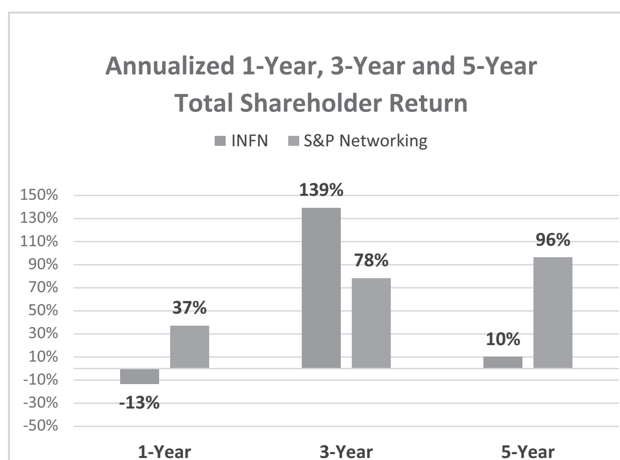
- First, we delivered against our major financial milestones; we grew revenue faster than the optical dense wavelength division multiplexing (DWDM) systems telecommunications market, excluding China; we expanded non-GAAP annual gross margin year-over-year by 380 basis points, which was at the high end of our 300 basis point to 400 basis point goal; and we generated positive and improved non-GAAP operating margin and GAAP cash flow from operations.
- Second, we drove commercial success across our customer footprint as we secured new Tier 1 design wins and won new Huawei displacement business. In fiscal 2021, we had record bookings and revenue with Internet content providers ("ICPs"); we have grown our ICP revenue at a 30% compound annual growth rate since 2019. And in subsea, a market characterized by stringent capacity and reach requirements, we grew overall bookings by over 50% in 2021.
- Third, we expanded our product portfolio, securing design wins and gaining market share with our compact modular platforms, line systems, and metro products. At the end of fiscal 2021 we had grown revenue from our 800 gigabits per second ICE6 GX product to the low-teens as a percentage of product revenue. We exited the year with over 30 ICE6 customers and a healthy pipeline, and are on track to ramp ICE6 revenue to 20-25% of product revenue in 2022. In addition, line system bookings, a leading indicator of the future high-margin transponder sales, grew by 100%. This was primarily driven by ICE6 deployments. Bookings from our metro portfolio, including the XTM 7100 and GX platforms grew by 25% in fiscal 2021.
- Fourth, we unveiled our suite of vertically integrated coherent pluggables to expand our addressable market and enable an increase in margins from higher levels of vertical integration in our metro portfolio. In June 2021, we launched the Open XR Forum with five leading carriers as initial members, and in fiscal 2022 we expect to continue announcing other major carriers as new members. Our current members collectively represent approximately 20% of the global telecom spend on capital expenditures.
- Fifth and lastly, to execute our 8x4x1 strategy that we laid out at our Investor Day in May 2021, we organized the company into two business groups, one focused on optical systems and the other on coherent optical modules, with both groups supported by our services organization. We also bolstered our executive leadership team by bringing in additional industry veterans from leading companies to accelerate the execution of our growth and scale strategy.

The following table illustrates our GAAP revenue and non-GAAP operating income (loss) over the last three fiscal years:



(1) For a reconciliation of GAAP to non-GAAP revenue, gross profit, gross margin, operating income (loss) and operating margin for fiscal 2021, 2020 and 2019, referenced in this table or elsewhere in this Proxy Statement, please see Appendix A.

The following graph shows our 1-, 3- and 5-year TSR as compared to the Standard & Poor's North American Technology Multimedia Networking Index ("S&P Networking Index"), measured from the last trading day of fiscal 2021.



Fiscal 2021 Executive Compensation Program Overview

At the beginning of fiscal 2021, when a majority of executive compensation decisions were made, the Compensation Committee considered the performance of our company as we exited fiscal 2020 and the goals of achieving profitable revenue growth and non-GAAP operating income growth despite a very dynamic supply chain environment during the ongoing COVID-19 pandemic. The decisions made reflected a continuing effort to maintain a strong pay-for-performance profile and supported accountability of our leadership team for our financial performance.

As indicated below, a significant portion of our executive compensation program is designed to align the compensation outcomes for our participating NEOs with performance against measurable objectives.

Executive Compensation Program Structure

Compensation Element (CEO/average NEO allocation at target)	Structure and Attributes
Base Salary (16% CEO/24% NEOs)	• Competitively benchmarked • NEOs except for the CEO received a pay increase in FY'21
Target Annual Incentive (0% CEO/8% NEOs)	• NEOs did not participate in FY'21 annual cash incentive plan • NEOs other than CEO instead were granted RSUs equal to 75% of their annual target bonus • SVP, Worldwide Sales, was granted RSUs equal to 18.75% of annual target bonus and also had cash incentive opportunity based on bookings and gross profit metrics equal to 75% of annual target bonus

Long-Term Performance-Based Stock Awards (50% CEO/36% NEOs)	• Based on objective performance metrics:
	  • GAAP Revenue
	  • Non-GAAP Operating Income
	• Vesting occurs when metrics are met for full fiscal year during performance period and time-based vesting requirement is met
	• CEO received 42% performance-based shares; other NEOs received 30%

Long-Term Restricted Stock Awards (34% CEO/32% NEOs)	• Designed for long-term retention and to provide strong long-term shareholder alignment • RSUs vest over three years, with one-third vesting after one year and then quarterly for the remaining two years • CEO received 28% restricted stock; other NEOs received 33%

Proactive Measures Taken During Fiscal 2021 and Pay-for-Performance Outcome in Fiscal 2021

In fiscal 2020, our Compensation Committee took proactive measures to adjust the executive compensation program to reduce expenses, preserve cash and to better position us in light of the rapidly changing business environment and increased uncertainty due to the COVID-19 pandemic that began early in the year. These measures included temporary salary reductions for our NEOs. Additionally, no payments were made under our 2020 corporate bonus plan for participating NEOs.

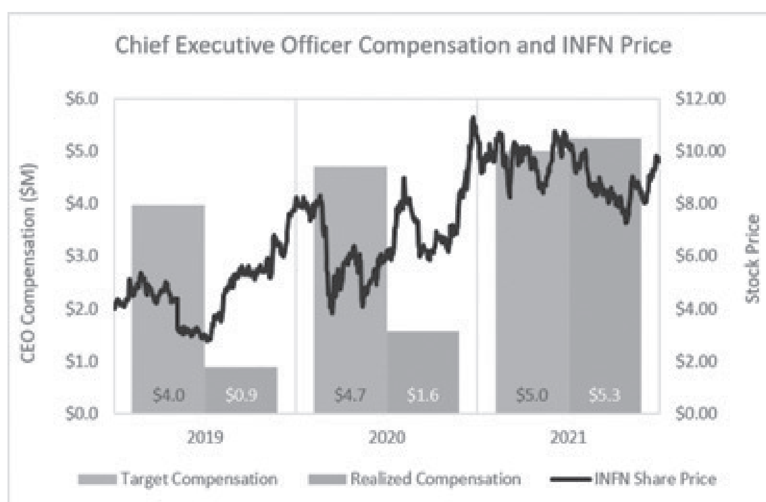
In fiscal 2021, our Compensation Committee continued to focus on expense reduction and cash preservation in the face of continued challenges and uncertainty related to the ongoing COVID-19 pandemic, while balancing the need to effectively retain critical talent and incentivize achievement of key business objectives by our NEOs. In lieu of participating in our annual incentive cash compensation plan, our executive officers other than the CEO were provided with retention equity awards while we strategically conserved cash during the continuing COVID-19 pandemic, thus helping to continue to promote executive officer and shareholder alignment, as discussed further below. These retention equity awards also vest over a longer period than would be the case for incentive cash compensation to be earned under our normal annual cash bonus program. Although we did not have an incentive compensation program, either cash or equity, for our CEO, in March 2022 our Compensation Committee approved a cash bonus for our CEO in recognition of his leadership and performance in fiscal 2021.

During fiscal 2021, we continued to make progress toward achievement of our longer-term strategic goals. Under our fiscal 2021 executive compensation program, and consistent with our compensation policy promoting strong pay and performance alignment:

- None of the performance shares granted in 2020 and 2021 became eligible to vest based on performance during 2021;
- Performance shares granted in 2019 were earned during fiscal 2021 based on our achievement of positive non-GAAP operating income for four consecutive fiscal quarters; and
- Realized compensation value for our CEO in fiscal 2021 was 105% of his target compensation.

Pay-for-Performance with Respect to Fiscal 2021 CEO Compensation

We emphasize performance-based incentives for compensation for all of our NEOs, including in particular our CEO, as evidenced in the chart below, which illustrates the target total direct compensation (i.e., base salary, target cash incentive opportunity, and equity awards) of our CEO versus our CEO's actual realized compensation during the most recent three fiscal years, as well as our stock price during that time period. Mr. Heard served as our CEO during fiscal 2021. Thomas J. Fallon served as our CEO during fiscal 2019 and during fiscal 2020 until November 23, 2020; Mr. Fallon's compensation is reflected for fiscal 2020 in the chart below. Target total direct compensation is defined as the sum of the base salary rate approved for each fiscal year, the target cash incentive for the year, and the grant date target value of equity awards. The target value of equity awards reflects the grant date share price of performance share awards, which differs from the value reported in the Summary Compensation Table below. Actual realized compensation includes the base salary and any cash annual incentive earned during the year plus the sum of any RSUs and performance shares that vested during the year, valued using the share price on the vesting date.



As described above, our CEO target total direct compensation emphasizes compensation that aligns with investor interests, including an at-risk annual incentive (in fiscal 2019 and 2020) and long-term vesting equity awards. Realized compensation for fiscal 2021 for our CEO exceeded target by approximately 6%, reflecting appreciation in the value of equity awards granted in prior years but that vested during fiscal 2021. This additional value was driven by a significant increase in the closing share price of our common stock, from $3.99 on December 31, 2018 (the start of the 3-year period detailed in the chart above) to a closing price of $9.55 on December 23, 2021 (which was the last trading day of our fiscal 2021). Our compensation programs are designed to reward executives with realized compensation that exceeds target through a combination of strong shareholder returns and performance that exceeds the targets approved for our short- and long-term incentive plans. As a result of our emphasis on pay-for-performance, the realized compensation of our then CEO fell significantly below target in fiscal 2019 and fiscal 2020. In addition, in furtherance of our pay-for-performance goals, 60% of Mr. Heard's targeted equity awards in fiscal 2021 were granted in the form of performance share awards.

Governance of Executive Compensation

Our executive compensation program includes the following executive compensation governance policies and practices:

- Compensation At Risk. Our executive compensation program is designed so that a significant portion of our NEO compensation is "at risk" based on corporate performance, as well as equity-based to align the interests of our NEOs and shareholders.
- Executive Clawback Policy. We maintain an executive clawback policy that applies to our Section 16 Officers and provides for recovery of both cash and equity incentive compensation under specified circumstances.
- Anti-Hedging Policy. Our Insider Trading Policy prohibits all employees, including our NEOs, and Board members from hedging their Infinera common stock.
- Anti-Pledging Policy. Our Insider Trading Policy prohibits our NEOs and Board members from pledging Infinera common stock as collateral for a loan.
- Fully Independent Compensation Committee. Our executive compensation program is administered 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.
- "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, unless otherwise set forth in a specific equity award agreement.
- 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.
- Independent Compensation Consultant Reporting Directly to Compensation Committee. The Compensation Committee utilizes input from Compensia, Inc. ("Compensia"), an independent compensation consultant that is retained directly by the Compensation Committee and performed no services for Infinera during fiscal 2021 other than services for the Compensation Committee.

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 shareholders. 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 level employees), the internal company environment relative to industry conditions, current business priorities, strategy and product development cycles, and current market practices of our peer group. Further, because we are in a period of transition, certain elements of our compensation program measure progress on similar metrics in the short and long term and contains rewards for our executives that are earned when certain strategically important financial milestones are met and sustained. We believe this program is in the best interests of and aligned with our shareholders and maximizes the incentive for our employees and executive team to deliver shareholder value.

Advisory Vote on Fiscal 2020 Named Executive Officer Compensation—"Say-on-Pay" Vote

In 2021, shareholders were provided with the opportunity to cast an advisory (non-binding) vote (a "say-on-pay" proposal) on the compensation of our NEOs for fiscal 2020. Our shareholders approved this say-on-pay proposal, with more than 96% of votes cast voting in favor of our executive compensation program.

Noting the results of this vote, the Compensation Committee considered this shareholder approval when making compensation decisions for fiscal 2021 as well as fiscal 2022.

In light of the 2021 say-on-pay vote, the Compensation Committee maintained a consistent general approach to our executive officer compensation program. This included a continued emphasis on pay-for-performance through the use of performance shares that reward executive officers only if they deliver value for our shareholders.

The Compensation Committee will continue to consider input from our shareholders as reflected in the outcome of our annual say-on-pay vote when making executive compensation program decisions.

Compensation-Setting Process

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 establish and approve the compensation of each of our executive officers, including our NEOs. In addition, the Compensation Committee reviews and administers our equity and employee benefit plans and programs, which are generally available to our employees, including our 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 2021, the Compensation Committee engaged the services of Compensia, a national compensation consulting firm, as its independent compensation consultant to provide advice on matters relating to the compensation of our executives and non-employee directors. Compensia attended several of the Compensation Committee's meetings during fiscal 2021 and provided the Compensation Committee with an analysis of industry-sector competitive market data regarding NEO compensation, information on compensation trends, peer group and general market data, as well as assistance with the parameters used to determine the peer group, base salary, incentive plan design and the structure of our executive compensation program. During fiscal 2021, Compensia also provided general observations about our compensation programs and reviewed and provided input on this Compensation Discussion and Analysis section.

Compensia reports directly to the Compensation Committee. During fiscal 2021, Compensia interacted with management at the direction of the Compensation Committee but did not provide any other services for Infinera or its management team. Compensia's fees in fiscal year 2021 were paid by Infinera. The Compensation Committee annually reviews the independence of its compensation consultant and during fiscal 2021 determined that there were no conflicts of interest in connection with Compensia's work.

Determination of CEO Compensation. Compensia provides market data and considerations for the Compensation Committee regarding 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 with respect to the performance of our CEO. After considering the feedback and recommendations received, all decisions regarding our CEO's compensation are made by the Compensation Committee, based on its own judgment and after considering the interests of our shareholders, in executive sessions excluding our CEO.

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, including considerations regarding retention and importance of their contributions to Infinera. Our CEO is assisted by our Chief Human Resources Officer in making these assessments. Our CEO then presents his performance assessment of the other NEOs and makes formal recommendations to the Compensation Committee regarding adjustments to base salary, annual cash incentive award opportunities, and equity awards for our NEOs (other than himself). While the Compensation Committee considers the recommendations of our CEO in determining compensation for our other NEOs, ultimately its decisions are based on its own judgment and the interests of our shareholders. None of our NEOs makes any recommendations regarding his or her own compensation and none of our NEOs are present at meetings at the time their compensation is determined.

Executive Compensation Elements

We consider the following to constitute the key elements of compensation for our executive officers:

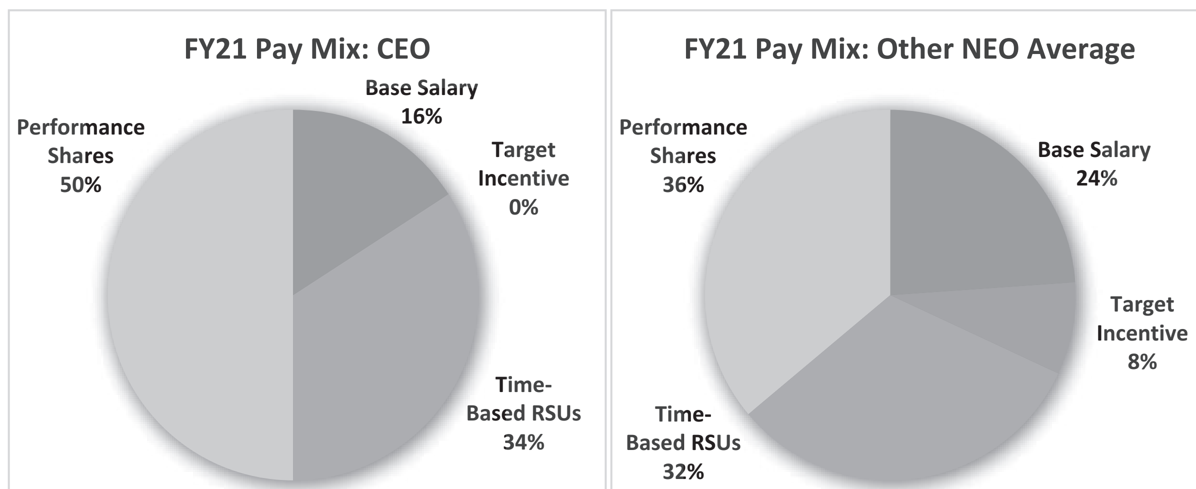
- Salary. We pay base salaries to attract, retain and motivate our executive officers for their day-to-day contributions.
- Annual Incentive Compensation.
  - Historically, we have provided annual incentive cash compensation to link payments to the achievement of our annual financial and/or operational objectives and expect to resume this compensation program in the future. However, for the second half of fiscal 2020 and all of fiscal 2021, we cancelled this program in response to impacts from the COVID-19 pandemic.
  - In fiscal 2021, in lieu of incentive cash compensation, we provided our executive officers other than our CEO with retention equity awards while strategically conserving cash during the continuing COVID-19 pandemic, helping to ensure executive officer and shareholder alignment, as discussed further below. These retention equity awards also vest over a longer period than would be the case for incentive cash compensation to be earned under our normal annual cash bonus program. Our SVP, Worldwide Sales, also received incentive cash compensation tied to achievement of metrics for bookings and non-GAAP gross profit. In March 2022, our Compensation Committee awarded a cash bonus to our CEO in recognition of his performance and leadership in fiscal year 2021.
  - In fiscal 2022, we are reinstating an annual incentive cash compensation program for our CEO and CFO. For our other NEOs, the annual incentive compensation program will retain the retention equity component as to 50% of the target value and will reinstate annual incentive cash compensation as to the other 50% of the target value. Our SVP, Worldwide Sales, will participate in this annual incentive compensation program (including the 50%/50% ratio between cash and retention equity) as to 25% of his target value and will also participate in a separate incentive compensation program as to 75% of his target value that is tied to achievement of new financial targets for bookings and gross profit, measured on a non-GAAP basis.
- Long-Term Incentive Compensation. We provide long-term incentive compensation delivered in the form of equity awards to align the interests of our executive officers with those of our shareholders 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 to allocate an NEO’s target total direct compensation opportunity among these various elements, the Compensation Committee considers market-competitive practices for companies of a similar size and with a comparable business focus. Individual retention considerations specific to the individual are also factored in the Compensation Committee’s final determination of target total direct compensation. Equity awards, which for fiscal 2021 consisted of awards of time-based RSUs and performance shares, represented the largest component of our NEOs’ target total direct compensation opportunity. This approach was designed to encourage sustained, long-term performance and to ensure alignment of the interests of our NEOs with those of our shareholders. Consistent with our “pay-for-performance” philosophy, a significant portion of our NEOs’ fiscal 2021 target total direct compensation opportunity was completely “at risk,” including 50% of Mr. Heard’s target total direct compensation opportunity. We define “at risk” compensation as opportunities for which vesting eligibility is contingent upon achievement of specified performance conditions. In fiscal 2021, this included performance share awards, where the value of performance shares is included in the charts below based on the grant date target value of shares awarded.

The following charts show the target total direct compensation mix for fiscal 2021 for Mr. Heard and our other NEOs, with the value of equity awards determined using grant date fair value.



Role of the Compensation Peer Group and Market Data

In making compensation decisions for our executive officers, 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 September 2020, the Compensation Committee reviewed the peer group used for executive compensation decision-making for purposes of fiscal 2020 compensation planning. The target selection criteria for the peer group identified in September 2020 and used for fiscal 2021 compensation planning were:

- Industry: companies in the communications equipment sector and Infinera's direct competitors, as well as other companies in broader technology sectors, with a focus on companies that overlap with key elements of Infinera's business;
- Annual Revenue: $625 million to $2.5 billion;
- Market Capitalization: $222 million to $3.6 billion; and
- Location: U.S.-based companies, with a preference for Bay Area-headquartered companies.

Our peer group for fiscal 2021 compensation planning consisted of the following 14 companies, which remained the same as the companies comprising the peer group for fiscal 2020 compensation planning:

Ciena Corporation
Cirrus Logic, Inc.
Coherent, Inc.
Extreme Networks, Inc.
Finisar Corporation
II-VI Inc.
Lumentum Holdings Inc.
NETGEAR, Inc.
NetScout Systems, Inc.
OSI Systems, Inc.
Plantronics, Inc.
Ribbon Communications Inc.
Synaptics Incorporated
Viavi Solutions Inc.

The Compensation Committee also reviewed market data derived from the Radford Global Technology survey to supplement the available peer group data for purposes of determining the compensation of Mr. Teichmann, our Chief Legal Officer and Mr. Walden, our Senior Vice President, Worldwide Sales. In this discussion, where we refer to "market" levels of pay and the "market data," we are referring to the combined compensation peer group and survey data described above that were then in effect and applicable to our NEOs.

Use of Market Data

For its fiscal 2021 compensation decisions, the Compensation Committee continued to maintain a holistic and flexible approach in its use of market data. The Compensation Committee's goal is generally to set all elements of compensation within a competitive range, using a balanced approach that does not use rigid percentiles to target pay levels for each compensation element, but instead makes its compensation decisions based on a variety of relevant factors, including those listed below. While the Compensation Committee continues to review and reference market data, the data generally is used to inform the Compensation Committee of market practices to ensure that our executive compensation program remains within a generally competitive range of our peers. In addition to the market data, several other factors are taken into account in setting the amount of each NEO's target total direct compensation opportunity. These factors include:

- **Recruitment, retention and historical factors**. The Compensation Committee reviews existing NEO compensation and retention levels relative to estimated replacement cost with respect to the scope, responsibilities and skills required of the particular position.
- **Lack of directly comparable data for some of our key roles**. Compensation data for some of our key positions 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 higher or lower than the data collected from another, given differences in methods and samples used by each source to collect market data. Given this variability and volatility within the market data, the Compensation Committee has determined that targeting pay levels at specific percentiles of this data could result in outcomes that do not align with the internal value and strategic importance of various roles at Infinera.
- **Desire to account for other factors not captured in the market data.** As discussed below, the Compensation Committee also considers several qualitative factors.

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 for our NEOs, including:

- The role the executive officer plays and the importance of such individual's contributions to our ability to execute on our business strategy and to achieve our strategic 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 each executive officer's performance (other than his own performance), and with respect to the CEO's performance, assessment by the Board;
- The value of unvested equity awards held by each executive officer and in comparison to other members of our executive management team and senior employees;
- Internal pay equity across the executive management team;
- The impact of our compensation decisions on key financial and other measures such as our equity award "burn rate" and, in 2021, the our utilization of cash versus equity;
- Our overall performance as compared to internal plans and external benchmarks;
- The potential impact on shareholder dilution of our compensation decisions relative to peers and historical practices; 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 NEOs.

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.

Fiscal 2021 Compensation

Base Salaries

For fiscal 2021, the Compensation Committee reviewed the base salaries in March 2021 for each of our NEOs. The Compensation Committee did not change our CEO's base salary, which had been set in December 2020 in connection with his promotion to CEO. After considering peer market data provided by Compensia, noting the temporary salary reductions implemented in 2020 and taking into account their respective individual performance during this period, the Compensation Committee approved increases to the base salaries for the other NEOs as shown in the table below.

The following table shows the annual base salary for each of our NEOs for fiscal 2020 and fiscal 2021.

Name	Fiscal 2020 Annual Base Salary	Fiscal 2021 Annual Base Salary
David W. Heard[(1)]	$520,000[(2)]	$700,000
Nancy Erba	$425,000	$445,000
David L. Teichmann	$385,000	$400,000
Nicholas Walden[(3)]	$375,000	$410,000

(1) Mr. Heard was promoted to CEO effective as of November 23, 2020.

(2) Mr. Heard's annual base salary was increased to $700,000 effective as of December 5, 2020 in connection with his promotion to CEO.

(3) Mr. Walden was promoted to Senior Vice President, Worldwide Sales, effective as of January 5, 2020.

Annual Incentive Compensation

Target Bonus Opportunities. In March 2021, the Compensation Committee reviewed the target bonus opportunities (which are expressed as a percentage of base salary) for fiscal 2021 for each of our NEOs, and determined that the target bonus opportunities for our NEOs except for Mr. Walden would remain the same in fiscal 2021 as in fiscal 2020. As noted above, these target bonus opportunities were used to determine the value of retention equity awards for our NEOs (other than our CEO) but our NEOs did not participate in any annual cash incentive program based on these target amounts. The Compensation Committee determined to increase Mr. Walden's target bonus opportunity to 85%. In considering the increased target bonus opportunity for Mr. Walden, the Compensation Committee considered the competitive market data provided by Compensia and its desire to provide appropriate competitive compensation to Mr. Walden in his critical role as the SVP, Worldwide Sales.

The following table shows the target bonus opportunities for each of our NEOs for fiscal 2020 and fiscal 2021.

Name	Fiscal 2020 Target Bonus	Fiscal 2021 Target Bonus
David W. Heard	90%[(1)]	125%
Nancy Erba	75%	75%
David L. Teichmann	70%	70%
Nicholas Walden	75%	85%

(1) Mr. Heard's target bonus opportunity was increased to 125% effective as of December 5, 2020 in connection with his promotion to CEO.

2021 Retention Equity Awards. In March 2021, the Compensation Committee determined that we would provide our NEOs, other than the CEO, with retention equity awards in lieu of annual incentive cash

compensation. These retention equity awards were granted under our 2016 Plan in the form of RSUs. This approach allowed us to strategically conserve cash during the continuing COVID-19 pandemic while helping to ensure executive officer and shareholder alignment and executive officer retention. The Compensation Committee chose to grant these in the form of RSUs given that RSUs retain value generally in one-to-one correlation with our stock price, which the Compensation Committee believed was appropriate in delivering the desired retention value under these awards and would closely correlate with our corporate financial performance. The Compensation Committee determined it was important for the CEO not to participate in the annual cash incentive program as a demonstration of his support for our cash conservation goal in fiscal 2021. Further, it determined not to grant him a retention equity award in lieu of annual cash compensation after considering his recent promotion to CEO in November 2020 and the desire to preserve the ratio of at-risk equity compensation awards granted to him in fiscal 2021.

These retention equity awards were intended to provide an award value at the time of grant approximately equivalent to 75% of the target bonus opportunity for each NEO, other than Mr. Walden, under our annual performance-based incentive cash program used in prior fiscal years. The Compensation Committee believed that this 25% discount appropriately balanced the goal of conserving cash with the incentive value that RSUs are able to deliver in comparison to cash compensation. In the case of Mr. Walden, our SVP, Worldwide Sales, the retention equity award was intended to provide an award value at the time of grant approximately equivalent to 18.75% of his 2021 target bonus opportunity, which included the 25% discount noted above for the other NEOs. In addition, the Compensation Committee approved a variable cash compensation program for Mr. Walden as noted below.

The retention equity awards vest over a longer period than has been the case for incentive cash compensation to be earned under prior annual incentive cash bonus programs, with one-half of the RSUs vesting after twelve months and the remaining shares vesting ratably over the next four quarters.

Walden 2021 Variable Compensation Program. In March 2021, the Compensation Committee approved a fiscal 2021 variable compensation program for Mr. Walden with a target cash value equal to 63.75% of his base salary tied to achievement of financial targets for bookings and gross profit, measured on a non-GAAP basis, combined with his retention equity award described above. The Compensation Committee believed that these goals would be appropriate given Mr. Walden's critical role leading the Company's efforts in driving revenue, and for focusing efforts on our profitable revenue growth by emphasizing bookings, which are closely correlated with revenue balancing, and gross profit, which is an important measure of the Company's business success.

	Bookings Threshold	Bookings Target	Gross Profit Threshold	Gross Profit Target
Amount	$1.40 billion	$1.45 billion	$505.3 million	$526.0 million
Funding % of Target	50%	100%	75%	100%
Actual Results		$1.72 billion		$537.5 million

We met both sets of financial targets for the cash portion of Mr. Walden's fiscal 2021 variable compensation program, with bookings of $1.72 billion (weighted at 60%) and gross profit, measured on a non-GAAP basis, of $537.5 million (weighted at 40%). This resulted in an overall bonus achievement of 158% for Mr. Walden, for a payout of $412,082.

Fiscal 2022 Bonus Plan. In March 2022, the Compensation Committee approved a fiscal 2022 Bonus Plan that reinstates an annual incentive cash compensation program for our CEO and CFO. For our other NEOs, the annual incentive component of their compensation will continue to consist of the retention equity component utilized in fiscal 2021 as to 50% of the NEO's target incentive opportunity and the 2022 Bonus Plan will reinstate annual incentive cash compensation as to the other 50% of the NEO's target incentive opportunity. Mr. Walden will participate in this annual incentive compensation program (including the 50%/50% ratio between cash and retention equity) as to 25% of his target incentive opportunity and will also participate in a separate incentive compensation program as to 75% of his target value that is tied to achievement of new financial targets for bookings and gross profit, measured on a non-GAAP basis.

Heard One-Time Cash Bonus. In March 2022, the Compensation Committee approved a cash bonus for Mr. Heard of $200,000 in recognition of our fiscal 2021 financial performance and his strong leadership and

performance in achieving these results. The Compensation Committee believed that such bonus was appropriate in light of the significant progress we made during fiscal 2021 toward achieving our long-term financial and strategic goals. The Compensation Committee also considered that Mr. Heard was not eligible to receive a cash bonus under our annual short-term incentive plan in order to support our cash conservation efforts at the beginning of fiscal 2021. In addition, he was not awarded retention RSUs in-lieu-of an annual short-term incentive opportunity.

Long-Term Incentive Compensation

Our long-term incentive compensation opportunities are delivered in the form of equity awards. Under the 2016 Plan, the Compensation Committee grants equity awards to eligible employees, including our NEOs. All awards to our NEOs were made pursuant to the 2016 Plan. Annual equity awards for NEOs are generally approved by the Compensation Committee during the first open trading window of each new calendar year. The Compensation Committee actively monitors our annual aggregate equity utilization as measured by our burn rate.

Equity Compensation Design. The Compensation Committee believes that it is in the best interests of Infinera and our shareholders to grant a combination of time-based and performance-based equity awards to senior level employees, including our NEOs. It also believes that our performance-based equity awards foster a "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 shareholders. Our NEOs benefit from these equity awards based on our sustained performance over time and the ability of our NEOs to create the results that drive shareholder 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
Performance Share Award	• Provides the opportunity to earn shares of Infinera common stock 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 is forfeited.	• Supports pay-for-performance philosophy and retention efforts. • Links compensation directly to Infinera's stock performance in areas identified as important by the Compensation Committee. • Increases alignment with interests of shareholders.
RSU Award	• Provides the opportunity to earn a specified number of shares of Infinera common stock subject to the participant's continued employment for a specified period. • Typically has 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.

Target Award Size. 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" and "Relevant Qualitative Factors," with particular attention to market data, internal equity considerations, the potential dilutive impact of the equity awards, and the amount and value of unvested equity awards held by each of our 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 shareholders.

For fiscal 2021, the Compensation Committee first determined the target value of long-term incentive compensation for each executive. The number of RSUs and performance shares granted to each executive was

then determined based on an assumed stock price of $10.00 per share and assuming a 60% allocation of target value into performance shares for Mr. Heard, our CEO, and a 50% allocation of target value into performance shares for our other NEOs. The Committee determined to utilize a $10 reference price in order to facilitate the equity planning process and after taking into account recent volatility of our common stock share price, although the grant date value for these equity awards was below $10 per share. The target value approved by the Compensation Committee differs from the value of equity reported in the Summary Compensation Table below.

Fiscal 2021 Equity Awards. In March 2021, the Compensation Committee granted annual equity awards for fiscal 2021 in the form of a time-based RSU award and a performance share award to each of our NEOs. The following table sets forth the equity awards granted to our NEOs in March 2021.

Name	Number of Shares Subject to 2021 RSU Awards	Number of Shares Subject to 2021 Performance Share Awards
David W. Heard	172,000	258,000
Nancy Erba	60,000	60,000
David L. Teichmann	50,000	50,000
Nicholas Walden	55,000	55,000

The RSU awards in the table above vest over a three-year period, with one-third of the underlying shares vesting on April 5, 2022, and one-twelfth of the underlying shares vesting quarterly thereafter, subject to each NEO's continued service to Infinera through each applicable vesting date.

Performance Share Awards.

Determining the Performance Goal. In determining the performance criteria for the 2021 performance share awards for our NEOs, the Compensation Committee considered the importance of profitable revenue growth combined with non-GAAP operating income growth. The Compensation Committee also considered that the new performance share awards would be designed to work in concert with grants made in previous years that will have overlapping performance cycles with the awards granted in 2021. Fiscal 2019 awards were structured differently to encourage executives to accelerate our return to sustained profitability. Fiscal 2020 awards were structured to drive executive focus on increasing our gross margin.

Performance Criteria. Accordingly, the Compensation Committee decided to utilize two sets of performance goals for the fiscal 2021 awards, with each set of goals covering one-half of the fiscal 2021 performance shares. The 2021 performance share awards (the "2021 PSA") can be earned during fiscal 2021 through fiscal 2023 (the "2021 PSA Performance Period") based on the Company's achievement of these two sets of performance goals (the "2021 PSA Goals"). The first set, referred to as "Tranche A Goals," includes both an operating income goal, measured on a non-GAAP basis over a full fiscal year, and a revenue goal, measured on a GAAP basis over a full fiscal year. Upon achievement of both prongs of the Tranche A Goals, 50% of the shares subject to the 2021 PSA will become eligible to vest. The second set, referred to as the "Tranche B Goal," includes an operating income goal, measured on a non-GAAP basis over a full fiscal year. Upon achievement of the Tranche B Goal, 50% of the shares subject to the 2021 PSA will become eligible to vest.

For purposes of the 2021 PSA, non-GAAP operating income is calculated by excluding from GAAP operating income the following: acquisition-related deferred revenue adjustment, stock-based compensation expense, amortization of acquired intangible assets, acquisition and integration costs, restructuring and other related costs, inventory related charges, COVID-19 related costs and litigation charges. For a reconciliation of GAAP to non-GAAP operating income for fiscal 2021, for example, please see Appendix A to this Proxy Statement. In addition, under the terms of the 2021 PSA, the Compensation Committee may modify the 2021 PSA Goals to reflect one or more of the following extraordinary items occurring during the 2021 PSA Performance Period: (a) items related to acquisitions, (b) items related to the disposal of a business or segment of a business, or (c) items related to discontinued operations that do not qualify as a segment of a business under GAAP.

In establishing the performance goal for our NEOs' 2021 performance share awards, the Compensation Committee reflected that the prior awards included goals targeted at specific financial objectives that ultimately tie

to shareholder value, and that the 2021 awards should as well. The Compensation Committee believes the overlapping, multiyear performance period design provides our NEOs with significant incentives to achieve various objectives that are important for our long-term success.

Achievement and Vesting. The 2021 PSA will become eligible to vest upon the determination by the Compensation Committee of the achievement of the 2021 PSA Goals and are subject to each NEO's continued service to Infinera through each applicable vesting date. Achievement of the 2021 PSA Goals will be determined by the Compensation Committee based on the relevant financial performance results disclosed in our earnings release filed on Form 8-K with respect to a fiscal year during the 2021 PSA Performance Period. Once the 2021 PSA Goals have been achieved (as determined and certified by the Compensation Committee), if achievement occurs in fiscal 2021 or fiscal 2022, then eligible shares underlying the 2021 PSA will vest immediately as to such portion of shares that is pro rata to the percentage of days elapsed from April 5, 2021 in the 2021 PSA Performance Period, with the remaining eligible shares vesting on the last day of fiscal 2023. If achievement occurs in fiscal 2023, then all eligible shares underlying the 2021 PSA will vest immediately on the certificate date by the Compensation Committee. Time-based vesting is subject to continuous service to us by each NEO. In the event of our change in control that occurs during the 2021 PSA Performance Period, the unvested portion of the 2021 PSA will vest at the target level.

Achievement Status for Performance Shares During Fiscal 2021. We did not achieve the 2021 PSA Goals for the 2021 PSA during fiscal 2021. As a result, as of the end of fiscal 2021, the target number of shares subject to the 2021 PSA granted to each NEO remained unearned and outstanding. These shares are eligible to be earned and vest if the 2021 PSA Goals are achieved during the remainder of the 2021 PSA Performance Period.

Outstanding Performance Share Awards Granted in Prior Fiscal Years. The following table provides information regarding outstanding performance share awards granted prior to fiscal 2021 that were eligible to be earned in fiscal 2021 by our NEOs based on the achievement of performance with respect to non-GAAP operating income and stretch gross margin goals, including the performance requirements and number of shares of Infinera common stock earned through fiscal 2021.

Name	Fiscal Year of Grant	Total Number of Performance Shares Remaining at Target (#)	Target Number of Shares that Could Vest for Fiscal 2021 Performance Period (#)	Maximum Number of Shares that Could Vest for Fiscal 2021 Performance Period (#)	Actual Number of Shares Vested for Fiscal 2021 Performance Period (#)
David W. Heard	2019[(1)]	220,000	220,000	220,000	195,554[(2)]
	2020[(3)]	125,000	125,000	125,000	0[(4)]
Nancy Erba	2019[(1)]	187,500	187,500	187,500	166,666[(2)]
	2020[(3)]	77,500	77,500	77,500	0[(4)]
David L. Teichmann	2019[(1)]	65,000	65,000	65,000	57,776[(2)]
	2020[(3)]	68,500	68,500	68,500	0[(4)]
Nicholas Walden	2019[(1)]	12,500	12,500	12,500	11,110[(2)]
	2020[(3)]	47,100	47,100	47,100	0[(4)]

(1) In fiscal 2019, the Compensation Committee granted to the NEOs in the table above a performance share award (the "2019 Profitability PSA") that can be earned during fiscal 2020 through fiscal 2022 based on our achievement of positive operating income, measured on a non-GAAP basis (the "Profitability Goal"), either (a) for a full fiscal year or (b) on an average basis, for any four consecutive fiscal quarters. In the event of our change of control that would have occurred during the 2019 Profitability PSA Performance Period, the unvested portion of the 2019 Profitability PSA would have vested at the target level.

(2) We achieved the Profitability Goal for the 2019 Profitability PSAs, as we had positive non-GAAP operating income for four consecutive fiscal quarters, from Q3 fiscal 2020 through Q2 fiscal 2021. As a result, 100% of the target number of shares of our common stock became eligible to vest during fiscal 2021. In accordance with the time-based vesting provisions of the 2019 Profitability PSA, approximately 89% of the eligible shares vested in October 2021, with the remainder vesting in January 2022.

(3) In fiscal 2020, the Compensation Committee granted to the NEOs in the table above a performance share award (the "2020 Gross Margin PSA") that can be earned during fiscal 2020 through fiscal 2022 (the "2020 PSA Performance Period") based on our achievement of a stretch gross margin goal, measured on a non-GAAP basis (the "Gross Margin Goal"), either (a) for

a full fiscal year or (b) on an average basis, for any four consecutive fiscal quarters. In the event of our change of control that occurs during the 2020 PSA Performance Period, the 2020 Gross Margin PSA would vest at the target level.

(4) We did not achieve the Gross Margin Goal for the 2020 Gross Margin PSAs. As a result, as of the end of fiscal 2021, the target number of shares subject to the GM PSAs granted to each NEO remained unearned and outstanding. These shares are eligible to be earned and vest if the Gross Margin Goal is achieved during the remainder of the 2020 PSA Performance Period through the end of our fiscal 2022.

Employee Benefits and Perquisites

Generally, our NEOs are only eligible to receive the same benefits as our U.S. salaried employees . Infinera and the Compensation Committee believe this approach is reasonable and consistent with the overall compensation objectives to attract and retain employees. These benefits include medical, dental, vision and disability benefits, a Section 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 provide a matching contribution of up to $2,500 under the Section 401(k) plan that is applicable to all eligible participants, including our 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.

All exempt U.S. employees, at any U.S. work location, participate in our "As Needed" FTO Program providing flexible time off. Under this program, these employees may schedule FTO 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, FTO does not accrue for these employees.

From time to time, Infinera may provide other benefits based on the particular circumstances and any business needs (for example, in order to recruit an individual to join the Company). In 2020, Mr. Heard received a relocation benefit of $120,385 under the relocation agreement he entered into with Infinera in 2017 as part of his COO new hire package. This relocation benefit was negotiated with Mr. Heard in connection with his hire, and the Compensation Committee believed that it was appropriate in order to recruit him to join the Company. In 2020, Mr. Walden received a relocation benefit of $90,000 under an agreement he entered into with Infinera following his promotion to Senior Vice President, Worldwide Sales, and received a further housing allowance benefit of $30,000 in 2021 under this agreement. These relocation benefits were negotiated with Mr. Walden in connection with the continuation of his assignment in California after relocating from the United Kingdom, and the Compensation Committee believed that these benefits were appropriate in order to enhance the operational effectiveness of the Company's executive leadership.

Additional Information Regarding Our Compensation Practices

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

Change of Control Payments and Benefits

The Compensation Committee considers maintaining a stable and effective management team to be essential to protecting the best interests of Infinera and its shareholders. Accordingly, Infinera has entered into Change of Control Agreements (the "COC Agreements") with each of our 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 current terms of these COC Agreements are included below.

An NEO will receive payments and benefits under the 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), beginning on the date three (3) months prior to the first change of control to occur following the effective date of the COC Agreement and ending on the date eighteen (18) months following a change of control of Infinera.

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 shareholders, 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 each of the NEOs if Infinera undergoes a change of control and the NEO's employment is terminated without cause or as a result of a constructive termination during the Change of Control Period (that is, the period beginning three months prior to, and ending eighteen months after, a 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 (awards based on the achievement of performance criteria will vest as to 100% of the amount of the award assuming the performance criteria have been achieved at target levels, unless otherwise provided in the agreement relating to such performance-based award);
- Our CEO will be paid a lump sum severance payment (less applicable tax withholdings) equal to two times his annual base salary and our other NEOs will be paid a lump sum severance payment (less applicable tax withholdings) equal to one and one-half times their annual base salary;
- Our CEO will be paid a lump sum severance payment (less applicable tax withholdings) equal to two times his annual target incentive bonus amount and our other NEOs will be paid a lump sum severance payment (less applicable tax withholdings) equal to one and one-half times their annual target incentive bonus amount; and
- Our CEO will be reimbursed for premiums under COBRA for a period of up to 24 months and our other NEOs will be reimbursed for premiums under COBRA for a period of up to 18 months.

Each COC Agreement will have an initial term of three years commencing on the effective date of such COC Agreement. On the third anniversary of the effective date, such COC Agreement will renew automatically for an additional, one-year term unless either party provides the other party with written notice of nonrenewal at least one year prior to the date of automatic renewal.

In addition, the award agreements of certain performance share awards granted to our NEOs specify additional terms that apply to such awards in the event of our change in control, as described further above in the section titled "Long-Term Incentive Compensation."

Executive Severance Policy

In addition to the change of control-related 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 the members of our senior management team, including our NEOs, and enable us to continue to recruit talented senior executive officers. Accordingly, the Compensation Committee has adopted an executive severance policy, under which the following severance payments and benefits will become payable if the employment of one of our NEOs is terminated by us without "cause" (as defined in the policy) subject to such individual entering into and not revoking a release of claims in our favor:

- Our CEO will be paid a lump sum severance payment equal to one and one-half times his annual base salary, and our other NEOs will be paid a lump sum severance payment equal to their annual base salary; and
- Our CEO will be reimbursed for premiums under COBRA for a period of 18 months, and our other NEOs will be reimbursed for premiums under COBRA for a period of 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 policy with respect to severance payments or benefits in the event of an employee's death or disability other than certain disability and life insurance benefits generally available to our employees, 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 and performance share awards.

Equity Grant Policy

Under our Equity Grant Policy, the Compensation Committee has delegated to a Subcommittee the authority to grant new hire, promotional and retention equity awards to non-executive employees pursuant to certain pre-approved guidelines. At this time, the sole member of the Subcommittee is our CEO.

The Subcommittee approves the award by written consent on the second Monday of each month to approve new hire, promotional and retention equity awards. Annual focal equity awards are approved by the Compensation Committee. 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.

Executive Clawback Policy

We maintain an Executive Clawback Policy that applies to our Section 16 Officers (which includes each of our NEOs) and directors. 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 awards; and
- Repayment of any compensation earned on previously exercised or released equity awards,

where such payments, equity awards and/or compensation earned on previously exercised or released cash incentive payments and equity awards 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 a 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 our 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 shareholders. Our Stock Ownership Policy requires our Section 16 Officers (which includes each of our NEOs) and directors 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 of the director or appointment/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. Our stock ownership requirements for our Section 16 Officers and directors are as follows:

- CEO: 4x annual base salary
- CFO: 2x annual base salary
- Other Section 16 Officers and employee directors: 1x annual base salary
- Non-employee directors: 4x annual cash retainer for annual Board service

Shares of Infinera common stock 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 and (ii) shares held in trust for the benefit of the Section 16 Officer or director or his or her family. The value of a share of Infinera common stock is measured on the last trading day of the most recently completed fiscal quarter 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 shares of Infinera common stock subject to RSU awards, performance share awards and other similar full value awards is zero.

Anti-Hedging Policy

Under our Insider Trading Policy, we prohibit our employees, including our NEOs, and Board members from hedging the risk associated with ownership of shares of Infinera common stock and other securities.

Anti-Pledging Policy

Under our Insider Trading Policy, we prohibit our NEOs and directors from pledging any Infinera securities as collateral for a loan.

Tax and Accounting Treatment of Compensation

Prior to 2018, Section 162(m) of the Code generally limited the tax deductibility of compensation paid to the CEO and each of the next three most highly compensated executive officers (excluding the CFO) that exceeded $1 million in any taxable year unless the compensation over $1 million qualified as “performance-based” within the meaning of Section 162(m).

The ability to rely on the “performance-based” compensation exception under Section 162(m) was eliminated in 2017 and the $1 million limitation on deductibility generally was expanded to include any individuals serving as the CEO or CFO during the tax year, the next three most highly compensated executive officers during the tax year and any other individual who was considered a covered employee for any prior tax year beginning after 2016. Thus, we generally will not be able to take a deduction for any compensation paid to our NEOs in excess of $1 million unless the compensation qualifies for transition relief applicable to certain arrangements in place on November 2, 2017. We cannot guarantee that any compensation payable to our NEOs will qualify for the transition relief or that the compensation will ultimately be deductible. Historically, the Compensation Committee had not adopted a formal policy regarding tax deductibility of compensation paid to our CEO and other senior executive officers. Nonetheless, the Compensation Committee intends to maintain an approach to executive compensation that strongly links pay to performance.

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 and the Company's Annual Report on Form 10-K for the fiscal year ended December 25, 2021.

Compensation Committee

Marcel Gani (Chair)
Gregory P. Dougherty
Paul J. Milbury
George A. Riedel

The information contained in this report shall not be deemed to be "soliciting material" or "filed" with the SEC or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that Infinera specifically requests that the information be treated as soliciting material or incorporates it by reference into a document filed under the Securities Act of 1933, as amended ("Securities Act"), or the Exchange Act.

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 two other highest paid executive officers during fiscal 2021. As previously noted, we refer to these executive officers as our NEOs.

Fiscal 2021 Summary Compensation Table

Name and Principal Position	Year	Salary ($)[1]	Bonus ($)	Stock Awards ($)[2]	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)[3]	Total ($)
David W. Heard	2021	700,000	200,000[4]	3,702,300	—	4,665	4,606,965
Chief Executive Officer	2020	483,846[5]	—	3,532,500	—[6]	123,280[7]	4,139,627
	2019	520,000	—	2,156,000	809,900[8]	2,968	3,488,868
Nancy L. Erba	2021	439,615	—	1,273,419	—	5,986	1,719,020
Chief Financial Officer	2020	384,135[9]	—	912,950	—	2,896	1,299,981
	2019	166,731[10]	—	3,660,000	130,120[11]	2,432	3,959,283
David L. Teichmann	2021	395,962	—	1,062,474	—	11,530	1,469,965
Chief Legal Officer and Corporate	2020	358,346[12]	—	806,930	—	2,896	1,168,172
Secretary	2019	281,346[13]	50,000[14]	1,187,450	110,052[15]	2,968	1,631,816
Nicholas Walden	2021	400,577	—	1,009,953	412,082[16]	34,665[17]	1,857,277
Senior Vice President, Worldwide Sales	2020	371,539[18]	50,000[19]	658,929	—	92,896[20]	1,173,364

(1) Salary data is provided from payroll records based on the fiscal year. For fiscal 2020, in a proactive response to impacts from the COVID-19 pandemic, we instituted temporary reductions of the annual base salary amounts for certain of our NEOs, effective from May 23, 2020 through December 4, 2020, except as noted below.

(2) 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 15 of the notes to our consolidated financial statements contained in our 2021 Annual Report for a discussion of all assumptions made by us in determining the ASC 718 values of equity awards.

(3) This amount represented the payment of life insurance premiums and 401(k) match.

(4) Mr. Heard was awarded a special one-time cash bonus by the Compensation Committee in March 2022 in recognition of his leadership and performance during fiscal 2021.

(5) Mr. Heard's fiscal 2020 annual base salary reduction related to the COVID-19 pandemic was 25%. His fiscal 2020 annual base salary prior to the reduction was $525,000. Mr. Heard was promoted from Chief Operating Officer to Chief Executive Officer effective as of November 23, 2020. Mr. Heard's annual base salary as Chief Executive Officer was set at $700,000, effective as of December 5, 2020.

(6) In connection with his promotion to CEO in November 2020, Mr. Heard waived his 2020 integration bonus opportunity with a potential maximum amount of $650,000.

(7) Includes relocation benefit of $120,385 paid to Mr. Heard, including a tax gross-up of $38,418.

(8) Mr. Heard received a payment of $257,400 from his participation in the revised 2019 Bonus Plan and a payment of $552,500 as part of his Integration Bonus.

(9) Ms. Erba's fiscal 2020 annual base salary reduction related to the COVID-19 pandemic was 25%.

(10) Ms. Erba was appointed Senior Vice President of Strategic Finance on August 1, 2019 and was appointed Chief Financial Officer effective as of August 26, 2019. Ms. Erba's annual base salary was set at $425,000 at the time of her appointment as Chief Financial Officer, which remained in effect prior to such reduction in fiscal 2020.

(11) For fiscal 2019, Ms. Erba's prorated annual target bonus opportunity was fully guaranteed at 100%.

(12) Mr. Teichmann's fiscal 2020 annual base salary reduction related to the COVID-19 pandemic was 20%.

(13) Mr. Teichmann was appointed Chief Legal Officer and Corporate Secretary on April 1, 2019. Mr. Teichmann's annual base salary was set at $385,000 at the time of his appointment, which remained in effect prior to such reduction in fiscal 2020.

(14) Mr. Teichmann received a sign-on bonus in connection with his hiring on April 1, 2019.

(15) Mr. Teichmann received a payment of $110,052 from his participation in the revised 2019 Bonus Plan.

(16) Mr. Walden received a payment of $412,082 from the cash portion of his fiscal 2021 variable compensation program.

(17) Includes housing allowance of $30,000 paid to Mr. Walden in connection with his promotion to Senior Vice President, Worldwide Sales. This housing allowance is the last relocation and housing benefit due to Mr. Walden in connection with his promotion to Senior Vice President, Worldwide Sales.

[18] Mr. Walden was promoted from Senior Vice President, Strategic Accounts, to Senior Vice President, Worldwide Sales, effective as of January 5, 2020. Mr. Walden's annual base salary as Senior Vice President, Worldwide Sales was set at $375,000 at the time of his appointment.

[19] Mr. Walden was awarded a special one-time cash bonus by the Compensation Committee in February 2021 in recognition of his sales leadership and performance during fiscal 2020.

[20] Includes relocation benefit of $90,000 paid to Mr. Walden in connection with his promotion to Senior Vice President, Worldwide Sales.

Fiscal 2021 Grants of Plan-Based Awards Table

The following table sets forth information regarding fiscal 2021 annual cash incentive compensation and equity awards granted to our NEOs during fiscal 2021.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	Grant Date Fair Value of Stock and Option Awards
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)	($)[1]
David W. Heard	3/9/2021	—	—	—	—	—	—	172,000[2]	1,480,920
	3/9/2021	—	—	—	—	258,000[3]	258,000[3]	—	2,221,380
Nancy L. Erba	3/9/2021	—	—	—	—	—	—	60,000[2]	516,600
	3/9/2021	—	—	—	—	—	—	27,900[4]	240,219
	3/9/2021	—	—	—	—	60,000[3]	60,000[3]	—	516,600
David L. Teichmann	3/9/2021	—	—	—	—	—	—	50,000[2]	430,500
	3/9/2021	—	—	—	—	—	—	23,400[4]	201,474
	3/9/2021	—	—	—	—	50,000[3]	50,000[3]	—	430,500
Nicholas Walden	3/24/2021	156,412[5]	260,550[y]	468,825[z]	—	—	—	—	—
	3/9/2021	—	—	—	—	—	—	55,000[2]	473,550
	3/9/2021	—	—	—	—	—	—	7,300[4]	62,853
	3/9/2021	—	—	—	—	55,000[3]	55,000[3]	—	473,550

(1) For RSUs, represents the aggregate grant date fair value of each equity award computed in accordance with ASC 718. For performance shares, represents the aggregate grant date fair value of each equity award at the target payout level computed in accordance with ASC 718. See Notes 2 and 15 of the notes to our consolidated financial statements contained in our 2021 Annual Report for a discussion of all assumptions made by us in determining the ASC 718 values of equity awards.

(2) This RSU award is scheduled to vest over a three-year period, with one-third of the underlying shares vesting on April 5, 2022, and one-twelfth of the underlying shares vesting quarterly thereafter, subject to each NEO's continued service to Infinera through each applicable vesting date.

(3) This performance share award can be earned during fiscal 2021 through fiscal 2023. One-half of the performance shares vest on the Company's achievement of both an operating income goal, measured on a non-GAAP basis over a full fiscal year, and a revenue goal, measured on a GAAP basis over a full fiscal year. The other half of the performance shares vest on the Company's achievement of an operating income goal, measured on a non-GAAP basis over a full fiscal year. For additional information regarding these performance share awards granted to our NEOs in fiscal 2021, please see the section entitled "Fiscal 2021 Compensation—Long-Term Incentive Compensation" in the Compensation Discussion and Analysis above.

(4) This RSU award is scheduled to vest over a two-year period, with one-half of the underlying shares vesting on April 5, 2022, and one-eighth of the underlying shares vesting quarterly thereafter, subject to each NEO's continued service to Infinera through each applicable vesting date.

(5) For additional information on Mr. Walden's fiscal 2021 variable compensation program, please see the section entitled "Fiscal 2021 Compensation – Walden 2021 Variable Compensation Program" in the Compensation Discussion and Analysis above.

Fiscal 2021 Outstanding Equity Awards at Fiscal Year-End Table

The following table sets forth information regarding outstanding stock options, RSU awards and performance share awards held by each of our NEOs as of December 25, 2021. The vesting conditions for each award are set forth in the footnotes below the table.

Name	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]
David W. Heard	2/15/2018	17,187[2]	164,136	—	—
	10/1/2018	17,500[3]	167,125	—	—
	2/20/2019	73,333[4]	700,330	—	—
	2/20/2019	—	—	24,446[5]	233,459
	3/4/2020	52,084[6]	497,402	—	—
	3/4/2020	—	—	125,000[7]	1,193,750
	11/23/2020	166,665[8]	1,591,651	—	—
	3/9/2021	172,000[9]	1,642,600	—	—
	3/9/2021	—	—	258,000[10]	2,463,900
Nancy L. Erba	8/26/2019	281,250[11]	2,685,938	—	—
	8/26/2019	—	—	20,834[5]	198,965
	3/4/2020	32,292[6]	308,389	—	—
	3/4/2020	—	—	77,500[7]	740,125
	3/9/2021	60,000[9]	573,000	—	—
	3/9/2021	27,900[12]	266,445	—	—
	3/9/2021	—	—	60,000[10]	573,000
David L. Teichmann	4/1/2019	110,000[13]	1,050,500	—	—
	6/6/2019	—	—	7,224[5]	68,989
	3/4/2020	28,542[6]	272,576	—	—
	3/4/2020	—	—	68,500[7]	654,175
	3/9/2021	50,000[9]	477,500	—	—
	3/9/2021	23,400[12]	223,470	—	—
	3/9/2021	—	—	50,000[10]	477,500
Nicholas Walden	3/12/2018	4,533[2]	43,290	—	—
	3/27/2019	12,500[4]	119,375	—	—
	3/27/2019	—	—	1,390[5]	13,275
	1/6/2020	19,625[14]	187,419	—	—
	3/4/2020	—	—	47,100[7]	449,805
	3/9/2021	55,000[9]	525,250	—	—
	3/9/2021	7,300[12]	69,715	—	—
	3/9/2021	—	—	55,000[10]	525,250

(1) The closing price of our common stock as of the last trading day prior to our fiscal year end, December 23, 2021, was $9.55 per share, which was used as the value of our common stock in the calculations.

(2) These RSU awards are scheduled to vest in annual installments with one-fourth of the underlying shares vesting on May 5 of each of 2019, 2020, 2021 and 2022, subject to each NEO's continued service to Infinera through each applicable vesting date.

(3) This RSU award is scheduled to vest in annual installments with one-fourth of the underlying shares vesting on October 5 of each of 2019, 2020, 2021 and 2022, subject to Mr. Heard's continued service to Infinera through each applicable vesting date.

(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 2020, 2021 and 2022, subject to each NEO's continued service to Infinera through each applicable vesting date.

(5) This performance share award can be earned based on the performance of our achievement of a positive operating income, measured on a non-GAAP basis, in any of fiscal years 2019, 2020 or 2021, or in each of four (4) consecutive fiscal quarters completed during fiscal 2019 through fiscal 2021.

(6) This RSU award is scheduled to vest over a three-year period, with one-third of the underlying shares vesting on March 5, 2021, and one-twelfth of the underlying shares vesting quarterly thereafter, subject to each NEO's continued service to Infinera through each applicable vesting date.

(7) This performance share award can be earned during fiscal 2020 through fiscal 2022 based on the Company's achievement of a stretch gross margin goal, measured on a non-GAAP basis, either (a) for a full fiscal year or (b) on an average basis, for any four consecutive fiscal quarters.

(8) This RSU award is scheduled to vest over a three-year period, with one-third of the underlying shares vesting on December 5, 2021, and one-twelfth of the underlying shares vesting quarterly thereafter, subject to the Mr. Heard's continued service to Infinera through each applicable vesting date.

(9) This RSU award is scheduled to vest over a three-year period, with one-third of the underlying shares vesting on April 5, 2022, and one-twelfth of the underlying shares vesting quarterly thereafter, subject to each NEO's continued service to Infinera through each applicable vesting date.

(10) This performance share award can be earned during fiscal 2021 through fiscal 2023. One-half of the performance shares vest on the Company's achievement of both an operating income goal, measured on a non-GAAP basis over a full fiscal year, and a revenue goal, measured on a GAAP basis over a full fiscal year. The other half of the performance shares vest on the Company's achievement of an operating income goal, measured on a non-GAAP basis over a full fiscal year. For additional information regarding these performance share awards granted to our NEOs in fiscal 2021, please see the section entitled "Fiscal 2021 Compensation—Long-Term Incentive Compensation" in the Compensation Discussion and Analysis above.

(11) These RSU awards are scheduled to vest in annual installments with one-fourth of the underlying shares vesting on September 5 of each of 2020, 2021, 2022 and 2023, subject to Ms. Erba's continued service to Infinera through each applicable vesting date.

(12) This RSU award is scheduled to vest over a two-year period, with one-half of the underlying shares vesting on April 5, 2022, and one-eighth of the underlying shares vesting quarterly thereafter, subject to each NEO's continued service to Infinera through each applicable vesting date.

(13) These RSU awards are scheduled to vest in annual installments with one-fourth of the underlying shares vesting on April 5 of each of 2020, 2021, 2022 and 2023, subject to Mr. Teichmann's continued service to Infinera through each applicable vesting date.

(14) This RSU award is scheduled to vest over a three-year period, with one-third of the underlying shares vesting on February 5, 2021, and one-twelfth of the underlying shares vesting quarterly thereafter, subject to the Mr. Walden's continued service to Infinera through each applicable vesting date.

Fiscal 2021 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 performance share awards during fiscal 2021 by each of our NEOs.

Name	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)[1]
David W. Heard	511,874	4,354,226
Nancy L. Erba	352,499	3,013,534
David L. Teichmann	152,734	1,382,607
Nicholas Walden	60,584	544,313

(1) The value realized on the vesting date 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.

2021 CEO Pay Ratio

We are providing the following information regarding the relationship of the annual total compensation of our median employee to the annual total compensation of our CEO (in each case, the annual total compensation was calculated in accordance with SEC rules applicable to the Summary Compensation Table above). The pay ratio included in this information is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K.

For 2021:

- Our median employee's annual total compensation (not including our CEO) was $103,397.
- Our CEO's annual total compensation, as reported on page 49 in the Summary Compensation Table, was $4,606,965.
- Based on this information, the ratio of the annual total compensation of our CEO to the annual total compensation of our median employee is 45 to 1.

Pay Ratio Methodology

SEC rules allow us to select a methodology for identifying our median employee in a manner that is most appropriate based on our size, organizational structure and compensation plans, policies and procedures.

For fiscal 2021, we calculated the pay ratio using the same median employee that we used to calculate the pay ratio in fiscal 2020, as there has been no significant change in our employee population or compensation arrangements during the fiscal year that we reasonably believe would result in a significant change to our pay ratio disclosure.

In fiscal 2020, we selected December 1, 2019 as the date on which to determine our median employee, which is a date within the last three months of our 2019 fiscal year. As of that date, we had 3,291 employees, with 1,210 employees based in the United States and 2,081 employees located outside of the United States. The pay ratio disclosure rules provide an exemption for companies to exclude non-U.S. employees from the median employee calculation if non-U.S. employees in a particular jurisdiction account for five percent (5%) or less of the company's total number of employees. We applied this de minimis exemption when identifying the median employee by excluding 25 countries: 26 employees in Malaysia, 19 employees in Argentina, 17 employees in South Africa, 15 employees in Russian Federation, 9 employees in Indonesia, 8 employees in Philippines, 8 employees in Saudi Arabia, 7 employees in Kazakhstan, 7 employees in Poland, 6 employees in Egypt, 6 employees in Taiwan, 4 employees in Belgium, 4 employees in Colombia, 4 employees in Thailand, 3 employees in Hungary, 3 employees in Korea, 3 employees in Vietnam, 2 employees in Denmark, 2 employees in Israel, 2 employees in Serbia, 2 employees in United Arab Emirates, 1 employee in Greece, 1 employee in Luxembourg, 1 employee in Norway, and 1 employee in Turkey.

After taking into account the de minimis exemption, 1,210 employees based in the United States and 1,920 employees located outside of the United States were considered for identifying the median employee.

For purposes of identifying the median employee from our employee population base, we considered total cash compensation (base salary, including overtime, annual bonus and the sum of other bonuses, which included retention bonuses), as compiled from our payroll records. We selected total cash compensation as this information is readily available in each country. In addition, we measured compensation for purposes of determining the median employee using the year-to-date period ended December 28, 2019 and annualized for employees who were employed on December 1, 2019 but did not work for us for all of 2019. Compensation paid in foreign currencies was converted to U.S. dollars based on exchange rates in effect on December 1, 2019.

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

Executive Severance Policy

As discussed above in more detail in the section entitled "Compensation Discussion and Analysis – Additional Information Regarding Our Compensation Practices—Executive Severance Policy," the Compensation Committee has taken appropriate steps to provide competitive post-employment compensation arrangements that promote the continued attention, dedication and continuity of the members of our senior management team, including our NEOs, and enable us to continue to recruit talented senior executive officers. Infinera shall not pay severance pursuant to this policy to the individuals subject to this policy in the event of (i) a change of control of Infinera (as defined below), or (ii) if such individual is terminated for Cause (as defined below). Pursuant to his Transition Agreement, Mr. Fallon waived all rights to receive severance and instead was only eligible to receive vesting acceleration of his outstanding restricted stock units at such time as his service as an advisor to the Company ended.

Death and Disability Benefits

Pursuant to the 2016 Plan, accelerated vesting of RSU awards and performance share awards is provided in the event of the death (with exceptions in certain circumstances) or permanent disability of an employee, including our NEOs, as discussed above in the section entitled "Compensation Discussion and Analysis – Additional Information Regarding Our Compensation Practices—Acceleration of Equity Awards upon Death or Disability."

Change of Control Payments and Benefits

As discussed above in more detail in the section entitled "Compensation Discussion and Analysis – Additional Information Regarding Our Compensation Practices—Change of Control Payments and Benefits," we entered into COC Agreements with each of our 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.

For purposes of these benefits, the following terms generally 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 the Exchange 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.

Additionally, we granted performance share awards in 2021 to our NEOs, as described further above in the section titled "Long-Term Incentive Compensation" (referred to as the 2021 PSAs), as well as performance share awards in 2020 to each of our NEOs (referred to as the 2020 Gross Margin PSAs, and for which the performance period continues through the end of our fiscal 2022) and in 2019 to each of our NEOs (referred to as the 2019 Profitability PSAs). These performance share awards provide that, in the event of our change in control (as defined in our 2016 Equity Incentive Plan, pursuant to which each of such awards were granted) that occurs during the performance period applicable to the performance share award, such award will vest at the target level. Under our 2016 Equity Incentive Plan, change in control generally means (i) a person (or more than one person acting as a group) acquires ownership of our shares resulting in their holding more than 50% of the total voting power of our shares (with certain exceptions where a person or group of persons that already holds more than 50% of the total voting power of our shares acquires additional shares, or where our stockholders after such transaction retain beneficial ownership of 50% or more of the voting power of our shares in substantially the same proportions); (ii) a change in our effective control that occurs when a majority of our Board members are replaced in a 12-month period by directors whose appointment or election is not endorsed by a majority of our Board members before the date of appointment or election; or (iii) a change in ownership of a substantial portion of our assets, which occurs when a person (or group of persons acting as a group) acquires our assets having a gross fair market value of at least 50% of the total gross fair market value of all of our assets.

Fiscal 2021 Estimated Payments and Benefits Table

The amount of compensation and benefits payable to each of our NEOs (as of the last day of fiscal 2021) in the event of (a) a termination of employment by Infinera, (b) a termination of employment without Cause or as a result of a Constructive Termination in connection with a Change of Control transaction (as described above) within 3 months prior to, through 18 months after, a Change of Control, (c) a termination of employment due to death or permanent disability, or (d) a Change in Control transaction (within the meaning of our 2016 Equity Incentive Plan as described above) 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, Change of Control and/or Change in Control occurred on December 25, 2021, the last day of fiscal 2021. The closing price of our common stock as of the last trading day of fiscal 2021 (December 23, 2021) was $9.55 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 $9.55 and (ii) subtracting the exercise price for the unvested stock options.

Name	Type of Benefit	Termination Under Severance Policy ($)	Termination After a Change of Control ($)	Termination Upon Death or Disability ($)	Change of Control ($)
David W. Heard	Cash Severance	1,050,000	1,400,000	—	—
	Bonus	—	1,750,000	—	—
	Vesting Acceleration[1]	—	8,654,353	8,654,353	3,891,109
	Continued Coverage of Employee Benefits	48,903	65,204	—	—
	Total Benefits	**1,098,903**	**11,869,557**	**8,654,353**	**3,891,109**
Nancy L. Erba	Cash Severance	445,000	667,500	—	—
	Bonus	—	500,625	—	—
	Vesting Acceleration[2]	—	5,345,861	5,345,861	1,512,090
	Continued Coverage of Employee Benefits	18,734	28,100	—	—
	Total Benefits	**463,734**	**6,542,086**	**5,345,861**	**1,512,090**
David L. Teichmann	Cash Severance	400,000	600,000	—	—
	Bonus	—	420,000	—	—
	Vesting Acceleration[3]	—	3,224,710	3,224,710	1,200,664
	Continued Coverage of Employee Benefits	25,684	38,527	—	—
	Total Benefits	**425,684**	**4,283,237**	**3,224,710**	**1,200,664**
Nicholas Walden	Cash Severance	410,000	615,000	—	—
	Bonus	—	522,750	—	—
	Vesting Acceleration[4]	—	1,933,378	1,933,378	988,330
	Continued Coverage of Employee Benefits	32,602	48,903	—	—
	Total Benefits	**442,602**	**3,120,031**	**1,933,378**	**988,330**

(1) The vesting of 906,215 shares of common stock would accelerate if Mr. Heard was terminated (a) without Cause or (b) as a result of a Constructive Termination within 3 months prior to, through 18 months after, a Change of Control, or upon death or permanent disability as of December 25, 2021. The 906,215 shares of common stock provided that accelerate in these scenarios include, and are not additional to, the 407,446 target number of unvested shares of common stock subject to the 2019 Profitability PSA, 2020 Gross Margin PSA and 2021 PSA.

(2) 407,446 shares of common stock, representing the target number of unvested shares subject to the 2020 Gross Margin PSA and 2021 PSA, would vest upon a Change in Control, assuming such Change in Control occurs during the award's performance period.

(3) The vesting of 559,776 shares of common stock would accelerate if Ms. Erba was terminated (a) without Cause or (b) as a result of a Constructive Termination within 3 months prior to, through 18 months after, a Change of Control, or upon death or permanent disability as of December 25, 2021. The 559,776 shares of common stock provided that accelerate in these scenarios include, and are not additional to, the 158,334 target number of unvested shares of common stock subject to the 2019 Profitability PSA, 2020 Gross Margin PSA and 2021 PSA.

(4) 158,334 shares of common stock, representing the target number of unvested shares subject to the 2020 Gross Margin PSA and 2021 PSA, would vest upon a Change in Control, assuming such Change in Control occurs during the award's performance period.

(5) The vesting of 337,666 shares of common stock would accelerate if Mr. Teichmann was terminated (a) without Cause or (b) as a result of a Constructive Termination within 3 months prior to, through 18 months after, a Change of Control, or upon death or permanent disability as of December 25, 2021. The 337,666 shares of common stock provided that accelerate in these scenarios include, and are not additional to, the 125,724 target number of unvested shares of common stock subject to the 2019 Profitability PSA, 2020 Gross Margin PSA and 2021 PSA.

(6) 125,724 shares of common stock, representing the target number of unvested shares subject to the 2020 Gross Margin PSA and 2021 PSA, would vest upon a Change in Control, assuming such Change in Control occurs during the award's performance period.

(7) The vesting of 202,448 shares of common stock would accelerate if Mr. Walden was terminated (a) without Cause or (b) as a result of a Constructive Termination within 3 months prior to, through 18 months after, a Change of Control, or upon death or permanent disability as of December 25, 2021. The 202,448 shares of common stock provided that accelerate in these scenarios include, and are not additional to, the 103,490 target number of unvested shares of common stock subject to the 2019 Profitability PSA, 2020 Gross Margin PSA and 2021 PSA.

(8) 103,490 shares of common stock, representing the target number of unvested shares subject to the 2020 Gross Margin PSA and 2021 PSA, would vest upon a Change in Control, assuming such Change in Control occurs during the award's performance period.

RISK ASSESSMENT OF COMPENSATION PRACTICES

At the request of the Compensation Committee, a review of the risks associated with our organization-wide compensation policies and practices was conducted for fiscal 2021. This assessment covered topics including: our compensation policies and practices; a review of each of the compensation vehicles that we employ; the identification of any compensation design features that could encourage excessive risk taking; and the controls, policies and plan features that mitigate our compensation risk.

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. The review found that, because our incentive programs are based primarily on financial objectives important to Infinera, we avoid an over-emphasis on shorter-term financial goals. In addition, the financial 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 our controls and other mitigating factors that serve to offset elements of our compensation policies and practices that may introduce or encourage risk-taking. Those elements include the Compensation Committee's ability to use discretion to adjust payouts on most awards; strong stock ownership requirements and a clawback policy for our Section 16 Officers; the existence of, and training related to, corporate standards of business conduct and ethics; effective internal controls over financial reporting; and the participation by Mr. Walden in his variable compensation program, which enables a level of independence in establishing the sales commission plan design and quotas for our global sales team.

This risk assessment was presented to and reviewed by the Compensation Committee. The Compensation Committee agreed with the result of the review, which concluded that the risks associated with our compensation policies and practices were being effectively managed. 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.

PROPOSAL 2—APPROVAL OF THE INFINERA CORPORATION 2016 EQUITY INCENTIVE PLAN, AS AMENDED

The Board believes that our future success depends on our ability to attract and retain talented employees and that the ability to grant equity awards is a necessary and powerful recruiting and retention tool for Infinera. The Board believes that equity awards motivate high levels of performance, more closely align the interests of employees and shareholders by giving employees an opportunity to hold an ownership stake in Infinera, and provide an effective means of recognizing employee contributions to the success of Infinera. At the Annual Meeting, we are requesting that shareholders approve our 2016 Plan, as amended, which increases the number of shares of our common stock (the "Shares") authorized for issuance thereunder by 8,500,000 Shares and which also has been amended to reflect certain minor technical revisions and improvements.

The 2016 Plan has not been amended in any material way, other than to increase the number of shares of our common stock authorized for issuance under the 2016 Plan. The 2016 Plan, as amended, also includes certain other revisions to reflect minor legal updates and other minor technical improvements, none of which constitute material changes to the 2016 Plan. Upon recommendation of the Compensation Committee, the Board approved amendments to the 2016 Plan on March 22, 2022, subject to the approval of our shareholders at the Annual Meeting.

As of March 26, 2022, there were 660,780 Shares available for issuance pursuant to awards that may be granted under the 2016 Plan. If the proposed amendment to the 2016 Plan is not approved by our shareholders, the 2016 Plan will remain in effect without the amendment and awards will continue to be made under the 2016 Plan to the extent Shares remain available. However, in this event, we may not be able to continue our equity incentive program in the future. This could preclude us from successfully attracting and retaining highly skilled employees. The Board and the Compensation Committee believe that the additional Shares under the increased Share reserve will enable us to continue to use the 2016 Plan to achieve our recruiting, retention and incentive goals and will be essential to our future success.

If our shareholders approve the 2016 Plan amendment, we currently anticipate that the Shares will be sufficient to meet our expected needs through the date of our 2023 annual meeting of our shareholders ("2023 Annual Meeting"). In determining the number of Shares to be reserved for issuance under the 2016 Plan, the Compensation Committee and the Board considered the following:

- *Historical Grant Practices*. The Compensation Committee and the Board considered the historical amounts of equity awards that we granted in the past three years. In fiscal 2019, 2020 and 2021, we granted equity awards covering 11.152 million, 8.691 million and 8.037 million Shares, respectively, or a total of approximately 27.880 million Shares over the three-year period.
- *Forecasted Grants.* In determining the projected Share utilization, the Compensation Committee and the Board considered a forecast that included the following factors: (i) the Shares that would be available for grant under the 2016 Plan, if our shareholders approve this amendment to the 2016 Plan, which is 9,160,780 Shares (consisting of 660,780 Shares available for issuance under the 2016 Plan as of March 26, 2022, plus the 8,500,000 additional Shares pursuant to this amendment to the 2016 Plan); and (ii) forecasted future grants, which are "value-based," meaning that Share amounts granted will be determined based on a dollar value of the award to be granted to the participant and the stock price of Infinera common stock. Due to our value-based grant program, any significant changes in our stock price as compared to the stock price we assumed for forecasting purposes could cause our actual Share usage to deviate significantly from our anticipated Share usage.
- *Proxy Advisory Firm Guidelines.* Given our significant institutional shareholder base, the Compensation Committee and the Board considered proxy advisory firm guidelines.

Outstanding Awards

The following table sets forth information regarding all outstanding stock options, RSUs and performance shares under all of our equity plans (other than our 2007 Employee Stock Purchase Plan (the "2007 ESPP")) as of

March 26, 2022. We do not currently have any outstanding stock options under the 2016 Plan. The last sales price of our common stock as reported on The Nasdaq Global Select Market on March 25, 2022 was $8.70 per share.

Outstanding Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Unvested Performance Shares / RSUs Outstanding[1]	Number of Shares Available for Grant[2]
0	N/A	N/A	20,711,006	873,338

(1) This amount includes outstanding unvested performance share awards assuming either target or maximum achievement under such awards.

(2) This amount includes the following:

- 660,780 shares available for grant under the 2016 Plan; and
- 212,558 shares available for grant under the 2019 Inducement Equity Incentive Plan.

Reasons for Voting for the Proposal

The 2016 Plan has been designed consistent with best corporate governance practices.

- *Administration*. The 2016 Plan is administered by the Compensation Committee of the Board, which is comprised entirely of independent non-employee directors.
- *Shareholder Approval is Required for Additional Shares.* The 2016 Plan does not contain an annual "evergreen" provision but instead reserves a fixed maximum number of Shares for issuance. Shareholder approval is required to increase that number.
- *Share Counting Provisions.* Under the 2016 Plan, if an option or stock appreciation right expires or becomes unexercisable without having been exercised in full, or if Shares subject to other types of awards are forfeited to or repurchased by us due to failure to vest, those Shares will become available for issuance again under the 2016 Plan. Shares used to pay the exercise or purchase price of an award will not become available for future grant or sale under the 2016 Plan. Shares used to satisfy the tax withholding obligations for awards other than options and stock appreciation rights will become available for future grant under the 2016 Plan. With respect to stock appreciation rights settled in Shares, the gross number of Shares exercised under the stock appreciation right award will cease to be available under the 2016 Plan. In addition, to the extent that we pay out an award in cash rather than Shares, such cash payment will not reduce the number of Shares available for issuance under the 2016 Plan. No Shares purchased by us with proceeds received from the exercise of an option will become available for issuance under the 2016 Plan.
- *Minimum Vesting Requirements.* 95% of the Shares reserved for issuance under the 2016 Plan may be issued only through awards that cannot vest in less than one year from the date of grant unless the vesting of such awards is accelerated due to the participant's death, disability, or retirement or a termination of the participant's service that occurs in connection with our change in control.
- *Limited Vesting Acceleration Upon a Change in Control.* Except (x) as permitted under the minimum vesting requirements and (y) for any awards made to non-employee directors, the administrator shall not be permitted to accelerate the vesting of an award upon a change in control other than in the event an award is not assumed or substituted for as described in this proposal below in the section entitled "Description of the 2016 Plan—Merger or Change in Control."
- *Repricing Prohibition.* The 2016 Plan prohibits any program providing participants the opportunity to transfer outstanding awards to a financial institution or other person or entity selected by the administrator, exchange awards for awards of the same type, awards of a different type, and/or cash, or have the exercise price of awards repriced (i.e., increased or reduced).
- *Non-Employee Director Award Limits.* Under the 2016 Plan, in any fiscal year, a non-employee director may be granted equity awards (with an aggregate grant date fair value) and any other compensation (including cash retainers or fees) of no more than an aggregate of $750,000, increased to $1,000,000 in our fiscal year of his or her initial service as a non-employee director. Any equity awards or other compensation provided to the director for his or her services as an employee or consultant (other than as a non-employee director) will be excluded for purposes of these limits.

- *Participant Award Limits*. The 2016 Plan limits the number of Shares subject to each type of award permitted to be granted under the 2016 Plan during a fiscal year to a participant, including to any of our executive officers.
- *No Dividends on Options and Stock Appreciation Rights Until Shares are Issued or on Other Equity Awards While Unvested*. Under the 2016 Plan, no participant will have any rights to dividends or any other shareholder rights with respect to any Shares subject to options or stock appreciation rights until such Shares are issued following award exercise, and any dividends that the administrator may determine will be payable on any other equity awards will be subject to the same vesting criteria, forfeitability, and/or transferability restrictions as apply to the Shares subject to the awards on which such dividends would be paid.

Our executive officers and directors have an interest in the approval of the 2016 Plan by our shareholders because they would be eligible to receive awards under the 2016 Plan.

Description of the 2016 Plan

The following paragraphs provide a summary of the principal features of the 2016 Plan, as amended, and its operation. However, this summary is not a complete description of all of the provisions of such plan and is qualified in its entirety by the specific language of such plan. A copy of the 2016 Plan, as amended, is provided as Appendix B to this Proxy Statement.

Purposes. The purposes of the 2016 Plan are to attract and retain the best available personnel for positions of substantial responsibility; to provide additional incentive to employees, directors, and consultants; and to promote the success of our business. These incentives will be provided through the grant of stock options, stock appreciation rights, restricted stock, RSUs, performance units, and performance shares as the administrator of the 2016 Plan may determine.

Authorized Shares. Subject to the adjustment provisions contained in the 2016 Plan, and prior to the increase for which we are seeking approval, the maximum number of Shares that may be issued pursuant to awards under the 2016 Plan is equal to the sum of (1) 35,150,000 Shares plus (2) Shares subject to awards granted under the Infinera Corporation 2007 Equity Incentive Plan (the “2007 Plan”) that after May 12, 2016 expire, are forfeited or otherwise terminate without being exercised in full (to the extent they were exercisable), or are forfeited to or repurchased by us due to failure to vest (provided that the maximum number of Shares that may be added to the 2016 Plan with respect to awards granted under the 2007 Plan pursuant to this clause (2) above is 7,700,000 Shares). No awards granted under the 2007 Plan remained outstanding as of March 26, 2022. Our shareholders are being asked to approve an increase of 8,500,000 Shares in the maximum number of Shares that may be issued pursuant to awards under the 2016 Plan. Thus, if our shareholders approve this increase, the maximum number of Shares that may be issued pursuant to awards under the 2016 Plan will be increased to 43,650,000 Shares, plus the number of Shares described in clause (2) above.

Shares may be authorized, but unissued, or reacquired Shares. If an option or stock appreciation right expires or becomes unexercisable without having been exercised in full, the unexercised Shares under such award will become available for issuance again under the 2016 Plan. If Shares subject to other types of awards are forfeited to or repurchased by us due to failure to vest, those forfeited or repurchased Shares will become available for issuance again under the 2016 Plan. Shares used to pay the exercise or purchase price of an award will cease to be available for future grant or sale under the 2016 Plan. Shares used to satisfy the tax withholding obligations related to an award, except with respect to options and stock appreciation rights, will become available for future grant under the 2016 Plan. With respect to stock appreciation rights settled in Shares, the gross number of Shares exercised under the stock appreciation right award will cease to be available under the 2016 Plan. In addition, to the extent that we pay out an award in cash rather than Shares, such cash payment will not reduce the number of Shares available for issuance under the 2016 Plan. No Shares purchased by us with proceeds received from the exercise of an option will become available for issuance under the 2016 Plan. Except for the repurchased Shares described above in this paragraph, Shares that actually have been issued under the 2016 Plan under any award granted under the 2016 Plan will not be returned to the 2016 Plan and will not become available for issuance again under the 2016 Plan.

Plan Administration. The Compensation Committee (or other committee appointed by the Board) administers the 2016 Plan, provided that the Compensation Committee does not grant awards to non-employee directors under the 2016 Plan. The Board or any committee of directors or other individuals satisfying applicable laws appointed by the Board or a duly authorized committee of the Board may administer the 2016 Plan. To the extent desirable to exempt transactions under the 2016 Plan pursuant to Rule 16b-3 of the Exchange Act ("Rule 16b-3"), the transactions will be structured to satisfy such applicable requirements for exemption under Rule 16b-3.

Subject to the provisions of the 2016 Plan, the administrator will have the power to determine the award recipients and the terms of the awards not inconsistent with the 2016 Plan, including the exercise price, the number of Shares subject to each such award, the exercisability of the awards, and the form of consideration, if any, payable by an option holder upon exercise. The administrator also will have the authority to amend existing awards, to determine fair market value of Shares, to construe and interpret the 2016 Plan and awards granted under the 2016 Plan, to establish rules and regulations, including sub-plans to facilitate compliance with applicable non-U.S. laws, ease the administration of the 2016 Plan or qualify for favorable tax treatment under, applicable laws in jurisdictions outside of the U.S., as necessary or desirable, to temporarily suspend the exercisability of awards if the administrator determines such suspension to be necessary or appropriate for administrative purposes or comply with applicable laws, and to make all other determinations necessary or advisable for administering the 2016 Plan. The administrator determines the methods by which participants may satisfy tax withholding obligations of awards granted under the 2019 Plan, which may include, in whole or in part: cash, electing to have us withhold otherwise deliverable cash or shares having a fair market value equal to the minimum statutory amount required to be withheld, delivering to us already owned Shares having a fair market value equal to the minimum statutory amount required to be withheld, selling a sufficient number of Shares otherwise deliverable to the participant through means that the administrator may determine equal to the amount required to be withheld. The administrator's decisions and interpretations will be final and binding on all participants and any other holders of awards and will be given the maximum deference permitted by law.

No Repricing. The 2016 Plan prohibits any program providing participants the opportunity to transfer outstanding awards to a financial institution or other person or entity selected by the administrator, exchange awards for awards of the same type, awards of a different type, and/or cash, or have the exercise price of awards repriced (i.e., increased or reduced).

Vesting Requirements. Awards granted under the 2016 Plan are required to vest no earlier than the one-year anniversary of the awards' grant date, except that (a) without regard to such limitation, vesting of awards can be accelerated due to a participant's death, disability or retirement, or service termination in connection with our change in control, and (b) awards that result in the issuance of up to an aggregate of 5% of the Shares reserved for issuance under the 2016 Plan may granted under the 2016 Plan, or outstanding awards granted under the 2016 Plan modified, without regard to such limitation. The administrator may provide for the acceleration of an award granted under the 2016 Plan in connection with the termination of a participant's service upon or in connection with our change in control. Except for any awards granted to non-employee directors or as described above in this paragraph, the administrator will not be permitted to accelerate the vesting of awards upon our change in control other than if the awards are not assumed or substituted for in our change in control.

Eligibility. We will be able to grant stock options, stock appreciation rights, restricted stock, RSUs, performance units and performance shares under the 2016 Plan to our employees, consultants and non-employee directors, and employees and consultants of our parent or subsidiary corporations. We will be able to grant incentive stock options under the 2016 Plan only to individuals who, as of the time of grant, are employees of ours or of any parent or subsidiary corporation of ours. As of March 26, 2022, we had nine non-employee directors, and 3,205 employees (including four NEOs) and 78 independent consultants.

Non-Employee Director Award Limits. The 2016 Plan provides that all non-employee directors will be eligible to receive all types of awards (except for incentive stock options) under the 2016 Plan. However, in any fiscal year, a non-employee director may be granted equity awards (with an aggregate grant date fair value) and any other compensation (including cash retainers or fees) of no more than an aggregate of $750,000, increased to $1,000,000 in our fiscal year of his or her initial service as a non-employee director. Any equity awards or other compensation provided to the director for his or her services as an employee or consultant (other than as a non-employee director) will be excluded for purposes of these limits.

Certain Other Limits. In any fiscal year, subject to any adjustment provisions contained in the 2016 Plan, the maximum aggregate number of Shares covering equity awards that a participant is permitted to receive under the 2016 Plan is:

- With respect to stock options, 1,500,000 Shares, plus an additional 1,500,000 Shares in connection with his or her initial service as an employee;
- With respect to stock appreciation rights, 1,500,000 Shares, plus an additional 1,500,000 Shares in connection with his or her initial service as an employee;
- With respect to restricted stock, 1,500,000 Shares, plus an additional 1,500,000 Shares in connection with his or her initial service as an employee;
- With respect to RSUs, 1,500,000 Shares, plus an additional 1,500,000 Shares in connection with his or her initial service as an employee; and
- With respect to performance shares, 1,500,000 Shares, plus an additional 1,500,000 Shares in connection with his or her initial service as an employee.

The 2016 Plan also provides that during any fiscal year, the maximum aggregate initial value (based on the fair market value of the Shares underlying the award on the award's grant date) of performance units that a participant is permitted to receive under the 2016 Plan is $7,500,000.

Dividends. Until Shares are issued under a stock option or stock appreciation right granted under the 2016 Plan, the holder of such awards will have no right to receive dividends or any other rights as a shareholder with respect to the Shares subject to the award and no adjustment will be made for a dividend or other right for which the record date occurs before the date the related Shares are issued under the stock option or stock appreciation right award (other than subject to the adjustment provisions contained in the 2016 Plan, as discussed under "Certain Adjustments" further below). The 2016 Plan provides that whether payable in Shares or otherwise, any dividends or distributions payable with respect to Shares subject to a restricted stock award granted under the 2016 Plan will be subject to the same restrictions on transferability and/or forfeitability as the Shares subject to such award. The Administrator also may determine, in its discretion, that such restricted stock awards will not be eligible to receive any dividends or other distributions during the period of restriction applicable to the award. The 2016 Plan provides further that holders of any restricted stock units, performance shares and performance units granted thereunder will have no right to receive dividends or other distributions as a shareholder with respect to the Shares subject to such awards unless the Administrator determines otherwise, in which case any such dividends or distributions will be subject to the same vesting criteria and forfeitability provisions as the Shares subject to such award on which they are paid. For clarity, the Shares reserved for issuance under the 2016 Plan will not be reduced by dividends or other distributions that are reinvested into additional Shares or credited as additional Shares subject to or paid on such award.

Stock Options. We are able to grant stock options under the 2016 Plan. Each option will be evidenced by an award agreement that specifies the exercise price, the number of Shares subject to the option, the maximum term of the option, forms of consideration for exercise, and such other terms and conditions as the administrator determines, subject to the terms of the 2016 Plan. The per share exercise price of options granted under the 2016 Plan must be at least equal to the fair market value of a share of our common stock on the date of grant, except in special, limited circumstances relating to certain transactions, as set forth in the 2016 Plan. The maximum term of a stock option must not exceed 10 years. However, with respect to any participant who owns more than 10% of the voting power of all classes of outstanding stock of ours or of any parent or subsidiary of ours, the maximum term of an incentive stock option granted to such participant must not exceed five years and such option's per share exercise price must equal at least 110% of the fair market value of a Share on the grant date. Generally, the fair market value of a Share is the closing sales price of a Share on the relevant date as quoted on Nasdaq. Options will be exercisable at such times and under such conditions as determined by the administrator and as set forth in the applicable award agreement. The administrator will determine and specify in each award agreement, and solely in its discretion, the period of post-termination exercise applicable to each option. In the absence of such a determination by the administrator, the participant generally will be able to exercise the vested portion of the option for three months following his or her service termination for reasons other than death or disability, and for 12 months following his or her service termination due to disability or death while holding the option (to the extent vested on the date of disability or death). However, in no event can an option be exercised after the

expiration of the term of the option. The administrator also determines the form of consideration for exercising an option, which may consist of cash, check, promissory note (if permitted by applicable laws), certain other Shares, payment through a cashless exercise program established by us for the 2016 Plan, net exercise, other consideration or method permitted by applicable laws, or any combination of the above.

Stock Appreciation Rights. We are able to grant stock appreciation rights under the 2016 Plan. Stock appreciation rights allow the recipient to receive the appreciation in the fair market value of the underlying Shares between the exercise date and the date of grant. Each stock appreciation right will be evidenced by an award agreement that specifies the exercise price, the term of the stock appreciation right, and other terms and conditions as determined by the administrator, subject to the terms of the 2016 Plan. The per Share exercise price of a stock appreciation right will be no less than 100% of the fair market value per Share on the date of grant.

Stock appreciation rights will be exercisable at such times and under such conditions as determined by the administrator and set forth in the applicable award agreement. The maximum term of a stock appreciation right must not exceed 10 years. The administrator will determine and specify in each award agreement, and solely in its discretion, the period of post-termination exercise applicable to each stock appreciation right. In the absence of such a determination by the administrator, the participant generally will be able to exercise the vested portion of the stock appreciation right for three months following his or her service termination for reasons other than death or disability, and for 12 months following his or her service termination due to disability or death while holding the stock appreciation right (to the extent vested on the date of disability or death). However, in no event can a stock appreciation right be exercised after the expiration of the term of the option. At the discretion of the administrator, the payment upon exercise of a stock appreciation right may be paid in cash, Shares, or a combination of both.

Restricted Stock. We are able to grant restricted stock under the 2016 Plan. Restricted stock awards are grants of Shares that may be subject to various restrictions, which may include restrictions on transferability and forfeiture provisions. Each restricted stock award granted will be evidenced by an award agreement specifying the number of Shares subject to the award, any period of restriction, and other terms and conditions of the award, as determined by the administrator, subject to the terms of the 2016 Plan.

Restricted stock awards may (but are not required to) be subject to vesting conditions, as the administrator specifies (subject to the minimum vesting requirements under the 2016 Plan), and the Shares acquired may not be transferred by the participant until the vesting conditions (if any) are satisfied. The administrator, in its sole discretion, may accelerate the time at which any restrictions will lapse or be removed (subject to minimum vesting requirements under the 2016 Plan). Recipients of restricted stock awards generally will have full voting rights with respect to such Shares upon grant without regard to vesting, unless the administrator provides otherwise. Unless otherwise determined by the administrator, a participant generally will forfeit any Shares of restricted stock as to which the restrictions have not lapsed as of a date specified in the award agreement (such as termination of the participant's service).

Restricted Stock Units. We are able to grant RSUs under the 2016 Plan. Each RSU granted is a bookkeeping entry representing an amount equal to the fair market value of one Share. Each RSU award will be evidenced by an award agreement that specifies the number of RSUs subject to the award, any vesting criteria (which may include accomplishing specified performance criteria or continued service to us), form of payout, and other terms and conditions of the award, as determined by the administrator, subject to the terms of the 2016 Plan. RSUs result in a payment to a participant if the performance goals or other vesting criteria are achieved or the awards otherwise vest. The administrator, in its sole discretion, may accelerate the time at which any restrictions will lapse or be removed (subject to the minimum vesting requirements under the 2016 Plan). The administrator determines in its sole discretion whether an award will be settled in cash, Shares, or a combination of both. On a date set forth in the award agreement (such as termination of the participant's service), any unearned RSUs subject to such award agreement will be forfeited to us .

Performance Units and Performance Shares. We are able to grant performance units and performance shares under the 2016 Plan. Performance units and performance shares are awards that will result in a payment to a participant only if performance goals or other vesting criteria, if any, established by the administrator are achieved or the awards otherwise vest. Each award of performance units or performance shares will be evidenced by an award agreement specifying the performance period and other terms and conditions of the award, as determined by the administrator, subject to the terms and conditions of the 2016 Plan. On or before the date of grant, the

administrator will establish an initial dollar value for each performance unit. Each performance share will have an initial value equal to the fair market value of a Share on the date of grant. The administrator in its discretion will establish performance goals or other vesting criteria (which may include continued service), which, depending on the extent to which they are met, will determine the value or number of performance units or performance shares to be paid out. After the grant of performance units or performance shares, the administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such performance units or performance shares (subject to the minimum vesting requirements). The administrator, in its sole discretion, may pay earned performance units or performance shares in the form of cash, Shares, or in some combination of both. On a date set forth in the award agreement (such as termination of the participant's service), any unearned or unvested performance units or performance shares subject to such award agreement will be forfeited to us.

Non-Transferability of Awards. Unless the administrator provides otherwise, the 2016 Plan generally will not allow for the transfer of awards, and only the recipient of an award may exercise an award during his or her lifetime.

Certain Adjustments. In the event of any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, reincorporation, reclassification, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or our other securities, or other change in our corporate structure affecting Shares (other than any ordinary dividends or other ordinary distributions), then in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the 2016 Plan, the administrator will adjust the number and class of shares that may be delivered under the 2016 Plan and/or the number, class and price of shares covered by each outstanding award, and the numerical share limits set forth in the 2016 Plan .

Merger or Change in Control. The 2016 Plan provides that in the event of our merger with or into another corporation or entity or our change in control, as defined in the 2016 Plan, each outstanding award will be treated as the administrator determines (subject to the following paragraph) without a participant's consent, in accordance with the following: (i) the assumption of the award or substitution of the award with an equivalent option or right by the acquirer or successor corporation or its parent or subsidiary (with appropriate adjustments made to such awards), (ii) termination of the award upon or immediately prior to the consummation of the merger or change in control following written notice and subject to the next paragraph, (iii) subject to the next paragraph, (A) termination of the award in exchange for an amount of cash and/or property in an amount that would have been attained upon exercise or realization of the award as of the date of the merger or change in control, or (B) replacement of the award with other rights or property, or (iv) any combination of the above. The administrator will not be required to treat all awards, all awards held by a participant, all awards of the same type, or all portions of awards, similarly .

If outstanding awards (or portion of the awards) are not assumed or substituted for as provided in the 2016 Plan, then the awards (or portions thereof) not assumed or substituted for will fully vest and become exercisable and all restrictions will lapse under such awards (or the portions thereof) not assumed or substituted for, except that with respect to awards subject to performance-based vesting (or portions thereof) not assumed or substituted for, performance criteria will be deemed achieved based on actual performance measured through the last date that the awards remain outstanding (or such earlier date that the administrator may determine), with any performance period shortened proportionately and applicable performance goals or other vesting criteria adjusted proportionately to reflect the adjusted performance period (or to the extent applicable, the value of the consideration to be received by our shareholders in connection with the merger or change in control). In addition, if an option or stock appreciation right (or portion thereof) is not assumed or substituted in the event of a merger or change in control as provided in the 2016 Plan, the administrator will notify the participant that such award (or its applicable portion) not assumed or substituted for will be exercisable for a specified period prior to the transaction, and such award (or its applicable portion) will terminate upon the expiration of such period .

Dissolution or Liquidation. In the event of our dissolution or liquidation, the administrator will notify each participant as soon as practicable before the effective date of the proposed transaction. To the extent not previously exercised (as applicable), an award granted under the 2016 Plan will terminate immediately before the consummation of such proposed transaction.

Plan Amendment; Termination. The administrator has the authority to amend, alter, suspend, or terminate the 2016 Plan at any time, provided such action does not impair the existing rights of any participant unless mutually agreed in writing. The 2016 Plan will terminate automatically in 2026, unless we terminate it sooner.

Forfeiture of Awards. The 2016 Plan grants the administrator authority to specify in an award agreement that a participant's rights, payments and benefits with respect to an award granted under the 2016 Plan will be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of certain specified events. The 2016 Plan also provides that awards granted under the 2016 Plan will be subject to any Infinera clawback policy as may be established or amended from time to time. The administrator may require a participant to forfeit, return or reimburse to Infinera all or a portion of an award and any amounts paid under the award pursuant to the terms of Infinera's clawback policy or in order to comply with applicable laws. Any such recovery of compensation will not constitute an event that triggers or contributes to any participant resigning for good reason or constructive termination (or similar term) under any agreement with us or any of our parent, subsidiaries or affiliates, unless this provision under the 2016 Plan relating to compensation recovery specifically is waived .

Number of Awards Granted to Employees and Directors

Our executive officers and non-employee directors have an interest in this proposal because they are eligible to receive awards under the 2016 Plan, including that non-employee directors are eligible to receive certain annual equity awards as described above in the section titled "Our Board of Directors—How We Are Paid."

As of the date of our 2022 Annual Meeting, each individual continuing as a non-employee director after such date will automatically be granted an annual equity award of RSUs under the 2016 Plan. These RSU awards will be scheduled to vest as to 100% of the underlying shares on the earlier of the date of our next annual meeting of shareholders or the one-year anniversary of the date of grant, subject to the non-employee director's continued service through the applicable vesting date. The following table sets forth the dollar value of such RSU awards expected to be granted to our non-employee directors under the 2016 Plan on the date of our 2022 Annual Meeting, assuming election of the nominees for Class III director who are standing for election at the 2022 Annual Meeting. The number of Shares that will be subject to such RSU awards will not be known until their date of grant.

Name of Non-Employee Director or Group	Dollar Value of Award(s) ($)	Number of Shares Subject to RSUs Expected to be Granted (#)
Christine Bucklin	$ 200,000	(1)
Gregory P. Dougherty	$ 200,000	(1)
Sharon E. Holt	$ 200,000	(1)
Roop K. Lakkaraju	$ 200,000	(1)
Paul J. Milbury	$ 200,000	(1)
George A. Riedel	$ 200,000	(1)
All current directors who are not executive officers, as a group	$1,200,000	(1)

(1) The number of Shares subject to each such RSU award will be determined by dividing $200,000 by the closing price of a Share on the date of grant, with any resulting fractional Share rounded down to the nearest whole Share.

The number of awards, and Shares subject thereunder, that an employee, director, or consultant may receive under the 2016 Plan is in the discretion of the administrator and therefore cannot be determined in advance (other than the automatic annual RSU awards described above for our non-employee directors). The following table sets forth the aggregate number of shares subject to RSUs and performance shares (at target) granted under the 2016 Plan during fiscal 2021 to each of our NEOs; our current executive officers, as a group; directors who are not executive officers, as a group; and all employees who are not executive officers, as a group. There were no stock options granted to any employees (including our NEOs) or directors in fiscal 2021.

Name of Individual or Identity of Group and Principal Position	**Dollar Value of Award(s) ($)[1]**	**Number of RSUs and Performance Shares Granted (#)**
David W. Heard	3,702,300	430,000
Chief Executive Officer		
Nancy Erba	1,273,419	147,900
Chief Financial Officer		
David L. Teichmann	1,062,474	123,400
Chief Legal Officer and Corporate Secretary		
Nicholas Walden	1,009,953	117,300
Senior Vice President, Worldwide Sales		
All current executive officers as a group	7,048,146	818,600
All current directors who are not executive officers as a group[2]	2,206,443	247,699
All employees (excluding executive officers) as a group[3]	61,188,183	7,054,352

(1) For RSUs, represents the aggregate grant date fair value of each equity award computed in accordance with ASC 718. For performance shares, represents the aggregate grant date fair value of each equity award at the target payout level computed in accordance with ASC 718. See Notes 2 and 15 of the notes to our consolidated financial statements contained in our 2021 Annual Report for a discussion of all assumptions made by us in determining the ASC 718 values of equity awards.

(2) This group includes David F. Welch, Ph.D.

(3) This group includes Dr. Welch.

U.S. Federal Income Tax Consequences

The following paragraphs are a summary of the general federal income tax consequences to U.S. taxpayers and Infinera of awards granted under the 2016 Plan. Tax consequences for any particular individual may be different.

Incentive Stock Options. A participant generally recognizes no taxable income as the result of the grant or exercise of an incentive stock option qualifying under Section 422 of the Code (unless the participant is subject to the alternative minimum tax). If the participant exercises the option and then later sells or otherwise disposes of the Shares acquired through the exercise of the option after both the two-year anniversary of the grant date and the one-year anniversary of the exercise date, the difference between the sale price and the exercise price will be taxed as capital gain or loss. If the participant exercises the option and then later sells or otherwise disposes of the Shares on or before the two- or one-year anniversaries described above (a “disqualifying disposition”), the participant generally will have ordinary income at the time of the sale equal to the fair market value of the Shares on the exercise date (or the sale price, if less) minus the exercise price of the option.

Nonstatutory Stock Options. A participant generally recognizes no taxable income on the date of grant of a nonstatutory stock option with an exercise price equal to the fair market value of the underlying stock on the date of grant. Upon the exercise of a nonstatutory stock option, the participant generally will recognize ordinary income equal to the excess of the fair market value of the Shares on the exercise date over the exercise price of the option. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of Shares acquired through the exercise of a nonstatutory stock option, any subsequent gain or loss (generally based on the difference between the sale price and the fair market value on the exercise date) will be treated as long-term or short-term capital gain or loss, depending on how long the Shares were held by the participant.

Stock Appreciation Rights. A participant generally recognizes no taxable income on the date of grant of a stock appreciation right with an exercise price equal to the fair market value of the underlying stock on the date of grant. Upon exercise of the stock appreciation right, the participant generally will be required to include as ordinary income an amount equal to the sum of the amount of any cash received and the fair market value of any Shares received upon the exercise. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of Shares acquired by an exercise of the stock appreciation right, any gain or loss (generally based on the difference between the sale price and the fair market value on the exercise date) will be treated as long-term or short-term capital gain or loss, depending on how long the Shares were held by the participant.

Restricted Stock. A participant generally will not have taxable income at the time an award of restricted stock is granted. Instead, the participant generally will recognize ordinary income in the first taxable year in which the participant's interest in the Shares underlying the award becomes either (i) freely transferable, or (ii) no longer subject to substantial risk of forfeiture. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. However, the recipient of a restricted stock award may elect to recognize income at the time the recipient receives the award in an amount equal to the fair market value of the Shares underlying the award (less any cash paid for the Shares) on the date the award is granted. Any additional gain or loss recognized upon any later disposition of any shares received would be capital gain or loss.

Restricted Stock Units, Performance Units and Performance Shares. . A participant generally will not have taxable income at the time an award of RSUs, performance shares, or performance units is granted. Instead, the participant generally will be required to recognize ordinary income in an amount equal to the fair market value of shares issued to the participant at the end of the applicable vesting period or, if later, the settlement date of the award. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Any additional gain or loss recognized upon any later disposition of any shares received would be capital gain or loss .

Section 409A. Section 409A of the Code ("Section 409A") provides certain requirements for non-qualified deferred compensation arrangements with respect to an individual's deferral and distribution elections and permissible distribution events. Awards granted under the 2016 Plan with a deferral feature will be subject to the requirements of Section 409A. If an award is subject to and fails to satisfy the requirements of Section 409A, the recipient of that award may recognize ordinary income on the amounts deferred under the award, to the extent vested, which may be prior to when the compensation is actually or constructively received. Also, if an award that is subject to Section 409A fails to comply with Section 409A's provisions, Section 409A imposes an additional 20% tax on compensation recognized as ordinary income, as well as interest on such deferred compensation.

Medicare Surtax. In addition, a participant's annual "net investment income," as defined in Section 1411 of the Code, may be subject to a 3.8% federal surtax. Net investment income may include capital gain and/or loss arising from the disposition of Shares issued pursuant to awards granted under the 2016 Plan. Whether a participant's net investment income will be subject to this surtax will depend on the participant's level of annual income and other factors.

Tax Effect for Infinera. We generally will be entitled to a tax deduction in connection with an award under the 2016 Plan in an amount equal to the ordinary income realized by a participant and at the time the participant recognizes such income (for example, the exercise of a nonstatutory stock option). However, special rules limit the deductibility of compensation paid to our CEO and other "covered employees" as determined under Section 162(m) and applicable guidance. Under Section 162(m), the annual compensation paid to any of these specified individuals will be deductible only to the extent that it does not exceed $1,000,000. However, under Section 162(m) as it was in effect during fiscal year 2018, we could preserve the deductibility of certain compensation in excess of $1,000,000 if the conditions of Section 162(m) were met. These conditions included (among others) shareholder approval of the 2016 Plan and its material terms, setting certain limits on the number of Shares subject to awards and, for awards other than options and stock appreciation rights, establishing performance criteria that must be met before the award actually was vested or paid. As a result of the Tax Cuts and Jobs Act of 2017, for taxable years beginning on or after January 1, 2018, and except for certain grandfathered arrangements, under Section 162(m), any compensation over $1,000,000 paid to the covered employees is not deductible to Infinera.

THE FOREGOING IS ONLY A SUMMARY OF THE TAX EFFECT OF U.S. FEDERAL INCOME TAXATION UPON PARTICIPANTS AND INFINERA WITH RESPECT TO THE GRANT AND VESTING OR EXERCISE OF AWARDS UNDER THE 2016 PLAN. IT DOES NOT PURPORT TO BE COMPLETE AND DOES NOT DISCUSS THE TAX CONSEQUENCES OF A SERVICE PROVIDER'S DEATH OR THE PROVISIONS OF THE INCOME TAX LAWS OF ANY MUNICIPALITY, STATE, OR NON-U.S. COUNTRY TO WHICH THE SERVICE PROVIDER MAY BE SUBJECT.

Summary

The Board believes that it is in the best interests of our company and our shareholders to continue to provide employees, consultants and directors with the opportunity to acquire an ownership interest in Infinera through the grant of equity awards under the 2016 Plan and thereby encourage them to remain in our service and more closely align their interests with those of our shareholders.

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 approval of the 2016 Plan, as amended, which increases the number of shares authorized for issuance thereunder by 8,500,000 shares.

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 shareholders to vote to approve, on an advisory 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 shareholders 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 shareholders. The specific goals that our current executive compensation programs reward are focused on financial objectives, including specific non-GAAP operating income targets. Please read the “Compensation Discussion and Analysis” section of this Proxy Statement beginning on page 30 for additional details about our executive compensation programs, including information about the fiscal 2021 compensation of our NEOs.

The Board is asking our shareholders 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, the Board recommends that our shareholders vote “FOR” the following resolution at the Annual Meeting:

> “**RESOLVED:** That the shareholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Proxy Statement for the 2022 Annual Meeting of Shareholders 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 narrative disclosures.”

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 shareholders and will continue to consider our shareholders’ feedback 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 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 3—Recommendation of the Board

The Board unanimously recommends a vote “FOR” the approval of the compensation of our NEOs, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the SEC.

OUR AUDITORS

PROPOSAL 4—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 31, 2022 and has further directed that we submit the appointment of independent auditors for ratification by the shareholders at the Annual Meeting. Ernst & Young LLP has audited our financial statements since fiscal 2001. Representatives of Ernst & Young LLP 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 shareholders for ratification as a matter of good corporate practice. If the shareholders 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 shareholders.

Independent Registered Public Accounting Firm's Fees

The following table sets forth the aggregate fees for audit, audit-related, tax and other services provided by Ernst & Young LLP for the fiscal years ended December 25, 2021 and December 26, 2020. All of the services described in the following table were approved in conformity with the Audit Committee's pre-approval processes and procedures.

	2021	2020
Audit Fees	$4,325,000	$5,489,000
Audit-Related Fees	—	—
Tax Fees	116,000	107,000
All Other Fees	2,000	3,000
Total Fees	$4,443,000	$5,599,000

Audit Fees

This category includes Ernst & Young LLP's audit of our annual financial statements and internal control over financial reporting, review of financial statements included in our Quarterly Reports on Form 10-Q, and services that are typically provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements for those fiscal years. This category also includes statutory audits required by non-U.S. jurisdictions, consultation and advice on new accounting pronouncements, and technical advice on various accounting matters related to the consolidated financial statements or statutory financial statements that are required to be filed by non-U.S. jurisdictions, comfort letters, and consents issued in connection with SEC filings. Fiscal 2020 fees were higher than fiscal 2021 fees as a result of additional fees related to the issuance of our convertible senior notes due March 1, 2027 and our at-the-market offering of our common stock.

Audit-Related Fees

This category consists of assurance and related services provided by Ernst & Young LLP that are reasonably related to the performance of the audit or review of our financial statements and are not included in the fees reported in the table above under "Audit Fees." No audit-related fees were incurred during fiscal 2021 and 2020.

Tax Fees

This category includes fees for tax compliance, tax advice, tax planning and transfer pricing.

All Other Fees

This category consists of any permitted services provided by Ernst & Young LLP that are not included in the category descriptions under “Audit Fees,” “Audit-Related Fees” or “Tax Fees” in the table above, and principally includes non-audit services, including permissible business and advisory consulting services.

Auditor Independence

In 2021, there were no other professional services provided by Ernst & Young LLP, other than those listed above, that would have required our Audit Committee to consider their compatibility with maintaining the independence of Ernst & Young LLP.

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 4 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, if any, 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 4—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 31, 2022.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board currently consists of the four 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, Lakkaraju and Milbury are each an Audit Committee Financial Expert as described in applicable rules and regulations of the Securities and Exchange Commission ("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 our independent registered public accounting firm. 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. A copy of the Audit Committee charter is available on our website at *www.infinera.com*.

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 met nine times during fiscal 2021. Its agenda included reviewing our financial statements, internal control over financial reporting, and audit and other matters. The Audit Committee met with our internal auditors and independent auditors, including in periodic executive sessions without management present, to discuss the scope, plan, status, and results of their respective audits. In addition, the Audit Committee met with management and the independent auditors each quarter to review our interim financial results and quarterly earnings press releases prior to their issuance. The Audit Committee also reviewed our Quarterly Reports on Form 10-Q and Annual Report on Form 10-K prior to their filing with the SEC. At quarterly meetings, the Audit Committee reviewed and discussed with management, and management gave presentations regarding, our financial reporting and controls, financing activities, taxes and insurance, and related risks, as well as other topics with potential significant financial impact. The Audit Committee oversaw our anonymous and confidential ethics reporting system, which encourages and allows employees to submit concerns directly to senior management and the Audit Committee.

The Audit Committee has reviewed and discussed the audited financial statements for the year ended December 25, 2021 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. 1301, "Communications with Audit Committees" issued by Public Company Accounting Oversight Board ("PCAOB") and the SEC. 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 Annual Report on Form 10-K for the year ended December 25, 2021 for filing with the SEC.

Submitted by the members of the Audit Committee:

Paul J. Milbury (Chair)
Christine Bucklin
Marcel Gani
Roop K. Lakkaraju

This audit committee report shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A promulgated by the SEC or to the liabilities of Section 18 of the Exchange Act, and shall not be deemed incorporated by reference into any prior or subsequent filing by Infinera under the Securities Act or the Exchange Act, except to the extent Infinera specifically requests that the information be treated as "soliciting material" or specifically incorporates it by reference.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We have adopted a formal policy that our executive officers, directors, and principal shareholders, including their immediate family members and affiliates, are not permitted to enter into a related party transaction with us without the prior consent of the Audit Committee, or other independent members of the Board in the case it is inappropriate for the 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 shareholder, or any of such persons' immediate family members or affiliates, in which the amount involved exceeds $120,000 must first be presented to the Audit Committee for review, consideration and approval. All of our directors, executive officers and employees are required to report to the Audit Committee any such related party transaction. In approving or rejecting the proposed agreement, the 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. The Audit Committee shall approve only those agreements that, in light of known circumstances, are, or are not inconsistent with, our best interests, as the Audit Committee determines in the good faith exercise of its discretion.

For a description of compensation received by Dr. Welch, an employee member of our Board, and Mr. Fallon, who served as an advisor to us for a portion of fiscal 2021, please see "How We Are Paid—Fiscal 2021 Director Compensation," above.

We did not engage in any other related party transactions during fiscal 2021.

DELINQUENT SECTION 16(a) REPORTS

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 2021 transactions in our common stock and their common stock holdings and (ii) the written representations received from one or more of such persons, including that no Form 5 is required, we believe that all reporting requirements under Section 16(a) were met in a timely manner during fiscal 2021, with the exception that Mr. Milbury was late filing one Form 4 with respect to three transactions on the same date, Mr. Teichmann was late filing one Form 4 with respect to three transactions on the same date and Dr. Welch was late filing one Form 4 with respect to one transaction.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 25, 2021 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	13,418,699[(1)]	N/A	15,443,816[(2)]
Equity compensation plans not approved by security holders	302,084[(3)]	N/A	201,310
Total	13,720,783		15,645,126

(1) This amount includes the following:

- 11,326,027 shares subject to RSUs granted under the 2016 Plan. Since these awards have no exercise price, they are not included in the weighted average exercise price calculation in column (b); and
- 2,092,672 shares issuable pursuant to outstanding unvested performance share awards assuming target performance under such awards. 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 section entitled "Fiscal 2021 Compensation—Long-Term Incentive Compensation" in the Compensation Discussion and Analysis. Since these awards have no exercise price, they are not included in the weighted average exercise price calculation in column (b).

(2) This amount includes 7,164,673 shares of common stock available for future issuances under the 2007 ESPP.

(3) This amount includes the following:

- 281,250 shares subject to RSUs granted under the 2019 Inducement Equity Incentive Plan. Since these awards have no exercise price, they are not included in the weighted average exercise price calculation in column (b); and
- 20,834 shares issuable pursuant to outstanding unvested performance share awards assuming target performance under such awards. 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 section entitled "Fiscal 2021 Compensation—Long-Term Incentive Compensation" in the Compensation Discussion and Analysis. Since these awards have no exercise price, they are not included in the weighted average exercise price calculation in column (b).

OUR SHAREHOLDERS

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 NEOs;
- Each of our directors; and
- All current 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 shareholder 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 213,229,397 shares of common stock outstanding on the Record Date. Unless otherwise indicated, the principal address of each of the shareholders below is c/o Infinera Corporation, 6373 San Ignacio Avenue, San Jose, California 95119.

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 Shareholders				
FMR LLC[2]	31,618,128	—	31,618,128	14.83%
Oaktree Optical Holdings, L.P.[3]	25,175,384	—	25,175,384	11.81%
The Vanguard Group[4]	17,763,351	—	17,763,351	8.33%
BlackRock, Inc.[5]	13,801,595	—	13,801,595	6.47%
Named Executive Officers and Directors				
David W. Heard	512,232	147,854	660,086	*
Nancy L. Erba	285,596	33,950	319,546	*
David L. Teichmann	129,760	83,367	213,127	*
Nicholas Walden	32,435	42,941	75,376	*
Christine Bucklin	20,392	18,211	38,603	*
Gregory P. Dougherty	123,690	18,211	141,901	*
Marcel Gani	326,419	18,211	344,630	*
Sharon E. Holt	121,386	18,211	139,597	*
Roop K. Lakkaraju	—	—	—	*
Paul J. Milbury	121,607	18,211	139,818	*
Amy H. Rice	—	—	—	*
George A. Riedel	43,392	18,211	61,603	*
Mark A. Wegleitner	141,335	18,211	159,546	*
David F. Welch, Ph.D.[6]	159,824	84,087	243,911	*
All Executive Officers and Directors as a Group (14 Persons)	2,018,068	519,676[7]	2,537,744	1.19%

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

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

(2) According to a Schedule 13G/A filed with the SEC on February 9, 2022 by FMR LLC ("FMR"), Abigail P. Johnson (FMR's Director, Chairman and CEO) and Fidelity Growth Company Fund ("Fidelity"). Such amendment states that FMR is deemed to be the beneficial owner of 31,618,128 shares by virtue of its control over Fidelity, which is deemed to be the beneficial owner of 11,527,216 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 14,136,785 shares, shared voting power over zero shares, sole dispositive power over 31,618,128 shares, and shared

dispositive power over zero shares; (b) Ms. Johnson has sole voting power over zero shares, shared voting power over zero shares, sole dispositive power over 31,618,128 shares, and shared dispositive power over zero shares and (c) Fidelity has sole voting power over 11,527,216 shares, shared voting power over zero shares, sole dispositive power over zero shares, and shared dispositive power over zero shares. The address of FMR is 245 Summer Street, Boston, Massachusetts 02210.

(3) According to Forms 4 filed on March 18, 2020 and March 23, 2020 and a Schedule 13D/A filed with the SEC on April 14, 2020 jointly, pursuant to a joint filing agreement, by (i) Oaktree Optical Holdings, L.P., a Delaware limited partnership ("Optical"), whose principal business is to invest in securities; (ii) Oaktree Fund GP, LLC, a Delaware limited liability company ("GP LLC"), whose principal business is to serve as and perform the functions of the general partner of certain investment funds including Optical; (iii) Oaktree Fund GP I, L.P., a Delaware limited partnership ("GP I"), whose principal business is (A) serve as, and perform the functions of, the general partner of certain investment funds or to serve as, and perform the functions of, the managing member of the general partner of certain investment funds or (B) to act as the sole shareholder of certain controlling entities of certain investment funds; (iv) Oaktree Capital I, L.P., a Delaware limited partnership ("Capital I"), whose principal business is to serve as, and perform the functions of, the general partner of GP I; (v) OCM Holdings I, LLC, a Delaware limited liability company ("Holdings I"), whose principal business is to serve as, and perform the functions of, the general partner of Capital I and to hold limited partnership interests in Capital I; (vi) Oaktree Holdings, LLC, a Delaware limited liability company ("Holdings"), whose principal business is to serve as, and perform the functions of, the managing member of Holdings I; (vii) Oaktree Capital Group, LLC, a Delaware limited liability company ("OCG"), whose principal business is to act as the holding company and controlling entity of each of the general partner and investment adviser of certain investment funds and separately managed accounts; and (viii) Oaktree Capital Group Holdings GP, LLC, a Delaware limited liability company ("OCGH GP" and together with Optical, GP I, Capital I, Holdings I, Holdings, OCG and GP LLC, collectively, the "Reporting Persons"), whose principal business is to serve as, and perform the functions of, the manager of OCG. The principal business address of each of the Reporting Persons is c/o Oaktree Capital Group Holdings GP, LLC, 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071.

(4) According to a Schedule 13G/A filed with the SEC on February 10, 2022 by The Vanguard Group ("Vanguard"). Vanguard is the beneficial owner of 17,763,351 shares and has sole voting power over zero shares, shared voting power over 350,820 shares, sole dispositive power over 17,264,268 shares and shared dispositive power over 499,083 shares. The address of Vanguard is 100 Vanguard Boulevard, Malvern, Pennsylvania 19355.

(5) According to a Schedule 13G/A filed with the SEC on February 3, 2022 by BlackRock, Inc. ("BlackRock"). BlackRock is the beneficial owner of 13,801,595 shares and has sole voting power over 13,638,015 shares, shared voting power over zero shares, sole dispositive power over 13,801,595 shares and shared dispositive power over zero shares. The address of BlackRock is 55 East 52nd Street, New York, New York 10055.

(6) Shares held consist of (i) 157,324 shares held by The Welch Family Trust U/A DTD 4/3/1996 and (ii) 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.

(7) Includes 519,676 unvested RSUs.

SHAREHOLDER PROPOSALS FOR 2023 ANNUAL MEETING

To be considered for inclusion in our Proxy Statement for the 2023 Annual Meeting, shareholder 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 December 2, 2022, 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 shareholders in connection with this year's Annual Meeting.

Under Rule 14a-8 of the Exchange Act, if the date of the 2023 Annual Meeting changes by more than 30 days from the anniversary of this year's Annual Meeting, to be included in our Proxy Statement, shareholder proposals must be received by us within a reasonable time before our solicitation is made.

To be raised at the 2023 Annual Meeting, shareholder proposals must comply with our Bylaws. Under our Bylaws, a shareholder 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 shareholder wishes to raise at our 2023 Annual Meeting. To be timely, the shareholder notice must be received by our Corporate Secretary no later than February 15, 2023 nor earlier than January 16, 2023. To be in proper written form, the shareholder 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 shareholder nomination of a candidate for the Board, the shareholder notice must also include certain information as set forth in our Bylaws about both the nominee and the shareholder making the nomination. If you wish to bring a shareholder proposal or nominate a candidate for director, you are advised to review our Bylaws, which contain additional requirements about advance notice of shareholder proposals and director nominations. Our current Bylaws may be found on our website at *www.infinera.com* in the Corporate Governance section on our Investors page.

Under our Bylaws, if the date of the 2023 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 shareholder 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 2023 Annual Meeting and no later than the close of business on the later of (i) the 90th day prior to the 2023 Annual Meeting, or (ii) the tenth day following the day on which disclosure in a press release reported by GlobeNewswire, 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 2023 Annual Meeting is first made.

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

To reduce the expense of delivering duplicate proxy materials to shareholders 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, shareholders 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 the 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. Shareholders 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 set of 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, 6373 San Ignacio Avenue, San Jose, California 95119, Attention: Corporate Secretary, or call (408) 572-5200. Shareholders 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.

It is important that your shares be represented at the Annual Meeting, regardless of the number of shares that you hold. You are, therefore, urged to vote as promptly as possible to ensure your vote is recorded.

By Order of the Board,

Nancy Erba
Chief Financial Officer

San Jose, California
April 1, 2022

USER'S GUIDE

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: We are providing you access to these proxy materials in connection with the solicitation of proxies by the Board for use at the 2022 Annual Meeting of Shareholders to be held exclusively virtually on Thursday, May 19, 2022 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 shareholders on or about April 1, 2022. You are invited to virtually attend the Annual Meeting and requested to vote on the items described in this proxy statement.

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

A: In accordance with rules and regulations adopted by 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 the Notice 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 the Notice by email, you will receive an email next year with instructions containing a link to the proxy materials and a link to the proxy voting site. Your election to receive the Notice 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 virtually at *www.virtualshareholdermeeting.com/INFN2022*.

Q: How can I attend the virtual Annual Meeting?

A: The Annual Meeting will be a completely virtual meeting of shareholders conducted exclusively by a live audio webcast.

If you are a shareholder of record as of the close of business on March 22, 2022, the record date for the Annual Meeting, you will be able to virtually attend the Annual Meeting, vote your shares and submit your questions online during the meeting by visiting *www.virtualshareholdermeeting.com/INFN2022*. You will need to enter the 16-digit control number included on your notice, on your proxy card or on the instructions that accompanied your proxy materials.

If you are a shareholder holding your shares in "street name" as of the close of business on March 22, 2022, you may gain access to the meeting by following the instructions in the voting instruction card provided by your broker, bank, trustee or other nominee. You may not vote your shares electronically at the Annual Meeting unless you receive a valid "legal proxy" from your broker, bank, trustee or other nominee.

The online meeting will begin promptly at 10:00 a.m., Pacific time. We encourage you to access the meeting prior to the start time. Online check-in will begin at 9:45 a.m., Pacific time, and you should allow approximately 15 minutes for the online check-in procedures.

If you wish to submit a question for the Annual Meeting, you may do so in advance at *www.virtualshareholdermeeting.com/INFN2022*, or you may type it into the dialog box provided at any point during the virtual meeting (until the floor is closed to questions). If we receive substantially similar questions, we may group such questions together and provide a single response to avoid repetition. We reserve the right to edit profanity or other inappropriate language.

Q: What can I do if I need technical assistance during the Annual Meeting?

A: If you encounter any difficulties accessing the virtual Annual Meeting webcast please call the technical support number that will be posted on the Annual Meeting website log-in page.

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

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

- The election of three Class III directors to serve until the 2025 Annual Meeting of Shareholders or until their successors have been duly elected and qualified, or until his or her earlier death, resignation or removal from the Board;
- The approval of the 2016 Plan, as amended, which increases the number of shares authorized for issuance thereunder by 8,500,000 shares;
- The approval, on an advisory basis, of the compensation of Infinera's NEOs, as described in the Proxy Statement; and
- The ratification of the appointment of Ernst & Young LLP as Infinera's independent registered public accounting firm for the fiscal year ending December 31, 2022.

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, 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 the chairperson of the meeting or approval of the holders of common stock representing a majority of the votes present virtually 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 majority vote, which requires the affirmative vote of a majority of the total votes cast by holders of shares present virtually, or represented by proxy, and entitled to vote for each nominee 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" the nominees listed in Proposal 1**.

Proposal 2—The approval of the 2016 Plan, as amended, which increases the number of shares authorized for issuance thereunder by 8,500,000 shares, requires the affirmative vote of a majority of the total votes cast by holders of shares present virtually, 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—The approval, on an advisory basis, of the compensation of Infinera's NEOs requires the affirmative vote of a majority of the total votes cast by holders of shares present virtually, 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**.

Proposal 4—The ratification of the appointment of Ernst & Young LLP as Infinera's independent registered public accounting firm for the fiscal year ending December 31, 2022, requires the affirmative vote of a majority of the total votes cast by holders of shares present virtually, 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, if any, 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 4**.

Stock Ownership

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

A: *Shareholders of Record*—If your shares are registered directly in your name with our transfer agent, Computershare, Inc., you are the shareholder of record with respect to those shares, and the Notice has been sent directly to you.

Beneficial Owners—If your shares are held through a broker, bank, trustee or other nominee, rather than directly in their own name, 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 shareholder of record. As the beneficial owner, you have the right to direct your broker, bank, trustee or other nominee on how to vote your shares. For directions on how to vote shares beneficially held in street name, please refer to the voting instruction card provided by your broker, bank, trustee or other nominee. Because a beneficial owner is not the shareholder of record, you may not vote these shares virtually at the Annual Meeting unless you obtain a legal proxy issued in your name from the broker, bank, trustee or other nominee that holds your shares, giving you the right to vote your shares at the Annual Meeting.

Quorum and Voting

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

A: Shareholders 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 shareholders 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 213,229,397 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 shareholder of record and those shares held for you as a beneficial owner through a broker, bank, trustee or other nominee.

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

A: The presence virtually 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 shareholders are counted as present at the meeting if they (i) are present virtually at the Annual Meeting or (ii) 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 non-routine proposal because the broker does not have discretionary voting power with respect to such proposal. 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), the amendment of the 2016 Plan (Proposal 2) and the non-binding advisory vote on Infinera's NEO compensation (Proposal 3) are "non-routine" matters for which discretionary voting power does not exist under applicable rules. A broker, bank, trustee or other nominee cannot vote without instructions on non-routine matters, and therefore, broker non-votes may exist in connection with Proposals 1, 2 and 3. Thus, if you hold your shares beneficially in street name and you do not instruct your broker, bank, trustee or other nominee how to vote with respect to Proposals 1, 2 and 3, no votes will be cast on your behalf.

The ratification of Ernst & Young LLP as our independent registered public accounting firm (Proposal 4) is considered a "routine" matter for which discretionary voting power exists under applicable rules. A broker, bank, trustee or other nominee may generally vote on routine matters without instructions from the beneficial owner of the shares being voted, and therefore no broker non-votes are expected to exist in connection with Proposal 4.

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

A: *Shareholders of Record*—Shares held in your name as the shareholder of record may be voted virtually at the Annual Meeting, even if previously voted by another method. You will need the 16-digit control number on your proxy card or voting instructions to vote at the Annual Meeting.

Beneficial Owners—Shares held beneficially in street name may be voted virtually at the Annual Meeting only if you obtain a legal proxy issued in your name from the broker, bank, trustee or other nominee that holds your shares, giving you the right to virtually vote the shares at the Annual Meeting. Otherwise, you will not be permitted to virtually vote at the Annual Meeting. You will need the 16-digit control number on your proxy card or voting instructions to vote at the Annual Meeting.

Even if you plan to virtually 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 virtually attending the Annual Meeting?

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

Internet—Shareholders of record with Internet access may submit proxies by following the instructions in the Notice. Shareholders who hold shares beneficially in street name may vote by accessing the website specified in the voting instructions provided by their brokers, banks, 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—Shareholders who have received a paper copy of a proxy card or voting instruction card by mail may submit their vote by completing, signing and dating their proxy card or voting instruction card where indicated and returning it in the accompanying prepaid envelope.

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 shareholder of record or have obtained a proxy voting form from your broker, bank, 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, 3 and 4. If you are a beneficial owner of shares and your broker, bank, 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, 2 or 3 and will be counted as broker non-votes with respect to these proposals. With respect to Proposal 4, your broker, bank, trustee or other nominee will have the discretion to vote your shares.

Q: Can I change or revoke my vote?

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

Shareholders of Record—If you are a shareholder 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) virtually attending the Annual Meeting and voting (although virtual 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 shareholder 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 through your broker, trustee or other nominee, or (2) virtually attending the Annual Meeting and voting 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-of-pocket expenses in connection with such solicitation. We have engaged the services of Morrow Sodali LLC, 470 West Avenue, 3rd Floor, Stamford, Connecticut 06902, as our proxy solicitor to aid in the solicitation of proxies from certain brokers, banks, trustees, nominees and other institutional owners. Morrow's fees for this service are estimated to be $12,500 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: Proxy instructions, ballots, and voting tabulations that identify individual shareholders are handled in a manner that protects your voting privacy. We will not disclose the proxy instructions or ballots of individual shareholders, except:

- as necessary to meet applicable legal requirements and to assert or defend claims for or against Infinera;
- to facilitate a successful proxy solicitation;

- if a shareholder makes a written comment on the proxy card or otherwise communicates his or her vote to management; or
- to allow the independent inspector of election to certify the results of the vote.

A representative from Broadridge will serve as the inspector of election.

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 with more than one broker, bank, trustee or nominee. 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, including this Proxy Statement and our Annual Report on Form 10-K for the fiscal year ended December 25, 2021 (the "2021 Annual Report"), will be available on our 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. The 2021 Annual Report is also available on the Internet as indicated in the Notice.* The 2021 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 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 Infinera's corporate documents and SEC filings?

A: Our website contains our Bylaws, Corporate Governance Guidelines, Board committee charters, Code of Business Conduct and Ethics, and SEC filings. To view these documents, please go to *investors.infinera.com/* and then click on "Governance Documents" under the "Governance" heading. To view our SEC filings and Forms 3, 4 and 5 filed by our directors and executive officers, please go *investors.infinera.com/* and then click on "SEC Filings" under the "Financials" heading.

We will promptly deliver free of charge, upon request, a copy of our Corporate Governance Guidelines, Board committee charters or Code of Business Conduct and Ethics to any shareholder requesting a copy. Requests should be directed to Infinera Corporation, c/o Corporate Secretary, 6373 San Ignacio Avenue, San Jose, California 95119.

We will promptly deliver free of charge, upon request, a copy of the 2021 Annual Report and this Proxy Statement to any shareholder requesting a copy. Requests should be directed to Infinera Corporation, c/o Corporate Secretary, 6373 San Ignacio Avenue, San Jose, California 95119.

APPENDIX A—UNAUDITED RECONCILIATIONS FROM GAAP TO NON-GAAP

Infinera Corporation
Unaudited Reconciliations from GAAP to Non-GAAP
(In thousands, except percentages and per share data)

	Years Ended		
	December 25, 2021	December 26, 2020	December 28, 2019
Reconciliation of Revenue:			
U.S. GAAP as reported	$1,425,205	$1,355,596	$1,298,865
Acquisition-related deferred revenue adjustment	3,913	4,089	9,631
Other customer related chargers	—	—	8,100
Non-GAAP as adjusted	$1,429,118	$1,359,685	$1,316,596
Reconciliation of Gross Profit:			
U.S. GAAP as reported	$ 497,974	$ 408,792	$ 325,923
Acquisition-related deferred revenue adjustment	3,913	4,089	9,631
Other customer related charges	—	—	8,100
Stock-based compensation	7,928	7,785	6,449
Amortization of acquired intangible assets	19,621	29,247	32,583
Acquisition and integration costs	—	1,828	28,449
Acquisition-related inventory adjustments	—	—	1,778
Restructuring and other related costs	1,531	4,146	29,935
Inventory related charges	6,582	—	—
COVID-19 related costs	—	3,641	—
Non-GAAP as adjusted	$ 537,549	$ 459,528	$ 442,848
Reconciliation of Gross Margin:			
U.S. GAAP as reported	34.9%	30.2%	25.1%
Acquisition-related deferred revenue adjustment	0.2%	0.3%	0.7%
Other customer related charges	—	—	0.6%
Stock-based compensation	0.5%	0.6%	0.5%
Amortization of acquired intangible assets	1.4%	2.1%	2.4%
Acquisition and integration costs	—	0.1%	2.0%
Acquisition-related inventory adjustments	—	—	0.1%
Restructuring and other related costs	0.1%	0.3%	2.2%
Inventory related charges	0.5%	—	—
COVID-19 related costs	—	0.2%	—
Non-GAAP as adjusted	37.6%	33.8%	33.6%
Reconciliation of Net Loss from Operations:			
U.S. GAAP as reported	$ (87,479)	$ (155,199)	$ (350,230)
Acquisition-related deferred revenue adjustment	3,913	4,089	9,631
Other customer related charges	—	—	8,100
Stock-based compensation	51,812	49,461	42,779
Amortization of acquired intangible assets	37,076	47,828	59,863
Acquisition and integration costs	614	15,174	70,720
Acquisition-related inventory adjustments	—	—	1,778
Restructuring and other related costs	14,777	28,732	70,786
Inventory related charges	6,582	—	—
Litigation charges	2,291	—	4,100
COVID-19 related costs	—	3,641	—
Non-GAAP as adjusted	$ 29,586	$ (6,274)	$ (82,473)

	Years Ended		
	December 25, 2021	December 26, 2020	December 28, 2019
Reconciliation of Operating Margin:			
U.S. GAAP as reported	-6.1%	-11.4%	-27.0%
Acquisition-related deferred revenue adjustment	0.3%	0.3%	0.8%
Other customer related charges	—	—	0.6%
Stock-based compensation	3.6%	3.6%	3.3%
Amortization of acquired intangible assets	2.6%	3.5%	4.6%
Acquisition and integration costs	0.0%	1.1%	5.5%
Acquisition-related inventory adjustments	—	—	0.1%
Restructuring and other related costs	1.0%	2.1%	5.5%
Inventory related charges	0.5%	—	—
Litigation charges	0.0%	—	0.3%
COVID-19 related costs	0.2%	0.3%	—
Non-GAAP as adjusted	2.1%	-0.5%	-6.3%
Reconciliation of Non-GAAP Net Income/ (Loss) per Common Share:			
U.S. GAAP as reported	$ (0.82)	$ (1.10)	$ (2.16)
Acquisition-related deferred revenue adjustment	0.02	0.02	0.05
Other customer related charges	—	—	0.05
Stock-based compensation	0.25	0.26	0.24
Amortization of acquired intangible assets	0.18	0.26	0.33
Acquisition and integration costs	—	0.08	0.39
Acquisition-related inventory adjustments	—	—	0.01
Restructuring and other related costs	0.07	0.15	0.40
Inventory related charges	0.03	—	—
Amortization of debt discount on Infinera’s convertible senior notes	0.15	0.14	0.10
Litigation charges	0.01	—	0.02
Gain/Loss on non-marketable equity investment	—	—	(0.01)
Foreign exchange (gains) losses, net	0.08	—	0.02
COVID-19 related costs	—	0.02	—
Income tax effects	(0.01)	(0.02)	(0.03)
Non-GAAP as adjusted	$ (0.04)	$ (0.19)	$ (0.59)
Reconciliation of Free Cash Flow:			
U.S. GAAP: Net cash provided by (used in) operating activities	$ 28,128	$ (112,300)	$ (167,350)
Purchase of property and equipment, net	(41,379)	(39,009)	(30,202)
Free cash flow	$ (13,251)	$ (151,309)	$ (195,552)

	Three Months Ended			
	December 25, 2021	September 25, 2021	June 26, 2021	March 27, 2021
Reconciliation of Revenue:				
U.S. GAAP as reported	$400,257	$355,814	$338,227	$330,907
Acquisition-related deferred revenue adjustment	979	978	978	978
Non-GAAP as adjusted	$401,236	$356,792	$339,205	$331,885
Reconciliation of Gross Profit:				
U.S. GAAP as reported	$142,466	$118,093	$120,383	$117,032
Acquisition-related deferred revenue adjustment	979	978	978	978
Stock-based compensation	2,034	1,968	2,130	1,796
Amortization of acquired intangible assets	5,782	4,609	4,614	4,616
Restructuring and other related costs	(148)	1,434	(269)	514
Inventory related charges	(2,041)	8,623	—	—
Non-GAAP as adjusted	$149,072	$135,705	$127,836	$124,936
Reconciliation of Gross Margin:				
U.S. GAAP as reported	35.6%	33.2%	35.6%	35.4%
Acquisition-related deferred revenue adjustment	0.2%	0.3%	0.3%	0.3%
Stock-based compensation	0.5%	0.5%	0.6%	0.5%
Amortization of acquired intangible assets	1.4%	1.3%	1.3%	1.3%
Restructuring and other related costs	0.0%	0.4%	-0.1%	0.1%
Inventory related charges	-0.5%	2.3%	0.0%	0.0%
Non-GAAP as adjusted	37.2%	38.0%	37.7%	37.6%
Reconciliation of Net Income/(Loss) from Operations:				
U.S. GAAP as reported	$ (10,142)	$ (30,976)	$ (23,248)	$ (23,113)
Acquisition-related deferred revenue adjustment	979	978	978	978
Stock-based compensation	13,267	13,632	13,939	10,974
Amortization of acquired intangible assets	10,089	8,960	9,006	9,021
Acquisition and integration costs	—	—	—	614
Restructuring and other related costs	4,907	7,980	(943)	2,833
Inventory related charges	(2,041)	8,623	—	—
Litigation charges	—	(594)	2,885	—
Non-GAAP as adjusted	$ 17,059	$ 8,603	$ 2,617	$ 1,307
Reconciliation of Operating Margin:				
U.S. GAAP as reported	-2.5%	-8.7%	-6.9%	-7.0%
Acquisition-related deferred revenue adjustment	0.2%	0.3%	0.3%	0.3%
Stock-based compensation	3.4%	3.9%	4.1%	3.3%
Amortization of acquired intangible assets	2.5%	2.5%	2.7%	2.7%
Acquisition and integration costs	0.0%	0.0%	0.0%	0.2%
Restructuring and other related costs	1.2%	2.3%	-0.3%	0.9%
Inventory related charges	-0.5%	2.3%	0.0%	0.0%
Litigation charges	0.0%	-0.2%	0.9%	0.0%
Non-GAAP as adjusted	4.3%	2.4%	0.8%	0.4%

	Three Months Ended			
	December 25, 2021	September 25, 2021	June 26, 2021	March 27, 2021
Reconciliation of Non-GAAP Net Income/ (Loss) per Common Share:				
U.S. GAAP as reported	$ (0.16)	$ (0.26)	$ (0.17)	$ (0.24)
Acquisition-related deferred revenue adjustment	—	0.00	0.00	0.00
Stock-based compensation	0.06	0.07	0.07	0.06
Amortization of acquired intangible assets	0.05	0.04	0.04	0.05
Restructuring and other related costs	0.02	0.04	(0.00)	0.01
Inventory related charges	(0.01)	0.04	—	—
Amortization of debt discount on Infinera's convertible senior notes	0.05	0.04	0.04	0.03
Litigation charges	—	(0.00)	0.01	—
Foreign exchange (gains) losses, net	0.02	0.02	(0.02)	0.06
Income tax effects	(0.00)	(0.00)	(0.00)	—
Non-GAAP as adjusted	$ 0.03	$ (0.01)	$ (0.03)	$ (0.03)
Reconciliation of Free Cash Flow:				
U.S. GAAP: Net cash provided by (used in) operating activities	$ 1,369	$ (13,175)	$ 21,304	$ 18,630
Purchase of property and equipment, net	(9,065)	(6,525)	(14,068)	(11,721)
Free cash flow	$ (7,696)	$ (19,700)	$ 7,236	$ 6,909

The non-GAAP financial measures of revenue, gross profit, gross margin, operating income (loss), operating margin, net income (loss) per common share and free cash flow exclude acquisition-related deferred revenue and inventory adjustments, other customer related charges, non-cash stock-based compensation expenses, amortization of acquired intangible assets, amortization of debt discount on Infinera's convertible senior notes, acquisition and integration costs, restructuring and other related costs, inventory related charges, litigation charges, COVID-19 related costs, foreign exchange (gains) losses, net, income tax effects and certain purchase accounting adjustments related to Infinera's acquisitions. 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 its 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 revenue, gross margin, net loss from operations or operating margin 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.

APPENDIX B—INFINERA CORPORATION 2016 EQUITY INCENTIVE PLAN

INFINERA CORPORATION

2016 EQUITY INCENTIVE PLAN

(as amended and restated on May 24, 2018, as amended May 23, 2019, May 21, 2020, May 21, 2021, and , 2022)

1. Purposes of the Plan. The purposes of this Plan are:

- to attract and retain the best available personnel for positions of substantial responsibility,
- to provide additional incentive to Employees, Directors and Consultants, and
- to promote the success of the Company's business.

The Plan permits the grant of Incentive Stock Options, Nonstatutory Stock Options, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, Performance Units and Performance Shares.

2. Definitions. As used herein, the following definitions will apply:

(a) "Administrator" means the Board or any of its Committees as will be administering the Plan, in accordance with Section 4 of the Plan.

(b) "Applicable Laws" means the legal and regulatory requirements relating to the administration of equity-based awards, including but not limited to U.S. federal and state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any non-U.S. country or jurisdiction where Awards are, or will be, granted under the Plan.

(c) "Award" means, individually or collectively, a grant under the Plan of Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units or Performance Shares.

(d) "Award Agreement" means the written or electronic agreement setting forth the terms and provisions applicable to each Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.

(e) "Board" means the Board of Directors of the Company.

(f) "Change in Control" means the occurrence of any of the following events:

(i) A change in the ownership of the Company which occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than fifty percent (50%) of the total voting power of the stock of the Company; provided, however, that for purposes of this subsection, (A) the acquisition of additional stock by any one Person, who is considered to own more than fifty percent (50%) of the total voting power of the stock of the Company will not be considered a Change in Control, and (B) if the stockholders of the Company immediately before the change in ownership continue to retain, immediately after the change in ownership, in substantially the same proportions as their ownership of shares of the Company's voting stock immediately prior to the change in ownership, the direct or indirect beneficial ownership of fifty percent (50%) or more of the total voting power of the shares of the Company or of the ultimate parent entity of the Company, such event will not be considered a Change in Control; or

(ii) A change in the effective control of the Company which occurs on the date that a majority of members of the Board is replaced during any twelve (12) month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this clause (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control; or

(iii) A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than fifty percent (50%) of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. For purposes of this subsection (iii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of this definition, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

Notwithstanding the foregoing, a transaction will not be deemed a Change in Control unless the transaction qualifies as a change in control event within the meaning of Section 409A. Further and for the avoidance of doubt, a transaction will not constitute a Change in Control if: (x) its sole purpose is to change the jurisdiction of the Company's incorporation, or (y) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

(g) "Code" means the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code or regulation thereunder shall include such section or regulation, any valid regulation or other formal guidance of general or direct applicability promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

(h) "Committee" means a committee of Directors or of other individuals satisfying Applicable Laws appointed by the Board, or a duly authorized committee of the Board, in accordance with Section 4 hereof.

(i) "Common Stock" means the common stock of the Company.

(j) "Company" means Infinera Corporation, a Delaware corporation, or any successor thereto.

(k) "Consultant" means any natural person, including an advisor, engaged by the Company or a Parent or Subsidiary to render bona fide services to such entity, provided the services (i) are not in connection with the offer or sale of securities in a capital-raising transaction, and (ii) do not directly promote or maintain a market for the Company's securities, in each case, within the meaning of Form S-8 promulgated under the Securities Act, and provided, further, that a Consultant will include only those persons to whom the issuance of Shares may be registered under Form S-8 promulgated under the Securities Act.

(l) "Director" means a member of the Board.

(m) "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code, provided that in the case of Awards other than Incentive Stock Options, the Administrator in its discretion may determine whether a permanent and total disability exists in accordance with uniform and non-discriminatory standards adopted by the Administrator from time to time.

(n) "Employee" means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company will be sufficient to constitute "employment" by the Company.

(o) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(p) "Exchange Program" means a program under which (i) outstanding Awards are surrendered or cancelled in exchange for awards of the same type (which may have higher or lower exercise prices and different terms), awards of a different type, and/or cash, (ii) Participants would have the opportunity to transfer any outstanding Awards to a financial institution or other person or entity selected by the Administrator, and/or (iii) the exercise price of an outstanding Award is increased or reduced. For the avoidance of doubt, as set forth in Section 5(e), the Administrator may not implement an Exchange Program.

(q) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the New York Stock Exchange, the NASDAQ Global Select Market, the NASDAQ Global Market or the NASDAQ Capital Market of The NASDAQ Stock Market, its Fair Market Value will be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system on the day of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share will be the mean between the high bid and low asked prices for the Common Stock on the day of determination (or, if no bids and asks were reported on that date, as applicable, on the last trading date such bids and asks were reported), as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value will be determined in good faith by the Administrator.

Notwithstanding the foregoing under this Section 2(q), for federal, state and local income tax reporting purposes, fair market value will be determined by the Company (or its delegate) in accordance with uniform and nondiscriminatory standards adopted by it from time to time.

(r) "Fiscal Year" means the fiscal year of the Company.

(s) "Incentive Stock Option" means an Option that by its terms qualifies and otherwise is intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(t) "Initial Value" means (i) with respect to any Option or Stock Appreciation Right, the value of such Option or Stock Appreciation Right calculated in accordance with the Black-Scholes option valuation methodology on the grant date, and (ii) with respect to any Award other than an Option or Stock Appreciation Right, the product of (A) the Fair Market Value of one Share on the grant date of the Award and (B) the aggregate number of Shares subject to the Award, as applicable.

(u) "Inside Director" means a Director who is an Employee.

(v) "Nonstatutory Stock Option" means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.

(w) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(x) "Option" means a stock option granted pursuant to the Plan.

(y) "Outside Director" means a Director who is not an Employee.

(z) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(aa) "Participant" means the holder of an outstanding Award.

(bb) "Performance Goals" means performance goals relating to one or more business criteria, which may provide for a targeted level or levels of achievement including without limitation: (i) revenue; (ii) gross margin; (iii) operating margin; (iv) operating income; (v) pre-tax profit; (vi) earnings before stock-based compensation expense, interest, taxes and depreciation and amortization; (vii) earnings before interest, taxes and depreciation

and amortization; (viii) earnings before interest and taxes; (ix) net income; (x) expenses; (xi) new product development; (xii) stock price; (xiii) earnings per share; (xiv) return on stockholder equity; (xv) return on capital; (xvi) return on net assets; (xvii) economic value added; (xviii) market share; (xix) customer service; (xx) customer satisfaction; (xxi) sales; (xxii) total stockholder return; (xxiii) free cash flow; (xxiv) net operating income; (xxv) operating cash flow; (xxvi) return on investment; (xxvii) employee satisfaction; (xxviii) employee retention; (xxix) balance of cash, cash equivalents and marketable securities; (xxx) product development; (xxxi) research and development expenses; (xxxii) completion of an identified special project; (xxxiii) completion of a joint venture or other corporate transaction; (xxxiv) inventory balance; or (xxxv) inventory turnover ratio. Any criteria used may be measured, as applicable, (A) in absolute terms, (B) in combination with another Performance Goal or Goals (for example, but not by way of limitation, as a ratio or matrix), (C) in relative terms (including, but not limited to, results for other periods, passage of time and/or against another company or companies or an index or indices), (D) on a per-share or per-capita basis, (E) against the performance of the Company as a whole or a segment of the Company (including, but not limited to, any combination of the Company and any subsidiary, division, business unit, joint venture and/or other segment), and/or (F) on a pre-tax or after-tax basis. The Performance Goals may differ from Participant to Participant and from Award to Award. The Administrator will determine whether any significant element(s) will be included in or excluded from the calculation of any Performance Goal with respect to any Participant. In all other respects, Performance Goals will be calculated in accordance with the Company's financial statements, generally accepted accounting principles, or under a methodology established by the Administrator prior to the issuance of an Award.

(cc) "Performance Period" means the time period of any Fiscal Year of the Company or such other period as determined by the Administrator in its sole discretion.

(dd) "Performance Share" means an Award denominated in Shares which may be earned in whole or in part upon attainment of Performance Goals or other vesting criteria as the Administrator may determine pursuant to Section 11.

(ee) "Performance Unit" means an Award which may be earned in whole or in part upon attainment of Performance Goals or other vesting criteria as the Administrator may determine and which may be settled for cash, Shares or other securities or a combination of the foregoing pursuant to Section 11.

(ff) "Period of Restriction" means the period during which the transfer of Shares of Restricted Stock are subject to restrictions and therefore, the Shares are subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, continued service, the achievement of target levels of performance, the achievement of Performance Goals, or the occurrence of other events as determined by the Administrator.

(gg) "Plan" means this 2016 Equity Incentive Plan, as may be amended from time to time.

(hh) "Restricted Stock" means Shares issued pursuant to a Restricted Stock award under Section 8 of the Plan, or issued pursuant to the early exercise of an Option.

(ii) "Restricted Stock Unit" means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 9. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.

(jj) "Rule 16b-3" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

(kk) "Securities Act" means the Securities Act of 1933, as amended.

(ll) "Section 16(b)" means Section 16(b) of the Exchange Act.

(mm) "Section 409A" means Section 409A of the Code and the final regulations and any guidance promulgated thereunder, as may be amended from time to time.

(nn) "Service Provider" means an Employee, Director or Consultant.

(oo) “Share” means a share of the Common Stock, as adjusted in accordance with Section 14 of the Plan.

(pp) “Stock Appreciation Right” means an Award, granted alone or in connection with an Option, that pursuant to Section 10 is designated as a Stock Appreciation Right.

(qq) “Subsidiary” means a “subsidiary corporation,” whether now or hereafter existing, as defined in Section 424(f) of the Code.

(rr) “Tax Obligations” means tax, social insurance and social security liability obligations and requirements in connection with the Awards, including, without limitation, (i) all federal, state, and local income, employment and any other taxes (including the Participant’s Federal Insurance Contributions Act (FICA) obligation) that are required to be withheld by the Company (or Company’s Parent or Subsidiary, as applicable), (ii) the Participant’s and, to the extent required by the Company (or its Parent or Subsidiary, as applicable), the Company’s (or its Parent’s or Subsidiary’s) fringe benefit tax liability, if any, associated with the grant, vesting, or exercise of an Award or sale of Shares issued under the Award, and (iii) any other taxes or social insurance or social security liabilities or premium the responsibility for which the Participant has, or has agreed to bear, with respect to such Award (or exercise thereof or issuance of Shares or other consideration thereunder).

3. Stock Subject to the Plan.

(a) Stock Subject to the Plan. Subject to the provisions of Section 14 of the Plan, the maximum aggregate number of Shares that may be issued under the Plan is (i) 35,150,000 Shares, plus (ii) any Shares subject to awards granted under the Company’s 2007 Equity Incentive Plan (the “Existing Plan”) that, after the effective date of the Plan, expire, are forfeited or otherwise terminate without having been exercised in full to the extent such awards were exercisable, and Shares issued pursuant to awards granted under the Existing Plan that, after the effective date of the Plan, are forfeited to or repurchased by the Company due to failure to vest, with the maximum number of Shares to be added to the Plan pursuant to clause (ii) equal to 7,700,000 Shares. The Shares may be authorized, but unissued, or reacquired Common Stock.

(b) Lapsed Awards. Shares that actually have been issued under the Plan under any Award will not be returned to the Plan and will not become available for future distribution under the Plan (unless repurchased as specified in this subsection (b) below). If an Option or Stock Appreciation Right Award expires or becomes unexercisable without having been exercised in full, the unexercised Shares which were subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). If an Award of Restricted Stock, Restricted Stock Units, Performance Units or Performance Shares (each, a “Full Value Award”) is forfeited or repurchased by the Company due to failure to vest, then the forfeited or repurchased Shares subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). With respect to Stock Appreciation Rights settled in Shares, the gross number of Shares covered by the portion of the Award so exercised will cease to be available under the Plan. Shares used to pay the exercise or purchase price of an Award will cease to be available for future grant or sale under the Plan. Shares used to satisfy the Tax Obligations related to an Option or Stock Appreciation Right will not become available for future grant or sale under the Plan. Shares used to satisfy the Tax Obligations related to a Full Value Award will be available for future grant or sale under the Plan. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan. For purposes of clarification, no Shares purchased by the Company with proceeds received from the exercise of an Option will become available for issuance under this Plan or the Existing Plan. Notwithstanding the foregoing and, subject to adjustment as provided in Section 14, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options will equal the aggregate Share number stated in Section 3(a), plus, to the extent allowable under Section 422 of the Code and the Treasury Regulations promulgated thereunder, any Shares that become available for issuance under the Plan pursuant to Section 3(b).

(c) Share Reserve. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Plan.

4. Administration of the Plan.

(a) Procedure.

(i) Multiple Administrative Bodies. Different Committees with respect to different groups of Service Providers may administer the Plan.

(ii) Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder will be structured to satisfy the requirements for exemption under Rule 16b-3.

(iii) Other Administration. Other than as provided above, the Plan will be administered by (A) the Board or (B) a Committee, which committee will be constituted to satisfy Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator will have the authority, in its discretion:

(i) to determine the Fair Market Value;

(ii) to select the Service Providers to whom Awards may be granted hereunder;

(iii) to determine the number of Shares to be covered by each Award granted hereunder;

(iv) to approve forms of Award Agreements for use under the Plan;

(v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the Shares relating thereto (including but not limited to, temporarily suspending the exercisability of an Award if the Administrator deems such suspension to be necessary or appropriate for administrative purposes or to comply with Applicable Laws, provided that such suspension must be lifted prior to the expiration of the maximum term or post-termination exercisability period, as applicable, of an Award), based in each case on such factors as the Administrator will determine;

(vi) to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan;

(vii) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of facilitating compliance with applicable non-U.S. laws, easing the administration of the Plan and/or for qualifying for favorable tax treatment under applicable non-U.S. laws, in each case as the Administrator may deem necessary or advisable;

(viii) to modify or amend each Award (subject to Section 5 and Section 19 of the Plan), including but not limited to the discretionary authority to extend the post-termination exercisability period of Awards;

(ix) to allow Participants to satisfy Tax Obligations in such manner as prescribed in Section 15 of the Plan;

(x) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator;

(xi) to allow a Participant to defer the receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant under an Award; and

(xii) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations will be final and binding on all Participants and any other holders of Awards and will be given the maximum deference permitted by law.

5. Limits.

(a) Share Limits. Subject to Section 14, the limits specified below shall be applicable to Awards issued under the Plan:

(i) Limits on Options. No Participant shall receive Options during any Fiscal Year covering in excess of 1,500,000 Shares; provided, however, that in connection with a Participant's initial service as an Employee, the Participant may be granted Options covering up to an additional 1,500,000 Shares.

(ii) Limits on Stock Appreciation Rights. No Participant shall receive Stock Appreciation Rights during any Fiscal Year covering in excess of 1,500,000 Shares; provided, however, that in connection with a Participant's initial service as an Employee, the Participant may be granted Stock Appreciation Rights covering up to an additional 1,500,000 Shares.

(iii) Limits on Restricted Stock. No Participant shall receive Awards of Restricted Stock during any Fiscal Year covering in excess of 1,500,000 Shares; provided, however, that in connection with a Participant's initial service as an Employee, the Participant may be granted an aggregate of up to an additional 1,500,000 Shares of Restricted Stock.

(iv) Limits on Restricted Stock Units. No Participant shall receive Restricted Stock Units during any Fiscal Year covering in excess of 1,500,000 Shares; provided, however, that in connection with a Participant's initial service as an Employee, the Participant may be granted Restricted Stock Units covering an aggregate of up to an additional 1,500,000 Shares.

(v) Limits on Performance Shares. No Participant shall receive Performance Shares during any Fiscal Year covering in excess of 1,500,000 Shares; provided, however, that in connection with a Participant's initial service as an Employee, the Participant may be granted Performance Shares covering up to an additional 1,500,000 Shares.

(vi) Limits on Performance Units. No Participant shall receive Performance Units during any Fiscal Year with an aggregate Initial Value in excess of $7,500,000.

(b) Outside Director Share Limits. No Outside Director may be granted, in any Fiscal Year, Awards (the value of which will be based on their grant date fair value determined in accordance with U.S. generally accepted accounting principles) and any other compensation (including without limitation any cash retainers or fees) that, in the aggregate, exceed $750,000, provided that such amount is increased to $1,000,000 in the Fiscal Year of his or her initial service as an Outside Director. Any Awards or other compensation provided to an individual for his or her services as an Employee, or for his or her services as a Consultant other than an Outside Director, will be excluded for purposes of this Section 5(b).

(c) Vesting Limits.

(i) One-Year Vesting Requirement. Awards granted under the Plan shall vest no earlier than the one (1) year anniversary of the Award's date of grant, provided that the Administrator, in its sole discretion, may provide an Award may accelerate vesting by reason of the Participant's death, Disability or retirement, or a termination of the Participant's service that occurs in connection with a Change in Control, and provided further, that, notwithstanding the foregoing in this sentence, Awards that result in the issuance of an aggregate of up to 5% of the Shares reserved for issuance under Section 3(a) may be granted to Service Providers, or outstanding Awards modified, without regard to such minimum vesting, exercisability and distribution provisions.

(ii) Limited Vesting Acceleration upon a Change in Control. Except (x) as permitted under Section 5(c)(i) and (y) for any Awards made to Outside Directors, the Administrator shall not be permitted to

accelerate the vesting of an Award upon a Change in Control other than in the event an Award is not assumed or substituted for as provided for in Section 14(c). For purposes of clarification, the Administrator will be permitted to provide for the acceleration of an Award in connection with a termination of service upon or in connection with a Change in Control.

(d) Incentive Stock Options.

(i) $100,000 Limitation. Notwithstanding any designation of an Option as an Incentive Stock Option, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds one hundred thousand dollars ($100,000), the portion of the Options falling within such limit will be Incentive Stock Options and the excess Options will be treated as Nonstatutory Stock Options. For these purposes, Incentive Stock Options will be taken into account in the order in which they were granted. The fair market value of the Shares will be determined as of the time the Option with respect to such Shares is granted, and calculation will be performed in accordance with Code Section 422.

(ii) Maximum Option Term. In the case of an Incentive Stock Option, the term of an Option will be ten (10) years from the date of grant or such shorter term as may be provided by the Administrator and set forth in the Award Agreement. Moreover, in the case of an Incentive Stock Option granted to a Participant who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option will be five (5) years from the date of grant or such shorter term as may be provided in the Award Agreement.

(iii) Option Exercise Price. In the case of an Incentive Stock Option granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price will be no less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of grant. With respect to an Incentive Stock Option granted to any Employee other than an Employee described in the immediately preceding sentence, the per Share exercise price will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant. Notwithstanding the foregoing provisions of this subsection (iii), Incentive Stock Options may be granted with a per Share exercise price of less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code.

(e) No Exchange Program or Repricing. The Administrator may not implement an Exchange Program.

(f) Dividends. With respect to any Options and Stock Appreciation Rights, until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) thereunder, no right to receive dividends or any other rights as a stockholder will exist with respect to the Shares subject to such Award, including without limitation notwithstanding any exercise of such Award. Further, no adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued under an Option or Stock Appreciation Right, except as provided in Section 14 of the Plan. During any applicable Period of Restriction, Service Providers holding Shares of Restricted Stock will be entitled to receive all dividends and other distributions paid with respect to such Shares, unless the Administrator provides otherwise; provided, however, that any such dividends or distributions payable with respect to such Shares will be subject to the same restrictions on transferability and/or forfeitability as the Shares of Restricted Stock with respect to which they were paid. With respect to Awards of Restricted Stock Units, Performance Units and Performance Shares, until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or a duly authorized transfer agent of the Company), no right to receive dividends or any other rights as a stockholder will exist with respect to the Shares subject to such Award, unless determined otherwise by the Administrator; provided, however, that any such dividends or distributions that the Administrator determines will be payable with respect to such Shares will be subject to the same vesting criteria and forfeitability provisions as the Shares subject to such Award with respect to which they were paid. For the avoidance of doubt, the number of Shares available for issuance under the Plan will not be reduced to reflect any dividends or other distributions that are reinvested into additional Shares or credited as additional Shares subject to or paid with respect to an Award.

6. Eligibility. Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares and Performance Units may be granted to Service Providers. Incentive Stock Options may be granted only to Employees.

7. Stock Options.

(a) Grant of Options. Subject to the terms and conditions of the Plan, an Option may be granted to Service Providers at any time and from time to time as will be determined by the Administrator, in its sole discretion. Each Option will be designated in the Award Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option.

(b) Number of Shares. The Administrator will have complete discretion to determine the number of Shares subject to Options granted to any Participant, subject to Section 5.

(c) Term of Option. The term of each Option will be determined by the Administrator and stated in the Award Agreement, but in no event shall the term of an Option be more than ten (10) years from the date of grant.

(d) Option Exercise Price and Consideration.

(i) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option will be determined by the Administrator, but shall in no event be less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant, subject to Section 5. Notwithstanding the foregoing, Options may be granted with a per Share exercise price of less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code.

(ii) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator will fix the period within which the Option may be exercised and will determine any conditions that must be satisfied before the Option may be exercised.

(iii) Form of Consideration. The Administrator will determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator will determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of: (1) cash; (2) check; (3) promissory note, to the extent permitted by Applicable Laws, (4) other Shares, provided that such Shares have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option will be exercised and provided that accepting such Shares will not result in any adverse accounting consequences to the Company, as the Administrator determines in its sole discretion; (5) consideration received by the Company under a broker-assisted (or other) cashless exercise program (whether through a broker or otherwise) implemented by the Company in connection with the Plan; (6) by net exercise; (7) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws; or (8) any combination of the foregoing methods of payment.

(e) Exercise of Option.

(i) Procedure for Exercise; Rights as a Stockholder. Any Option granted hereunder will be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share.

An Option will be deemed exercised when the Company receives: (i) a notice of exercise (in such form as the Administrator may specify from time to time) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised (together with applicable withholding taxes). Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised.

Exercising an Option in any manner will decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(ii) Termination of Relationship as a Service Provider. If a Participant ceases to be a Service Provider, other than as the result of the Participant's death or Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of termination of Participant's status as a Service Provider (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for three (3) months following the termination of Participant's status as a Service Provider, but in no event later than the expiration of the term of such Option as set forth in the Award Agreement. Unless otherwise provided by the Administrator, if on the date of termination of Participant's status as a Service Provider, the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If after termination the Participant does not exercise his or her Option within the time specified by the Administrator, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(iii) Disability of Participant. If a Participant ceases to be a Service Provider as a result of the Participant's Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent the Option is vested on the date of death (but in no event may the Option be exercised later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for twelve (12) months following termination of Participant's status as a Service Provider, but in no event later than the expiration of the term of such Option as set forth in the Award Agreement. Unless otherwise provided by the Administrator, if on the date of termination of Participant's status as a Service Provider, the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If after termination the Participant does not exercise his or her Option within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(iv) Death of Participant. If a Participant dies while a Service Provider, the Option may be exercised following the Participant's death within such period of time as is specified in the Award Agreement to the extent the Option is vested on the date of termination of Participant's status as a Service Provider (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for twelve (12) months following termination of Participant's status as a Service Provider, but in no event may the Option be exercised later than the expiration of the term of such Option as set forth in the Award Agreement. Unless otherwise provided by the Administrator, if at the time of death Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will immediately revert to the Plan. If the Option is not so exercised within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

In the event that the Participant dies while a Service Provider, but before the expiration of the Participant's Option as set forth in subsections (iii) or (iv), as applicable, all or part of the Option (to the extent vested) may be exercised (prior to expiration) by the Participant's designated beneficiary, provided such beneficiary has been properly designated prior to Participant's death in a form acceptable to the Administrator and to the extent permitted by Applicable Law. In the absence of such designated beneficiary (or to the extent not permitted by Applicable Law), such Option may be exercised by the personal representative of the Participant's estate or by the person(s) to whom the Option is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution.

8. Restricted Stock.

(a) Grant of Restricted Stock. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Shares of Restricted Stock to Service Providers in such amounts as the Administrator, in its sole discretion, will determine.

(b) Restricted Stock Agreement. Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify the Period of Restriction (if any), the number of Shares granted, and such other terms

and conditions as the Administrator, in its sole discretion, will determine. Unless the Administrator determines otherwise, the Company as escrow agent will hold Shares of Restricted Stock until the restrictions on such Shares have lapsed.

(c) Transferability. Except as provided in this Section 8 or the Award Agreement, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction.

(d) Other Restrictions. The Administrator, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate.

(e) Removal of Restrictions. Except as otherwise provided in this Section 8, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan will be released from escrow as soon as practicable after the last day of the Period of Restriction or at such other time as the Administrator may determine. Subject to the vesting limitations under Section 5, the Administrator, in its discretion, may accelerate the time at which any restrictions will lapse or be removed.

(f) Voting Rights. During the Period of Restriction, Service Providers holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Administrator determines otherwise.

(g) Return of Restricted Stock to Company. On the date set forth in the Award Agreement, the Restricted Stock for which restrictions have not lapsed will revert to the Company and again will become available for grant under the Plan.

9. Restricted Stock Units.

(a) Grant. Restricted Stock Units may be granted at any time and from time to time as determined by the Administrator. Each Restricted Stock Unit grant will be evidenced by an Award Agreement that will specify such terms and conditions as the Administrator in its sole discretion determines, including all terms, conditions, and restrictions related to the grant, the number of Restricted Stock Units and the form of payout, which, subject to Section 9(d), may be left to the discretion of the Administrator.

(b) Vesting Criteria and Other Terms. The Administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Participant. The Administrator may set vesting criteria based upon the achievement of Company-wide, divisional, business unit, or individual goals (including, but not limited to, continued employment or service), applicable federal or state securities laws or any other basis determined by the Administrator in its sole discretion.

(c) Earning Restricted Stock Units. Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as determined by the Administrator. Notwithstanding the foregoing, subject to the vesting limitations under Section 5, at any time after the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout.

(d) Form and Timing of Payment. Payment of earned Restricted Stock Units will be made at the time(s) determined by the Administrator and set forth in the Award Agreement. The Administrator, in its sole discretion, may pay earned Restricted Stock Units in cash, Shares, or a combination of both.

(e) Cancellation. On the date set forth in the Award Agreement, all unearned Restricted Stock Units will be forfeited to the Company.

10. Stock Appreciation Rights.

(a) Grant of Stock Appreciation Rights. Subject to the terms and conditions of the Plan, a Stock Appreciation Right may be granted to Service Providers at any time and from time to time as will be determined by the Administrator, in its sole discretion.

(b) Number of Shares. The Administrator will have complete discretion to determine the number of Stock Appreciation Rights granted to any Service Provider.

(c) Exercise Price and Other Terms. The per share exercise price for the Shares to be issued pursuant to exercise of a Stock Appreciation Right will be determined by the Administrator and will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant. Otherwise, the Administrator, subject to the provisions of the Plan, will have complete discretion to determine the terms and conditions of Stock Appreciation Rights granted under the Plan.

(d) Stock Appreciation Right Agreement. Each Stock Appreciation Right grant will be evidenced by an Award Agreement that will specify the exercise price, the term of the Stock Appreciation Right, the conditions of exercise, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(e) Expiration of Stock Appreciation Rights. A Stock Appreciation Right granted under the Plan will expire upon the date determined by the Administrator, in its sole discretion, and set forth in the Award Agreement. Notwithstanding the foregoing, the rules of Section 7(c) relating to the maximum term and Section 7(e) relating to exercise also will apply to Stock Appreciation Rights.

(f) Payment of Stock Appreciation Right Amount. Upon exercise of a Stock Appreciation Right, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying:

(i) The difference between the Fair Market Value of a Share on the date of exercise over the exercise price; times

(ii) The number of Shares with respect to which the Stock Appreciation Right is exercised.

At the discretion of the Administrator, the payment upon Stock Appreciation Right exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

11. Performance Units and Performance Shares.

(a) Grant of Performance Units/Shares. Performance Units and Performance Shares may be granted to Service Providers at any time and from time to time, as will be determined by the Administrator, in its sole discretion. The Administrator will have complete discretion in determining the number of Performance Units and Performance Shares granted to each Participant.

(b) Value of Performance Units/Shares. Each Performance Unit will have an initial value that is established by the Administrator on or before the date of grant. Each Performance Share will have an initial value equal to the Fair Market Value of a Share on the date of grant.

(c) Performance Objectives and Other Terms. The Administrator will set performance objectives or other vesting provisions (including, without limitation, continued status as a Service Provider) in its discretion which, depending on the extent to which they are met, will determine the number or value of Performance Units/Shares that will be paid out to the Participant. Each Award of Performance Units/Shares will be evidenced by an Award Agreement that will specify the Performance Period, and such other terms and conditions as the Administrator, in its sole discretion, will determine. The Administrator may set performance objectives based upon the achievement of Company-wide, divisional, business unit or individual goals (including, but not limited to, continued employment or service), applicable federal or state securities laws, or any other basis determined by the Administrator in its discretion.

(d) Earning of Performance Units/Shares. After the applicable Performance Period has ended, the holder of Performance Units/Shares will be entitled to receive a payout of the number of Performance Units/Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives or other vesting provisions have been achieved. After the grant of a Performance Unit/Share, subject to the vesting limitations under Section 5, the Administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such Performance Unit/Share.

(e) Form and Timing of Payment of Performance Units/Shares. Payment of earned Performance Units/ Shares will be made as soon as practicable after the expiration of the applicable Performance Period. The Administrator, in its sole discretion, may pay earned Performance Units/Shares in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Units/Shares at the close of the applicable Performance Period) or in a combination thereof.

(f) Cancellation of Performance Units/Shares. On the date set forth in the Award Agreement, all unearned or unvested Performance Units/Shares will be forfeited to the Company, and again will be available for grant under the Plan.

12. Service Provider Status.

(a) Leaves of Absence/Transfer Between Locations. Unless the Administrator provides otherwise or as otherwise required by Applicable Laws, vesting of Awards granted hereunder will be suspended during any unpaid leave of absence. A Service Provider will not cease to be an Employee or Director in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, or any of its Subsidiaries. For purposes of Incentive Stock Options, no leave of absence may exceed three (3) months, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then six (6) months following the first (1st) day of such leave any Incentive Stock Option held by the Participant will cease to be treated as an Incentive Stock Option and will be treated for tax purposes as a Nonstatutory Stock Option.

13. Transferability of Awards. Unless determined otherwise by the Administrator, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant. If the Administrator makes an Award transferable, such Award will contain such additional terms and conditions as the Administrator deems appropriate.

14. Adjustments; Dissolution or Liquidation; Merger or Change in Control.

(a) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, reincorporation, reclassification, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs (other than any ordinary dividends or other ordinary distributions), the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will adjust the number and class of shares of stock that may be delivered under the Plan and/or the number, class, and price of shares of stock covered by each outstanding Award, and the numerical Share limits in Sections 3 and 5 of the Plan.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised, an Award will terminate immediately prior to the consummation of such proposed action.

(c) Merger or Change in Control. In the event of a merger of the Company with or into another corporation or other entity or a Change in Control, each outstanding Award will be treated as the Administrator determines (subject to the provisions of the following paragraph) without a Participant's consent, in accordance with the following (i) Awards will be assumed or an equivalent option or right substituted by the acquiring or succeeding corporation or a Parent or Subsidiary thereof with appropriate adjustments as to the number and kind of shares and prices, (ii) upon written notice to a Participant and subject to the next paragraph, that the Participant's Awards will terminate upon or immediately prior to the consummation of such merger or Change in Control; (iii) subject to the next paragraph, (A) the termination of an Award in exchange for an amount of cash and/or property, if any, equal to the amount that would have been attained upon the exercise of such Award or realization of the Participant's rights as of the date of the occurrence of the transaction (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction the Administrator determines in good faith that no amount would have

been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment), or (B) the replacement of such Award with other rights or property selected by the Administrator in its sole discretion; or (iv) any combination of the foregoing. In taking any of the actions under this Section 14(c), the Administrator will not be required to treat all Awards, all Awards held by a Participant, or all Awards of the same type, or all portions of Awards, similarly in the transaction.

In the event that the acquiring or successor corporation (or a Parent or Subsidiary thereof) does not assume or substitute for the Award (as provided in clause (i) above and for the avoidance of doubt, notwithstanding the vesting limitations under Section 5) (or portion of the Award), (A) the Participant will fully vest in and have the right to exercise such outstanding Option and Stock Appreciation Right (or portions thereof) not so assumed or substituted for, including Shares as to which such Award would not otherwise be vested or exercisable, (B) all restrictions on such Restricted Stock and Restricted Stock Units (or portions thereof) not so assumed or substituted for will lapse, and (C) with respect to such Award with performance-based vesting (or portions thereof) not so assumed or substituted for, all performance goals or other vesting criteria will be deemed achieved based on actual performance measured through the last date that the Award remains outstanding (or such earlier date, as determined by the Administrator, in its sole discretion), with any performance period shortened proportionately and applicable performance goals or other vesting criteria adjusted proportionately to reflect the shortened performance period (or to the extent applicable, the value of the consideration to be received by the Company's stockholders in connection with the merger or Change in Control), as determined by the Administrator, in its sole discretion. In addition, if an Option or Stock Appreciation Right (or portion thereof) is not assumed or substituted in the event of a merger or Change in Control, the Administrator will notify the Participant in writing or electronically that the Option or Stock Appreciation Right (or its applicable portion) will be exercisable for a period of time determined by the Administrator in its sole discretion, and the Option or Stock Appreciation Right (or its applicable portion) will terminate upon the expiration of such period.

For the purposes of this subsection (c), an Award will be considered assumed if, following the merger or Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the merger or Change in Control, the consideration (whether stock, cash, or other securities or property) received in the merger or Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger or Change in Control is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of an Option or Stock Appreciation Right or upon the payout of a Restricted Stock Unit, Performance Unit or Performance Share, for each Share subject to such Award, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger or Change in Control.

Notwithstanding anything in this Section 14(c) to the contrary, an Award that vests, is earned or paid-out upon the satisfaction of one or more performance goals will not be considered assumed if the Company or its successor modifies any of such performance goals without the Participant's consent; provided, however, a modification to such performance goals only to reflect the successor corporation's post-Change in Control corporate structure will not be deemed to invalidate an otherwise valid Award assumption.

Notwithstanding anything in this Section 14(c) to the contrary, if an Award that vests, is earned or paid out under an Award Agreement is subject to Section 409A and if the change in control definition contained in the Award Agreement (or other agreement related to the Award, as applicable) does not comply with the definition of "change in control" for purposes of a distribution under Section 409A, then any payment of an amount that otherwise is accelerated under this Section will be delayed until the earliest time that such payment would be permissible under Section 409A without triggering any penalties applicable under Section 409A.

15. Tax.

(a) Withholding Requirements. Prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof) or such earlier time as any Tax Obligations are due, the Company (or any of its Parent, Subsidiaries or affiliates employing or retaining the services of a Participant, as applicable) will have the power and

the right to deduct or withhold, or require a Participant to remit to the Company (or any of its Parent, Subsidiaries or affiliates employing or retaining the services of a Participant, as applicable) or a relevant tax authority, an amount sufficient to satisfy all Tax Obligations with respect to such Award (or exercise thereof).

(b) Withholding Arrangements. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such Tax Obligation, in whole or in part by such methods as the Administrator will determine, including without limitation (a) paying cash, (b) having the Company withhold otherwise deliverable cash or Shares having a fair market value equal to the minimum statutory amount required to be withheld, (c) delivering to the Company already-owned Shares having a Fair Market Value equal to the minimum statutory amount required to be withheld, provided the delivery of such Shares will not result in adverse accounting consequences as the Administrator determines in its sole discretion, or (d) selling a sufficient number of Shares otherwise deliverable to the Participant through such means as the Administrator may determine in its sole discretion (whether through a broker or otherwise) equal to the amount required to be withheld. The fair market value of the Shares to be withheld or delivered will be determined as of the date that such Shares are withheld or delivered, as applicable.

(c) Compliance with Section 409A. Awards will be designed and operated in such a manner that they are either exempt from the application of, or comply with, the requirements of Section 409A such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A, except as otherwise determined in the sole discretion of the Administrator. The Plan and each Award Agreement under the Plan is intended to meet the requirements of Section 409A and will be construed and interpreted in accordance with such intent (including with respect to any ambiguities or ambiguous terms), except as otherwise determined in the sole discretion of the Administrator. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Section 409A the Award will be granted, paid, settled or deferred in a manner that will meet the requirements of Section 409A, such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A. Notwithstanding the foregoing, in no event will the Company or any Parent, Subsidiary or other affiliate of the Company have any responsibility, liability or obligation to reimburse, indemnify, or hold harmless any Participant (or any other person) for any taxes, interest, or penalties imposed, or other costs incurred, as a result of Section 409A.

16. No Effect on Employment or Service. Neither the Plan nor any Award will confer upon a Participant any right with respect to continuing the Participant's relationship as a Service Provider with the Company or any Parent or Subsidiary, nor will they interfere in any way with the Participant's right or the right of the Company or any Parent or Subsidiary, as applicable, to terminate such relationship at any time, with or without cause, to the extent permitted by Applicable Laws.

17. Date of Grant. The date of grant of an Award will be, for all purposes, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator. Notice of the determination will be provided to each Participant within a reasonable time after the date of such grant.

18. Term of Plan. Subject to Section 23 of the Plan, the Plan will become effective upon approval of the Plan by the stockholders of the Company. It will continue in effect for a term of ten (10) years from the date of such stockholder approval, unless terminated earlier under Section 19 of the Plan.

19. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Administrator may at any time amend, alter, suspend or terminate the Plan.

(b) Stockholder Approval. The Company will obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan will impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company. Termination of the Plan will not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

20. Forfeiture Events. The Administrator may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award will be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Notwithstanding any contrary provisions to the contrary under this Plan, an Award shall be subject to the Company's clawback policy as may be established and/or amended from time to time (the "Clawback Policy"). The Administrator may require a Participant to forfeit, return or reimburse the Company all or a portion of the Award and any amounts paid thereunder pursuant to the terms of the Clawback Policy or as necessary or appropriate to comply with Applicable Laws. Unless this Section 20 specifically is mentioned and waived in an Award Agreement or other document, no recovery of compensation under a Clawback Policy or otherwise as specified under this Section will constitute an event that triggers or contributes to any right of a Participant to resign for "good reason" or "constructive termination" (or similar term) under any agreement with the Company (or any Parent, Subsidiary or affiliate of the Company).

21. Conditions upon Issuance of Shares.

(a) Legal Compliance. Shares will not be issued pursuant to an Award unless the exercise or vesting of such Award and the issuance and delivery of such Shares will comply with Applicable Laws and will be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise or vesting of an Award, the Company may require the person exercising or vesting in such Award to represent and warrant at the time of any such exercise or vesting that the Shares are being acquired only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

22. Inability to Obtain Authority. If the Company determines it to be impossible or impractical to obtain authority from any regulatory body having jurisdiction or to complete or comply with the requirements of any registration or other qualification of the Shares under any U.S. state or federal law or non-U.S. law or under the rules and regulations of the Securities and Exchange Commission, the stock exchange on which Shares of the same class are then listed, or any other governmental or regulatory body, which authority, registration, qualification or rule compliance is deemed by the Company's counsel to be necessary or advisable for the issuance and sale of any Shares hereunder, the Company will be relieved of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority, registration, qualification or rule compliance will not have been obtained.

23. Stockholder Approval. The Plan will be subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted by the Board. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws.

24. Captions. Captions are provided herein for convenience only, and will not serve as a basis for interpretation or construction of the Plan.

* * *

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 25, 2021

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.)**

6373 San Ignacio Avenue

San Jose, CA 95119

(Address of principal executive offices, including zip code)

(408) 572-5200

(Registrant's telephone number, including area code)Securities registered pursuant to Section 12(g) of the Act: None

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

Title of each class	Trading Symbol	Name of exchange on which registered
Common shares, par value $0.001 per share	**INFN**	**The Nasdaq Global Select Market**

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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 26, 2021, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $1,601,627,017 (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 10% 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 18, 2022, 212,810,629 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 definitive proxy statement relating to its 2022 Annual Meeting of Stockholders (the "2022 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2022 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

INFINERA CORPORATION

ANNUAL REPORT ON FORM 10-K

For the Fiscal Year Ended December 25, 2021

Table of Contents

		Page
	Part I	
Item 1.	Business	1
Item 1A.	Risk Factors	15
Item 1B.	Unresolved Staff Comments	42
Item 2.	Properties	42
Item 3.	Legal Proceedings	42
Item 4.	Mine Safety Disclosures	42
	Part II	
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	43
Item 6.	[RESERVED]	44
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	45
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	63
Item 8.	Financial Statements and Supplementary Data	64
	CONSOLIDATED BALANCE SHEETS	68
	CONSOLIDATED STATEMENTS OF OPERATIONS	69
	CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)	70
	CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY	71
	CONSOLIDATED STATEMENTS OF CASH FLOWS	72
	NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	74
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	121
Item 9A.	Controls and Procedures	122
Item 9B.	Other Information	123
Item 9C.	Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	123
	Part III	
Item 10.	Directors, Executive Officers and Corporate Governance	124
Item 11.	Executive Compensation	124
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	124
Item 13.	Certain Relationships and Related Transactions, and Director Independence	124
Item 14.	Principal Accounting Fees and Services	124
	Part IV	
Item 15.	Exhibits, Financial Statement Schedules	125
Item 16.	Form 10-K Summary	125
	Signatures	129

Part I

ITEM 1. BUSINESS

Overview

Infinera Corporation (“we,” “us,” “our”, “Infinera” or the "Company") is a global supplier of networking solutions comprised of networking equipment, software and services. Our portfolio of solutions includes optical transport platforms, converged packet-optical transport platforms, compact modular platforms, optical line systems, coherent optical subsystems, a suite of automation software offerings, and support and professional services.

Our customers include operators of fixed line and mobile networks, including telecommunications service providers, internet content providers (“ICPs”), cable providers, wholesale carriers, research and education institutions, large enterprises, utilities and government entities. Our networking solutions enable our customers to deliver high-bandwidth business and consumer communications services. Our comprehensive portfolio of networking solutions also enables our customers to scale their transport networks as end-user services and applications continue to drive growth in demand for network bandwidth. These end-user services and applications include, but are not limited to, high-speed internet access, business Ethernet services, 4G/5G mobile broadband, cloud-based services, high-definition video streaming services, virtual and augmented reality and the Internet of Things (“IoT”).

Our systems are highly scalable, flexible and designed with open networking principles for ease of deployment. We build our systems using a combination of internally manufactured and third-party components. Our portfolio includes systems that leverage our innovative, vertically integrated optical engine technology, comprised of large-scale photonic integrated circuits (“PICs”) and digital signal processors (“DSPs”). We optimize the manufacturing process by using indium phosphide to build our PICs, which enables the integration of hundreds of optical functions onto a single, monolithic semiconductor chip. This large-scale integration of our PICs and advanced DSPs allows us to deliver high-performance transport networking platforms with features that customers care about the most, including cost per bit, capacity per fiber, power consumption and space savings. In addition, we design our optical engines to increase the capacity and reach performance by leveraging coherent optical transmission technology. Coherent optical solutions are becoming increasingly important across the network as our customers transition to 800 gigabits per second (“Gb/s”) per wavelength transmission speeds in the core, 400 Gb/s in the metro, and 100 Gb/s in the access market segment. We believe our vertical integration strategy provides a competitive advantage by enabling leading optical performance at higher optical speeds with increased spectral efficiency, greater control over our supply chain, and a lower cost structure.

We have grown our solutions portfolio through internal development as well as acquisitions, including the acquisition of Telecom Holding Parent LLC (“Coriant”), a privately held global supplier of open network solutions for the largest global network operators (the “Acquisition”). These developments positioned us to be one of the leading providers of vertically integrated optical networking solutions in the world with the ability to serve a global customer base with accelerated delivery of the innovative solutions our customers demand. In 2021, we announced an expansion of our portfolio with the introduction of a suite of coherent optical pluggables designed to seamlessly address the rapidly growing market for point-to-point solutions as well as create a new category of point-to-multipoint solutions that can enable a dramatically more cost-efficient network architecture. Based on our XR optics technology, this suite of pluggables builds on Infinera’s history of delivering innovative, highly differentiated, and vertically integrated coherent optical engines.

Our high-speed optical transport platforms are differentiated by our Infinite Capacity Engine (ICE) coherent optical engine technology. Our latest generation of coherent optical engine technology delivers multi-terabit opto-electronic subsystems powered by our fifth-generation PIC and latest generation DSP (the combination of which we market as “ICE6”). ICE6 is capable of delivering 1.6Tb/s (2x 800G Gb/s wavelengths) in a single optical engine. ICE6 will be integrated into various networking platforms in our product portfolio.

Our products are designed to be managed by a suite of software solutions that enable simplified network management, and automated operations. We also provide software-enabled programmability that offers differentiated capabilities such as Instant Bandwidth. Combined with our differentiated hardware solutions, Instant Bandwidth enables our customers to purchase and activate bandwidth as needed through our unique software licensing feature set. This, in turn, allows our customers to accomplish two key objectives: (1) limit their

initial network startup costs and investments; and (2) instantly activate new bandwidth as their customers' and their own network capacity needs evolve.

We believe our systems and subsystems portfolios benefit our customers by providing a unique combination of highly scalable capacity and features that address various transport network applications and ultimately simplify and automate network operations. Our high-performance optical transport solutions leverage the industry shift to open optical network architectures and enable our customers to efficiently and cost-effectively meet bandwidth demand, which continues to grow 30% or more year over year.

We were incorporated in December 2000 and originally operated under the name "Zepton Networks." We are incorporated in the State of Delaware. Our principal executive offices are located at 6373 San Ignacio Avenue, San Jose, CA 95119. Our telephone number is (408) 572-5200. "Infinera," "FlexCoherent," and the Infinera logo, 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.

Industry Background

Optical transport networking equipment carries digital information using light waves over fiber optic cables. With the advent of dense wavelength division multiplexing ("DWDM") systems, data is transmitted by using multiple wavelengths of light using different frequencies or colors over a single optical fiber. Customers deploy DWDM systems to carry information between continents, across countries, between cities and within metropolitan areas, and in some cases all the way to the end-user. Fiber optic networks are generally capable of carrying most types of communications traffic. Coherent optical technology is the latest innovation in DWDM transmission solutions, dramatically increasing the amount of information a single laser can transmit.

We believe that a number of trends in the communications industry are driving demand for large amounts of network bandwidth and ultimately will increase demand for advanced optical transport networking solutions. These trends include:

- growth of cloud services;
- growth of over-the-top services and high-definition video streaming;
- growth of mobile broadband services, including 4G and emerging 5G services;
- growth of edge computing resources closer to end-users;
- increasing use of connected virtual and augmented reality devices; including the adoption of the Metaverse; and
- the IoT, which continues to drive massive growth in the number of network-connected devices.

As network traffic grows, network operators will need to continue to add transmission capacity to existing optical networks or deploy new systems and/or subsystems to address bandwidth demand and offer new end-user services.

We believe we are in the midst of an important shift in transport network architectures that impact the markets we serve. The shift to open and disaggregated networks is increasingly being embraced by the communications industry. Examples of this trend include separation of compute, storage, and networking in data centers, the separation of hardware, operating system and apps in smart phones, hardware/software separation in network function virtualization and hardware and software routing stack routers, and open RAN initiatives for 5G. Industry evolution is now enabling optical networking to leverage these same principles of openness and disaggregation.

Optical networking technology has evolved to enable open networks at the physical and management layer. These technologies allow network operators to move from a traditional vendor locked-in model to a more flexible model where they can choose from a collection of modular, best-of-breed solutions from different suppliers for each network function. Open and standards-based interfaces ease the integration into a unified network architecture.

The shift to open optical networking provides network operators with key benefits that include:

- Accelerated innovation cycles: By leveraging the full innovation capabilities of the optical ecosystem, network operators are able to select best-in-class technologies and vendors independently throughout the network lifecycle. And solution providers can develop innovative

technologies for specific network functions without having to supply end-to-end networking solutions significantly broadening the innovation ecosystem.

- Optimized network architectures: By selecting the ideal products and technologies for each layer and domain of the network independently, network operators are able to optimize their optical network for specific applications and services and avoid the constraints of a single-vendor for one-size-fits-all solutions.
- Improved network economics: Open optical networks enables cost-per-bit reducing innovations to be quickly deployed throughout the network lifecycle, with customized multi-vendor network designs providing additional scope for cost-optimization as capacity and service demands evolve.

A second shift is happening at the edge of the network, where capacity is growing beyond the ability of traditional, non-coherent optical solutions to address. This increasing demand for coherent solutions is driving the need for innovative edge- and access-optimized coherent solutions. These include more compact, efficient and cost-effective solutions as well as innovative solutions such as XR optics multi-point technology that can enable significant cost savings by enabling simplified network architectures.

Strategy

Our goal is to be the preeminent provider of high-performance transport technologies and solutions that enable customers to cost-efficiently scale network capacity and launch new services in response to increasing end-user bandwidth demand. Key aspects of our strategy include:

- *Leveraging our vertically integrated solutions to deliver lowest total cost network solutions.* We will continue to provide our customers differentiated value by leveraging our vertically integrated optical engine. Our strategy is to continue to evolve our unique optical technology with higher speed and increasingly efficient capabilities, integrating our vertically integrated optical engines across a broad range of our open optical networking systems and expanding our solution set with vertically integrated subsystem and pluggable optical technologies.
- *Driving cost structure optimization and achieving cost advantages of scale.* Leveraging scale as part of our vertical integration strategy, which includes integration of our optical engine across our broad portfolio of systems and subsystems, enables us to achieve cost advantages and cost structure efficiencies that enhance our ability to continue to invest in research and development in our optical engine and end-to-end portfolio, as well as drive profitability. In particular, we believe our vertically integrated in-house manufacturing capabilities serve as a competitive advantage from a technology and supply chain perspective, and enable a lower cost structure and thus, higher profitability. To further drive cost structure optimization, we are transforming our supply chain to enable us to move from a fixed cost structure to an increasingly outsourced model that will allow for enhanced flexibility in our delivery capabilities to better support customers, while optimizing our cost leverage.
- *Building open optical networking solutions.* Our strategy is focused on leveraging open optical networking principles, including disaggregated networking solutions and industry-leading optical technology with open application programming interfaces (“APIs”) and standardized data models to offer our customers best-in-class solutions and create insertion opportunities to gain market share. Open optical networking provides benefits for both network operators and innovative solution providers. These benefits include accelerating innovation cycles, enabling optimized and differentiated networking solutions, and the ability to transform network economics.
- *Delivering a superior customer experience.* Our success will continue to be driven by our commitment to providing a superior experience to all customers. In addition to product delivery capability that efficiently and predictably delivers innovative technology and high-quality products to market, we bring value to our customers by providing differentiated capabilities include usage-based bandwidth provisioning, service agility and ease-of-use that accelerates time-to-revenue. Additionally, our global customer services team is committed to making our customers successful by providing the highest quality support services that help our customers deploy, operate and maintain their networks. We believe our technology leadership combined with our ability to provide the most reliable products and a differentiated customer experience contribute to customer success and represent major differentiators.

- *Utilizing software-driven automation to deliver differentiated solutions.* We believe we lead the industry in ease of use and automation, both integrated into our system design and facilitated by our software capabilities. We continue to invest in our differentiated technologies, including enhancing capabilities of Instant Bandwidth offerings and introducing automation and programmability capabilities. We are extending management and control capabilities across our entire product portfolio with the addition of a new orchestration solution. This new solution enables customers to utilize end-to-end network resources and the automation of multi-layer, multi-domain and multi-vendor networks. Additionally, based on our customers' desire for more programmable networks, we have added open APIs to our solutions to enable our customers to create more agile and customized automated operations.

Customers, Products and Services

Our customer verticals include:

- Tier 1 carriers for domestic and international networks;
- Tier 2 and Tier 3 carriers;
- ICP and cloud providers;
- cable providers and Multiple System Operators;
- wholesale carriers;
- submarine network operators;
- utilities;
- large enterprise customers;
- research and education institutions; and
- government entities.

In the markets we serve, we believe our customers seek the following solutions to meet growing bandwidth needs, increase their revenue, expand their service offerings and lower the total cost of their operations:

- high-bandwidth solutions that scale optical transmission capacity to meet increasing bandwidth demand while providing efficiency through service granularity;
- flexible, efficient and easy to deploy core-to-edge coherent optical solutions that optimize performance and increase reliability while reducing physical space and power consumption, leading to lower operational and capital expenses;
- easy-to-use solutions that are highly programmable, open, and automated, which help reduce the time and complexity of deploying new transmission bandwidth; and
- strong encryption at the transport layer.

We sell our products directly to our end-user customers and to channel partners that sell on our behalf. We do not have long-term sales commitments from our customers. One customer accounted for approximately 11% and 13% of the Company's revenue in 2020 and 2019, respectively. No other customers accounted for 10% or more of the Company's revenue in 2020 and 2019. No customer accounted for 10% or more of the Company's revenue in 2021.

We have focused our efforts and capital on developing high-performance, vertically integrated transport technologies and solutions that enable customers to cost-efficiently scale network capacity and launch new services in response increasing end-user bandwidth demand. Our products feature industry-leading optical performance for capacity-reach, high service port density, a low power profile, and open automation software that allows fast and simple provisioning of network services.

We believe one of our key differentiating capabilities is our deep vertical integration of high-end optical technology. We have a world-class team of scientists and engineers that is responsible for driving the opto-electronic innovations that are integrated into our coherent transport solutions. Core engineering disciplines include coherent application-specific integrated circuit ("ASIC")/DSP design, PIC design and manufacture, analog

ASIC design, advanced packaging design and manufacture, and holistic co-design, including the RF interconnect. Our experts have achieved many industry firsts, including the first large-scale PIC, the first coherent PIC, the first commercial super-channels, the first Nyquist subcarriers, and the first point-to-multipoint coherent technology. Additional innovation highlights include soft-decision forward error correction gain sharing techniques and long-codeword probabilistic constellation shaping. These innovations are the foundation for the superior reach performance of our 1.6 Tb/s-capable ICE6 optical engine and our industry-first point-to-multipoint technology. They have resulted in Infinera setting numerous industry records for optical transmission.

Financially, we believe our in-house developed technology approach coupled with our unique monolithic Indium phosphide, or InP, semiconductor technology enables 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 and greater functional integration. These advantages also allow us to develop new technologies and solutions that offer our customers innovative ways to solve their business needs.

Product Portfolio

Our hardware product portfolio consists of compact modular platforms, packet-optical platforms, optical line systems, and optical subsystems. Software products include the Infinera Transcend Software Suite, which includes automation and network management software. These products address multiple market segments in the end-to-end transport infrastructure, including metro, long-haul and subsea. Data Center Interconnect ("DCI") is a subset of these markets. We also provide customer support services, including professional service offerings designed to help customers optimize their network assets and migrate legacy services.

Compact Modular Platforms

Infinera Cloud Xpress Family

The Infinera Cloud Xpress Family is designed to meet the varying needs of ICPs, communication service providers, internet exchange service providers, enterprises and other large-scale data center operators. The first generation of the Cloud Xpress has a 500 Gb/s DWDM super-channel output in 2RUs. Our second generation, the Cloud Xpress 2, released in June 2017, leverages the ICE4 optical engine, and has a 1.2 Tb/s super-channel output in 1RU. These platforms are designed with a rack-and-stack form factor and utilize a software approach that enables them to easily plug into existing cloud provisioning systems using open SDN APIs, an approach similar to the server and storage infrastructure deployed in the cloud.

Infinera Groove (GX) Series

The Infinera Groove (GX) Series of highly compact, modular, and sled-based platforms includes integrated muxponder and optical line system capabilities optimized to support a variety of transport network applications. With a compact and flexible architectural design, the GX Series supports up to 800 Gb/s per wavelength (via ICE6) to deliver cost-optimized optical reach in metro and long-haul applications, enabling rapid capacity increases as network traffic grows. The GX muxponder solution supports deployment over virtually any optical line system, enabling network operators to easily introduce our best-of-breed, high-performance transmission capabilities over existing infrastructure.

Infinera XT Series

The Infinera XT Series of compact, open and disaggregated platforms, powered by our ICE4, delivers up to 2.4 Tb/s of line-side capacity for metro, DCI, regional and long-haul networks in compact 1RU and 4RU form factors, with ultra-long-haul and submarine reach. These platforms are designed to power cloud scale network services over metro, DCI, long-haul and subsea networks.

Optical Line Systems

Infinera Groove (GX) Series

In addition to muxponder functionality, the Infinera Groove (GX) Series also supports a variety of multi-haul optical line system capabilities. From compact plug-and-play optical function to comprehensive multi-degree reconfigurable optical add-drop multiplexer (“ROADM”) capabilities, the GX Series provides a single configurable system to address virtually any optical networking application. With natively open interfaces, the GX Series supports seamless integration into a variety of networks and open optical applications.

Infinera 7300 Series

The Infinera 7300 Series is an SDN-ready coherent optical transport system. Supporting the latest optical technology, the 7300 Series addresses the needs of regional, long-haul, and ultra-long-haul optical networking, including long, unrepeatered single-span and festoon subsea networks. The 7300 enables network operators to achieve the highest network resiliency with fast optical protection switching and the use of autonomous and SDN-controlled restoration capabilities.

Infinera FlexILS Open Optical Line System

The Infinera FlexILS open optical line system connects various Infinera and third-party terminal equipment platforms over long-distance fiber optic cable while providing switching, multiplexing, amplification and management channels. The FlexILS solution is designed to support over 50 Tb/s of fiber capacity when used with the Infinera platforms over extended C-band and L-band. The FlexILS supports ROADM functionality with a flexible grid architecture and provides unconstrained optical switching by eliminating the restrictions of fixed wavelengths by port or direction. This platform is designed to provide open APIs interfacing with SDN control for multi-layer switching when combined with other platforms featuring DWDM, OTN and packet switching.

Packet-Optical Platforms

Infinera 7090 Series

The Infinera 7090 Packet Transport Platforms provide both Multiprotocol Label Switching ("MPLS")-Transport Profile ("MPLS-TP") and Carrier Ethernet-based options, addressing applications including business Ethernet services, migration from TDM to packet, and residential and mobile backhaul. The 7090 Series includes MPLS-TP platforms with capacities ranging from 5 Gb/s to 960 Gb/s and Carrier Ethernet-based platforms that provide a range of compact gigabit Ethernet (“GbE”) and 10 GbE access devices.

Infinera XTM Series

The Infinera XTM Series packet-optical transport platform enables high-performance metro connectivity solutions with service-aware capabilities optimized for 5G, Fiber Deep, business services and other metro transport applications. The XTM Series offers superior density, lower power consumption and higher scalability for multi-service metro access and aggregation networks, including integrated Layer 1 and Layer 2 support and Time Sensitive Networking features required for 5G mobile x-haul applications. The platform is designed for application-rich packet-optical metro networks providing cable, mobile, broadband and business services that require 10 Gb/s, 100 Gb/s or 200 Gb/s wavelengths with differentiated performance. This offering includes Auto-Lambda, a feature that provides a unique solution for deploying access and aggregation networks. Auto-Lambda enables network operators to simply plug DWDM optics into aggregation and access nodes, which allows the packet-optical network element to automatically tune each of the optical signals to the appropriate wavelength.

Infinera 7100 Series

Infinera 7100 Series of packet-optical transport platforms are right-sized and support a flexible mix of transponders, muxponders, packet switching, OTN switching, SONET/SDH switching, and ROADM-based optical line systems, providing compact and flexible transport for metro networks. The 7100 Series includes the 7100 Nano, a 5RU platform optimized for metro transport and the 7100 Pico, a 2RU platform that extends services to the metro edge and enables metro access applications. The 7100 Series also includes the PSX-3S, a 1RU 376 Gb/s packet switch optimized for aggregation and access applications.

Infinera mTera Series

The Infinera mTera Universal Transport Platform is a flexible and efficient network transport solution supporting scalable grooming and an innovative protocol-agnostic switch fabric in which each and every port on virtually every card can be software-configured between OTN and Ethernet. The mTera Series includes a compact 8-slot, 4 Tb/s shelf and a higher capacity 14-slot, 7 Tb/s shelf, with paired 14-slot shelves able to deliver 12 Tb/s of electrical switching. The mTera Series combines SDN-ready, advanced ROADM capabilities and support for the universal switching of OTN, packet and SONET/SDH traffic at the electrical layer.

Infinera XTC Series

The Infinera XTC Series includes multi-terabit packet optical transport platforms that integrate digital OTN switching and optical DWDM transmission. The XTC Series delivers converged packet, OTN, and DWDM

for metro core, regional, long-haul, and subsea applications. The XTC Series features ICE4, Instant Bandwidth, and massively simple operations to drive cost reduction and speed time to revenue. These platforms also support a broad range of Ethernet and OTN client interfaces for flexibility and are designed for metro, long-haul and subsea networks.

Coherent Optical Subsystems

ICE-XR Coherent Pluggable Optics

ICE-XR is a suite of coherent pluggable optics designed to seamlessly address point-to-point (including ZR+) and point-to-multipoint transport applications from the network edge to the core. The suite of vertically integrated ICE-XR pluggables will offer network operators the performance, scale, efficiency, and manageability critical to infrastructure support for the delivery of differentiated 5G, enhanced broadband, and next-generation cloud and business services. ICE-XR pluggables will support a range of transport rates, including 100G, 400G, and 800G, and utilize industry-standard form factors to enable ease of deployment in a wide variety of networking elements. These networking elements include optical transport platforms, compact modular platforms, routers, switches, servers and mobile radio units.

Software

Transcend Software Suite

Leveraging cloud-native technologies and SDN principles, the Infinera Transcend Software Suite includes a network management system with an intuitive graphical user-interface and pre-defined workflows, a packet-optical domain controller offering network programmability and automation, and a network planning system. The Transcend Software Suite intent-based automation translates service requests into optimized network configurations, while it proactively monitors the network state and service performance data and, when appropriate, takes actions to assure service quality. Transcend implements open and standards-based interfaces, both towards the network elements and towards hierarchical controllers and Operations/Business Support Systems (OSS/BSS), ensuring a seamless integration into the operator’s network and operational environment. The Transcend Software Suite provides automation that reduces operational costs, optimizes network assets, speeds time to revenue, and maximizes network and service availability.

System Software

Our networking platforms include system software designed to maximize reliability and streamline automation. This software controls all aspects of system operations, including command processing, system security, policy management, fault monitoring, and alarm reporting. Our system software is designed to be field upgradable, with minimal impact on customer traffic.

Services

In connection with our product offerings, we provide a comprehensive range of professional, support and training services for all Infinera hardware and software products. These services cover all phases of network ownership, from the initial installation through ongoing operations and maintenance activities. Professional services extend to network optimization, expansion and modernization including migration of legacy transport services. Our global services organization is experienced and prepared to efficiently manage complex projects and assist with customer network operations in the face of today's ever-increasing demands for lower operational costs and minimized downtime.

We continue to expand and enhance our services portfolio, organization and capabilities to meet the evolving needs of our customers.

Competition

Our current technologies and platforms support the access, aggregation, metro, DCI, long-haul and subsea markets. The packet-optical networking equipment market is highly competitive and competition in the markets we serve is based on any one or a combination of the following factors:

- the ability of products and services to meet customers’ immediate and future network requirements;
- price and other commercial terms;
- optical reach and capacity performance;

- features and functionality;
- existing business and customer relationships;
- power consumption, heat dissipation, form factor and density;
- installation and operational simplicity;
- quality and reliability;
- service and support;
- security and encryption requirements;
- scalability and investment protection; and
- product availability and lead times.

Competition in the optical transport systems market is intense, with consolidation and geopolitical market shifts creating new competitive dynamics. In the long-haul market, our main competitors include DWDM systems suppliers such as Ciena, Huawei, Nokia and ZTE. In the metro market, we face the same competitors as in long-haul, in addition to Cisco, ADVA Optical Networking, Ribbon Communications, and Fujitsu, among others. In the DCI market we also face competition from vendors that are selling optical components such as pluggable optics directly to customers as opposed to DWDM systems. In addition to our current competitors, other companies have developed, or may in the future develop, system and subsystem products that are, or could be, competitive with our products. This includes companies such as Lumentum, Marvell, II-IV and potential competitors in China. We also may encounter competitor consolidation in the markets in which we compete, which could lead to a changing competitive landscape, capabilities and market share, and could impact our results of operations.

Some of our competitors have substantially greater name recognition, technical, financial and marketing resources, and better-established relationships with potential customers than we have. Many of our competitors have more resources 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 and existing customers and have the ability to provide financing to customers and could, therefore, have an inherent advantage in selling products to those 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 experience with the buying process and sales cycles typical of high-value telecommunications products.

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 leveraging our sales force and customer support capabilities.

Over the course of the sales cycle, potential customers often test our products before buying. Prior to commercial deployment, the customer will generally perform a field trial of our products. Upon successful completion, the customer 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 prospective customer 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 and is organized geographically around the following markets: (i) United States and Canada (“North America”); (ii) Latin America and South America (“LATAM”); (iii) Europe, Middle East and Africa (“EMEA”); and (iv) Asia Pacific and Japan (“APAC”). Within each geographic area, we maintain specific teams or personnel that focus on a particular region, country, customer or market vertical.

Indirect Sales Force. We employ business consultants and resale and logistics partners to assist in our sales efforts, whereby these partners have deep knowledge of typical business practices and strong relationships with key local operators. 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 and support of our products.

Marketing and Product Management. Our product management team is responsible for defining the product features and go-to-market plan required to maximize our success in the marketplace. Product management supports our sales efforts with product and application expertise. Our corporate 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 internet programs and other marketing channels.

Research and Development

Continued investment in research and development is critical to our business. To this end, we have a team of engineers with expertise in various fields, including photonic integrated circuits, components, systems, sub-systems and software. Our research and development efforts are currently focused in San Jose, California; Allentown, Pennsylvania; Annapolis, Maryland; Bangalore and Ahmedabad, India; Kanata, Canada; Stockholm, Sweden; Munich, Germany; Lisbon, Portugal; Shanghai, PRC; and Espoo, Finland. We utilize a mix of internal resources and supplement our staffing with development personnel provided by third parties on a contract basis. We have invested significant time and financial resources into the enhancement of existing products and the development of new 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. As part of the integration efforts related to the Acquisition, we completed integration of the legacy Infinera and Coriant products into a combined solutions portfolio; and we are investing in leveraging the vertical integration capabilities of Infinera across a broader portion of our platforms. We are also working to develop new generations of optical engines at a faster cadence than we have historically in order to bring new products to market more rapidly and meet evolving customer demands. We believe these efforts will enhance our competitiveness in the markets we currently serve and also allow us to address adjacent markets to fuel our future growth.

Human Capital

Integrity, trust, mutual commitment, and respect for diversity are some of Infinera's core values – values brought to life by our talented, diverse, and dedicated global workforce. Employee health and safety are cornerstones of our human capital management, particularly during the COVID-19 pandemic. Our goal is to continuously improve employee engagement and we strive to build and maintain a culture of human connection, individual responsibility, and mutual integrity. We have implemented programs towards these ends. As of December 25, 2021, we had 3,225 employees, with 2,036 of those employees located outside of the United States. None of our U.S. employees are subject to a collective bargaining agreement. Employees in certain foreign jurisdictions are represented by local workers' councils and/or collective bargaining agreements, as required by local laws or customs. We have not experienced any work stoppages, and we consider our employee relationships to be good.

Diversity and Inclusion

At Infinera, we have an inclusive culture, as reflected in the way we treat each other and respect our differences across our global workforce, and how we do business with our customers and partners around the world. We believe that our culture of inclusion and belonging enables us to leverage the strengths of our people to exceed customer expectations and growth objectives. Our global diversity, equity, and inclusion ("DE&I") engagement committee drives our key DE&I initiatives, which include training and development, employee resource groups, and recruiting strategies.

In 2020, we launched Infinera ALL-In, an employee-led, executive sponsored, company-wide effort to promote, facilitate and support sustainable DE&I efforts. This has led to meaningful and measurable results in our approach to diversity, equity, inclusion, and belonging. Infinera ALL-In aims to incorporate DE&I in every aspect of our business and employee experience; to create an environment where everyone in our global community feels valued, respected and supported so that every person has the opportunity to achieve full potential; to embrace the unique perspectives and experiences of our employees and partners to exceed our globally diverse customer expectations; and to prepare and implement a corporate framework for hiring, developing, and engaging the diverse talent required to maximize our opportunity.

Infinera ALL-In is led by our CEO, CFO, CHRO and other executives and employee leaders from each region in which we have employees and do business. In 2020, Infinera All-In started to coordinate and support

new and existing global and local DE&I efforts. In 2021, we expanded our DE&I global team with the addition of local DE&I representatives at our major sites who are helping to develop, support, and scale our DE&I initiatives and employee engagement activities at the local level.

To ensure a holistic approach to DE&I, Infinera ALL-In conducted employee surveys to understand employee perception of our company culture and to determine strategic priorities. Employee input is critical as we continue to build a unified global culture that values local needs and perspectives. These surveys highlighted key areas of DE&I focus for us. They have resulted in the addition of African Descent/Black at Infinera, Latin America and other employee resource groups, and contributed to enhancement to our existing Women at Infinera ("WIN") employee resource group.

WIN was founded in 2018 with the purpose of positively reinforcing women in technology and facilitating engagement and collaboration company-wide. The group works to provide our female employees with access to conferences, social events, and other prominent engagements in the technology industry, as well as to support greater opportunities for career growth, internships, and leadership. In 2019, we created a formal WIN leadership board, which was expanded to a global cross-functional team in 2020. In 2021, we expanded WIN activities and participation, including the introduction of a mentor program, the formation of subcommittees, and a quarterly speakers' program addressing topics including development, attraction, and retention of women.

In 2021, we also introduced DE&I training for our global employee base. Training is issued every quarter on topics such as global diversity and employee's role in workplace diversity. Recruiters and managers participate in additional training on topics such as ensuring a diverse applicant pool and overcoming unconscious bias in the workplace.

As of December 25, 2021, women represented over 18% of our global employees and minorities represented approximately 35% of our U.S. workforce.

We also participate in national and regional initiatives to recruit diverse talent. For example, in Canada, we have an agreement with the Employment and Social Development Agency to increase the percentage of new employees who are members of underrepresented minorities and women. Through this agreement, Infinera Canada is committed to participating in diversity-related events for the purpose of recruiting Canadians and/or Permanent Residents from underrepresented groups. Similarly, in Europe, we are party to European Commission-funded consortium agreements through which we recruit, hire and develop women and minority early-stage researchers.

Compensation, Benefits and Well-being

Our goal is to provide our talented employees with a total compensation package that is market-competitive as validated through data sources. Our total compensation for eligible employees includes base salary, bonuses and equity awards. We intend to maintain ongoing competitiveness for attracting and retaining talent. We continuously improve our human resources information systems for workforce data collection, monitoring and reporting, and expect that this will allow us to improve our understanding of compensation equity around the globe to ensure fair pay. In addition, with our benefits programs, we seek to provide market-competitive benefits as part of our total reward structure for all employees around the globe and their dependents.

As the world responds to the outbreak of the COVID-19 pandemic, we are working to do our part by ensuring the safety of our employees, striving to protect the health and well-being of the communities in which we operate, and providing technology, tips and resources to our customers to help them do their best work while remote. Infinera is a critical infrastructure business with manufacturing facilities in the U.S. and research and development sites in several countries. As such, we have invested in creating physically safe work environments for our essential on-site workforce. We have a global leadership team comprised of local site leaders that meets regularly to support compliance with all local and international guidelines and establish best practices at every site. In the U.S., we have initiated testing for essential on-site employees at no cost to employees and currently require all non-essential employees to work remotely. We regularly quarantine employees who test positive for COVID-19 or are identified as close contacts and provide paid leave to such employees beyond what is required by local laws. We also secured and paid for vaccinations for employees and their families in India.

We are working to help protect our local communities. For example, in 2021, we had employee driven community engagement initiatives to promote education equity and food security in our U.S. and India sites. Leveraging the knowledge of our local site leaders, we continue to evaluate opportunities for similar community initiatives in our other global sites.

In light of the challenges presented by the COVID-19 pandemic to physical, mental, and emotional health, we have renewed our focus on employee well-being. For example, in the U.S., the Employee Assistance Program benefit includes mental health counseling for help with personal issues, childcare and eldercare referrals, financial coaching, legal consultation, and wellness tools. Employees are provided medical, dental, vision, long-term and short-term disability, and life insurance, and employees covered under our health insurance have access to various wellness programs. Employees are provided paid parental leaves as new parents (birth or adoption). Eligible employees are also qualified to receive unlimited flexible time off. Finally, we provide trainings on working with teams in a pandemic and remote environment.

We are committed to providing employees with a healthful and safe work environment by striving to prevent accidents and improve workplace conditions, and continuously working to improve our processes and performance. Our health and safety programs emphasize personal accountability, professional conduct, and regulatory compliance, while our culture fosters a sense of proactivity, caution, and communication.

Growth and Development

We believe that transparency and integrity help foster a culture of professional growth. We continuously evolve our approach to employee communication, from a company-wide perspective to functional communication to smaller team meetings, all the way to one-on-ones. With that in mind, we encourage our employees to share candid feedback about working for our company through feedback channels, including internal channels and on public forums such as Glassdoor.com. Our management utilizes this feedback as we work to consistently improve our employee experience.

Finally, experiential learning is powerful in career development, which is why we provide global job-based learning opportunities including cross-functional transfers and expanded roles. We significantly expanded our learning and development initiatives, with a focus on working in a pandemic environment.

Manufacturing

We have invested significant time and capital to develop and improve the manufacturing processes 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 California and 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 patents, trade secrets 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, including our fabrication facility for our PICs in California and our module manufacturing facility in Pennsylvania, 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 products according to our specifications and bills of material. For elements of our business where we outsource, we perform rigorous in-house quality control testing to ensure the reliability of our products. Our supply chain risk mitigation strategies are continuous and institutionalized in our supply chain design for external manufacturing and for procurement of components. We currently use four contract manufacturers in several different countries, including China, Malaysia, Mexico, Hungary and Thailand, and we maintain the capability to redirect select manufacturing activities to U.S. qualified factories of three electronic manufacturing services partners.

We expect all suppliers to comply with our Supplier Code of Conduct, which addresses the rights of workers to safe and healthy working conditions, environmental responsibility, and compliance with applicable laws.

Backlog

Our backlog represents purchase orders received from customers for future product shipments and services to be provided in future periods. 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 order receipt and 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.

Intellectual Property

Our innovative optical engine technology, including our PIC, DSP, module and related technologies, is foundational to our products and we believe it is highly valued by our customers and provides us with a competitive advantage.

We believe our success 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. However, there can be no assurances that these protections 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 25, 2021, we held 1,081 U.S. patents and 525 international patents expiring between 2022 and 2041, and held 200 U.S. and 103 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 any 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 impact 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. Although we are not currently involved in litigation for alleged patent infringement, we have been in the recent past and we may be involved in such litigation in the future. See the information set forth under the heading “Legal Matters” in Note 13, Commitments and Contingencies, in Part II, Item 8 for additional information regarding any such lawsuits. 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 or could 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.

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 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 free and open source licensed software into our products. Although we monitor our use of such 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 addition, non-compliance with open source software license terms and conditions could subject us to potential liability, including intellectual property infringement and/or contractual claims. 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 in a timely manner, any of which could adversely affect our business, operating results and financial condition.

Governmental Regulations

Environmental Laws and Regulations. We are committed to maintaining compliance with all environmental laws and regulations applicable to our operations, products and services. Our business and operations are subject to various federal, state, local and foreign laws and regulations that have been adopted with respect to the environment, including the Waste Electrical and Electronic Equipment Directive ("WEEE"), Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment ("RoHS"), and Registration, Evaluation, Authorization, and Restriction of Chemicals ("REACH") regulations adopted by the European Union. 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.

Other Laws and Regulations. We are subject to U.S. and foreign laws and regulations across the jurisdictions in which we operate. In addition to the environmental laws and regulations discussed above, we are subject to laws and regulations addressing the telecommunications industry, cybersecurity, privacy and data protection, export and import control, trade sanctions, and anti-bribery and anti-corruption. To date, our compliance costs relating to these laws and regulations have not resulted in a material adverse effect on our business, operating results or financial condition.

For further discussion of risks associated with these governmental laws and regulations, see Part I, Item 1A, “Risk Factors – Legal and Regulatory Risk Factors.”

Information about our Executive Officers

Our executive officers and their ages and positions as of December 25, 2021, are set forth below:

Name	Age	Position
David W. Heard	53	Chief Executive Officer and Director
Nancy Erba	55	Chief Financial Officer
David L. Teichmann	65	Chief Legal Officer and Corporate Secretary
Nicholas R. Walden	50	Senior Vice President, Worldwide Sales

David W. Heard has served as our Chief Executive Officer and has been a member of our Board of Directors since November 2020. Mr. Heard served as our Chief Operating Officer from October 2018 to November 2020. Mr. Heard previously served as our General Manager, Products and Solutions, from June 2017 to October 2018. Prior to joining us, Mr. Heard served as a private consultant from 2015 to June 2017. From 2010 to 2015, Mr. Heard served as President of Network and Service Enablement at JDS Uniphase. From 2007 to 2010, Mr. Heard served as Chief Operating Officer at BigBand Networks (now part of Arris). From 2004 to 2006, Mr. Heard served as President and Chief Executive Officer at Somera (now part of Jabil). From 2003 to 2004, Mr. Heard served as President and General Manager Switching Division at Tekelec (now part of Oracle). From 1995 to 2003, Mr. Heard served in a number of leadership roles at Santera Systems Spatial Networks and at Lucent Technologies (both now part of Nokia). Mr. Heard holds an M.B.A. from the University of Dayton, an M.S. in management from Stanford Graduate School of Business, where he was a Sloan Fellow, and a B.A. in production and operations management from Ohio State University.

Nancy Erba has served as our Chief Financial Officer since August 2019 after joining us as Senior Vice President, Strategic Finance earlier in the same month. Prior to joining us, from September 2016 to March 2019, Ms. Erba served as Chief Financial Officer of Immersion Corporation, a leader in touch feedback technology. From February 2015 to October 2015, Ms. Erba was Vice President, Financial Planning and Analysis of Seagate Technology plc, a data storage company. Prior executive roles at Seagate Technology include Division CFO and Vice President of Finance for Strategic Growth Initiatives from 2013 to 2015; Vice President, Business Operations and Planning from 2009 to 2013; Division CFO and Vice President of Finance of the Consumer Solutions Division from 2008 to 2009; and Vice President, Corporate Development from 2006 to 2008. Ms. Erba currently serves on the board of directors of PDF Solutions, Inc., a software and engineering services company. Ms. Erba holds an M.B.A. from Baylor University and a B.A. in mathematics from Smith College.

David L. Teichmann has served as our Chief Legal Officer and Secretary since April 2019. Prior to joining us, Mr. Teichmann served as Executive Vice President, General Counsel and Corporate Secretary of Oclaro, Inc., a maker of optical components and modules for the long-haul, metro and data center markets, from January 2014 until its acquisition by Lumentum in December 2018. From 2007 to 2012, he served as the Executive Vice President, General Counsel and Corporate Secretary of Trident Microsystems, Inc., a public fabless semiconductor company that sold television and set top box integrated circuits. From August 1998 to February 2006, he served as the Senior Vice President, General Counsel and Secretary of GoRemote Internet Communications, Inc., a secure managed global remote access solutions provider, guiding the company through its initial public offering in 1999 and its acquisition by iPass, Inc. in 2006. Mr. Teichmann held various senior legal counsel positions from 1989 to 1998 handling legal matters in Europe, Asia Pacific, Latin America and Canada and began his career with the Fenwick & West law firm. Mr. Teichmann holds a J.D. from the William S. Richardson School of Law at the University of Hawaii, an M.A. in law and diplomacy from the Fletcher School of Law and Diplomacy, and a B.A. in political science from Trinity College.

Nicholas R. Walden has served as our Senior Vice President, Worldwide Sales since January 2020. Mr. Walden served as Senior Vice President, Strategic Accounts from January 2019 to January 2020. He served as Senior Vice President, EMEA Sales from September 2015 to January 2019. Prior to joining us, Mr. Walden served in a variety of senior sales roles at Ciena Corporation from 1999 to 2015, most recently as its Vice President and Managing Director, Regional Carrier Business, EMEA. Mr. Walden studied HVAC Mechanical Engineering at the College of Technology at Reading, Berkshire, United Kingdom.

Available Information

We may use our website (http://www.infinera.com), press releases, public conference calls and public webcasts as means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Information contained on our website or any website referred to in this Form 10-K is not incorporated by reference 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. The SEC also maintains a website that contains our SEC filings. The address of the SEC website is https://www.sec.gov.

ITEM 1A. RISK FACTORS

Investing in our securities involves a high degree of risk. A description of the risks and uncertainties associated with our business is set forth below. These risks, together with many other factors described in this report and additional risks and uncertainties not currently known to us or that we currently deem to be immaterial, could adversely affect our operations, performance and financial condition. Our actual results could differ materially from our forward-looking statements.

Risk Factors Summary

The following is a summary of the principal risks that could adversely affect our business, operations and financial results.

Business and Operational Risk Factors

- Our quarterly results may vary significantly from period to period.
- Supply chain issues, including delays, shortages and increased costs, and our dependency on sole source, limited source or high-cost suppliers could harm our business and operating results.
- Any delays in the development, introduction or acceptance of our new products or in releasing enhancements to our existing products may harm our business.
- Our ability to increase our revenue will depend upon continued demand growth for additional network capacity and on customer capital spending details.
- Aggressive business tactics by our competitors may harm our business.
- The markets in which we compete are highly competitive and we may not be able to compete effectively.
- The effects of the COVID-19 pandemic could have a material adverse effect on our business and results of operations.
- Product performance problems or deployment delays could harm our business and reputation.
- If we lose key personnel or fail to attract qualified personnel, our business may be harmed.
- We are dependent on a small number of key customers for a significant portion of our revenue.
- The manufacturing process for our optical engine and the assembly of our products are very complex.
- Increased consolidation among our customers and suppliers in the communications networking industry has had, and could continue to have, an adverse effect on our business and results of operations.
- Actions that we are taking to restructure our business may not be as effective as anticipated.
- We rely on various third-party service partners to help complement our global operations.
- If our contract manufacturers do not perform as we expect, our business may be harmed.
- We must respond to rapid technological change for our products to be successful.
- If we fail to accurately forecast our manufacturing requirements or customer demand, we could incur additional costs.
- Our large customers have substantial negotiating leverage.
- Our sales cycle can be long and unpredictable, which could result in unexpected revenue shortfalls.
- Any strategic transactions that we undertake could disrupt our business and harm our financial condition and operations.

Financial and Macroeconomic Risk Factors

- We may be unable to generate the cash flow necessary to make anticipated capital expenditures, service our debt, or grow our business.
- Inflation may adversely affect us by increasing costs beyond what we can recover through price increases.
- Unfavorable macroeconomic and market conditions may adversely affect our industry, business and financial results.

- If we need additional capital in the future, it may not be available to us on favorable terms, or at all.
- Our international sales and operations subject us to additional risks.
- Our effective tax rate may increase or fluctuate, which could increase our income tax expense and reduce our net income.
- We may be adversely affected by fluctuations in currency exchange rates.
- Our debt obligations may adversely affect our ability to raise additional capital and will be a burden on our future cash resources.
- We may issue additional shares of our common stock in connection with conversions of the Notes.
- The fundamental change provisions of the 2024 Notes and the 2027 Notes may delay or prevent an otherwise beneficial takeover attempt of us.
- The Capped Calls may affect the value of the 2024 Notes and our common stock.
- We are subject to counterparty risk with respect to the Capped Calls.

Legal and Regulatory Risk Factors

- 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.
- Claims by others that we infringe on their intellectual property rights could harm our business.
- 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.
- 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 subject to various governmental export control, trade sanctions and import laws and regulations that could impair our ability to compete in international markets or subject us to liability.
- We are subject to environmental regulations that could adversely affect our business.
- We are subject to global data privacy and data protection laws and regulations that could adversely affect our business or subject us to liability.
- A portion of our revenue is generated by sales to government entities, which are subject to a number of uncertainties, challenges, and risks.
- Our business could be adversely affected if we cannot obtain and maintain required security clearances, or we do not comply with obligations regarding the safeguarding of classified information.
- Failure to comply with anti-bribery and similar laws could subject us to adverse consequences.

General Risk Factors

- The trading price of our common stock has been volatile and is likely to be volatile in the future.
- Future sales of our common stock could cause our stock price to fall.
- 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.
- Exclusive forum provisions in our bylaws will restrict our stockholders’ ability to choose the judicial forum for disputes with us or our directors, officers, or employees.
- Events that are outside of our control, such as natural disasters, terrorist attacks or other catastrophic events, could harm our operations.

For a more complete discussion of the material risks facing our business, see below.

Business and Operational Risk Factors

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

Our quarterly results and, in particular, our revenue, gross margins, operating expenses, operating margins and net income (loss), have historically varied significantly from period to period and may continue to do so in the future. 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 that future revenue. Consequently, if our revenue does not meet projected levels in the short term, our inventory levels, cost of goods sold and operating expenses would be high relative to revenue, resulting in potential operating losses. If our revenue or operating results do not meet the expectations of investors or securities analysts or fall below any guidance we provide to the market, the price of our common stock may decline substantially.

Factors that may contribute to fluctuations in our quarterly results, many of which are outside our control and may be difficult to predict, include:

- fluctuations in demand, sales cycles and prices for products and services, including discounts given in response to competitive pricing pressures or to secure long-term customer relationships, as well as the timing of purchases by our key customers;
- changes in customers' budgets for optical transport network purchases and changes or variability in their purchasing cycles;
- the price, quality and timing of delivery of key components from suppliers, including any price or shipping cost increases or delays in the supply of components that may result from the effects of the COVID-19 pandemic, as well as impacts due to consolidations amongst our suppliers;
- fluctuations in our customer, product or geographic mix, including the impact of new customer deployments, which typically carry lower gross margins, customer consolidation, which may affect our ability to grow revenue, and products powered by our next-generation technologies, which initially tend to be lower margin due to higher per unit production costs and greater variability in production yields;
- the timing, market acceptance and rate of adoption of our new product releases and our competitors' new product releases;
- our ability to manage manufacturing costs, maintain or improve quality, and increase volumes and yields on products manufactured in our internal manufacturing facilities, each of which has been impacted by the effects of the COVID-19 pandemic;
- our ability to successfully restructure or transform our operations within our anticipated time frame and realize our anticipated savings;
- order cancellations, reductions or delays in delivery schedules by our customers;
- our ability to control costs, including our operating expenses and the costs and availability of components we purchase for our products;
- any significant changes in the competitive dynamics of the markets we serve, including any new entrants, new technologies, or customer or competitor consolidation, as well as aggressive pricing tactics by our competitors;
- our ability to manage inventory while timely meeting customer demand and avoiding charges for excess or obsolete inventory;

- readiness of customer sites for installation of our products as well as the availability of third-party service partners to provide contract engineering and installation services for us, each of which has been impacted by the effects of the COVID-19 pandemic;
- any delay in collecting or failure to collect accounts receivable;
- the timing of revenue recognition and revenue deferrals;
- any future changes in U.S. GAAP or new interpretations of existing accounting rules;
- the impact of a significant natural disaster, 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 are located near major earthquake fault lines, in areas of high fire risk and in a designated flood zone; and
- general economic and political conditions in domestic and international markets, including those related to any policy changes by the federal government and/or by the presidential administration in the United States, and other factors beyond our control, including the ongoing effects of the COVID-19 pandemic and related response measures.

Supply chain issues, including delays, shortages and increased costs, and our dependency on sole source, limited source or high-cost suppliers could harm our business and operating results.

We are reliant on our global supply chain for the production of components for our products. The global supply chain has experienced disruptions that began in 2020 as a result of the COVID-19 pandemic, leading to delays, shortages and increased costs. Beginning with the fourth quarter of fiscal 2020 and accelerating in the first quarter of fiscal 2021, these disruptions continued to negatively impact our revenue and our results of operations through the fourth quarter of fiscal 2021. For example, shortages of certain key components adversely affected our ability to deliver products to customers in a timely manner, and price increases by our suppliers negatively affected our gross margin. The global supply chain for components for our products, especially for semiconductor components, continues to experience shortages, longer lead times and increased costs. These shortages, delays and increased costs are expected to continue into fiscal 2022. We cannot predict with certainty the scope or magnitude of the impact that these supply chain disruptions will have on our business and results of operations. Any efforts that we make to mitigate supply chain issues, such as by making additional purchase commitments over a longer time period with our suppliers or by holding higher levels of inventory, could negatively impact our financial results if we do not accurately forecast customer demand or if our customers change their purchasing patterns in response to the evolving supply chain environment. Further, the lead times required for these mitigation efforts may not allow us to meet increased customer demand in a timely manner.

We currently purchase several key components for our products from sole or limited sources. In particular, we rely on our own production of certain components of our products, such as PICs, and on third parties, including sole source and limited source suppliers, for certain of the components of our products, including ASICs, field-programmable gate arrays, processors, and other semiconductor and optical components. We have increased our reliance on third parties to develop and manufacture components for certain products, some of which require custom development. We purchase most of these components on a purchase order basis and generally only have long-term contracts with these sole source or limited source suppliers. If any of our sole source 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. In addition, these same suppliers may decide to no longer manufacture or support specific components necessary for some of our legacy products, which could lead to our inability to fulfill demand without increased engineering and material costs necessary to replace such components. 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 within a suitable time frame to be able to operate our business, or at all.

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. Due to cross dependencies, any supply chain disruptions could negatively impact the demand for our products in the short term. In addition, if our contract manufacturers do not receive critical components in a timely manner to build our products, then we would not be able to ship certain products in a timely manner and would, therefore, be unable to meet our prospective customers' product delivery requirements. 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, supply delays and increased prices. 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 problems experienced by our suppliers or contract manufacturers, strong demand in the industry for such components, or other disruptions in our supply chain. In addition, disruptions to global macroeconomic conditions may 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. Any failure to meet our customers' product delivery requirements could harm our reputation and our customer relationships, either of which would harm our business and operating results.

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

Our products are based on complex technologies, including, in many cases, the development of next-generation PICs, DSPs and specialized ASICs, each of which are key components of our optical engines. In addition, we may also depend on technologies from outside suppliers, all of which may cause us to experience unanticipated delays in developing, improving, manufacturing or deploying our products. The development process for our optical engines is lengthy, and any modifications entail significant development cost and risks.

At any given time, various new product introductions and enhancements to our existing products 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, manufacture and deliver components for our next-generation products, which can often require custom development. The development process from laboratory prototype to customer trials, and subsequently to general availability, involves a significant number of simultaneous efforts. These efforts often must be completed in a timely and coordinated manner so that they may be incorporated into the product development cycle for our systems, and include:

- completion of product development, including the development and completion of our next-generation optical engines, and the completion of associated module development;
- 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 optical engines as well as intensive software testing are important to the timely introduction of new products and enhancements to our existing products, which are subject to these development risks. In addition, unexpected intellectual property disputes, failure of critical design elements, limited or constrained engineering resources, and a host of other development execution risks may delay, or even prevent, the introduction of new products or enhancements to our existing products. For example, sustained restrictions on the ability of our engineers to work in our offices and laboratories as a result of COVID-19-related restrictions imposed by governments, or us, has made and could continue to make it more difficult for our engineers to collaborate as effectively as desired in the development of new products, which could affect development schedules. If we do not develop and successfully introduce or enhance products in a timely manner, including the successful development of our next generation optical engine, our competitive position will suffer.

As we transition customers to new products, we face significant risk that our new products may not be accepted by our current or new customers. To the extent that we fail to introduce new and innovative products that are adopted by customers, we could fail to obtain an adequate return on these investments and could lose market share to our competitors, which could be difficult or impossible to regain. Similarly, we may face decreased revenue, gross margins and profitability due to a rapid decline in sales of current products as customers hold spending to focus purchases on new product platforms. We could incur significant costs in completing the transition, including costs of inventory write-downs of the current product as customers transition to new product platforms. In addition, products or technologies developed by others may render our products noncompetitive or obsolete and result in significant reduction in orders from our customers and the loss of existing and prospective customers.

Our ability to increase our revenue will depend upon continued growth of demand by consumers and businesses for additional network capacity and on the level and timing of capital spending by our customers.

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 mobile, video and 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 market for optical transport networking equipment may not continue to grow and our product sales would be negatively impacted.

In addition, demand for our products depends on the level and timing of capital spending in optical networks by service providers as they construct, expand and upgrade the capacity of their optical networks. Capital spending is cyclical in our industry and spending by customers can change on short notice. Any future decisions by our customers to reduce capital spending, whether caused by lower customer demand, weakening economic conditions as has been precipitated by the effects of the COVID-19 pandemic, changes in government regulations relating to telecommunications and data networks, customer or other reasons, could have a material adverse effect on our business, financial condition and results of operations.

Aggressive business tactics by our competitors may harm our business.

The markets that we compete in are extremely competitive, which often results 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 for free when bundled together with broader technology purchases, such as router or wireless equipment purchases;
- providing financing, marketing and advertising assistance to customers; and
- influencing customer requirements to emphasize different product capabilities, which better suit their products.

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 their aggressive business tactics, including those described above, demand for our products could decline, we could experience delays or cancellations of customer orders, and/or we could be required to reduce our prices to compete in the market.

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

The packet-optical equipment market is competitive. Our main competitors include DWDM system suppliers, such as ADVA Optical Networking, Ciena Corporation, Cisco Systems, Ribbon Communications Inc., Huawei Technologies Co., Ltd., Nokia and ZTE. In addition, there are several other companies that offer one or more products that partially compete with our offerings. Moreover, other companies have developed, or may in the future develop, products that are or could be competitive with our products. We also could encounter competitor consolidation in the markets in which we compete, which could lead to a changing competitive landscape, capabilities and market share, and could impact our results of operations. For example, in March 2021, Cisco completed its acquisition of optical communications supplier Acacia Communications.

Competition in the markets we serve is based on any one or a combination of the following factors:

- price and other commercial terms;
- functionality and optical performance;
- existing business and customer relationships;
- the ability of products and services to meet customers' immediate and future network requirements;
- power consumption;
- heat dissipation;
- form factor or density;
- installation and operational simplicity;
- quality and reliability;
- service and support;
- security and encryption requirements;
- scalability and investment protection; and
- product lead times.

Some of our competitors have substantially greater name recognition and technical, financial and marketing resources. Many of our competitors have more resources 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 and/or have the ability to provide financing to customers, which could prevent us from competing effectively. Further, many of our competitors have built long-standing relationships with some of our prospective and existing customers and could, therefore, have an inherent advantage in selling products to those customers.

We also compete with low-cost producers that may increase pricing pressure on us and with a number of smaller companies that provide competition for a specific product, customer segment or geographic market. In addition, we may also face increased competition from system and component companies that develop products based on off-the-shelf hardware that offers the latest commercially 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.

The effects of the COVID-19 pandemic could have a material adverse effect on our business and results of operations.

The COVID-19 pandemic has caused disruptions to our business and operations to date and could have a material adverse effect on our business and results of operations in the future. The COVID-19 global pandemic has adversely affected the economies of many countries and has resulted in significant governmental measures to control the spread of COVID-19, including, among others, restrictions on travel, business operations and the movement of people in many regions of the world in which we operate, and the imposition of shelter-in-place or similarly restrictive work-from-home orders impacting many of our offices and employees, including those located in the United States.

As a result of these governmental measures and pursuant to recommended safety guidelines, we have temporarily closed or substantially limited the presence of personnel in our offices in several impacted locations, implemented travel restrictions and withdrawn from various industry events. Our work-from-home policy has at times contributed to delays in certain operational processes, including our routine quarterly financial statement close process in the first quarter of 2020, and may have an impact on our operational processes in the future. We have experienced disruption and delays in our global supply chain and manufacturing operations, logistics operations and customer support operations, including shipping delays, higher transport costs, and certain limitations on our ability to access customer fulfillment and service sites. We are dependent on sole source and limited source suppliers for several key components, and we have experienced capacity issues, longer lead times, increased costs and shortages with certain component suppliers, including for semiconductors, impacting our operational processes and results of operations. During fiscal 2020 and the first quarter of fiscal 2021, we experienced disruptions in customer demand due to delays in the customer certification process resulting from customer facility closures or access restrictions. Some of these disruptions negatively impacted our revenue and our results of operations.

The impact of the COVID-19 pandemic on our business and results of operations in fiscal 2022 remains uncertain and is dependent in part on future vaccination and infection rates, the emergence of new strains of the virus, the continued effectiveness and availability of vaccinations, and broader global macroeconomic developments. We may face further disruptions or restrictions on our ability to source, manufacture or distribute our products due to existing or additional governmental restrictions in multiple countries on business operations and movement of people and products. If we experience pronounced disruptions in our operations or in our ability to service our customers, including due to COVID-19 infections or quarantines among our employees and service providers, or if we face curtailed customer demand, these factors may materially adversely impact our business and results of operations. We could also face negative impacts on our liquidity and capital resources during fiscal 2022 due to the effects of the COVID-19 pandemic and its impacts on our customers, third-party service providers and capital markets.

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 hardware, software, components and manufacturing methods. Complex hardware and software systems, such as our products, can often contain undetected errors or bugs 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 our products, including failures due to the receipt of faulty components from our suppliers and performance issues related to software updates. From time to time we have had to replace certain components or provide software remedies or other remediation in response to errors or bugs, and we may have to do so again in the future. In addition, performance issues can be heightened during periods where we are developing and introducing multiple new products to the market, as any performance issues we encounter in one technology or product could impact the performance or timing of delivery of other products. Our products may also suffer degradation of performance and reliability over time.

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

- reduced orders from existing customers;

- declining interest from potential customers;
- delays in our ability to recognize revenue or in collecting accounts receivables;
- costs associated with fixing hardware or software 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; and
- payment of liquidated damages, performance guarantees or similar penalties.

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, and we may not have adequate compensating remedies against such 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, such as site access limitations due to the COVID-19 pandemic. 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, fail to add new customers, and consequently harm our financial results.

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. Because our products are complex, we must hire and retain highly trained customer service and support personnel to ensure that the deployment of our products does 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 personnel, and competition for these individuals is intense in our industry, especially in the San Francisco Bay Area where we are headquartered and, increasingly, in certain cities and regions where we have operations outside the United States as well. In addition, 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. These risks may be exacerbated due to labor market changes resulting from the COVID-19 pandemic. For example, in fiscal 2021 we experienced increased turnover in our workforce as compared to prior years, and we may need to increase compensation levels in fiscal 2022 to attract and retain qualified personnel. In addition, we do not have long-term employment contracts or key person life insurance covering any of our key personnel. If we are unable to attract and retain qualified personnel, we may be unable to manage our business effectively, and our results of operations could suffer.

We are dependent on a small number of key customers for a significant portion of our revenue from period to period 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 accounts for a large percentage of our revenue from period to period. For example, for the year ended December 25, 2021, our top ten customers accounted for approximately 42% of our total revenue. For fiscal 2020, our top ten customers accounted for approximately 43% of our total revenue. For fiscal 2019, our top ten customers accounted for approximately 46% of our total revenue. Our business will likely be harmed if any of our key customers, for whatever reason, substantially reduce, delay or stop their orders from us. In addition, our business will be harmed if we fail to maintain our competitive advantage with our key customers or do not add new larger customers over time. We continue to expect a relatively small number of customers to continue to account for a large percentage of revenue from period to period. However, customer consolidation could reduce the number of key customers that generate a significant percentage of our revenue and may increase the risks relating to dependence on a small number of 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 competitive new products at competitive prices. In most cases, our sales are made to these customers pursuant to standard purchase agreements, which may be canceled or reduced readily, rather than long-term purchase commitments that would require these customers to purchase any minimum or guaranteed volumes orders. 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. In addition, we must regularly compete for and win business with existing and new customers across all of our customer segments.

In addition, the negative effects of the COVID-19 pandemic on global economic conditions may affect the network spending, procurement strategies, or business practices of our key customers. If any of our key customers experience a loss in revenue due to the impact of the COVID-19 pandemic on their consumer or enterprise customers, they may reduce or delay capital spending generally or with respect to our products, which could materially adversely affect our business and results of operations.

The manufacturing process for our optical engine and the assembly of our finished products are very complex. The partial or complete loss of any of our manufacturing facilities, a reduction in yields of our PICs or an inability to scale capacity to meet customer demands could harm our business.

The manufacturing process for our optical engine, including the PICs, DSPs and specialized ASICs, and the assembly of our finished products are very complex. In the event that any of our manufacturing facilities utilized to build these components and assemble our finished products were fully or partially destroyed, or shut down, as a result of a natural disaster, work stoppage or otherwise, it could severely limit our ability to sell our products. Because of the complex nature of our manufacturing facilities, such loss would take a considerable amount of time to repair or replace. The partial or complete loss of any of our manufacturing facilities, or an event causing the interruption in our use of any such facilities, whether as a result of a natural disaster, like the COVID-19 pandemic, work stoppage or otherwise, for any extended period of time would cause our business, financial condition and results of operations 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. Lower than expected 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 damage customer relations and cause 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 results of operations.

Increased consolidation among our customers and suppliers in the communications networking industry has had, and could continue to have, an adverse effect on our business and results of operations.

We have seen increased consolidation in the communications networking industry over the past few years, which has adversely affected our business and results of operations. For example, several of our customers have consolidated in the past. During 2016, Charter Communications acquired Time Warner Cable, Inc. and Altice acquired Cablevision. During 2017, Verizon acquired XO Communications and CenturyLink acquired Level 3 Communications. Customer consolidation has led to changes in buying patterns, slowdowns in spending, redeployment of existing equipment and re-architecture of parts of existing networks or future networks, as the combined companies evaluate the needs of the combined business. Moreover, the significant purchasing power of these large companies can increase pricing and competitive pressures for us, including the potential for decreases in our average selling prices. If one of our customers is acquired by another company that does not rely on us to provide it with products or relies on another provider of similar products, we may lose that customer's business. Such consolidation may further reduce the number of customers that generate a significant percentage of our revenue and may exacerbate the risks relating to dependence on a small number of customers. Any of the foregoing results will adversely affect our business, financial condition and results of operations.

In addition, our suppliers in the communications networking industry have recently continued to consolidate. For example, Lumentum acquired Oclaro in 2018 and II-VI acquired Finisar in 2019. In June 2021, the stockholders of Coherent and II-VI approved a proposal for Coherent to be acquired by II-VI. Supplier consolidation may lead to increased prices of components for our products, deployment delays and/or a disruption in output. In addition, such consolidation may exacerbate the risks relating to our dependence on a small number of suppliers for certain components and materials that are required to manufacture our products.

Actions that we are taking to restructure our business to cut costs in order to align our operating structure with current opportunities may not be as effective as anticipated.

During 2020 and 2021, we undertook certain restructuring initiatives, including the 2020 Restructuring Plan and the 2021 restructuring of certain international research and development functions, in order to reduce expenses, reallocate resources to align more closely with our evolving business model, and improve operating efficiencies. These activities might not produce the full expense reduction, resource realignment and efficiency benefits we expect, which could harm our business. Further, any anticipated benefits from these restructuring initiatives may be realized later than expected or not at all, and the ongoing costs of implementing these measures may be greater than anticipated. In addition, as a result of these restructuring actions, our ability to execute on product development, address key market opportunities and/or meet customer demand could be materially and adversely affected.

We rely on various third-party service partners to help complement our global operations, and failure to adequately manage these relationships could adversely impact our financial results and relationships with customers.

We rely on a number of third-party service partners, both domestic and international, to complement our global operations. We rely upon these partners for certain installation, maintenance, logistics and support functions. In addition, as our customers increasingly seek to rely on vendors to perform additional services relating to the design, construction and operation of their networks, the scope of work performed by our service partners is likely to increase and may include areas where we have less experience providing or managing such services. We must successfully identify, assess, train and certify qualified service partners in order to ensure the proper installation, deployment and maintenance of our products. The vetting and certification of these partners can be costly and time-consuming, and certain partners may not have the same operational history, financial resources and scale as we have. Additionally, certain service partners may provide similar services for other companies, including our competitors. We may not be able to manage our relationships with our service partners effectively, and we cannot be certain that they will be able to deliver services in the manner or time required, that we will be able to maintain the continuity of their services, or that they will adhere to our approach to ethical business practices. Our service partners may also experience challenges in providing services to us as a result of the impact of the COVID-19 pandemic. We may also be exposed to a number of risks or challenges relating to the performance of our service partners, including:

- delays in recognizing revenue;
- liability for injuries to persons, damage to property or other claims relating to the actions or omissions of our service partners;
- our services revenue and gross margin may be adversely affected; and
- our relationships with customers could suffer.

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

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 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 that would guarantee product availability, or the continuation of particular pricing or payment terms. We face a number of risks due to 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 variability of pricing or payment terms due to agreement length;
- counterparty risk, particularly if our contract manufacturers are sensitive to inflation and interest-rate risk;
- risks and uncertainties associated with the locations or countries where our products are manufactured, including potential manufacturing disruptions caused by geopolitical events, military actions, work stoppages or other social factors, natural disasters or other environmental factors, or international health emergencies, such as the COVID-19 pandemic;
- limited warranties on components; and
- potential misappropriation of our intellectual property.

Any of these risks could impair our ability to fulfill orders. Any delays by our contract manufacturers may cause us to be unable to meet the delivery requirements of our customers, which could decrease customer satisfaction and harm our product sales. In addition, 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. If we are required to change or qualify a new contract manufacturer, we could lose revenue and damage our customer relationships.

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 will continue to improve the performance of their existing products and 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 anticipate future customer requirements and 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.

If we fail to accurately forecast our manufacturing requirements or customer demand, we could incur additional costs, including inventory write-downs or equipment write-offs, which would adversely affect our business and results of operations.

We 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 vary significantly for materials and components, including ASICs, that we need to order for the manufacture of our products 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 lengthened lead times for certain components, and we are currently seeing longer lead times with certain components due to industry-wide supply chain challenges, which makes forecasting more challenging. We may be required to purchase increased levels of such components to satisfy our delivery commitments to our customers as a result of longer lead times for components. In addition, we must manage our inventory to ensure we continue to meet our commitments as we introduce new products or make enhancements to our existing products.

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, cause delays in shipments and our ability to recognize revenue, and result in potential loss of customers to competitors. 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.

Our large customers have substantial negotiating leverage, which may cause us to agree to terms and conditions that result in lower average selling prices and potentially increased cost of sales leading to lower gross margin, each of which would harm our results of operations.

Many of our customers are large service providers and ICPs that have substantial purchasing power and leverage in negotiating contractual arrangements with us. In addition, customer consolidation in the past few years has created combined companies that are even larger and have greater negotiating leverage. Our customers have sought and may continue to seek advantageous pricing, payment and other commercial terms. We have agreed and may continue to agree to unfavorable commercial terms with these customers, including the potential of reducing the average selling price of our products, increasing cost of sales or agreeing to extended payment terms in response to these commercial requirements or competitive pricing pressures.

Continued and increased inflation could decrease the profitability of customer contracts, particularly those with extended payment terms, that are not indexed to inflation. 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.

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. We have seen a lengthening of our sales cycle as a result of the COVID-19 pandemic, due to delays in the customer certification process for our products resulting from customer facility closures or access restrictions. Because our sales cycle is long, we are likely to recognize higher inflation-related costs before recognizing the benefits of any price increases that we implement for our products. Moreover, the costs associated with our sales cycle may increase faster than our ability to increase prices. In addition, changes in regulatory requirements or uncertainty associated with the regulatory environment could delay or impede investment in network infrastructures and adversely affect our business, financial condition and results of operations.

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, including the need for the customer to obtain external financing. If sales expected from customers for a particular quarter are not realized in that quarter or at all, our revenue will be negatively impacted.

Any acquisitions or strategic transaction that we undertake could disrupt our business and harm our financial condition and results of operations.

We have made strategic acquisitions of businesses, technologies and other assets in the past, including most recently the Acquisition. We may engage in acquisitions, divestitures or other strategic transactions in the future. In order to undertake certain of these transactions, we may use cash, issue equity that could dilute our current stockholders, or incur debt or assume indebtedness. If we are unable to achieve the anticipated efficiencies and strategic benefits of such transactions, it could adversely affect our business, financial condition and results of operations. In addition, the market price of our common stock could be adversely affected if investors and securities analysts react unfavorably to a strategic transaction or if the integration or the anticipated financial and strategic benefits of such transactions are not realized as rapidly as or to the extent anticipated by investors and securities analysts.

Acquisitions, divestitures or other strategic transactions can also result in adverse tax consequences, warranty or product liability exposure related to acquired assets, additional stock-based compensation expense, and write-up of acquired inventory to fair value. Divestitures can also result in contractual, employment or intellectual property liability related to divested assets. In addition, we may record goodwill and other purchased intangible assets in connection with an acquisition and incur impairment charges in the future. If our actual results, or the plans and estimates used in future impairment analyses, are less favorable than the original estimates used to assess the recoverability of these assets, we could incur additional impairment charges.

Acquisitions, divestitures or other strategic transactions 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;
- challenges in divesting assets and intellectual property without negatively affecting our retained business lines;
- diversion of management’s attention from our core business;
- adverse effects on existing business relationships with suppliers and customers;

- risks associated with entering new markets or exiting existing markets; and
- loss of key employees.

Our failure to adequately manage the risks associated with an acquisition, divestment or strategic transaction could have an adverse effect on our business, financial condition and results of operations.

Financial and Macroeconomic Risk Factors

We may be unable to generate the cash flow necessary to make anticipated capital expenditures, service our debt or grow our business.

We may not be able to generate sufficient cash flow from operations to make anticipated capital expenditures, to enable us to service our debt or grow our business. For example, in each of the fiscal years since the completion of the Acquisition, we have had a net loss and negative cash flows from operations and we may continue to incur losses and negative cash flows from operations in the future periods. Our ability to pay our expenses, service our debt and fund planned capital expenditures will depend on our future performance, which will be affected by general economic, competitive, legislative, political, regulatory, public health issues and other factors beyond our control, and our ability to continue to realize synergies and anticipated cost savings. If we are unable to generate sufficient cash flow from operations to service our debt or to make anticipated capital expenditures, we may be required to sell assets, reduce capital expenditures, borrow additional funds or evaluate alternatives for efficiently funding our capital expenditures and ongoing operations, including the issuance of equity, equity-linked and debt securities.

Inflation may adversely affect us by increasing costs beyond what we can recover through price increases.

Recently, inflation has increased throughout the U.S. economy. Inflation can adversely affect us by increasing the costs of labor, supplies and other costs of doing business. In an inflationary environment, our ability to raise prices enough to match the rate of inflation may be constrained by customer resistance and competitive concerns, as well as industry-specific and other economic conditions, which would reduce our profit margins. We have experienced, and continue to experience, increases in the prices of labor, supplies and other costs of doing business. Continued inflationary pressures could impact our profitability.

Unfavorable macroeconomic and market conditions may adversely affect our industry, business and financial results.

In the past, unfavorable macroeconomic and market conditions have resulted in sustained periods of decreased demand for optical communications products and 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;
- 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;
- our customers facing financial difficulties, including bankruptcy;
- 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.

The effects of the COVID-19 pandemic have negatively affected the economies of many countries and have created significant uncertainty regarding global macroeconomic conditions. The COVID-19 pandemic has also led to increased disruption and volatility in capital markets, credit markets, and supply chains. These

conditions may also result in the tightening of credit markets, which could limit or delay our customers' ability to obtain necessary financing for their purchases of our products.

Our customers may delay or cancel their purchases or increase the time they take to pay or default on their payment obligations due to lack of liquidity in the capital markets, the continued uncertainty in the global economic environment or inflationary concerns, which would negatively affect our business and operating results. 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.

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.

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. For example, in September 2018, we issued convertible senior notes due September 1, 2024 (the "2024 Notes") to pay the cost of related capped call transactions, as discussed below, to fund the cash portion of the purchase price of the Acquisition, and for general corporate purposes. In August 2019 and as amended thereafter, we entered into the Amended Credit Agreement with Wells Fargo Bank and BMO Harris Bank N.A. to provide additional working capital flexibility to manage our business, utilizing the Credit Facility. In addition, in March 2020 we issued convertible senior notes due March 1, 2027 (the "2027 Notes" and, together with the 2024 Notes, the "Notes") to raise additional funds for general corporate purposes, including working capital to fund growth and potential strategic projects. For additional risks related to the Notes, please see "Common Stock and Indebtedness Risk Factors" below. In August 2020, we entered into the Sales Agreement with Jefferies LLC ("Jefferies") under which we issued and sold through Jefferies, acting as agent and/or principal, shares of our common stock having an aggregate offering price of $96.3 million, to raise funds for general corporate purposes, including working capital and capital expenditures. We may require additional capital from equity or equity-linked financing, debt financing or other financings in the future to fund our operations, respond to competitive pressures or strategic opportunities or to refinance our existing debt obligations. In the event that we require additional capital, we may not be able to secure timely additional financing on favorable terms, or at all, and may be affected by the impacts of the COVID-19 pandemic on capital markets. 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 international sales and operations subject us to additional risks that may harm our operating results.

Sales of our products into international markets continue to be an important part of our business. During 2021, 2020 and 2019, we derived approximately 53%, 54% and 52%, 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 operate in international markets. 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 the Americas, EMEA (with offices in the Middle East) and APAC (including China). In addition, we have established development centers in Canada, China, Finland, Germany, India, Portugal and Sweden. There is no assurance that our reliance upon development resources in international locations will enable us to achieve meaningful cost reductions or greater resource efficiency.

As a result of having global operations, the sudden disruption of the supply chain and/or the manufacture of our customer's components caused by events outside of our control could impact our results of operations by impairing our ability to timely and efficiently deliver our products or provide installation and maintenance services to our customers. For example, the global COVID-19 pandemic has disrupted and is expected to continue to disrupt the global supply chain for certain components necessary for our products and could continue to threaten the health and safety of our employees.

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, contractual limitations, or customer specifications impacting 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;
- potentially adverse tax consequences;
- natural disasters, acts of war or terrorism, and health crises, including the COVID-19 pandemic;
- changes to free trade agreements, trade protection measures, tariffs, export compliance, domestic preference procurement requirements, qualification to transact business and additional regulatory requirements, including changes related to policy and other changes made by the federal government in the United States; and
- effects of changes in currency exchange rates, particularly relative increases in the exchange rate of the U.S. dollar compared to 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 U.S. Foreign Corrupt Practices Act of 1977, as amended (the "FCPA"), and the UK Bribery Act, antitrust or competition laws, anti-money laundering laws, various trade controls, national security related regulations, 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 effectively anticipate and manage these and other risks and expenses associated with our international operations. For example, political instability and uncertainty in the European Union (the "E.U.") and, in particular, the United Kingdom's exit from the E.U., could slow economic growth in the region, affect foreign exchange rates, and could have a negative impact on near-term economic activity, leading to our customers delaying purchases of our products. Our failure to manage any of these risks successfully could harm our international operations and reduce our international sales, adversely affecting our business, financial condition and results of operations.

Our effective tax rate may increase or fluctuate, which could increase our income tax expense and reduce our net income.

Our effective tax rate and the amount of our taxable income could be subject to volatility or adversely affected by several factors, many of which are outside of our control, including:

- changes in the valuation of our deferred tax assets and liabilities, and in deferred tax valuation allowances;
- changes in the relative proportions of revenue and income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates;
- changing tax laws, regulations, rates and interpretations in multiple jurisdictions in which we operate;
- changes to the financial accounting rules for income taxes;
- the tax effects of acquisitions; and
- the resolution of issues arising from tax audits.

For example, the Biden administration has proposed tax reform legislation to increase the U.S. corporate income tax rate, increase U.S. taxation of international business operations and impose a global minimum tax, which could result in increased marginal corporate tax rates. The global minimum tax is also supported by numerous countries and the Organization for Economic Cooperation and Development ("OECD"). Such countries, the OECD and other organizations are also actively considering changes to existing tax laws or have proposed or enacted new laws that could increase our tax obligations in countries where we do business or cause us to change the way we operate our business. Any changes in federal, state or international tax laws or tax rulings could adversely affect our effective tax rate and our results of operations.

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

A portion of our sales and expenses stem from 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 financial results in future periods. We currently enter into foreign currency exchange forward contracts to reduce the impact of foreign currency fluctuations on certain non-functional currency account balances. These forward contracts 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 on our results of operations and financial condition.

Our debt obligations may adversely affect our ability to raise additional capital and will be a burden on our future cash resources, particularly if we elect to settle these obligations in cash upon conversion or upon maturity or required repurchase.

As of December 25, 2021, the outstanding aggregate principal amount of the 2024 Notes and the 2027 Notes was $402.5 million and $200.0 million, respectively. 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; and

- a substantial portion of our future cash balance may be dedicated to the payment of the principal of our indebtedness as we have stated the intention to pay the principal amount of each series Notes in cash upon conversion or when otherwise due, such that we would not have those funds available for use in our business.

Our ability to meet our payment obligations under our debt instruments, including the Notes, 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 are 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 conversions of the 2024 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 each series of Notes are converted and we elect to deliver shares of 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 could adversely affect the prevailing market price of our common stock. In addition, the anticipated conversion of any series of Notes could depress the market price of our common stock.

The fundamental change provisions of the 2024 Notes and the 2027 Notes may delay or prevent an otherwise beneficial takeover attempt of us.

If a fundamental change, such as an acquisition of our company, occurs prior to the maturity of the 2024 Notes or 2027 Notes, holders of the applicable series of Notes will have the right, at their option, to require us to repurchase all or a portion of their Notes of such series. In addition, if such fundamental change also constitutes a make-whole fundamental change, the conversion rate for the applicable series of Notes may be increased upon conversion of the such series of Notes in connection with such make-whole fundamental change. Any 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. Any such increase will be dilutive to our existing stockholders. Our obligation to repurchase any series of Notes or 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.

The Capped Calls may affect the value of the 2024 Notes and our common stock.

In connection with the issuance of the 2024 Notes, we entered into capped call transactions (the "Capped Calls") with certain financial institutions who are the option counterparties. The capped call transactions are expected generally to reduce or offset the potential dilution upon conversion of the 2024 Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted 2024 Notes, as the case may be, with such reduction and/or offset subject to a cap.

From time to time, the option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the 2024 Notes. This activity could also cause or avoid an increase or a decrease in the market price of our common stock.

We are subject to counterparty risk with respect to the Capped Calls.

The option counterparties to the capped call transactions are financial institutions, and we will be subject to the risk that any or all of them might default under the capped call transactions. Our exposure to the credit risk of the counterparties will not be secured by any collateral. Past global economic conditions have

resulted in the actual or perceived failure or financial difficulties of many financial institutions. If an option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at the time under the capped call transactions with such option counterparty. Our exposure will depend on many factors but, generally, an increase in our exposure will be correlated to an increase in the market price and in the volatility of our common stock. In addition, upon a default by an option counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our common stock. We can provide no assurance as to the financial stability or viability of the option counterparties.

Legal and Regulatory Risk Factors

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 if 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 results of operations. 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 on their intellectual property rights 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. In addition, non-practicing patent holding companies seek to monetize patents they have purchased or otherwise obtained. We expect that infringement claims may increase as the number of products and competitors in our market increases and overlaps in technology implementation 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 asserted, 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, in the past 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 lawsuits or proceedings, we could incur liability for damages and/or have valuable proprietary rights invalidated. For additional information regarding certain of the legal proceedings in which we are involved, see Part II, Item 8 under the heading “Legal Matters”.

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 or could 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 results of operations.

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 results of operations.

We incorporate free and open source licensed software into our products. Although we monitor our use of such 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 addition, non-compliance with open source software license terms and conditions could subject us to potential liability, including intellectual property infringement and/or contract claims. In such events, we may 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 in a timely manner, any of which could adversely affect our business, financial condition and results of operations.

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, customers and business partners, which may be considered proprietary or confidential information. This sensitive data includes certain personal information and other data relating to our employees and others. We also utilize third-party service providers to host, transmit, or otherwise process data in connection with our business activities, including our supply chain processes, operations, and communications. Companies, especially in the technology industry, have been increasingly subject to a wide variety of security incidents, cyber attacks, malicious activity, including ransomware, malware and viruses, and other attempts to gain unauthorized access and disrupt systems and the confidentiality, security, and integrity of information, and we and our third-party service providers and suppliers have faced and may continue to face security threats and attacks from a variety of sources. In response to the COVID-19 pandemic, many of our employees are working from home and accessing our corporate network via remote devices, which may be less secure than those used in our offices and thus could increase the potential for such events to occur.

While the secure maintenance of this information and the security of our systems is critical to our business and reputation, our network and storage applications, and those systems and other business applications maintained by our third-party providers, may be subject to unauthorized access by hackers or breached or otherwise compromised due to operator error, malfeasance or other system disruptions. It may be difficult to anticipate or immediately detect such security incidents or breaches and to prevent or mitigate damage caused as a result. Accordingly, a data breach, security incident, cyber-attack, attack using ransomware or other malware, or any other unauthorized access to systems used in our business or unauthorized acquisition, disclosure, or other processing of our information or other information that we or our third-party vendors maintain or otherwise process could compromise our intellectual property, disrupt our operations, and result in loss of or unauthorized access to or acquisition, disclosure, modification, misuse, corruption, unavailability, or destruction of proprietary or confidential information. While we continually work to safeguard our internal network systems and validate the security of our third-party suppliers and providers to mitigate these potential risks, including through information security policies and employee awareness and training, there is no assurance that such actions will be sufficient to prevent cyber attacks or security breaches or incidents, and we cannot guarantee that our systems and networks or our third-party service providers' systems and networks have not been breached or that they or any components of our supply chain do not contain exploitable defects or bugs, including defects or bugs that could result in a breach of or disruption to our systems and networks or the systems and networks of

third parties that support our operations. We and third-party service providers also may face difficulties or delays in identifying or responding to security breaches and other security-related incidents. We have been subjected in the past to a range of incidents including phishing, emails purporting to come from an executive or vendor seeking payment requests, malware and communications from look-alike corporate domains. For example, in the fourth quarter of fiscal 2021, we experienced a phishing attack that resulted in an immaterial loss. While these have not had a material effect on our business or our network security to date, security incidents involving access to or improper use of our systems, networks or products, or those of third-party service providers, could compromise confidential or otherwise protected information, result in unauthorized acquisition, disclosure, modification, misuse, corruption, unavailability, or destruction of data, cause payments to be diverted to fraudulent accounts, or otherwise disrupt our operations. These security incidents, or any reports or perceptions that they have occurred, could cause us to incur significant costs and expenses to remediate and otherwise respond to any actual or suspected the incident, subject us to regulatory actions and investigations, disrupt key business operations, open us up to claims, demands, and liability, and divert attention of management and key information technology resources, any of which could cause significant harm to our business and reputation. Even the perception of inadequate security may damage our reputation and negatively impact our business. Further, we could be required to expend significant capital and other resources to address any data security incident or breach and to attempt to prevent future security incidents and breaches.

Although we maintain insurance coverage that may cover certain liabilities in connection with some security breaches and other security incidents, we cannot be certain our insurance coverage will be adequate for liabilities actually incurred, including any consequential damages that may arise from such security incidents, that insurance will continue to be available to us on commercially reasonable terms (if at all) or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, or denials of coverage could have a material adverse effect on our business, including our financial condition, results of operations and reputation.

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 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. If we are unable to implement effective key operation controls around financial processes and successfully manage and monitor manual processes, we may fail to prevent or detect material misstatements in our financial statements, in which case investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our securities may decline. In addition, prior to the Acquisition, we maintained separate internal controls over financial reporting with different financial reporting processes and different ERP systems, and Coriant, as a private company, was not required to comply with Section 404 of the Sarbanes-Oxley Act of 2002. Any issues with our integrated ERP system may cause time delays and impact our ability to undertake financial reporting in a timely manner.

We are subject to various governmental export control, trade sanctions, and import laws and regulations that could impair our ability to compete in international markets or subject us to liability if we violate these controls.

In some cases, our products are subject to U.S. and foreign export control laws and regulations that may limit where and to whom we are permitted to sell our products, including the Export Administration Regulations administered by the U.S. Department of Commerce, and our activities may be subject to trade and economic sanctions, including those administered by the United States Department of the Treasury's Office of Foreign Assets Control (collectively, "Trade Controls"). As such, a license may be required to export or re-export our products, or provide related services, to certain countries and end-users, and for certain end-uses. Further, our products incorporating encryption functionality may be subject to special controls applying to encryption items and/or certain reporting requirements.

We have procedures in place designed to ensure our compliance with Trade Controls, with which failure to comply could subject us to both civil and criminal penalties, including substantial fines, possible incarceration of responsible individuals for willful violations, possible loss of our export or import privileges, and reputational harm. Further, the process for obtaining necessary licenses may be time-consuming or unsuccessful, potentially causing delays in sales or losses of sales opportunities. Trade Controls are complex and dynamic regimes, and monitoring and ensuring compliance can be challenging, particularly given that our products are widely distributed throughout the world and are available for download without registration. Although we have no knowledge that our activities have resulted in violations of Trade Controls, any failure by us or our partners to comply with applicable laws and regulations would have negative consequences for us, including reputational harm, government investigations, and penalties.

In addition, various countries regulate the import of certain technologies and have enacted laws that could limit our ability to distribute our products and certain product features or could limit our customers' ability to implement our products in those countries. Changes in our products or changes in U.S. and foreign 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. For example, in 2018 and 2019, the United States imposed tariffs on a large variety of products originating from China, including some on components that are supplied to us from China. Depending upon the duration and implementation of these and future tariffs, as well as our ability to mitigate their impact, these tariffs could materially affect our business, including in the form of increased cost of goods sold, increased pricing for customers, and reduced sales. At this time, it remains unclear what additional actions, if any, will be taken by the governments of the United States or China with respect to such trade and tariff matters. 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 impacted 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, or any limitation on our ability to develop, export or sell our products would adversely affect our business, financial condition and results of operations.

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

We are subject to environmental rules and regulations or other social initiatives that impact how and where we manufacture our products. In particular, our manufacturing operations use substances that are regulated by various federal, state, local, foreign and international laws and regulations governing health, safety and the environment, including WEEE, RoHS and REACH regulations adopted by the E.U. From time to time, the E.U. restricts or considers restricting certain substances under these Directives. For example, indium phosphide is currently being considered for restriction under RoHS. Any restriction of indium phosphide or any other substance integral to our systems could materially adversely affect our business, financial condition and operating results. In addition, if we experience a problem complying with these laws and regulations, it could cause an interruption or delay in our manufacturing operations or it could cause us to incur liabilities or costs related to health, safety or environmental remediation or compliance. We could also be subject to liability if we do not handle these substances in compliance with safety standards for handling, storage and transportation and applicable laws and regulations. If we experience a problem or fail to comply with such safety standards or laws and regulations, our business, financial condition and operating results may be harmed.

We are subject to global data privacy and data protection laws and regulations that could adversely affect our business or subject us to liability.

Data privacy and data protection is an area of increasing focus for our customers, governmental regulators and privacy advocates, and many jurisdictions, including the E.U., the United States, China and other regions, are evaluating or have implemented regulations relating to cybersecurity, privacy and data protection, which can affect the market and requirements for networking and communications equipment. For example, the General Data Protection Regulation ("GDPR") in effect in the E.U., and similar regulatory standards in effect in the United Kingdom, the Personal Information Protection Law ("PIPL") in China, the California Consumer Privacy Act ("CCPA") and the California Privacy Rights Act ("CPRA"), and enacted or proposed legislation in other jurisdictions have created new compliance obligations with respect to data handling and processing.

We cannot fully predict the impact of the GDPR, the PIPL, the CCPA, the CPRA or other laws or regulations, including those enacted in the future, relating to cybersecurity, privacy or data protection on our business or operations, These laws and regulations have required us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply, and we expect to continue to incur such costs and expenses in the future. Any failure to comply with such laws and regulations could result in claims, litigation, and regulatory proceedings, as well as damage to our customer relationships. These could result in substantial costs, diversion of resources, fines, penalties, and other damages, and harm to our reputation. Any of these could harm our business, financial condition and results of operations.

A portion of our revenue is generated by sales to government entities, which are subject to a number of uncertainties, challenges, and risks.

We currently sell many of our solutions to various government entities, and we may in the future increase sales to government entities. Sales to government entities are subject to a number of risks. Selling to government entities can be highly competitive, expensive, and time consuming, often requiring significant upfront time and expense without any assurance that we will complete a sale. In the event that we are successful in being awarded a government contract, such award may be subject to appeals, disputes, or litigation, including, but not limited to, bid protests by unsuccessful bidders. Government demand and payment for our solutions may be impacted by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our solutions. Government entities may also have statutory, contractual, or other legal rights to terminate contracts for convenience or due to a default. For purchases by the U.S. federal government, the government may require certain products to be manufactured in the United States and other high-cost manufacturing locations, and we may not manufacture all products in locations that meet government requirements, and as a result, our business and results of operations may suffer. Contracts with governmental entities may also include preferential pricing terms, including, but not limited to, “most favored customer” pricing.

Additionally, we may be required to obtain special certifications to sell some or all of our solutions to government or quasi-government entities. Such certification requirements for our solutions may change, thereby restricting our ability to sell into the federal government sector until we have attained the revised certification. If our products and subscriptions are late in achieving or fail to achieve compliance with these certifications and standards, or our competitors achieve compliance with these certifications and standards, we may be disqualified from selling our products to such governmental entities, or be at a competitive disadvantage, which would harm our business, financial condition and results of operations. There are no assurances that we will find the terms for obtaining such certifications to be acceptable or that we will be successful in obtaining or maintaining the certifications.

As a government contractor or subcontractor, we must comply with laws, regulations, and contractual provisions relating to the formation, administration, and performance of government contracts and inclusion on government contract vehicles, which affect how we and our partners do business with government agencies. As a result of actual or perceived noncompliance with government contracting laws, regulations, or contractual provisions, we may be subject to non-ordinary course audits and internal investigations which may prove costly to our business financially, divert management time, or limit our ability to continue selling our products and services to our government customers. These laws and regulations may impose other added costs on our business, and failure to comply with these or other applicable regulations and requirements, including non-compliance in the past, could lead to claims for damages from our channel partners, downward contract price adjustments or refund obligations, civil or criminal penalties, and termination of contracts and suspension or debarment from government contracting for a period of time with government agencies. Any such damages, penalties, disruption, or limitation in our ability to do business with a government would adversely impact, and could have a material adverse effect on, our business, financial condition, results of operations, public perception, and growth prospects.

Our business could be adversely affected if our employees cannot obtain and maintain required security clearances or we cannot maintain a required facility security clearance, or we do not comply with legal and regulatory obligations regarding the safeguarding of classified information.

Our U.S. government contract revenue includes income derived from contracts that require our employees to maintain various levels of security clearances, and may require us to maintain a facility security clearance, to comply with Department of Defense (“DoD”) requirements. The DoD has strict security clearance

requirements for personnel who perform work in support of classified programs. In general, access to classified information, technology, facilities, or programs are subject to additional contract oversight and potential liability. In the event of a security incident involving classified information, technology, facilities, programs, or personnel holding clearances, we may be subject to legal, financial, operational, and reputational harm. We are limited in our ability to provide specific information about these classified programs, their risks, or any disputes or claims relating to such programs. As a result, investors have less insight into our classified programs than our other businesses and therefore less ability to fully evaluate the risks related to our classified business or our business overall. Obtaining and maintaining security clearances for employees involves a lengthy process, and it is difficult to identify, recruit, and retain employees who already hold security clearances. If our employees are unable to obtain security clearances in a timely manner, or at all, or if our employees who hold security clearances are unable to maintain their clearances or terminate employment with us, then a customer requiring classified work could terminate an existing contract or decide not to renew the contract upon its expiration. To the extent we are not able to obtain or maintain a facility security clearance, we may not be able to bid on or win new classified contracts, and existing contracts requiring a facility security clearance could be terminated.

Failure to comply with anti-bribery, anti-corruption, anti-money laundering laws, and similar laws, could subject us to penalties and other adverse consequences.

We are subject to the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the United Kingdom Bribery Act 2010, and possibly other anti-bribery and anti-money laundering laws in the United States and in countries outside of the United States in which we conduct our activities. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly to generally prohibit companies, their employees, agents, representatives, business partners, and third-party intermediaries from authorizing, offering, or providing, directly or indirectly, improper payments or benefits to recipients in the public or private sector.

We sometimes leverage third parties to sell our products and conduct our business abroad. We, our employees, agents, representatives, business partners our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities and may be held liable for the corrupt or other illegal activities of these employees, agents, representatives, business partners or third-party intermediaries even if we do not explicitly authorize such activities. We cannot assure you that all of our employees and agents will not take actions in violation of applicable law, for which we may be ultimately held responsible. As we increase our international sales and business, our risks under these laws may increase.

These laws also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions. While we have policies and procedures to address compliance with such laws, we cannot assure you that none of our employees, agents, representatives, business partners or third-party intermediaries will take actions in violation of our policies and applicable law, for which we may be ultimately held responsible.

Any allegations or violation of the FCPA or other applicable anti-bribery, anti-corruption laws, and anti-money laundering laws could result in whistleblower complaints, sanctions, settlements, prosecution, enforcement actions, fines, damages, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions, or suspension or debarment from U.S. government contracts, all of which may have an adverse effect on our reputation, business, results of operations, and prospects. Responding to any investigation or action will likely result in a materially significant diversion of management’s attention and resources and significant defense costs and other professional fees.

General Risk Factors

The trading price of our common stock has been volatile and may 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 or business expectations by any securities analysts that elect to follow our common stock;
- mergers and acquisitions by us, by our competitors or by our customers;
- market conditions in our industry, the industries of our customers and the economy as a whole, including global trade tariffs and fluctuations in currency exchange rates, interest rates or inflation rates;
- social, geopolitical, environmental or health factors, including pandemics or widespread health epidemics such as the COVID-19 pandemic; and
- adoption or modification of regulations, policies, procedures or programs applicable to our business.

In addition, if the market for technology stocks or the broader stock market experience a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, financial condition or results of operations. 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.

Future sales of our common stock could cause our stock price to fall.

We have sold, and plan in the future to sell, shares of our common stock in underwritten offerings and have established, and may in the future establish, "at-the-market" offering programs pursuant to which we may offer and sell shares of our common stock. Sales of securities have resulted and will continue to result in dilution of our existing stockholders, and such sales could cause our stock price to fall.

In addition, if our existing stockholders sell, or indicate an intent to sell, a large number of shares of our common stock in the public market, it could cause our stock price to fall. We may also issue shares of common stock or securities convertible into our common stock from time to time in connection with financings, acquisitions, investments or otherwise. Any such issuance would result in dilution to our existing stockholders and could cause our stock price to fall.

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;
- 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.

Our amended and restated bylaws designate the Court of Chancery of the State of Delaware and the federal district courts of the United States of America as the exclusive forums for substantially all disputes between us and our stockholders, which will restrict our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers, or employees.

Our amended and restated bylaws provide that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation or our bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine.

These provisions would not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the U.S. federal courts have exclusive jurisdiction. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. Our stockholders cannot waive compliance with the federal securities laws and the rules and regulations thereunder. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our amended and restated certificate of incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions.

These exclusive choice of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees. If a court were to find such exclusive-forum provisions to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with resolving the dispute in other jurisdictions, all of which could harm our business.

Events that are outside our control, such as natural disasters, human violence 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, fires, floods and other natural disasters. Further, attacks and violence aimed at Northern California or at the United States energy or telecommunications infrastructure could hinder or delay the development and sale of our products. In the event that an earthquake, targeted attack or other man-made or natural catastrophe were to destroy any part of our or our contract manufacturers' or suppliers' facilities, destroy or disrupt vital infrastructure systems, or interrupt our operations or supply chain for any extended period of time, our business, financial condition and results of operations would be harmed.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our headquarters are located in San Jose, California, which consist of approximately 82,000 square feet under lease. As of December 25, 2021, we leased approximately 57,000 square feet for research and development and manufacturing in Sunnyvale, California.

In addition to the leased buildings in San Jose and Sunnyvale, California, we also lease approximately 823,000 square feet of office spaces for research and development centers and for sales, service and support in various countries within (i) North America; (ii) LATAM; (iii) EMEA; and (iv) APAC.

All of these leases expire between 2022 and 2031. We also own a facility in Allentown, Pennsylvania. We intend to adjust our facility space to meet our requirements and we believe that suitable additional or substitute space will be available as needed to accommodate our business needs for our operations. We believe that our existing facilities are adequate to meet our business needs through the next 12 months.

ITEM 3. LEGAL PROCEEDINGS

The information set forth under the heading “Legal Matters” in Note 13, Commitments and Contingencies, in Part II, Item 8 of this Annual Report on Form 10-K is incorporated herein by reference.

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.” As of February 15, 2022, there were 83 registered holders of record of our common stock. A substantially greater number of holders of our common stock are “street name” or beneficial holders, whose shares are held by banks, brokers and other financial institutions.

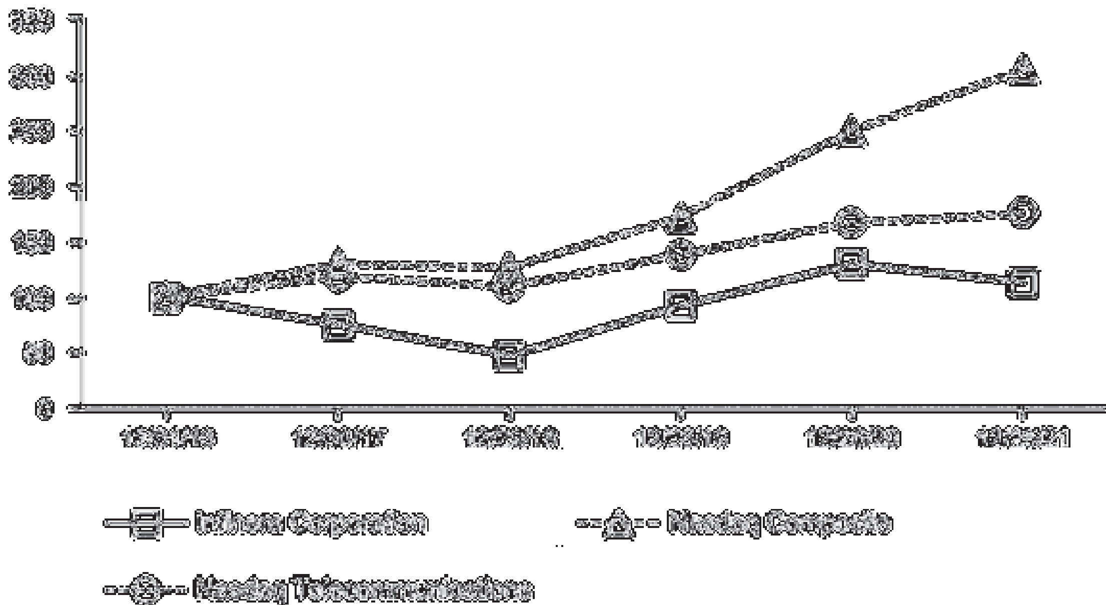
We have not paid any cash dividends on our common stock and do not intend to pay any cash dividends on our common stock in the near future.

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 31, 2016 and its relative performance is tracked through December 25, 2021. 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 us under the Securities Act of 1933, as amended, or the Exchange Act.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN*

Among Infinera Corporation, the Nasdaq Composite Index, and the Nasdaq Telecommunications Index



* Assumes $100 invested on December 31, 2016 in our common stock, in the Nasdaq Composite Index and the Nasdaq Telecommunications Index, with reinvestment of all dividends, if any. Indexes calculated on month-end basis.

ITEM 6. [RESERVED]

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, but are not limited to, our expectations regarding revenue, gross margin, operating expenses, cash flows and other financial items; the severity, magnitude, duration and effects of the COVID-19 pandemic; the extent to which the COVID-19 pandemic and related impacts will materially and adversely affect our business operations, financial performance, results of operations, financial position, stock price and personnel; achievement of strategic objectives; any statements regarding our plans, strategies and objectives; statements regarding the Acquisition; progress of the 2021 Restructuring Plan and remaining payments under the same and the 2020 Restructuring Plan; the impact of new customer network footprint on our gross margin; statements regarding our ERP systems; the effects of seasonal patterns in our business; factors that may affect our operating results; anticipated customer acceptance of our solutions; statements concerning new products or services, including new product features; our beliefs about who we may compete with and how we are differentiated from those competitors; statements regarding our production capacity and facilities requirements; statements related to capital expenditures; statements related to working capital and liquidity; our ability to realize deferred tax assets; statements related to future economic conditions, performance, market growth, competitor consolidation or our sales cycle; our ability to identify, attract and retain highly skilled personnel; statements regarding our corporate culture; our ability to protect our technology and intellectual property, the frequency of claims related to our intellectual property and the value of our intellectual property; statements related to our convertible senior notes and credit facility; statements related to the impact of tax regulations; statements related to the proliferation and impact of environmental regulation; statements related to the effects of litigation on our financial position, results of operations or cash flows; statements related to factors beyond our control, such as natural disasters, acts of war or terrorism, epidemics and pandemics; statements related to new accounting standards; statements as to industry trends and other matters that do not relate strictly to historical facts; and statements of assumptions underlying any of the foregoing. These statements are often identified using words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” "should," "will," or "would," 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 Part I, 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 consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K.

Overview

We are a global supplier of networking solutions comprised of networking equipment, software and services. Our portfolio of solutions includes optical transport platforms, converged packet-optical transport platforms, optical line systems, disaggregated router platforms, and a suite of networking and automation software offerings, and support and professional services.

Our customers include telecommunications service providers, ICPs, cable providers, wholesale carriers, research and education institutions, large enterprises and government entities. Our networking solutions enable our customers to deliver business and consumer communications services. Our comprehensive portfolio of networking solutions also enables our customers to scale their transport networks as end-user services and applications continue to drive growth in demand for network bandwidth. These end-user services and applications include, but are not limited to, high-speed internet access, business ethernet services, 4G/5G mobile broadband, cloud-based services, high-definition video streaming services, virtual and augmented reality and the Internet of Things.

Our systems are highly scalable, flexible and designed with open networking principles for ease of deployment. We build our systems using a combination of internally manufactured and third-party components. Our portfolio includes systems that leverage our innovative optical engine technology, comprised of large-scale PICs and DSPs. We optimize the manufacturing process by using indium phosphide to build our PICs, which enables the integration of hundreds of optical functions onto a set of semiconductor chips. This large-scale integration of our PICs and advanced DSPs allows us to deliver high-performance transport networking platforms with features that customers care about the most, including low cost per bit, low power consumption and space savings. In addition, we design our optical engines to increase the capacity and reach performance of our products by leveraging coherent optical transmission. We believe our vertical integration strategy becomes increasingly more valuable as our customers transition to 800 Gb/s per wavelength transmission speeds and beyond, as the combination of our optical integration, DSP, and tightly integrated packaging enables a leading optical performance at higher optical speeds. Over time, we plan to integrate our optical engine technology into a broader set of transport platforms in order to enhance customer value and lower production costs.

Over the past several years, we expanded our portfolio of solutions, evolving from our initial focus on the long-haul and subsea optical transport markets to offering a more complete suite of packet-optical networking solutions that address multiple markets within the end-to-end transport infrastructure. We achieved this expansion both by developing products internally and through acquisitions of Transmode AB in 2015 and Coriant in 2018. In particular, our acquisition of Coriant enhanced our ability to serve a global customer base and also enabled us to expand the breadth of customer applications we can address, including metro aggregation and switching, disaggregated routing, and software-enabled multi-layer network management and control.

Our high-speed optical transport platforms are differentiated by the Infinite Capacity Engine (ICE), our optical engine technology. Our latest generation of coherent optical engine technology delivers multi-terabit opto-electronic subsystems powered by our fifth-generation PIC and latest generation DSP (the combination of which we market as “ICE6”). ICE6 is capable of delivering 800 Gb/s over a single wavelength and will be integrated into various networking platforms in our product portfolio.

As part of the Acquisition, we expanded our high-speed optical transport portfolio with 600 Gb/s transmission capabilities powered by our CloudWave T technology, which enabled us to expand the high-speed transmission applications we can address.

Our products are designed to be managed by a suite of software solutions that enable end-to-end common network management, multi-layer service orchestration, and automated operations. We also provide software-enabled programmability that offers differentiated capabilities such as Instant Bandwidth. Combined with our differentiated hardware solutions, Instant Bandwidth enables our customers to purchase and activate bandwidth as needed through our unique software licensing feature set. This, in turn, allows our customers to accomplish two key objectives: (1) limit their initial network startup costs and investments; and (2) instantly activate new bandwidth as their customers’ and their own network needs evolve.

We believe our end-to-end portfolio of solutions benefits our customers by providing a unique combination of highly scalable capacity and features that address various applications and ultimately simplify and automate packet-optical network operations.

Impact of COVID-19 Pandemic

COVID-19 was declared a global pandemic in March 2020. We have been and will continue monitoring and adjusting our operations, as appropriate, in response to the COVID-19 pandemic.

Employees

We have taken a number of precautionary steps to safeguard our business and our employees from the effects of the outbreak of COVID-19, including temporarily closing or substantially limiting the presence of personnel in our offices in several impacted locations, implementing travel restrictions and withdrawing from various industry events. Since a large percentage of our workforce is accustomed to online work environments and online collaboration tools, we are able to remain productive and in contact with one another and our customers and vendors. For those employees who may need to be in offices, laboratory and manufacturing environments, or at business partner sites to perform their roles, we are taking appropriate measures to protect their health and safety and create and maintain a safe working environment. However, sustained restrictions on

the ability of our engineers to work in our offices as a result of restrictions imposed by governments, or us, has made and could continue to make it more difficult for them to collaborate as effectively as desired in the development of new products, which has in the past and may continue to affect development schedules in the future.

Business Operations

In addition, we have implemented certain business continuity plans in response to the COVID-19 pandemic in order to minimize any business disruption and to protect our supply chain, customer fulfillment sites and support operations. Although we believe these actions have mitigated the impact of the COVID-19 pandemic on our business, we have experienced some disruption and delays in our supply chain and manufacturing operations, logistics, and customer support operations, including shipping delays, higher transport costs, and certain limitations on our ability to access customer fulfillment and service sites. We are dependent on sole source and limited source suppliers for several key components, and we have experienced capacity issues, longer lead times and increased costs with certain of these component suppliers, impacting our operational processes and results of operations. We have also seen disruptions in customer demand, including due to delays in the customer certification process resulting from customer facility closures or access restrictions. During 2021, some of these disruptions negatively impacted our revenue and our results of operations. The impact of the COVID-19 pandemic on our business and results of operations in 2022 remains uncertain and is dependent in part on future infection rates, the emergence of new strains of the virus, the effectiveness and availability of vaccinations, and broader global macroeconomic developments.

We continue to monitor the COVID-19 pandemic and actively assess potential implications to our business, supply chain and customer demand. If the COVID-19 pandemic or its adverse effects become more severe or prevalent or are prolonged in the locations where we, our customers, suppliers or contract manufacturers conduct business, or we experience more pronounced disruptions in our operations, or in economic activity and demand generally, our business and results of operations in future periods could be materially adversely affected.

Liquidity and Capital Resources

We have implemented measures to preserve cash and enhance liquidity, including significantly reducing business travel, strategically managing capital expenditures, and delaying or eliminating discretionary spending. We are also focused on managing our working capital needs, maintaining as much flexibility as possible around timing of taking and paying for inventory and manufacturing our products while managing potential changes or delays in installations.

While we believe we have enough cash to operate our business for the next 12 months, if the impact of the COVID-19 pandemic to our business and financial position is more extensive than expected, we may need additional capital to enhance liquidity and working capital. We have historically been successful in our ability to secure other sources of financing, such as accessing capital markets, and implementing other cost reduction initiatives such as restructuring, delaying or eliminating discretionary spending to satisfy our liquidity needs. However, our access to these sources of capital could be materially and adversely impacted and we may not be able to receive terms as favorable as we have historically received. Capital markets have been volatile and there is no assurance that we would have access to capital markets at a reasonable cost, or at all, at times when capital is needed. In addition, some of our existing debt has restrictive covenants that may limit our ability to raise new debt, which would limit our ability to access liquidity by those means without obtaining the consent of our lenders.

On August 12, 2020, we entered into the Sales Agreement with Jefferies under which we issued and sold through Jefferies, acting as agent and/or principal, shares of our common stock having an aggregate offering price of $96.3 million, to raise funds for general corporate purposes, including working capital and capital expenditures. During the fiscal year ended December 26, 2020, we sold 12,000,000 shares of common stock under the Sales Agreement, for net proceeds of approximately $93.4 million, after paying Jefferies a sales commission of approximately $2.9 million related to services provided as the sales agent with respect to the sales of those shares.

Financial and Business Highlights

Total revenue was $1,425.2 million in 2021 as compared to $1,355.6 million in 2020, a 5% increase. The year over year increase in revenue was driven by growth in our ICP vertical and from our other service provider customers in EMEA and the United States. In addition, we saw growth in our cable vertical in EMEA. This growth was partially offset by lower revenue from certain Tier 1 customers. In 2022, we anticipate benefiting from a diversified customer base and see several prospective opportunities to grow revenue by driving adoption of new and existing solutions. Our results will depend on overall market conditions and, as is typical, quarter-over-quarter revenue could be volatile, affected by the ongoing pandemic and more generally, customer buying patterns, supply chain disruptions and the timing of customer network deployments.

Gross margin increased to 35% in 2021 from 31% in 2020. The year over year increase in gross margin was primarily driven by pricing discipline and cost reduction initiatives as well as increased revenue from vertically-integrated products. In addition, 2021 included lower amortization, integration and restructuring costs, which were higher in 2020 following the Acquisition. In 2022, we intend to continue to improve our fixed cost structure and practice pricing discipline. Additionally, we expect to continue expanding our vertical integration capabilities across more of our product portfolio utilizing our ICE6 platform , which we believe will lower our cost structure and drive continued margin improvement over time.

Operating expenses increased to $585.5 million in 2021 from $564.0 million in 2020, a 4% increase. This increase was primarily attributable to higher employee-related costs, including the restoration of our employee bonus program following its COVID-19-related suspension in 2020 and costs related to bringing our new technologies to market and investments in future technologies. These increases were partially offset by lower integration and restructuring costs, which were higher in 2020 following the Acquisition. In 2022, we intend to continue to balance prudent cost management with investments in technology innovation and other activities that will drive our future growth.

One customer accounted for approximately 11% of our revenue in 2020. No other customers accounted for over 10% of our revenue in 2021 or 2020.

We primarily sell our products through our direct sales force, with the remainder sold indirectly through channel partners. We derived 77% of our revenue from direct sales to customers in both 2021 and 2020. In the future, we expect to continue generating a majority of our revenue from direct sales.

We are headquartered in San Jose, California, with employees located throughout North America, LATAM, EMEA and APAC.

Results of Operations

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

	Years Ended					
	December 25, 2021	% of total revenue	December 26, 2020	% of total revenue	Change	% Change
Revenue:						
Product	$ 1,099,376	77 %	$ 1,045,551	77 %	$ 53,825	5 %
Services	325,829	23 %	310,045	23 %	15,784	5 %
Total revenue	$ 1,425,205	100 %	$ 1,355,596	100 %	$ 69,609	5 %
Cost of revenue:						
Product	$ 732,071	51 %	$ 751,465	55 %	$ (19,394)	(3)%
Services	174,008	12 %	160,118	12 %	13,890	9 %
Amortization of intangible assets	19,621	1 %	29,247	2 %	(9,626)	(33)%
Acquisition and integration costs	—	— %	1,828	— %	(1,828)	(100)%
Restructuring and other related costs	1,531	— %	4,146	— %	(2,615)	(63)%
Total cost of revenue	$ 927,231	65 %	$ 946,804	69 %	$ (19,573)	(2)%
Gross profit	$ 497,974	35 %	$ 408,792	31 %	$ 89,182	22 %

	Years Ended					
	December 26, 2020	% of total revenue	December 28, 2019	% of total revenue	Change	% Change
Revenue:						
Product	$ 1,045,551	77 %	$ 1,011,488	78 %	$ 34,063	3 %
Services	310,045	23 %	287,377	22 %	22,668	8 %
Total revenue	$ 1,355,596	100 %	$ 1,298,865	100 %	$ 56,731	4 %
Cost of revenue:						
Product	$ 751,465	55 %	$ 735,059	57 %	$ 16,406	2 %
Services	160,118	12 %	146,916	11 %	13,202	9 %
Amortization of intangible assets	29,247	2 %	32,583	3 %	(3,336)	(10)%
Acquisition and integration costs	1,828	— %	28,449	2 %	(26,621)	(94)%
Restructuring and other related costs	4,146	— %	29,935	2 %	(25,789)	(86)%
Total cost of revenue	$ 946,804	69 %	$ 972,942	75 %	$ (26,138)	(3)%
Gross profit	$ 408,792	31 %	$ 325,923	25 %	$ 82,869	25 %

Revenue

2021 Compared to 2020. Product revenue increased by $53.8 million, or 5%, in 2021 from 2020. This increase was primarily driven by aforementioned growth from ICP customers and other service provider

customers in EMEA and the United States, as well as certain cable customers in EMEA. This increase was partially offset by lower revenue from certain Tier 1 customers.

Services revenue increased by $15.8 million, or 5%, in 2021 from 2020. This increase was attributable to an increase in professional services revenue primarily from network installations. This was partially offset by a decrease in amortized services maintenance revenue as our installed product base has continued to transition to our newer product offerings.

2020 Compared to 2019. Product revenue increased by $34.1 million, or 3%, in 2020 from 2019. This increase was primarily driven by growth from key customers in APAC and the United States. This increase was partially offset by lower revenue from our cable vertical and a large European customer which had strong revenue related to new deployments in the second half of 2019.

Services revenue increased by $22.7 million, or 8%, in 2020 from 2019. This increase was attributable to an increase in amortized services maintenance revenue, driven by a new customer and growth in existing customer renewals, and an increase in professional services revenue primarily from network installations.

In line with typical seasonality in our industry, we expect our total revenue will be lower in the first quarter of 2022 as compared to the fourth quarter of 2021, as our customers determine and implement their 2022 budgets.

Revenue by geographic region is based on the shipping address of the customer. The following table summarizes our revenue by geography and sales channel for the periods presented (in thousands, except percentages):

	Years Ended					
	December 25, 2021	% of total revenue	December 26, 2020	% of total revenue	Change	% Change
Total revenue by geography						
Domestic	$ 663,808	47 %	$ 630,422	47 %	$ 33,386	5 %
International	761,397	53 %	725,174	53 %	36,223	5 %
	$ 1,425,205	100 %	$ 1,355,596	100 %	$ 69,609	5 %
Total revenue by sales channel						
Direct	$ 1,099,632	77 %	$ 1,039,976	77 %	$ 59,656	6 %
Indirect	325,573	23 %	315,620	23 %	9,953	3 %
	$ 1,425,205	100 %	$ 1,355,596	100 %	$ 69,609	5 %

	Years Ended					
	December 26, 2020	% of total revenue	December 28, 2019	% of total revenue	Change	% Change
Total revenue by geography						
Domestic	$ 630,422	47 %	$ 628,075	48 %	$ 2,347	— %
International	725,174	53 %	670,790	52 %	54,384	8 %
	$ 1,355,596	100 %	$ 1,298,865	100 %	$ 56,731	4 %
Total revenue by sales channel						
Direct	$ 1,039,976	77 %	$ 1,032,527	79 %	$ 7,449	1 %
Indirect	315,620	23 %	266,338	21 %	49,282	19 %
	$ 1,355,596	100 %	$ 1,298,865	100 %	$ 56,731	4 %

2021 Compared to 2020. Domestic revenue increased by $33.4 million, or 5%, in 2021 compared to 2020, primarily due to strong growth from ICP and other service provider customers, which was partially offset by declines from certain Tier 1 customers.

International revenue increased by $36.2 million, or 5%, in 2021 compared to 2020. In this period, EMEA revenue increased due to growth in our other service provider, cable and ICP verticals and in Other Americas due to certain large new deployments in our cable vertical. This growth was partially offset by a decline in APAC as we had certain large deployments in the second half of 2020.

Direct revenue increased by $59.7 million, or 6%, in 2021 compared to 2020, primarily due to the aforementioned revenue growth in EMEA and the United States and Other Americas. This was partially offset by revenue declines in APAC.

Indirect revenue increased $10.0 million, or 3%, primarily due to our growth in international revenue, where in certain regions we typically sell through channel partners as opposed to selling directly to customers.

2020 Compared to 2019. Domestic revenue increased by $2.3 million in 2020 compared to 2019, primarily due to strong growth from ICP customers. In 2020, the growth from our ICP vertical was nearly offset by moderate declines from certain cable and Tier 1 customers.

International revenue increased by $54.4 million, or 8%, in 2020 compared to 2019. In this period, revenue in APAC increased strongly due to certain large new deployments. We also enjoyed growth in Other Americas and in EMEA in 2020.

Indirect revenue increased $49.3 million, or 19%, primarily due to our growth in international revenue, where in certain regions we typically sell through channel partners as opposed to selling directly to customers.

Cost of Revenue and Gross Margin

2021 Compared to 2020. Gross margin increased to 35% in 2021 from 31% in 2020. In this period, our margins benefited from improved product mix including increased revenue from vertically-integrated products as well as reductions in integration-related expenses and restructuring costs.

2020 Compared to 2019. Gross margin increased to 31% in 2020 from 25% in 2019. In this period, our margins benefited from reductions in integration-related expenses and restructuring costs. We also reduced costs attributable to completing site and systems consolidations over the course of 2019.

In any given quarter, gross margins can fluctuate based on a number of factors, including the mix of footprint versus fill, product mix, customer mix and overall volume.

Amortization of Intangible Assets

2021 Compared to 2020. Amortization of intangible assets decreased by $9.6 million in 2021 from 2020 primarily due to certain technologies becoming fully amortized in 2020.

2020 Compared to 2019. Amortization of intangible assets decreased by $3.3 million in 2020 from 2019 due to certain technologies becoming fully amortized in 2020. The decrease was partially offset by capitalization of in-process technology to developed technology in late 2019.

Acquisition and Integration Costs

2021 Compared to 2020. Acquisition and integration costs decreased by $1.8 million in 2021 from 2020 due to the substantial completion of our integration efforts in 2020.

2020 Compared to 2019. Acquisition and integration costs decreased by $26.6 million in 2020 from 2019. This reduction has been the result of lower integration-related headcount, third-party contractors, and vendor spend during 2020 as we have largely completed our integration efforts.

Restructuring and Other Related Costs

2021 Compared to 2020. Restructuring and other related costs decreased $2.6 million in 2021 from 2020 reflecting the substantial completion of our Munich-related restructuring activities in 2020, which was part of our 2018 Restructuring Plan, partially offset by expenses associated with the 2021 Restructuring Plan.

2020 Compared to 2019. In 2020, within cost of revenue, we incurred $4.1 million in restructuring and other related costs, including $4.0 million of severance and related costs and $0.1 million of asset impairment charges and impaired facilities charges. The restructuring and other related costs decreased by $25.8 million due to the substantial completion of restructuring initiatives under the 2018 Restructuring Plan in 2020. This decrease was partially offset by additional costs under the 2020 Restructuring Plan initiated in the second quarter of 2020.

See Note 9, “Restructuring and Other Related Costs” to the Notes to Consolidated Financial Statements for more information on our restructuring plans.

Operating Expenses

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

	Years Ended					
	December 25, 2021	% of total revenue	December 26, 2020	% of total revenue	Change	% Change
Research and development	$ 299,894	21 %	$ 265,634	20 %	$ 34,260	13 %
Sales and marketing	138,829	10 %	129,604	10 %	9,225	7 %
General and administrative	115,415	8 %	112,240	8 %	3,175	3 %
Amortization of intangible assets	17,455	1 %	18,581	1 %	(1,126)	(6)%
Acquisition and integration costs	614	— %	13,346	1 %	(12,732)	(95)%
Restructuring and other related costs	13,246	1 %	24,586	2 %	(11,340)	(46)%
Total operating expenses	$ 585,453	41 %	$ 563,991	42 %	$ 21,462	4 %

	Years Ended					
	December 26, 2020	% of total revenue	December 28, 2019	% of total revenue	Change	% Change
Research and development	$ 265,634	20 %	$ 287,977	22 %	$ (22,343)	(8)%
Sales and marketing	129,604	10 %	151,423	12 %	(21,819)	(14)%
General and administrative	112,240	8 %	126,351	10 %	(14,111)	(11)%
Amortization of intangible assets	18,581	1 %	27,280	2 %	(8,699)	(32)%
Acquisition and integration costs	13,346	1 %	42,271	3 %	(28,925)	(68)%
Restructuring and other related costs	24,586	2 %	40,851	3 %	(16,265)	(40)%
Total operating expenses	$ 563,991	42 %	$ 676,153	52 %	$ (112,162)	(17)%

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

	Years Ended		
	December 25, 2021	December 26, 2020	December 28, 2019
Research and development	$ 18,554	$ 16,863	$ 17,457
Sales and marketing	12,345	10,907	8,413
General and administration	12,985	13,906	10,460
Total	$ 43,884	$ 41,676	$ 36,330

Research and Development Expenses

2021 Compared to 2020. Research and development expenses increased by $34.3 million, or 13%, in 2021 from 2020. The increase was primarily attributable to higher employee-related costs and equipment and software spending related to investments in future technologies. In 2022, we expect to make additional targeted

innovation investments in research and development to support our strategy of expanding our vertically integrated product portfolio, including bringing new products to market quickly.

2020 Compared to 2019. Research and development expenses decreased by $22.3 million, or 8%, in 2020 from 2019. The decrease was primarily attributable to lower employee-related costs and lower travel costs due to the COVID-19 pandemic. The decreases were partially offset by higher outside services spend associated with bringing our new technologies to market. As employee-related costs have declined, we have continued to make targeted innovation investments in research and development to support our strategy of expanding our vertically integrated product portfolio, including bringing new products to market quickly.

Sales and Marketing Expenses

2021 Compared to 2020. Sales and marketing expenses increased by $9.2 million, or 7%, in 2021 from 2020. This increase was driven by higher employee-related costs including higher commissions and other costs, primarily driven by higher bookings. The 2021 increase was partially offset by lower travel and marketing-related expenses.

2020 Compared to 2019. Sales and marketing expenses decreased by $21.8 million, or 14%, in 2020 from 2019. This decrease was driven by lower travel and marketing-related expenses, primarily driven by the impact of the COVID-19 pandemic. We also had lower employee-related spend during these periods, primarily due to workforce reduction initiatives. The 2020 decrease was partially offset by higher stock-based compensation expenses.

General and Administrative Expenses

2021 Compared to 2020. General and administrative expenses increased by $3.2 million, or 3%, in 2021 from 2020. The increase was attributable to higher employee-related costs, primarily driven by an increase in bonus expenses, and litigation settlements in the second and third quarters of 2021. This was partially offset by lower professional fees and depreciation.

2020 Compared to 2019. General and administrative expenses decreased by $14.1 million, or 11%, in 2020 from 2019. The decrease was attributable to lower outside services spend stemming from cost management initiatives, lower employee-related expenses, lower travel expenses due to the COVID-19 pandemic, and a litigation settlement in the second quarter of 2019.

Amortization of Intangible Assets

2021 Compared to 2020. Amortization of intangible assets decreased by $1.1 million in 2021 from 2020 primarily due to higher amortization of customer relationships and backlog by $1.5 million in 2020. Customer relationships and backlog are amortized over the expected customer lives.

2020 Compared to 2019. Amortization of intangible assets decreased by $8.7 million in 2020 from 2019 primarily due to higher amortization of customer relationships and backlog by $8.1 million in 2019. Customer relationships and backlog is amortized over the expected customer lives.

Acquisition and Integration Costs

2021 Compared to 2020. Acquisition and integration costs decreased by $12.7 million in 2021 from 2020 primarily due to the completion of our integration efforts related to the Acquisition in the first quarter of 2021.

2020 Compared to 2019. Acquisition and integration costs decreased by $28.9 million in 2020 from 2019 due to the substantial completion of our integration efforts in 2020.

Restructuring and Other Related Costs

2021 Compared to 2020. Restructuring and other related costs decreased by $11.3 million in 2021 compared to 2020. The severance and related costs decreased by $9.4 million due to the substantial completion of our Munich-related restructuring activities in 2020, and a decrease of $1.9 million in facilities and related impairments.

2020 Compared to 2019. Restructuring and other related costs decreased by $16.3 million in 2020 compared to 2019. The severance and related costs decreased by $11.2 million due to the substantial completion of restructuring initiatives under the 2018 Restructuring Plan in 2020. This decrease was partially offset by additional costs under the 2020 Restructuring Plan initiated in the second quarter of 2020. Facilities-related impairment charges decreased by $4.9 million due to impairment of a facility in Naperville, Illinois in 2019. The decrease was by offset additional impairment charges on our facility in Naperville and impairment of certain other leased facilities recorded in 2020.

See Note 9, "Restructuring and Other Related Costs" to the Notes to Consolidated Financial Statements for more information on our restructuring plans.

Other Income (Expense), Net

	Years Ended		
	December 25, 2021	**December 26, 2020**	**December 28, 2019**
		(In thousands)	
Interest income	$ 455	$ 118	$ 1,139
Interest expense	(49,099)	(46,728)	(31,657)
Other gain (loss), net	(22,667)	1,121	(2,907)
Total other income (expense), net	$ (71,311)	$ (45,489)	$ (33,425)

2021 Compared to 2020.

Interest income was respectively immaterial.

Interest expense increased by $2.4 million, primarily due to increased accretion of debt discount and amortization of debt issuance costs on the 2027 Notes and the 2024 Notes, contractual interest on the 2027 Notes, and a nonrecurring interest credit from a supplier in 2020. This increase was partially offset by a decrease in interest expense on the Credit Facility, which was repaid in January 2021, and the Finance Assistance Agreement, which was repaid in April 2021, and a decrease in other interest related charges.

The increase in other gain (loss), net, was a loss of $23.8 million primarily due to increase in unrealized foreign exchange losses driven by foreign currency exchange rate changes.

2020 Compared to 2019.

Interest income decreased by $1.0 million in 2020 compared to 2019, primarily due to the liquidation of investments in 2019.

Interest expense increased by $15.1 million, primarily due to amortization of debt discount and debt issuance costs of $6.3 million and contractual interest of $4.0 million on the new convertible debt issued in March 2020, a $1.9 million increase in amortization of debt discount and debt issuance costs on the 2024 Notes (as described below), a $0.9 million increase in interest on a financing assistance arrangement obtained in May 2019, and a $3.7 million increase in interest and other related charges related to the Credit Facility (as described and defined below) obtained in August 2019, and as amended. This increase was offset by a $1.4 million of interest credit from a supplier and reduction in miscellaneous interest charges of $0.3 million.

The change in other gain (loss), net, in 2020 from 2019 was $4.0 million due to a decrease in foreign exchange losses, primarily driven by the favorable foreign currency exchange rate changes.

Provision for Income Taxes

We recognized an income tax expense of $12.0 million on a loss before income taxes of $158.8 million, $6.0 million on a loss before income taxes of $200.7 million, and an income tax benefit of $3.0 million on a loss before income taxes of $383.7 million in 2021, 2020 and 2019, respectively. The resulting effective tax rates were (7.5)%, (3.0)% and 0.8% for 2021, 2020 and 2019, respectively. The 2021 and 2020 effective tax rates differ from the expected statutory rate of 21% based on our ability to benefit from our U.S. loss carryforwards, offset by state income taxes, non-deductible stock-based compensation expenses and foreign taxes provided on foreign

subsidiary earnings. The increase in 2021 income tax provision compared to 2020 is due to additional foreign earnings.

Because of our U.S. operating loss in 2021, significant loss carryforward position, and corresponding valuation allowance in all years, other than separate filing state taxes and minimum taxes, we have not been subject to federal or state tax on our U.S. income because of the availability of loss carryforwards. If these losses and other tax attributes become fully utilized, our taxes will increase significantly to a more normalized, expected rate on U.S. earnings. Any potential release of transfer pricing reserves in the future would have a beneficial impact to tax expense, but the timing of the impact depends on factors such as expiration of the statute of limitations or settlements with tax authorities. No significant releases are expected in the near future based on information available at this time.

Liquidity and Capital Resources

	Years Ended		
	December 25, 2021	December 26, 2020	December 28, 2019
	(In thousands)		
Net cash flow provided by (used in):			
Operating activities	$ 28,128	$ (112,300)	$ (167,350)
Investing activities	$ (41,379)	$ (39,009)	$ (12,609)
Financing activities	$ (101,544)	$ 334,162	$ 71,910

	Years Ended	
	December 25, 2021	December 26, 2020
	(In thousands)	
Cash	$ 190,611	$ 298,014
Restricted cash	11,910	17,369
	$ 202,521	$ 315,383

Our restricted cash balance amounts are primarily pledged as collateral for certain standby letters of credit related to customer performance guarantees, value added tax licenses and property leases.

Operating Activities

Net cash provided by operating activities was $28.1 million for 2021, as compared to net cash used in operating activities of $112.3 million for 2020 and net cash used in operating activities of $167.4 million for 2019.

Net loss for 2021 was $170.8 million, which included non-cash charges of $193.8 million such as depreciation, stock-based compensation, amortization of intangibles assets, operating lease expense, restructuring charges and related costs, and amortization of debt discount and debt issuance costs, compared to a net loss of $206.7 million in 2020, which included non-cash charges of $206.2 million. Net cash provided by working capital was $5.1 million in 2021. Accounts receivable increased by $45.8 million due to higher billings to customers and timing of collections. Inventory levels increased by $28.0 million due to longer lead time on supply which requires more inventory on hand and higher service inventory to meet customer service level agreements. Prepaid and other assets decreased by $0.4 million primarily due to timing of value-added tax and income tax payments and increase in customer contract assets. Accounts payable increased by $32.3 million primarily due timing of payments to suppliers. Accrued liabilities and other expenses increased by $39.3 million primarily due to accrual of 2021 corporate bonus, restructuring liabilities, tax liabilities, purchases of shares of our common stock under our 2007 Employee Stock Purchase Plan (the "ESPP") in 2021 and no accrual for 2020 corporate bonus. Deferred revenue increased by $7.8 million due to higher maintenance renewals during the period attributable to expanding our installed base. Maintenance contracts are typically contracted on an annual or multi-year basis.

Net loss for 2020 was $206.7 million, which included non-cash charges of $206.2 million such as depreciation, stock-based compensation, amortization of intangibles, operating lease expense, restructuring charges and related costs, and amortization of debt discount and debt issuance costs, compared to a net loss of $386.6 million in 2019, which included non-cash charges of $227.5 million. Net cash used in working capital was $111.8 million in 2020. Accounts receivable decreased by $32.2 million due to cash collections. Inventory levels decreased by $71.4 million due to management efforts to reduce inventory. Prepaid and other assets increased by $36.1 million primarily due to timing of value-added tax and income tax payments and increase in customer contract assets. Accounts payable decreased by $93.4 million primarily due to more timely payments to suppliers. Accrued liabilities and other expenses decreased by $107.7 million primarily due to the payment of the 2019 corporate bonus, restructuring liabilities, tax liabilities, purchases of shares of our common stock under our 2007 Employee Stock Purchase Plan (the "ESPP") in 2020 and no accrual for 2020 corporate bonus. Deferred revenue increased by $21.9 million due to higher maintenance renewals during the period attributable to expanding our installed base. Maintenance contracts are typically contracted on an annual or multi-year basis.

Net loss for 2019 was $386.6 million, which included non-cash charges of $227.5 million, compared to a net loss for 2018 of $214.3 million, which included non-cash charges of $172.4 million. Net cash used in working capital was $8.3 million for 2019. Accounts receivables increased by $35.4 million attributable to higher revenue levels during 2019 and the timing of invoicing and collections. Inventory levels increased by $42.8 million to address strong customer demand for our ICE4 products, and additional inventory to support our manufacturing transition and integration efforts. Prepaid and other assets increased by $93.6 million primarily due to timing of tax payments, and increase in customer contract assets. Accounts payable increased by $83.3 million primarily to support integration initiatives and the increase in inventory. Accrued liabilities and other expenses increased by $54.7 million primarily due to increased compensation-related expenses and timing of tax payments. Deferred revenue increased by $25.7 million due to maintenance renewals on our growing installed base, which are typically contracted on an annual or multi-year basis.

Investing Activities

Net cash used in investing activities for 2021 was $41.4 million for the purchase of property and equipment.

Net cash used in investing activities for 2020 was $39.0 million for the purchase of property and equipment.

Net cash used in investing activities for 2019 was $12.6 million. Investing activities during 2019 included the net escrow payment of $10.0 million in connection with the Acquisition, and net proceeds of $26.6 million associated with sales, maturities and purchases of investments during the year. In addition, we spent $30.2 million on capital expenditures and received additional proceeds on the sale of our non-marketable equity investments of $1.0 million.

Financing Activities

Net cash used in financing activities was $101.5 million for 2021. Financing activities in 2021 included repayments of $77.0 million under the Credit Facility and $24.6 million under the financing assistance arrangement, and payments of $1.6 million for finance lease obligations and $7.3 million for term license purchases. The period also included net proceeds of $16.5 million from the issuance of shares under our ESPP and the exercise of stock options. These proceeds were offset by tax withholdings of $7.2 million paid on behalf of certain employees for net share settlements of restricted stock units ("RSUs").

Net cash provided by financing activities was $334.2 million for 2020. Financing activities in 2020 included net proceeds of $92.9 million from our common stock "at-the-market" offering program (net of commissions and other charges), $194.5 million from issuance of the 2027 Notes and $55.0 million from the Credit Facility (as described below). Payments during this period included $8.0 million under the Credit Facility, $5.3 million under the financing assistance arrangement, $2.5 million in debt issuance cost, $1.6 million for finance lease obligations and $5.7 million for term license purchase. The period also included net proceeds from the issuance of shares under our ESPP and the exercise of stock options. These proceeds were offset by the minimum tax withholdings paid on behalf of certain employees for net share settlements of restricted stock units ("RSUs").

Net cash provided by financing activities was $71.9 million for 2019. Financing activities in 2019 included proceeds of $8.6 million from issuance of debt associated with mortgaging one of our facilities, $48.1 million from a new revolving line of credit obtained in August 2019 and subsequently amended in December

2019 (as described under “Liquidity and Capital Resources-Liquidity” below) and $24.3 million under a financing assistance arrangement with third-party contract manufacturer. Financing activities during 2019 also included $20.0 million for the repayment of the revolving line of credit. The period also included net proceeds from the issuance of shares under our ESPP and the exercise of stock options. These proceeds were offset by the minimum tax withholdings paid on behalf of certain employees for net share settlements of RSUs.

Liquidity

We believe that our current cash, along with the Credit Facility (as defined below) will be sufficient to meet our anticipated cash needs for working capital and capital expenditures, payments under the financing assistance arrangement with the third-party contract manufacturer, and the interest payments on the Notes and the Credit Facility for at least 12 months. While we believe we have enough cash to operate our business for the next 12 months, if the impact of the COVID-19 pandemic to our business and financial position is more extensive than expected and the existing sources of cash are insufficient to satisfy our liquidity requirements, we may require additional capital from equity or debt financings to fund our operations, to respond to competitive pressures or strategic opportunities, or otherwise. In addition, we are continuously evaluating alternatives for efficiently funding our capital expenditures and ongoing operations. We may, from time to time engage in a variety of financing transactions for such purposes. We may not be able to secure timely additional financing on favorable terms, or at all. The terms of any additional financings may place limits on our financial and operating flexibility. If we raise additional funds through further issuances of equity or equity-linked securities, 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.

On August 12, 2020, we entered into the Sales Agreement with Jefferies LLC ("Jefferies") under which the Company issued and sold through Jefferies, acting as agent and/or principal, shares of our common stock having an aggregate offering price of $96.3 million. During the fiscal year ended December 26, 2020, we issued and sold 12,000,000 shares of our common stock under the Sales Agreement, for net proceeds of approximately $93.4 million, after paying Jefferies a sales commission of approximately $2.9 million related to those shares. We used the net proceeds for general corporate purposes, including working capital and capital expenditures.

On March 9, 2020, we issued the 2027 Notes, which will mature on March 1, 2027, unless earlier repurchased, redeemed or converted. Interest is payable semi-annually in arrears on March 1 and September 1 of each year, commencing on September 1, 2020. The net proceeds from the 2027 Notes issuance were approximately $194.5 million and we intend to use the net proceeds for general corporate purposes, including working capital to fund growth and potential strategic projects.

Upon conversion, it is our intention to pay cash equal to the lesser of the aggregate principal amount or the conversion value of the 2027 Notes. For any remaining conversion obligation, we intend to 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 25, 2021, long-term debt, net, included $140.3 million outstanding for the 2027 Notes, which represents the liability component of the $200.0 million principal balance, net of $59.7 million of unamortized debt discount and debt issuance costs. The debt discount and debt issuance costs are currently being amortized over the remaining term until maturity of the 2027 Notes on March 1, 2027. To the extent that the holders of the 2027 Notes request conversion during an early conversion window, we may require funds for repayment of such 2027 Notes prior to their maturity date.

As of December 25, 2021, contractual obligations related to the 2027 Notes are payments of $5.0 million due each year from 2022 through 2026 and $202.5 million due in 2027. These amounts represent principal and interest cash payments over the term of the 2027 Notes. Any future redemption or conversion of the Notes could impact the amount or timing of our cash payments. For more information regarding the 2027 Notes, see Note 12, “Debt” to the Notes to Consolidated Financial Statements.

On August 1, 2019, we entered into a Credit Agreement (the "Credit Agreement") with Wells Fargo Bank. The Credit Agreement provides for a senior secured asset-based revolving credit facility of up to $100 million (the "Credit Facility"), which we may draw upon from time to time. The Credit agreement included an option to increase the total commitments under the Credit Facility by up to an additional $50 million, subject to certain conditions. The Credit Agreement provides for a $50 million letter of credit sub-facility and a $10 million swing loan sub-facility.

On December 23, 2019, we exercised our option to increase the total commitments under the Credit Facility and entered into an Increase Joinder and Amendment Number One to Credit Agreement (the

“Amendment”), with BMO Harris Bank N.A. and Wells Fargo Bank, as administrative agent. The amendment increased the total commitments under the Credit Facility to $150 million.

The proceeds of the loans under the Credit Agreement, as amended by the Amendment (the “Amended Credit Agreement”) may be used to pay the fees, costs and expenses incurred in connection with the Amended Credit Agreement and for working capital and general corporate purposes. The Credit Facility matures, and all outstanding loans become due and payable, on March 5, 2024. Availability under the Credit Facility is based upon periodic borrowing base certifications valuing certain inventory and accounts receivable, as reduced by certain reserves. The Credit Facility is secured by first-priority security interest (subject to certain exceptions) in inventory, certain related assets, specified deposit accounts, and certain other accounts in certain domestic subsidiaries.

Loans under the Amended Credit Agreement bear interest, at our option, at either a rate based on the London Interbank Offered Rate (“LIBOR”) for the applicable interest period or a base rate, in each case plus a margin. The margin ranges from 2.00% to 2.50% for LIBOR rate loans and 1.00% to 1.50% for base rate loans, depending on the utilization of the Credit Facility. The fee payable on the unused portion of the Credit Facility ranges from 0.375% to 0.625% per annum, also based on the current utilization of the Credit Facility. Letters of credit issued pursuant to the Credit Facility will accrue a fee at a per annum rate equal to the applicable LIBOR rate margin times the average amount of the letter of credit usage during the immediately preceding quarter in addition to the fronting fees, commissions and other fees. As of December 25, 2021, we had no outstanding borrowings under the Credit Facility, see Note 12, “Debt” to the Notes to Consolidated Financial Statements.

In September 2018, we issued the 2024 Notes, which will mature on September 1, 2024, unless earlier repurchased, redeemed or converted. Interest is payable semi-annually in arrears on March 1 and September 1 of each year, which commenced on March 1, 2019. The net proceeds from the 2024 Notes issuance were approximately $391.4 million, of which approximately $48.9 million was used to pay the cost of the capped call transactions. We also used a portion of the remaining net proceeds to fund the cash portion of the purchase price of the Acquisition, including fees and expenses relating thereto, and intend to use the remaining net proceeds for 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 2024 Notes. For any remaining conversion obligation, we intend to 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 25, 2021, long-term debt, net, was $329.3 million, which represents the liability component of the $402.5 million principal balance, net of $73.2 million of unamortized debt discount and debt issuance costs. The debt discount and debt issuance costs are currently being amortized over the remaining term until maturity of the 2024 Notes on September 1, 2024. To the extent that the holders of the 2024 Notes request conversion during an early conversion window, we may require funds for repayment of such 2024 Notes prior to their maturity date.

As of December 25, 2021, contractual obligations related to the 2024 Notes are payments of $8.6 million due each year from 2022 through 2023 and $411.1 million due in 2024. These amounts represent principal and interest cash payments over the term of the 2024 Notes. Any future redemption or conversion of the Notes could impact the amount or timing of our cash payments. For more information regarding the 2024 Notes, see Note 12, “Debt” to the Notes to Consolidated Financial Statements.

As of December 25, 2021, we had $202.5 million of cash and restricted cash including $77.6 million of cash held by our foreign subsidiaries. Our policy with respect to undistributed foreign subsidiaries' earnings is to consider those earnings to be indefinitely reinvested. As a result of the enactment in the United States of the Tax Cuts and Jobs Act of 2017, if and when funds are actually distributed in the form of dividends or otherwise, we expect minimal tax consequences, except for foreign withholding taxes, which would be applicable in some jurisdictions.

We had stand by letter of credit and bank guarantees as of the years ended December 25, 2021 and December 26, 2020, respectively.

See Note 14, “Guarantees” to the Notes to Consolidated Financial Statements for further information.

Contractual Obligations

The following is a summary of our contractual obligations as of December 25, 2021 and December 26, 2020 (in thousands):

	December 25, 2021	December 26, 2020	Change	% Change
Operating leases[1]	$ 90,887	$ 121,898	$ (31,011)	(25)%
Financing lease obligations	2,337	2,683	(346)	(13)%
Purchase obligations[2]	591,540	291,365	300,175	103 %
2027 Notes, including interest[3]	227,500	232,500	(5,000)	(2)%
2024 Notes, including interest[3]	428,159	436,712	(8,553)	(2)%
Mortgage payable, including interest	8,392	9,570	(1,178)	(12)%
Financing assistance agreement, including interest[4]	—	26,263	(26,263)	(100)%
Asset-based revolving credit facility[4]	—	77,750	(77,750)	(100)%
Total contractual obligations[5]	$ 1,348,815	$ 1,198,741	$ 150,074	13 %

(1) We lease facilities under non-cancelable operating lease agreements. These leases have varying terms that range from one to 11 years, and contain leasehold improvement incentives, rent holidays and escalation clauses. In addition, some of these leases have renewal options for up to six years. We also have contractual commitments to remove leasehold improvements and return certain properties to a specified condition when the leases terminate. In 2021 certain operating leases had expired. See Note 13, "Commitments and Contingencies" to the Notes to Consolidated Financial Statements for more information.

(2) We have service agreements with certain production suppliers under which we are committed to purchase certain parts. The increase in purchase obligations compared with the end of fiscal 2020 was due to increased lead-time commitments required to secure supply and pricing for certain product components.

(3) For additional information regarding our asset-based revolving credit facility and 2027 and 2024 Notes, see Note 12, “Debt” to the Notes to Consolidated Financial Statements.

(4) Our financing assistance agreement and asset-based revolving facility were repaid during 2021. See Note 12, "Debt” to the Notes to Consolidated Financial Statements for more information.

(5) Certain commitments and contingencies are not included in the table because we cannot reliably estimate the timing and amount of future payments, if any. For example, tax liabilities of $14.9 million related to uncertain tax positions and expected future payments to our pension and post-employment plans are excluded from the contractual obligation table because they do not represent contractual cash outflows as they are dependent on various factors. See Note 18, "Employee Benefit and Pension Plans" to the Notes to Consolidated Financial Statements for more information relating to our pension and post-retirement benefit plans.

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, 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. See Note 2, “Significant Accounting Policies” to the Notes to Consolidated Financial Statements, which is included in Part II, Item 8 of this Annual Report on Form 10-K. Financial Statements and Supplementary Data, which describes our significant accounting policies and methods used in preparation of our consolidated financial statements. Management believes that the estimates, assumptions 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.

We believe our critical accounting policies and estimates are those related to revenue recognition, accounting for income taxes, and inventory valuation. Management considers these policies critical because they are both important to the portrayal of our financial condition and results of operations, and they require management to make judgments and estimates about inherently uncertain matters.

Revenue Recognition

We recognize revenue when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

We determine revenue recognition by applying the following five-step approach:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, we satisfy a performance obligation.

Many of our product sales are sold in combination with installation and deployment services along with initial hardware and software support. Our product sales are also sold at times with spares management, on-site hardware replacement services, network operations management, software subscription services, extended hardware warranty and training. Initial software and hardware support services are generally delivered over a one-year period in connection with the initial purchase. Software warranty provides customers with maintenance releases during the warranty support period and hardware warranty provides replacement or repair of equipment that fails to perform in line with specifications. Software subscription services include 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. Network operations management includes the day-to-day operation of a customer's network. These services are generally delivered on an annual basis. We evaluate each promised good and service in a contract to determine whether it represents a distinct performance obligation or should be accounted for as a combined performance obligation.

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

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. We typically satisfy our performance obligations upon shipment or delivery of product depending on the contractual terms. Payment terms to customers generally range from net 30 to 120 days from invoice, which are considered to be standard payment terms. We assess our ability to collect from our customers based primarily on the creditworthiness and past payment history of the customer.

Customer product returns are generally 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 recorded as a reduction to revenue.

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.

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.

Customer Purchase Commitments

We sell software licenses that provide customers the ability to purchase incremental bandwidth capacity on an already-deployed piece of hardware. Instant Bandwidth-enabled systems generally include a specific initial capacity and incremental capacity can be added by the purchase of Instant Bandwidth licenses. Instant Bandwidth licenses are considered distinct performance obligations because customers can provision additional transmission capacity on demand without the deployment of any incremental equipment.

Some contracts commit the customer to purchase incremental Instant Bandwidth licenses within a specified time frame from the initial shipment of the Instant Bandwidth-enabled hardware. The time frame varies by customer and generally ranges between 12 to 24 months. If the customer does not purchase the additional capacity within the time frame as stated in the contract, we have the right to deliver and invoice such Instant Bandwidth licenses to the customer. Future committed licenses are considered to be additional performance obligations when a minimum purchase obligation is present, as evidenced by enforceable rights and obligations. As such, we are required to estimate the variable consideration for future Instant Bandwidth licenses as part of determining the contract transaction price.

Contract Termination Rights

The contract term is determined on the basis of the period over which the parties to the contract have present enforceable rights and obligations. Certain customer contracts include a termination for convenience clause that allows the customer to terminate services without penalty, upon advance notification. For such contracts, the service duration is limited to the non-cancelable portion of the contract.

Variable Consideration

The consideration associated with customer contracts is generally fixed. Variable consideration includes discounts, rebates, refunds, credits, incentives, penalties, or other similar items. The amount of consideration that can vary is not a substantial portion of total consideration.

Variable consideration estimates are re-assessed at each reporting period until a final outcome is determined. The changes to the original transaction price due to a change in estimated variable consideration will be applied on a retrospective basis, with the adjustment recorded in the period in which the change occurs.

Stand-alone Selling Price

Stand-alone selling price is the price at which an entity would sell a good or service on a stand-alone (or separate) basis at contract inception. Under this model, the observable price of a good or service sold separately provides the best evidence of stand-alone selling price. However, in certain situations, stand-alone selling prices will not be readily observable and the entity must estimate the stand-alone selling price.

When allocating on a relative stand-alone selling price basis, any discount provided in the contract is generally allocated proportionately to all of the performance obligations in the contract.

The majority of products and services offered by us have readily observable selling prices. For products and services that do not, we generally estimate stand-alone selling price using the market assessment approach based on expected selling price and adjust those prices as necessary to reflect our costs and margins. As part of our stand-alone selling price policy, we review product pricing on a periodic basis to identify any significant changes and revise our expected stand-alone selling price assumptions as appropriate.

Transaction Price Allocated to the Remaining Performance Obligation

Our remaining performance obligations represent the transaction price allocated to performance obligations that are unsatisfied or partially satisfied, as of period end, consisting of deferred revenue and backlog. Our backlog represents purchase orders received from customers for future product shipments and services that are unsatisfied or partially satisfied as of period end. 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.

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 the Company believes that recovery does not meet the “more-likely-than-not” standard, it 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 its provision for income taxes, its deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. In evaluating the need for a full or partial valuation allowance, all positive and negative evidence must be considered, including the Company's forecast of taxable income over the applicable carryforward periods, its current financial performance, its market environment, and other factors. Based on the available objective evidence, at December 25, 2021, management believes it is not more likely than not that the domestic net deferred tax assets will be realizable in the foreseeable future. Accordingly, the domestic net deferred tax assets are subject to a full valuation allowance. To the extent that the Company determines that deferred tax assets are realizable on a more likely than not basis, and an adjustment is needed, that adjustment will be recorded in the period that the determination is made.

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 or net realizable value. Costs are recognized utilizing the first-in, first-out method. Net realizable 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 net realizable value of inventory 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 net realizable value of inventory 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 net realizable value, whichever is lower, thereby recognizing the cost of the reduction in net realizable value of inventory 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 actual cost or net realizable value.

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 contractual 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.

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

We operate in international markets, which expose us to market risk associated with foreign currency exchange rate fluctuations between the U.S. dollar and various foreign currencies, the most significant of which is the euro. Historically, the majority of our revenue contracts were denominated in U.S. dollars, with the most significant exception being in Europe, where we invoice primarily in euros and SEK. Additionally, a portion of our expenses, primarily the cost of personnel for research and development, sales and sales support to deliver technical support on our products and professional services, and the cost to manufacture, are denominated in foreign currencies, primarily the Indian rupee, the euro, the SEK and the British pound. As a result of the Acquisition, we have increased our exposure to a broader set of currencies. Revenue resulting from selling in local currencies and costs incurred in local currencies are exposed to foreign currency exchange rate fluctuations that can affect our operating income. As exchange rates vary, operating income may differ from expectations.

We currently enter into foreign currency exchange forward contracts to 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.

We enter into foreign currency exchange forward contracts to reduce the impact of foreign currency fluctuations on certain non-functional currency denominated account balances primarily in euros and British pounds. As a result, we do not expect a significant impact to our results from a change in exchange rates on foreign denominated non-functional account balances in the near-term. Gains and losses on these contracts are intended to offset the impact of foreign exchange rate fluctuations on the underlying foreign currency denominated non-functional currency account balances. Accordingly, the effect of an immediate 10% adverse change in foreign exchange rates on these transactions during 2021 would not be material to our results of operations.

Interest Rate Risk

We had cash and restricted cash totaling $202.5 million and $315.4 million as of December 25, 2021 and December 26, 2020, respectively. The unrestricted cash is held for working capital purposes. We do not enter into investments for speculative purposes. The effect of an immediate 10% adverse change in interest rates would not be material to our results of operations.

In September 2018 and March 2020, we issued the 2024 Notes and 2027 Notes, respectively (collectively, the "Notes"). The 2024 and 2027 Notes have a fixed annual interest rate of 2.125% and 2.50%, respectively, and, therefore, we do not have economic interest rate exposure on the 2024 and 2027 Notes. However, the fair values of the 2027 Notes are subject to interest rate risk, credit 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 fair value of the Notes will generally increase as our credit worthiness improves and decrease when our creditworthiness weakens. 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. As of December 25, 2021, the fair value of the 2024 and 2027 Notes was $472.1 million and $293.4 million, respectively. The fair value was determined based on the estimated fair value or quoted bid price as applicable of the 2024 and 2027 Notes in an over-the-counter market on December 23, 2021. The Notes are classified as Level 2 of the fair value hierarchy.

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. If our common stock price is above the initial conversion price of $9.87 or $7.66 for the 2024 and 2027 Notes, respectively, upon conversion or at maturity, the amount of cash or shares of common stock required to pay the conversion premium is not fixed and would increase if our common stock price increases.

See Note 12, “Debt” to the Notes to Consolidated Financial Statements for further information.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Reports of Ernst & Young LLP, Independent Registered Public Accounting Firm (PCAOB ID: 42)	65
Consolidated Balance Sheets	68
Consolidated Statements of Operations	69
Consolidated Statements of Comprehensive Income (Loss)	70
Consolidated Statements of Stockholders’ Equity	71
Consolidated Statements of Cash Flows	72
Notes to Consolidated Financial Statements	74
Note 1: Organization and Basis of Presentation	74
Note 2: Significant Accounting Policies	74
Note 3: Leases	85
Note 4: Revenue Recognition	86
Note 5: Fair Value Measurements	89
Note 6: Derivative Instruments	90
Note 7: Goodwill and Intangibles	91
Note 8: Balance Sheet Details	93
Note 9: Restructuring and Other Related Costs	95
Note 10: Accumulated Comprehensive Income (Loss)	97
Note 11: Basic and Diluted Net Loss Per Common Share	97
Note 12: Debt	98
Note 13: Commitments and Contingencies	105
Note 14: Guarantees	107
Note 15: Stockholders' Equity	108
Note 16: Income Taxes	112
Note 17: Segment Information	116
Note 18: Employee Benefit and Pension Plans	116
Note 19: Financial Information by Quarter (Unaudited)	121

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

To the Stockholders and the Board of Directors of Infinera Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Infinera Corporation (the Company) as of December 25, 2021 and December 26, 2020, 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 25, 2021, and the related notes and the financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 25, 2021 and December 26, 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 25, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 25, 2021, 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 23, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Inventory Valuation

Description of the Matter

At December 25, 2021, the Company's inventory balance was $291.4 million and represented 18.4% of total assets. As discussed in Note 2 of the consolidated financial statements, the Company assesses the valuation of inventories, including raw materials, work-in-process, and finished goods, in each reporting period. Obsolete inventory or inventory in excess of management's forecasted demand is written down to its estimated net realizable value if less than cost.

Auditing management's estimates for excess and obsolete inventory involved subjective auditor judgement because the estimates rely on a number of factors that are affected by market and economic conditions outside the Company's control. In particular, the excess and obsolete inventory calculations are sensitive to significant assumptions, including forecasted demand for the Company's products.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of internal controls over the Company's excess and obsolete inventory reserve process. This included controls over management's assessment of the forecasted demand for their products and the completeness and accuracy of the data underlying the excess and obsolete inventory valuation.

Our audit procedures included, among others, evaluating the significant assumptions including forecasted demand and the accuracy and completeness of the underlying data management used to value excess and obsolete inventory. We compared the cost of on-hand inventories to customer demand forecasts and historical sales and evaluated adjustments to sales forecasts for specific product considerations, such as technological changes or alternative uses. We also assessed the historical accuracy of management's estimates and performed sensitivity analyses over the significant assumptions to evaluate the changes in the excess and obsolete inventory estimates that would result from changes in the underlying assumptions.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2001.

San Jose, California

February 23, 2022

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

To the Stockholders and the Board of Directors of Infinera Corporation

Opinion on Internal Control over Financial Reporting

We have audited Infinera Corporation's internal control over financial reporting as of December 25, 2021, 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). In our opinion, Infinera Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 25, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets as of December 25, 2021 and December 26, 2020, 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 25, 2021, and the related notes and the financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements") and our report dated February 23, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

The Company'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 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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

/s/ Ernst & Young LLP

San Jose, California

February 23, 2022

INFINERA CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except par values)

	December 25, 2021	December 26, 2020
ASSETS		
Current assets:		
Cash	$ 190,611	$ 298,014
Short-term restricted cash	2,840	3,293
Accounts receivable, net	358,954	319,428
Inventory	291,367	269,307
Prepaid expenses and other current assets	147,989	171,831
Total current assets	991,761	1,061,873
Property, plant and equipment, net	160,218	153,133
Operating lease right-of-use assets	45,338	68,851
Intangible assets, net	86,574	124,882
Goodwill	255,788	273,426
Long-term restricted cash	9,070	14,076
Other long-term assets	38,475	36,256
Total assets	$ 1,587,224	$ 1,732,497
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 216,404	$ 175,762
Accrued expenses and other current liabilities	147,029	150,550
Accrued compensation and related benefits	88,021	52,976
Short-term debt, net	533	101,983
Accrued warranty	23,204	19,369
Deferred revenue	137,297	133,246
Total current liabilities	612,488	633,886
Long-term debt, net	476,789	445,996
Long-term accrued warranty	21,106	21,339
Long-term deferred revenue	31,612	29,810
Long-term deferred tax liability	2,364	4,164
Long-term operating lease liabilities	54,326	76,126
Other long-term liabilities	64,768	94,892
Commitments and contingencies (Note 13)		
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 2021 and 500,000 in 2020 Issued and outstanding shares—211,381 in 2021 and 201,397 in 2020	211	201
Additional paid-in capital	2,026,098	1,965,245
Accumulated other comprehensive loss	(4,496)	(11,898)
Accumulated deficit	(1,698,042)	(1,527,264)
Total stockholders' equity	323,771	426,284
Total liabilities and stockholders' equity	$ 1,587,224	$ 1,732,497

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 25, 2021	December 26, 2020	December 28, 2019
Revenue:			
Product	$ 1,099,376	$ 1,045,551	$ 1,011,488
Services	325,829	310,045	287,377
Total revenue	1,425,205	1,355,596	1,298,865
Cost of revenue:			
Cost of product	732,071	751,465	735,059
Cost of services	174,008	160,118	146,916
Amortization of intangible assets	19,621	29,247	32,583
Acquisition and integration costs	—	1,828	28,449
Restructuring and other related costs	1,531	4,146	29,935
Total cost of revenue	927,231	946,804	972,942
Gross profit	497,974	408,792	325,923
Operating expenses:			
Research and development	299,894	265,634	287,977
Sales and marketing	138,829	129,604	151,423
General and administrative	115,415	112,240	126,351
Amortization of intangible assets	17,455	18,581	27,280
Acquisition and integration costs	614	13,346	42,271
Restructuring and other related costs	13,246	24,586	40,851
Total operating expenses	585,453	563,991	676,153
Loss from operations	(87,479)	(155,199)	(350,230)
Other income (expense), net:			
Interest income	455	118	1,139
Interest expense	(49,099)	(46,728)	(31,657)
Other income (loss), net	(22,667)	1,121	(2,907)
Total other income (expense), net	(71,311)	(45,489)	(33,425)
Loss before income taxes	(158,790)	(200,688)	(383,655)
Provision for income taxes	11,988	6,035	2,963
Net loss	(170,778)	(206,723)	(386,618)
Net loss per common share:			
Basic	$ (0.82)	$ (1.10)	$ (2.16)
Diluted	$ (0.82)	$ (1.10)	$ (2.16)
Weighted average shares used in computing net loss per common share:			
Basic	207,377	188,216	178,984
Diluted	207,377	188,216	178,984

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 25, 2021	December 26, 2020	December 28, 2019
Net loss	$ (170,778)	$ (206,723)	$ (386,618)
Other comprehensive income (loss), net of tax:			
Change in unrealized gain on available-for-sale investments	—	—	91
Foreign currency translation adjustment	(8,561)	29,040	(9,376)
Actuarial gain (loss) on pension liabilities	12,580	(8,183)	(1,692)
Amortization of net actuarial loss	3,383	1,884	1,638
Net change in accumulated other comprehensive income (loss)	7,402	22,741	(9,339)
Comprehensive loss	$ (163,376)	$ (183,982)	$ (395,957)

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

INFINERA CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 25, 2021, December 26, 2020 and December 28, 2019

(In thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 29, 2018	175,452	$ 175	$ 1,685,916	$ (25,300)	$ (956,970)	$ 703,821
ESPP shares issued	2,897	3	12,049	—	—	12,052
Shares withheld for tax obligations	(98)	—	(425)	—	—	(425)
Restricted stock units released	2,883	3	—	—	—	3
Stock-based compensation	—	—	43,344	—	—	43,344
Cumulative-effect adjustment from adoption of Topic 842	—	—	—	—	23,697	23,697
Other comprehensive loss	—	—	—	(9,339)	—	(9,339)
Net loss	—	—	—	—	(386,618)	(386,618)
Balance at December 28, 2019	181,134	$ 181	$ 1,740,884	$ (34,639)	$(1,319,891)	$ 386,535
Shares of common stock sold in at-the market equity offering, net of issuance costs	12,000	$ 12	$ 92,852	$ —	$ —	$ 92,864
Stock options exercised	474	—	3,995	—	—	3,995
Retirement of common shares purchased upon exercise of options	(254)	—	(2,255)	—	—	(2,255)
ESPP shares issued	3,001	3	15,343	—	—	15,346
Shares withheld for tax obligations	(330)	—	(2,013)	—	—	(2,013)
Restricted stock units released	5,372	5	—	—	—	5
Stock-based compensation	—	—	48,642	—	—	48,642
Cumulative-effect adjustment from adoption of Topic 326	—	—	—	—	(650)	(650)
Conversion option related to convertible senior notes, net of allocated costs	—	—	67,797	—	—	67,797
Other comprehensive income	—	—	—	22,741	—	22,741
Net loss	—	—	—	—	(206,723)	(206,723)
Balance at December 26, 2020	201,397	$ 201	$ 1,965,245	$ (11,898)	$(1,527,264)	$ 426,284
ESPP shares issued	2,272	$ 2	$ 16,164	$ —	$ —	$ 16,166
Stock option exercised	46		332	—	—	332
Restricted stock units released	8,474	8	—	—	—	8
Shares withheld for tax obligations	(808)	—	(7,178)	—	—	(7,178)
Stock-based compensation	—	—	51,535	—	—	51,535
Other comprehensive income	—	—	—	7,402	—	7,402
Net loss	—	—	—	—	(170,778)	(170,778)
Balance at December 25, 2021	211,381	$ 211	$ 2,026,098	$ (4,496)	$(1,698,042)	$ 323,771

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

INFINERA CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended		
	December 25, 2021	December 26, 2020	December 28, 2019
Cash Flows from Operating Activities:			
Net loss	$ (170,778)	$ (206,723)	$ (386,618)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	83,583	100,140	119,824
Non-cash restructuring charges and other related costs	6,805	5,471	13,937
Amortization of debt discount and issuance costs	32,455	28,115	19,162
Operating lease expense	14,993	18,556	31,141
Stock-based compensation expense	51,812	49,461	43,294
Other, net	4,147	4,438	178
Changes in assets and liabilities:			
Accounts receivable	(45,783)	32,150	(35,395)
Inventory	(28,022)	71,424	(42,840)
Prepaid expenses and other current assets	(424)	(36,127)	(93,621)
Accounts payable	32,304	(93,411)	83,272
Accrued expenses and other current liabilities	39,283	(107,704)	54,658
Deferred revenue	7,753	21,910	25,658
Net cash provided by (used in) operating activities	28,128	(112,300)	(167,350)
Cash Flows from Investing Activities:			
Proceeds from sales of available-for-sale investments	—	—	1,499
Proceeds from maturities of investments	—	—	25,085
Acquisition of business, net of cash acquired	—	—	(10,000)
Proceeds from sale of non-marketable equity investments	—	—	1,009
Purchase of property and equipment, net	(41,379)	(39,009)	(30,202)
Net cash used in investing activities	(41,379)	(39,009)	(12,609)
Cash Flows from Financing Activities:			
Proceeds from issuance of common stock from at-the-market equity offering, net of issuance costs of $3,380	—	92,916	—
Proceeds from issuance of 2027 Notes	—	194,500	—
Proceeds from mortgage payable	—	—	8,584
Proceeds from short-term borrowings	—	—	24,310
Proceeds from revolving line of credit	—	55,000	48,125
Repayment of third-party manufacturing funding	(24,610)	(5,346)	—
Repayment of revolving line of credit	(77,000)	(8,000)	(20,000)
Repayment of mortgage payable	(350)	(233)	(300)
Payment of debt issuance cost	—	(2,455)	(273)
Principal payments on financing lease obligations	(1,631)	(1,587)	(163)
Payment of term license obligation	(7,272)	(5,692)	—
Proceeds from issuance of common stock	16,497	17,072	12,053
Tax withholding paid on behalf of employees for net share settlement	(7,178)	(2,013)	(426)
Net cash (used in) provided by financing activities	(101,544)	334,162	71,910
Effect of exchange rate changes on cash	1,933	(267)	(1,491)
Net change in cash	(112,862)	182,586	(109,540)
Cash and restricted cash at beginning of period	315,383	132,797	242,337
Cash and restricted cash at end of period[(1)]	$ 202,521	$ 315,383	$ 132,797

Supplemental disclosures of cash flow information:			
Cash paid for income taxes, net	$ 18,703	$ 5,039	$ 16,944
Cash paid for interest	$ 18,261	$ 15,638	$ 9,564
Supplemental schedule of non-cash investing and financing activities:			
Transfer of inventory to fixed assets	$ 2,279	$ 1,083	$ 2,961
Third-party manufacturer funding for transfer expenses incurred	$ —	$ —	$ 6,960
Unpaid debt issuance cost	$ —	$ —	$ 2,493
Property and equipment included in accounts payable and accrued liabilities	$ 9,011	$ —	$ 3,838
Unpaid term licenses (included in accounts payable, accrued liabilities and other long term liabilities)	$ 9,339	$ 12,478	$ —

(1) Reconciliation of cash and restricted cash to the consolidated balance sheets:

	December 25, 2021	December 26, 2020	December 28, 2019
		(In thousands)	
Cash	$ 190,611	$ 298,014	$ 109,201
Short-term restricted cash	2,840	3,293	4,339
Long-term restricted cash	9,070	14,076	19,257
Total cash and restricted cash	$ 202,521	$ 315,383	$ 132,797

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

1. Organization and Basis of Presentation

Infinera Corporation ("Infinera" or the "Company"), headquartered in San Jose, California, was founded in December 2000 and incorporated in the State of Delaware. Infinera is a global supplier of networking solutions comprised of networking equipment, software and services. The Company's portfolio of solutions includes optical transport platforms, converged packet-optical transport platforms, optical line systems and disaggregated router platforms, and a suite of networking and automation software offerings.

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 2021, 2020 and 2019 were 52-week years that ended on December 25, 2021, December 26, 2020 and December 28, 2019, respectively. The next 53-week year will end on December 31, 2022.

The accompanying consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"). The consolidated financial statements include all adjustments necessary for a fair presentation of the Company's annual results. All adjustments are of a normal recurring nature.

The consolidated financial statements include the accounts for the Company and its subsidiaries and affiliates in the Company which the Company has a controlling financial interest or is the primary beneficiary. All inter-company 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 preparation of consolidated financial statements in conformity with U.S. GAAP requires management 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 reporting periods. Significant estimates, assumptions and judgements made by management include revenue recognition, inventory valuation, and accounting for income taxes. Other less significant estimates, assumptions and judgments made by management include stock-based compensation, employee benefit and pension plans, manufacturing partner and supplier liabilities, allowances for sales returns, allowances for credit losses, useful life of intangibles and property, plant and equipment, impairment loss related to lease abandonment, accrued warranty, operating and finance lease liabilities, restructuring and other related costs, fair value measurement of the debt component of the convertible senior notes, and loss contingencies. The Company bases its assumptions on historical experience and also on assumptions that it believes are reasonable. Actual results could differ materially from those estimates. The Company expects uncertainties around its key accounting estimates to continue to evolve depending on the duration and degree of impact associated with the outbreak of a novel strain of the coronavirus ("COVID-19"). These estimates may change as new events occur and additional information emerges, and such changes are recognized or disclosed in the Company's consolidated financial statements.

Revenue Recognition

The Company recognizes revenue when control of the promised goods or services is transferred to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

The Company determines revenue recognition by applying the following five-step approach:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and

- recognition of revenue when, or as, the Company satisfies a performance obligation.

Many of the Company's product sales are sold in combination with installation and deployment services along with initial hardware and software support. The Company's product sales are also sold at times with spares management, on-site hardware replacement services, network operations management, software subscription services, extended hardware warranty and training. Initial software and hardware support services are generally delivered over a one-year period in connection with the initial purchase. Software warranty provides customers with maintenance releases during the warranty support period and hardware warranty provides replacement or repair of equipment that fails to perform in line with specifications. Software subscription services include 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. Network operations management includes the day-to-day operation of a customer's network. These services are generally delivered on an annual basis. The Company evaluates each promised good and service in a contract to determine whether it represents a distinct performance obligation or should be accounted for as a combined performance obligation.

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

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. The Company typically satisfies its performance obligations upon shipment or delivery of product depending on the contractual terms. Payment terms to customers generally range from net 30 to 120 days from invoice, which are considered to be standard payment terms. 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.

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.

Customer Purchase Commitments

The Company sells software licenses that provide customers the ability to purchase incremental bandwidth capacity on an already-deployed piece of hardware. Infinera Instant Bandwidth-enabled systems generally include a specific initial capacity and incremental capacity can be added by the purchase of Instant Bandwidth licenses. Instant Bandwidth licenses are considered distinct performance obligations because customers can provision additional transmission capacity on demand without the deployment of any incremental equipment.

Some contracts commit the customer to purchase incremental Instant Bandwidth licenses within a specified time frame from the initial shipment of the Instant Bandwidth-enabled hardware. The time frame varies by customer and generally ranges between 12 to 24 months. If the customer does not purchase the additional capacity within the time frame as stated in the contract, the Company has the right to deliver and invoice such Instant Bandwidth licenses to the customer. Future committed licenses are considered to be additional performance obligations when a minimum purchase obligation is present, as evidenced by enforceable rights and obligations. As such, the Company is required to estimate the variable consideration for future Instant Bandwidth licenses as part of determining the contract transaction price.

Contract Termination Rights

The contract term is determined on the basis of the period over which the parties to the contract have present enforceable rights and obligations. Certain customer contracts include a termination for convenience

clause that allows the customer to terminate services without penalty, upon advance notification. For such contracts, the service duration is limited to the non-cancelable portion of the contract.

Variable Consideration

The consideration associated with customer contracts is generally fixed. Variable consideration includes discounts, rebates, refunds, credits, incentives, penalties, or other similar items. The amount of consideration that can vary is not a substantial portion of total consideration.

Variable consideration estimates are re-assessed at each reporting period until a final outcome is determined. The changes to the original transaction price due to a change in estimated variable consideration will be applied on a retrospective basis, with the adjustment recorded in the period in which the change occurs.

Stand-alone Selling Price

Stand-alone selling price is the price at which an entity would sell a good or service on a stand-alone (or separate) basis at contract inception. Under this model, the observable price of a good or service sold separately provides the best evidence of stand-alone selling price. However, in certain situations, stand-alone selling prices will not be readily observable and the entity must estimate the stand-alone selling price.

When allocating on a relative stand-alone selling price basis, any discount provided in the contract is generally allocated proportionately to all of the performance obligations in the contract.

The majority of products and services offered by the Company have readily observable selling prices. For products and services that do not, the Company generally estimates stand-alone selling price using the market assessment approach based on expected selling price and adjust those prices as necessary to reflect the Company's costs and margins. As part of its stand-alone selling price policy, the Company reviews product pricing on a periodic basis to identify any significant changes and revise its expected stand-alone selling price assumptions as appropriate.

Shipping and Handling

The Company treats shipping and handling activities as costs to fulfill the Company's promise to transfer products. Shipping and handling fees billed to customers are recorded as a reduction to cost of product.

Capitalization of Costs to Obtain a Contract

The Company has assessed the treatment of costs to obtain or fulfill a contract with a customer. Sales commissions have historically been expensed as incurred. Under Topic 606, the Company capitalizes sales commissions related to multi-year service contracts, which are paid for upfront, and amortizes the asset over the period of benefit, which is the service period. Sales commissions paid on service contract renewals, are commensurate with the sales commissions paid on the initial contracts.

Transaction Price Allocated to the Remaining Performance Obligation

The Company's remaining performance obligations represent the transaction price allocated to performance obligations that are unsatisfied or partially satisfied as of period end, consisting of deferred revenue and backlog. The Company's backlog represents purchase orders received from customers for future product shipments and services that are unsatisfied or partially satisfied as of period end. The Company's 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.

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 accounts for forfeitures as they occur.

The Company estimates the fair value of the rights to acquire stock under its 2007 Employee Stock Purchase Plan (the "ESPP") using the Black-Scholes option pricing formula. The ESPP provides for consecutive six-month offering periods and the Company's historical volatility data in the valuation of shares that are purchased under the ESPP.

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 over 18 months to three years.

The Company granted performance shares ("PSUs") to its executive officers and senior management. The PSUs granted during 2018 to the Company's executive officers and senior management are based on the Total Shareholder Return ("TSR") of the Company's common stock price relative to the TSR of the individual companies listed in the S&P North American Technology Multimedia Networking Index (the "SPGIIPTR") over the span of one year, two years and three years. The number of shares to be issued upon vesting of these PSUs range from zero to two times the target number of PSUs granted depending on the Company's performance against the individual companies listed in the SPGIIPTR. This performance metric is classified as a market condition.

PSUs granted to the Company's executive officers and senior management during 2019, 2020 and 2021 are based on performance criteria related to a specific financial target over the span of a three-year performance period. These PSUs may become eligible for vesting to begin before the end of the three year performance period, if the applicable financial target is met. The number of shares to be issued upon vesting of these PSUs is capped at the target number of PSUs granted. The Company assesses the achievement status of these PSUs on a quarterly basis and records the related stock-based compensation expenses based on the estimated achievement payout.

The Company uses a Monte Carlo simulation model to determine the fair value of PSUs with market conditions. 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 a 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 the 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 addition, the Company granted other PSUs to certain employees that only vest upon the achievement of specific operational performance criteria. The Company assesses the achievement status of these PSUs on a quarterly basis and records the related stock-based compensation expenses based on the estimated achievement payout.

Employee Benefit and Pension Plans

The Company operates a number of post-employment plans in Germany, as well as smaller post-employment plans in other countries, including both defined contribution and defined benefit plans. Benefit cost and obligations pertaining to these plans are based on assumptions for the discount rate, expected return on plan assets, mortality rates, expected salary increases, health care cost trend rates and attrition rates. The discount rate assumption is based on current investment yields of high-quality fixed-income securities with maturities similar to the expected benefits payment period. Mortality rates help predict the expected life of plan participants. The expected increase in the compensation levels assumption reflects the Company's actual experience and future expectations. The expected long-term return on plan assets is determined based on asset allocations, historical portfolio results, historical asset correlations and management’s expected returns for each asset class. The Company evaluates its expected return assumptions annually including reviewing current capital market assumptions to assess the reasonableness of the expected long-term return on plan assets. The Company updates the expected long-term return on assets when the Company observes a sufficient level of evidence that would suggest the long-term expected return has changed.

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 2021, 2020 and 2019 were $1.6 million, $1.3 million, and $1.5 million, respectively.

Accounting for Income Taxes

As part of the process of preparing its 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 consolidated balance sheets. In general, deferred tax assets represent future tax benefits to be received when certain expenses previously recognized in consolidated statements of operations become deductible expenses under applicable income tax laws or loss, or credit carryforwards are utilized. Accordingly, realization of 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, it 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 its provision for income taxes, its deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. In evaluating the need for a full or partial valuation allowance, all positive and negative evidence must be considered, including the Company's forecast of taxable income over the applicable carryforward periods, its current financial performance, its market environment, and other factors. Accordingly, the domestic net deferred tax assets are subject to a full valuation allowance. To the extent that the Company determines that deferred tax assets are realizable on a more likely than not basis, and an adjustment is needed, that adjustment will be recorded in the period that the determination is made.

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, revenue, 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 other comprehensive income (loss) in the accompanying consolidated balance sheets and consolidated statements of comprehensive income (loss).

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 income (loss), net, in the Company's consolidated statement of operations, in the same period that the re-measurement occurred. Aggregate foreign exchange transactions recorded in 2021, 2020 and 2019 were losses of $17.2 million, $0.2 million, and $3.7 million, respectively.

The Company enters into foreign currency exchange forward contracts to reduce the impact of foreign exchange fluctuations on earnings from certain non-functional currency account balances denominated primarily in euros and British pounds.

Cash

Cash consists primarily of cash in bank deposit accounts which, at times, a portion may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Fair Value Measurement

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 foreign currency exchange forward contracts and debt securities at fair value and classifies them in accordance with the fair value hierarchy on a recurring basis.

Foreign Currency Exchange Forward Contracts

As discussed in Note 6, “Derivative Instruments" to the Notes to 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.

Facilities-related Charges

The Company estimates the fair value of its facilities-related charges associated with its restructuring plans, based on estimated future discounted cash flows and unobservable inputs, which includes the amount and timing of estimated sublease rental receipts that the Company can reasonably obtain over the remaining lease term and the discount rate.

Pension

As a result of the Acquisition, the Company acquired a number of post-employment plans in Germany, as well as a number of smaller post-employment plans in other countries, including both defined contribution and defined benefit plans. The defined benefit plans expose the Company to actuarial risks such as investment risk, interest rate risk, life expectancy risk and salary risk. The characteristics of the defined benefit plans and the risks associated with them vary depending on legal, fiscal, and economic requirements.

Refer to Note 18, "Employee Benefit and Pension Plans" to the Notes to Consolidated Financial Statements, for more information on fair value of plan assets by major asset category.

Accounts Receivable and Allowances for Credit Losses

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company maintains an allowance for estimated credit losses resulting from the inability of its customers to make required payments and reviewed the allowance quarterly. The Company determines expected credit losses by performing credit evaluations of its customers' financial condition, establishing both a general reserve and specific reserve for customers in adverse financial condition and adjusting for its expectations of changes in conditions that may impact the collectability of outstanding receivables. The Company considers a customer's receivable balance past due when the amount is due beyond the credit terms extended, The Company considers factors such as historical experience, credit quality, age of the accounts receivable balances, and geographic or country-specific risks. Amounts are written off when receivables are determined to be uncollectible.

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. At December 25, 2021, December 26, 2020 and December 28, 2019, revenue was reduced for estimated sales returns by $0.8 million, $2.4 million, and $3.5 million, respectively.

Concentration of Risk

Financial instruments that are potentially subject to concentrations of credit risk consist primarily of cash, restricted cash, foreign exchange contracts and accounts receivable.

The risk with respect to foreign exchange contracts is mitigated by entering into these contracts with a large high-quality financial institution and the Company monitors the creditworthiness of the counterparty consistently.

The risk with respect to accounts receivable is mitigated by ongoing credit evaluations that the Company performs on its customers. As the Company continues to expand 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 25, 2021, no customer accounted for over 10% of the Company's accounts receivable balance, net on the consolidated balance sheets. As of December 26, 2020, one customer accounted for over 10% of the Company's accounts receivable balance, net on the consolidated balance sheets.

One customer accounted for approximately 11% and 13% of the Company's revenue in 2020 and 2019, respectively. No other customers accounted for 10% or more of the Company's revenue in 2020 and 2019. No customer accounted for 10% or more of the Company's revenue in 2021.

The Company depends on sole source or limited source suppliers for several key components and raw materials. The Company generally purchases these sole source or limited source components and raw 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 raw materials, the Company’s business and results of operations could be adversely affected if any of its sole source or limited source suppliers suffer from capacity constraints, lower than expected yields, deployment delays, work stoppages or any other reduction or disruption in output.

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 high-quality institutions and the Company monitors the creditworthiness of the counterparties 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. 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 euro and British pounds. Gains and losses on these contracts are intended to offset the impact of foreign exchange rate changes on the underlying account balances, and therefore, do not subject the Company to material balance sheet risk.

The Company has entered into factoring agreements, to sell certain receivables to unrelated third-party financial institutions. These transactions are accounted for in accordance with ASC Topic 860, "Transfers and Servicing" ("ASC 860"). ASC 860 and result in a reduction in accounts receivable because the agreements transfer effective control over and risk related to the receivables to the buyers. The Company's factoring agreements do not allow for recourse in the event of uncollectability, and the Company does not retain any interest in the underlying accounts receivable once sold.

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 or net realizable value. Costs are recognized utilizing the first-in, first-out method. Net realizable 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 net realizable value of inventory 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 net realizable value of inventory 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 net realizable value, whichever is lower, thereby recognizing the cost of the reduction in net realizable value of inventory 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 actual cost or net realizable value.

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.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. This includes enterprise-level business software that the Company customizes to meet its specific operational needs and certain software licenses. 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 certain. Repair and maintenance costs are expensed as incurred. The estimated useful life for each asset category is as follows:

	Estimated Useful Lives
Building	20 years
Laboratory and manufacturing equipment	1.5 to 10 years
Furniture and fixtures	3 to 10 years
Computer hardware	3 to 5 years
Computer software	3 years
Leasehold and building improvements	1 to 11 years

The Company 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

In the Company's contracts with its customers, the Company warrants that its products will operate substantially in conformity with product specifications. 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's hardware warranty periods generally range from one to five years from date of acceptance for hardware and the Company's software warranty is 90 days. Upon delivery of the Company's products, the Company provides for the estimated cost to repair or replace products that may be returned under 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. In addition, from time to time, specific hardware warranty accruals may be made if unforeseen technical problems arise with specific products. The Company regularly assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

Amortization of Intangible Assets

Intangible assets with finite lives are carried at cost, less accumulated amortization. Amortization is computed over the estimated useful lives of the respective assets. In-process research and development represent the fair value of incomplete research and development projects that have not reached technological feasibility as of the date of acquisition. Initially, these assets are not subject to amortization, but once projects have been completed, these assets are transferred to developed technology, which are subject to amortization, while assets related to projects that have been abandoned are impaired and expensed to research and development.

Impairment of Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the identifiable assets acquired and liabilities assumed. The Company tests for impairment of goodwill on an annual

basis in the fourth quarter and at any other time when events occur or circumstances indicate that the carrying amount of goodwill may not be recoverable. The Company has the option to first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. If the Company determines that as a result of the qualitative assessment that it is more likely than not (i.e., greater than 50% likelihood) that the fair value of a reporting unit is less than its carrying amount, then the quantitative test is required or it can directly perform the quantitative analysis. The Company recognizes an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized does not exceed the total amount of goodwill allocated to that reporting unit.

The Company evaluates events and changes in circumstances that could indicate carrying amounts of purchased intangible assets may not be recoverable. When such events or changes in circumstances occur, the Company assesses the recoverability of these assets by determining whether or not the carrying amount will be recovered through undiscounted expected future cash flows. If the total of the future undiscounted cash flows is less than the carrying amount of an asset, the Company records an impairment loss for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Leases

The Company has operating leases primarily for real estate (facilities) and automobiles. The Company has finance leases primarily for computer hardware, laboratory and manufacturing equipment and leasehold and building improvements.

The Company leases facilities under non-cancelable operating lease agreements. These leases have varying terms that range from one to 11 years and contain leasehold improvement incentives, rent holidays and escalation clauses. In addition, some of these leases have renewal options for up to six years.

The Company determines if an arrangement contains a lease at inception. Operating leases are included in operating lease right of use ("ROU") assets, accrued expenses and other current liabilities and operating lease liabilities on the Company's consolidated balance sheets. Finance leases are included in property, plant and equipment, net, accrued expenses and other current liabilities and other long-term liabilities on the Company's consolidated balance sheets.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. Operating lease ROU assets also include any lease payments made and exclude lease incentives and initial direct costs incurred. Variable lease payments are expensed as incurred and are not included within the ROU asset and lease liability calculation. Variable lease payments primarily include reimbursements of costs incurred by lessors for common area maintenance and utilities. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. The Company rents or subleases certain real estate under agreements that are classified as operating leases.

Leases with an initial term of 12 months or less are not recorded on the balance sheet. The Company recognizes lease expense for these leases on a straight-line basis over the lease term. The Company does not account for lease components (e.g., fixed payments including rent) separately from the non-lease components (e.g., common-area maintenance costs).

Upon abandoning or committing to a plan to abandon a leased property in the short term before the lease term expires, the Company assesses the fair value of its remaining obligation under the lease and records an impairment of the ROU asset, if needed. The impairment loss is calculated as the present value of the amount by which the remaining lease obligation, adjusted for the effects of any one-time costs to sublease, exceeds the estimated sublease rentals that could be reasonably obtained. The estimated sublease rentals consider Company's ability and intent to sublease the space. The significant assumptions used in the Company's discounted cash flow model include the amount and timing of estimated sublease rental receipts and the discount rate which involve a number of risks and uncertainties, some of which are beyond control, including future real estate market conditions and the Company's ability to successfully enter into subleases or termination agreements with terms as favorable as those assumed when arriving at its estimates. The Company monitors these estimates and assumptions on at least a quarterly basis for changes in circumstances and any corresponding adjustments to the accrual are recorded in its statement of operations in the period when such changes are known.

The loss recorded or to be recorded may change significantly as a result of the re-measurement of the liability, if the timing or amount of estimated cash flows change.

Restructuring and Other Related Costs

The Company records costs associated with exit activities related to restructuring plans in accordance with ASC 420, "Exit or Disposal Cost Obligations," or ASC 712, "Compensation — Nonretirement Postemployment Benefits." Liabilities for costs associated with an exit or disposal activity are recognized in the period in which the liability is incurred. The timing of the associated cash payments is dependent upon the type of exit cost and extends over an approximately four-year period. The Company records restructuring cost liabilities in "accrued expenses and other current liabilities" and "other long-term liabilities" in the consolidated balance sheet.

Restructuring costs include employee and contract termination costs, facility consolidation and closure costs, lease related impairment charges, equipment write-downs and inventory write-downs. One-time termination benefits are recognized as a liability at estimated fair value when the approved plan of termination has been communicated to employees, unless employees must provide future service, in which case the benefits are recognized ratably over the future service period. Ongoing termination benefits arrangements are recognized as a liability at estimated fair value when the amount of such benefits becomes estimable and payment is probable.

Restructuring charges require significant estimates and assumptions, including estimates made for employee separation costs and other contract termination charges. Management estimates involve a number of risks and uncertainties, some of which are beyond control, including the Company's ability to successfully enter into termination agreements with employees and others with terms as favorable as those assumed when arriving at its estimates. The Company monitors these estimates and assumptions on at least a quarterly basis for changes in circumstances and any corresponding adjustments to the accrual are recorded in its statement of operations in the period when such changes are known.

Recent Accounting Pronouncements

Accounting Pronouncements Recently Adopted

In December 2019, FASB issued ASU 2019-12, "Simplifying the Accounting for Income Taxes" ("ASU 2019-12"), as part of its simplification initiative. ASU 2019-12 removes certain exceptions from Accounting Standards Codification ("ASC") 740, "Income Taxes" ("ASC 740"), including (i) the exception to the incremental approach for intra period tax allocation when there is a loss from continuing operations and income or a gain from other items such as discontinued operations or other comprehensive income; (ii) the exception to accounting for outside basis differences of equity method investments and foreign subsidiaries; and (iii) the exception to limit tax benefit recognized in interim period in cases when the year-to-date losses exceeds anticipated losses. ASU 2019-12 also simplifies U.S. GAAP in several other areas of ASC 740 such as (i) franchise taxes and other taxes partially based on income; (ii) step-up in tax basis goodwill considered part of a business combination in which the book goodwill was originally recognized or should be considered a separate transaction; (iii) separate financial statements of entities not subject to tax; and (iv) interim recognition of enactment of tax laws or rate changes. ASU 2019-12 is effective for the Company for fiscal years (and interim periods within those fiscal years) beginning after December 15, 2020, with early adoption permitted. The Company adopted ASU 2019-12 in the first quarter of 2021 and the impact of the adoption was not material to the Company's consolidated financial statements.

Accounting Pronouncements Not Yet Effective

In October 2021, the FASB issued ASU 2021-08, "Business Combinations (Topic 805)" ("ASU 2021-08"). The ASU improves the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to recognition of an acquired contract liability and payment terms and their effect on subsequent revenue recognized by the acquirer. The update is effective for annual and interim periods within the fiscal year beginning after December 15, 2022, and early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the period in which we will adopt ASU 2021-08 and evaluating the impact that the adoption of ASU 2021-08 would have on its consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40) ("ASU

2020-06"). The ASU simplifies accounting for convertible instruments by removing major separation models required under current GAAP. Consequently, more convertible debt instruments will be reported as a single liability instrument with no separate accounting for embedded conversion features. This update removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, which will permit more equity contracts to qualify for it. This update also simplifies the diluted net income per share calculation in certain areas. The update is effective for annual and interim periods beginning after December 15, 2021, and interim periods within those fiscal years. The Company will adopt ASU 2020-06 as of December 26, 2021 using the modified retrospective transition method, which will result in a cumulative-effect adjustment to the opening balance of accumulated deficit on the date of adoption. Prior period financial statements will not be restated upon adoption.

Upon adoption of ASU 2020-06, the Company will no longer record the conversion feature of its convertible senior notes in equity. Instead, the Company will combine the previously separated equity component with the liability component, which together will be classified as debt, thereby eliminating the subsequent amortization of the debt discount as interest expense. Similarly, a portion of issuance costs previously allocated to equity will be reclassified to debt and amortized as interest expense. Accordingly, the Company expects to record an increase to accumulated deficit, a decrease to additional paid-in capital, and an increase to convertible senior notes. Also upon adoption, the Company will no longer utilize the treasury stock method for earnings per share purposes. Instead, the Company will use the if-converted method when reporting the weighted-average number of potentially dilutive shares of common stock. Although the required use of the if-converted method will not impact the diluted net loss per share as long as the Company is in a net loss position, the Company will be required to include disclosure of all the underlying shares regardless of the average stock price for the reporting period.

In March 2020, the FASB issued ASU 2020-04 (Topic 848), "Reference Rate Reform - Facilitation of the Effects of Reference Rate Reform on Financial Reporting" ("ASU 2020-04"), which provides temporary optional expedients and exceptions to the existing guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate. The standard was effective upon issuance and may generally be applied through December 31, 2022 to any new or amended contracts, hedging relationships, and other transactions that reference LIBOR. The Company will apply the amendments when its relevant contracts are modified upon transition to alternative reference rates.

3. Leases

The Company has operating leases for real estate (facilities) and automobiles. For the fiscal years ended December 25, 2021, December 26, 2020 and December 28, 2019, operating lease expense was $25.5 million, $34.0 million and $41.5 million, respectively. Included in operating lease expense were rent expense and impairment charges due to restructuring resulting in abandonment of certain lease facilities, amounting to $6.3 million, $9.9 million and $15.9 million for the fiscal years ended December 25, 2021, December 26, 2020 and December 28, 2019, respectively. Variable lease cost, short-term lease cost and sublease income were immaterial during the fiscal years ended December 25, 2021, December 26, 2020 and December 28, 2019, respectively.

As of December 25, 2021, $16.5 million was included in accrued expenses and other current liabilities and $54.3 million as long-term operating lease liabilities. As of December 26, 2020, $14.9 million was included in accrued expenses and other current liabilities and $76.1 million as long-term operating lease liabilities.

The Company also has finance leases. The lease term for these arrangements range from three to five years with option to purchase at the end of the term. Finance leases included in Property, Plant, & Equipment, net in the consolidated balance sheets were as follows (in thousands):

	December 25, 2021	December 26, 2020
Computer hardware	$ 1,208	$ —
Laboratory and manufacturing equipment	$ 1,973	$ 1,973
Leasehold and building improvements	$ 2,333	$ 2,512

The following table presents finance lease expense comprising of amortization of right of use asset and interest expense (in thousands):

	Years Ended		
	December 25, 2021	December 26, 2020	December 28, 2019
Amortization of right of use asset	$ 960	$ 733	$ 339
Interest Expense	190	185	126
Total finance lease expense	$ 1,150	$ 918	$ 465

The following table presents balance sheet detail of finance lease liability (in thousands):

	December 25, 2021	December 26, 2020
Accrued expenses and other current liabilities	$ 1,291	$ 1,138
Other long-term liabilities	954	1,383
Total finance lease liability	$ 2,245	$ 2,521

The following table presents maturity of lease liabilities under the Company's non-cancelable leases as of December 25, 2021 (in thousands):

	Operating Lease	Finance Lease
Total lease payments	$ 90,887	$ 2,337
Less: interest[(1)]	20,018	92
Present value of lease liabilities	$ 70,869	$ 2,245

(1) Calculated using the interest rate for each lease.

The following table presents supplemental information for the Company's non-cancelable leases for the fiscal year ended December 25, 2021 (in thousands, except for weighted average and percentage data):

	Operating Lease	Finance Lease
Weighted average remaining lease term	5.92 years	1.68 years
Weighted average discount rate	9.18 %	7.04 %
Cash paid for amounts included in the measurement of lease liabilities	$ 23,477	$ 1,632
Leased assets obtained in exchange for new lease liabilities	$ 3,070	$ 1,208

4. Revenue Recognition

Capitalization of Costs to Obtain a Contract

The ending balance of the Company’s capitalized costs to obtain a contract as of December 25, 2021 and December 26, 2020 were $0.7 million and zero, respectively. The Company's amortization expense was not material for the fiscal year ended December 25, 2021, December 26, 2020 and December 28, 2019, respectively.

Disaggregation of Revenue

The following table presents the Company's revenue disaggregated by revenue source (in thousands):

	Years Ended		
	December 25, 2021	December 26, 2020	December 28, 2019
Product	$ 1,099,376	$ 1,045,551	$ 1,011,488
Services	325,829	310,045	287,377
Total revenue	$ 1,425,205	$ 1,355,596	$ 1,298,865

The Company sells its products directly to customers who are predominantly service providers and to channel partners that sell on its behalf. The following tables present the Company's revenue disaggregated by geography, based on the shipping address of the customer and by sales channel (in thousands):

	Years Ended		
	December 25, 2021	December 26, 2020	December 28, 2019
United States	$ 663,808	$ 630,422	$ 628,075
Other Americas	107,963	99,158	93,251
Europe, Middle East and Africa	477,787	424,411	418,333
Asia Pacific	175,647	201,605	159,206
Total revenue	$ 1,425,205	$ 1,355,596	$ 1,298,865

	Years Ended		
	December 25, 2021	December 26, 2020	December 28, 2019
Direct	$ 1,099,632	$ 1,039,976	$ 1,032,527
Indirect	325,573	315,620	266,338
Total revenue	$ 1,425,205	$ 1,355,596	$ 1,298,865

Contract Balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers (in thousands):

	December 25, 2021	December 26, 2020
Accounts receivable, net	$ 358,954	$ 319,428
Contract assets	$ 49,052	$ 51,583
Deferred revenue	$ 168,909	$ 163,056

Revenue recognized for the fiscal year ended December 25, 2021 and December 26, 2020 that was included in the deferred revenue balance at the beginning of the reporting period was $88.1 million and $85.2 million, respectively. Changes in the contract asset and liability balances during the fiscal year ended December 25, 2021 and December 26, 2020 were not materially impacted by other factors.

Transaction Price Allocated to the Remaining Performance Obligation

The Company’s remaining performance obligations represent the transaction price allocated to performance obligations that are unsatisfied or partially satisfied, consisting of deferred revenue and backlog. The Company’s backlog represents purchase orders received from customers for future product shipments and services. The Company’s 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.

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially satisfied) pursuant to contracts that are not subject to cancellation without penalty at the end of the reporting period (in thousands):

	2022	2023	2024	2025	2026	Thereafter	Total
Revenue expected to be recognized in the future as of December 25, 2021	$ 679,856	$ 51,634	$ 21,591	$ 4,497	$ 2,354	$ 3,128	$ 763,060

5. Fair Value Measurements

The following table presents the Company's fair value hierarchy for its assets (liabilities) measured at fair value on a recurring basis (in thousands):

	As of December 25, 2021			As of December 26, 2020		
	Fair Value Measured Using			Fair Value Measured Using		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Assets (Liabilities)						
Foreign currency exchange forward contracts	$ —	$ (221)	$ (221)	$ —	$ (72)	$ (72)

Disclosure of Fair Values

Our financial instruments that are not re-measured at fair value include accounts receivable, accounts payable, accrued liabilities, and debt. The carrying values of these financial instruments other than our 2024 Notes and our 2027 Notes (collectively referred to as "Convertible Senior Notes" below) approximate their fair values. The fair value of Convertible Senior Notes were determined based on the quoted bid price of the Convertible Senior Notes in an over-the-counter market on December 23, 2021 (the last trading day of the fiscal quarter).

The following table presents the estimated fair values of the Convertible Senior Notes (in thousands):

	As of December 25, 2021			As of December 26, 2020		
	Fair Value Measured Using			Fair Value Measured Using		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Debt						
Convertible Senior Notes	$ —	$765,412	$765,412	$ —	$834,450	$834,450

During 2021 and 2020, there were no transfers of assets or liabilities between Level 1 and Level 2 of the fair value hierarchy. As of December 25, 2021 and December 26, 2020, none of the Company's existing securities were classified as Level 3 securities.

The Company classifies certain facilities-related charges within Level 3 of the fair value hierarchy and applies fair value accounting on a nonrecurring basis when impairment indicators exist or upon the existence of observable fair values. The fair values are classified as Level 3 measurements due to the significance of unobservable inputs. These analyses require management to make assumptions and estimates regarding industry and economic factors, future operating results and discount rates.

The Company measures goodwill and intangible assets at fair value on a nonrecurring basis when there are identifiable events or changes in circumstances that may have a significant adverse impact on the fair value of these assets. The Company performed an analysis of impairment indicators of these assets and noted no adverse impact to their fair values as of December 25, 2021.

Facilities-related Charges

In connection with its Restructuring Plans (as defined in Note 9, "Restructuring and Other Related Costs" to the Notes to Consolidated Financial Statements), the Company incurred facilities related charges of $6.3 million and $9.9 million for the years ended December 25, 2021 and December 26, 2020, respectively. These charges were calculated at fair value based on estimated future discounted cash flows and are classified as Level 3 measurement due to the significance of unobservable inputs, which included the amount and timing of estimated sublease rental receipts that the Company could reasonably obtain over the remaining lease term and the discount rate. See Note 9, "Restructuring and Other Related Costs" to the Notes to Consolidated Financial Statements for more information on the 2018 Restructuring Plan.

Cash

As of December 25, 2021, the Company had $202.5 million of cash and restricted cash, including $77.6 million held by its foreign subsidiaries. As of December 26, 2020, the Company had $315.4 million of cash and restricted cash including $100.4 million held by its foreign subsidiaries. The Company's cash in foreign locations is used for operational and investing activities in those locations, and the Company does not currently have the need or the intent to repatriate those funds to the United States.

6. Derivative Instruments

Foreign Currency Exchange Forward Contracts

The Company transacts business in various foreign currencies and has international sales, cost of sales, and expenses denominated in foreign currencies, and carries foreign-currency-denominated account balances, subjecting the Company to foreign currency risk. The Company’s primary foreign currency risk management objective is to protect the U.S. dollar value of future cash flows and minimize the volatility of reported earnings. The Company utilizes foreign currency forward contracts, primarily short term in nature.

Historically, the Company enters into foreign currency exchange forward contracts to manage its exposure to fluctuation in foreign exchange rates that arise from its euro and British pound denominated account balances. Gains and losses on these contracts are intended to offset the impact of foreign exchange rate fluctuations on the underlying foreign currency denominated account balances, do not subject the Company to material balance sheet risk.

As of December 25, 2021 and December 26, 2020, the Company posted $0.9 million and $0.9 million, respectively of collateral on its derivative instruments to cover potential credit risk exposure. This amount is classified as other long-term restricted cash on the accompanying consolidated balance sheets.

The before-tax effect of foreign currency exchange forward contracts was a gain of $0.9 million, $0.3 million and $0.5 million for 2021, 2020 and 2019, respectively, included in other gain (loss), net, in the consolidated statements of operations. In each of these periods, the impact of the gross gains and losses were offset by foreign exchange rate fluctuations on the underlying foreign currency denominated amounts.

As of December 25, 2021, the Company did not designate foreign currency exchange forward contracts as hedges for accounting purposes and accordingly, changes in the fair value are recorded in the accompanying consolidated statements of operations. These contracts were with one high-quality institution and the Company consistently monitors the creditworthiness of the counterparties.

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 25, 2021		As of December 26, 2020	
	Gross Notional[1]	Accrued expenses and other current liabilities	Gross Notional[1]	Accrued expenses and other current liabilities
Foreign currency exchange forward contracts				
Related to euro denominated receivables	$ 21,981	$ (139)	$ 23,605	$ (59)
Related to British pound denominated receivables	7,566	(82)	4,868	(13)
Total	$ 29,547	$ (221)	$ 28,473	$ (72)

(1) Represents the face amounts of forward contracts that were outstanding as of the period noted.

Accounts Receivable Factoring

The Company sells certain designated trade account receivables based on factoring arrangements with well-established factoring companies. Pursuant to the terms of the arrangements, the Company accounts for these transactions in accordance with ASC 860, "Transfers and Servicing". The Company's factor purchases trade accounts receivables on a non-recourse basis and without any further obligations. Trade accounts receivables balances sold are removed from the consolidated balance sheets and cash received are reflected as cash provided by operating activities in the consolidated statements of cash flow. The difference between the fair value of the Company's trade receivables and the proceeds received is recorded as interest expense in the Company's consolidated statements of operations. For the years ended December 25, 2021, December 26, 2020 and December 28, 2019, the Company's recognized factoring related interest expense was approximately $0.4 million, $0.4 million and $0.6 million, respectively. The gross amount of trade accounts receivables sold totaled approximately $121.3 million and $80.2 million for the fiscal years ended December 25, 2021 and December 26, 2020 respectively.

7. Goodwill and Intangible Assets

Goodwill

Goodwill is recorded when the purchase price of an acquisition exceeds the fair value of the net tangible and identified intangible assets acquired.

The following table presents details of the Company's goodwill for the fiscal year ended December 25, 2021 (in thousands):

Balance as of December 26, 2020	$ 273,426
Foreign currency translation adjustments	(17,638)
Balance as of December 25, 2021	$ 255,788

The gross carrying amount of goodwill may change due to the effects of foreign currency fluctuations as a portion of these assets are denominated in foreign currency. To date, the Company has zero accumulated impairment loss on goodwill.

Intangible Assets

The following table presents details of the Company's intangible assets as of December 25, 2021 and December 26, 2020 (in thousands):

	December 25, 2021			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Useful Life (In Years)
Intangible assets with finite lives:				
Customer relationships and backlog	157,495	(104,701)	52,794	4.2
Developed technology [1]	182,844	(149,064)	33,780	1.5
Total intangible assets	$ 340,339	$ (253,765)	$ 86,574	

(1) As a result of the exit from certain product lines in connection with the Company's restructuring initiatives, we shortened the life of certain developed technology intangibles.

	December 26, 2020			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Useful Life (In Years)
Intangible assets with finite lives:				
Customer relationships and backlog	162,098	(90,667)	71,431	4.9
Developed technology	192,285	(138,834)	53,451	3.0
Total intangible assets	$ 354,383	$ (229,501)	$ 124,882	

The gross carrying amount of intangible assets and the related amortization expense of intangible assets may change due to the effects of foreign currency fluctuations as a portion of these assets are denominated in foreign currency. Amortization expense was $37.1 million, $47.8 million and $59.9 million for the years ended December 25, 2021, December 26, 2020 and December 28, 2019, respectively.

The following table summarizes the Company’s estimated future amortization expense of intangible assets with finite lives as of December 25, 2021 (in thousands):

	Total	2022	2023	2024	2025	2026	Thereafter
Total future amortization expense	$ 86,574	$ 38,293	$ 23,463	$ 9,025	$ 9,025	$ 6,768	$ —

8. Balance Sheet Details

Restricted Cash

The Company's restricted cash balance is held in deposit accounts at various banks globally. These amounts primarily collateralize the Company's issuances of standby letters of credit and bank guarantees.

Allowance for Credit Losses

The following table provides a rollforward of the allowance for credit losses for accounts receivable for the fiscal year ended December 25, 2021 (in thousands):

Balance as of December 26, 2020	$ 2,912
Additions[1]	822
Write offs[2]	(2,378)
Other[3]	(52)
Balance as of December 25, 2021	$ 1,304

(1) The new additions during the fiscal year ended December 25, 2021 are primarily due to specific reserves.

(2) The write offs during the fiscal year ended December 25, 2021 are primarily amounts fully reserved previously.

(3) Primarily represents foreign currency translation adjustments.

The following table provides details of selected balance sheet items (in thousands):

	December 25, 2021	December 26, 2020
Inventory		
Raw materials	$ 39,379	$ 34,693
Work in process	53,924	55,835
Finished goods	198,064	178,779
Total	$ 291,367	$ 269,307
Property, plant and equipment, net		
Computer hardware	$ 45,824	$ 34,502
Computer software[1]	56,820	44,397
Laboratory and manufacturing equipment	287,875	333,955
Land and building	14,393	12,349
Furniture and fixtures	2,164	3,445
Leasehold and building improvements	49,447	66,014
Construction in progress	18,807	39,727
Subtotal	$ 475,330	$ 534,389
Less accumulated depreciation and amortization[2]	(315,112)	(381,256)
Total	$ 160,218	$ 153,133
Accrued expenses and other current liabilities		
Loss contingency related to non-cancelable purchase commitments	$ 26,481	$ 18,848
Taxes payable	43,308	45,884
Restructuring accrual	8,610	9,292
Short-term operating and financing lease liability	17,792	16,023
Other accrued expenses and other current liabilities	50,838	60,503
Total accrued expenses and other current liabilities	$ 147,029	$ 150,550

(1) Included in computer software at December 25, 2021 and December 26, 2020 were $25.9 million and $25.4 million, respectively, related to enterprise resource planning (“ERP”) systems that the Company implemented. The unamortized ERP costs at December 25, 2021 and December 26, 2020 were $8.9 million and $10.8 million, respectively. Also included in computer software at December 25, 2021 and December 26, 2020 was $20.9 million and $17.0 million, respectively, related to term licenses. The unamortized term license costs at December 25, 2021 and December 26, 2020 was $9.2 million and $12.0 million, respectively.

(2) Depreciation expense was $47.1 million, $52.3 million and $60.0 million (which includes depreciation of capitalized ERP costs of $2.8 million, $2.6 million and $2.4 million) for 2021, 2020 and 2019, respectively. Also included in depreciation expense for 2021 was $6.7 million related to term licenses.

9. Restructuring and Other Related Costs

In December 2018, the Company implemented a restructuring initiative (the “2018 Restructuring Plan”) as part of a comprehensive review of the Company's operations and ongoing integration activities in order to optimize resources for future growth, improve efficiencies and address redundancies following the Acquisition. As part of the 2018 Restructuring Plan, the Company made several changes to improve its research and development efficiency by consolidating its manufacturing and development sites, including closure of its Berlin, Germany site, reducing headcount at its Munich, Germany site, and processing changes to leverage the Company's engineering and product line development resources across regions and prioritizing research and development initiatives. The Berlin and Munich initiatives were substantially completed in 2020. In 2021, the Company incurred lease related impairment charges from consolidation of its Munich site resulting in partial abandonment of the leased facility. In connection with the Acquisition, the Company assumed restructuring liabilities associated with Coriant's previous restructuring and reorganization plans consisting of termination benefits primarily comprised of severance payments. These costs are recorded at estimated fair value.

In 2020, the Company implemented a restructuring initiative (the "2020 Restructuring Plan") that was primarily intended to reduce costs and consolidate its operations. The identified cost reduction initiatives under the 2020 Restructuring Plan were substantially completed, with the majority of associated payments made in 2020 and the remaining amounts substantially paid during 2021.

In 2021, the Company announced a plan to restructure certain international research & development operations (the "2021 Restructuring Plan"). The Company estimates it will incur total costs related to the restructuring ranging from $10.0 million to $12.0 million, of which $8.5 million was recorded for the fiscal year ended December 25, 2021. The 2021 Restructuring Plan is expected to be substantially completed with the associated payments made in 2022. Additional restructuring activities may occur in the future in connection with the Company’s ongoing transformation initiatives.

The following table presents restructuring and other related costs included in cost of revenue and operating expenses in the accompanying consolidated statements of operations under the 2021 Restructuring Plan, 2020 Restructuring Plan, the 2018 Restructuring Plan and Coriant's previous restructuring and reorganization plans (in thousands):

	Years Ended					
	December 25, 2021		December 26, 2020		December 28, 2019	
	Cost of Revenue	Operating Expenses	Cost of Revenue	Operating Expenses	Cost of Revenue	Operating Expenses
Severance and related expenses	$ 335	$ 4,615	$ 4,042	$ 14,054	$ 26,576	$ 25,303
Lease related impairment charges	—	6,340	88	9,851	1,158	14,703
Asset impairment	—	1,746	14	468	2,201	7
Others	1,196	545	2	213	—	838
Total	$ 1,531	$ 13,246	$ 4,146	$ 24,586	$ 29,935	$ 40,851

Restructuring liabilities are reported within accrued expenses and other long-term liabilities in the accompanying consolidated balance sheets (in thousands):

	Severance and related expenses	Lease related impairment charges	Asset impairment	Others	Total
Balance as of December 28, 2019	$ 28,565	$ —	$ —	$ 838	$ 29,403
Charges	18,096	9,939	482	215	28,732
Cash payments	(36,346)	(5,102)	(28)	(719)	(42,195)
Non-cash Settlements and Other	(74)	(4,837)	(454)	(104)	(5,469)
Balance as of December 26, 2020	$ 10,241	$ —	$ —	$ 230	$ 10,471
Charges	4,951	6,340	1,746	1,740	14,777
Cash payments	(7,091)	(2,089)	—	(381)	(9,561)
Non-cash Settlements and Other	(565)	(4,251)	(1,746)	(243)	(6,805)
Balance as of December 25, 2021	$ 7,536	$ —	$ —	$ 1,346	$ 8,882

As of December 25, 2021, the Company's restructuring liability was primarily comprised of $7.7 million related to the 2021 Restructuring Plan and $1.2 million is related to assumed restructuring liabilities associated with Coriant's previous restructuring and reorganization plans, which was substantially completed in previous years. The liability related to the 2021 Restructuring Plan is expected to be paid by end of 2022.

10. Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) includes certain changes in equity that are excluded from net income (loss). The following table sets forth the changes by component for the periods presented (in thousands):

	Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation	Actuarial Gain (Loss) on Pension	Accumulated Tax Effect	Total
Balance at December 29, 2018	$ (91)	$ (18,932)	$ (5,313)	$ (964)	$ (25,300)
Other comprehensive income (loss) before reclassifications	91	(9,376)	(1,692)	—	(10,977)
Amounts reclassified from accumulated other comprehensive income	—	—	1,638	—	1,638
Net current-period other comprehensive income (loss)	91	(9,376)	(54)	—	(9,339)
Balance at December 28, 2019	$ —	$ (28,308)	$ (5,367)	$ (964)	$ (34,639)
Other comprehensive income (loss) before reclassifications	—	29,040	(8,183)	—	20,857
Amounts reclassified from accumulated other comprehensive income	—	—	1,884	—	1,884
Net current-period other comprehensive income (loss)	—	29,040	(6,299)	—	22,741
Balance at December 26, 2020	$ —	$ 732	$ (11,666)	$ (964)	$ (11,898)
Other comprehensive income (loss) before reclassifications	—	(8,561)	12,580	—	4,019
Amounts reclassified from accumulated other comprehensive	—	—	3,383	—	3,383
Net current-period other comprehensive income (loss)	—	(8,561)	15,963	—	7,402
Balance at December 25, 2021	$ —	$ (7,829)	$ 4,297	$ (964)	$ (4,496)

11. Basic and Diluted Net Loss Per Common Share

Basic net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted net loss per common share is computed using net 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 in-the-money stock options, assumed release of outstanding RSUs and PSUs, and assumed issuance of common stock under the ESPP using the treasury stock method. Potentially dilutive common shares also include the assumed conversion of $402.5 million in aggregate principal amount of the Company's 2.125% convertible senior notes due September 1, 2024 (the “2024 Notes”) from the conversion spread (as further discussed in Note 12, “Debt” to the Notes to Consolidated Financial Statements), and $200 million in aggregate principal amount of the Company's 2.50% convertible senior notes due March 1, 2027 (the “2027 Notes”) from the conversion spread (as further discussed in Note 12, “Debt” to the Notes to Consolidated Financial Statements). The Company would include the dilutive effects of the 2024 Notes and 2027 Notes in the calculation of diluted net income per common share if the average market price is above the conversion price. Upon conversion of the 2024 Notes and 2027 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 2024 Notes and 2027 Notes being converted; therefore, only the conversion spread relating to the 2024 Notes and 2027 Notes would be included in the Company’s diluted earnings per

share calculation unless their effect is anti-dilutive. The Company includes the common shares underlying PSUs in the calculation of diluted net income per common share only when they become contingently issuable.

The following table sets forth the computation of net loss per common share (in thousands, except per share amounts):

	Years Ended		
	December 25, 2021	December 26, 2020	December 28, 2019
Net loss	$ (170,778)	$ (206,723)	$ (386,618)
Weighted average common shares outstanding - basic and diluted	207,377	188,216	178,984
Net loss per common share - basic and diluted	$ (0.82)	$ (1.10)	$ (2.16)

The Company incurred net losses during 2021, 2020 and 2019, and as a result, potential common shares from stock options, RSUs, PSUs and the assumed release of outstanding shares under the ESPP were not included in the diluted shares used to calculate net loss per share, as their inclusion would have been anti-dilutive. Additionally, due to the net loss position during these periods, the Company excluded the potential shares issuable upon conversion of the 2027 Notes and the 2024 Notes in the calculation of diluted earnings per share, as their inclusion would have been anti-dilutive.

The following table sets forth the potentially dilutive shares excluded from the computation of the diluted net loss per share because their effect was anti-dilutive (in thousands):

	As of		
	December 25, 2021	December 26, 2020	December 28, 2019
Stock options outstanding	—	451	873
Restricted stock units	12,860	13,947	11,776
Performance stock units	2,751	3,668	2,389
Employee stock purchase plan shares	1,157	1,713	569
Total	16,768	19,779	15,607

12. Debt

The following is a summary of our debt as of December 25, 2021 (in millions):

	Net Carrying Value		Unpaid Principal Balance	Contractual Interest Rates	Contractual Maturity Date
	Current	Long-Term			
2024 Notes	$ —	$ 329.2	$ 402.5	2.125 %	September 2024
2027 Notes	—	140.3	200.0	2.50 %	March 2027
Asset-based Revolving Credit Facility	—	—	—	1.375% - 2.5%	March 2024
Mortgage	0.5	7.3	7.8	5.25 %	March 2024
	$ 0.5	$ 476.8	$ 610.3		

The following is a summary of our debt as of December 26, 2020 (in millions):

	Net Carrying Value		Unpaid Principal Balance	Contractual Interest Rates	Contractual Maturity Date
	Current	Long-Term			
2024 Notes	$ —	$ 306.4	$ 402.5	2.125 %	September 2024
2027 Notes	—	131.8	200.0	2.50 %	March 2027
Asset-based Revolving Credit Facility	77.0	—	77.0	1.375% - 2.5%	March 2024
Finance Assistance Agreement	24.6		24.6	3.0 %	April 2021
Mortgage	0.4	7.8	8.4	5.25 %	March 2024
Total Debt	$ 102.0	$ 446.0	$ 712.5		

Interest Expense

The following table presents the interest expense related to the contractual interest coupon, the amortization of debt issuance costs, and the amortization of debt discounts on our Convertible Senior Notes (in thousands):

	Year Ended		
	December 25, 2021	December 26, 2020	December 28, 2019
Contractual interest expense	$ 13,553	$ 12,577	$ 8,553
Amortization of debt issuance costs	1,892	1,634	1,149
Amortization of debt discount	29,411	25,349	17,612
Total interest expense	$ 44,856	$ 39,560	$ 27,314

2027 Convertible Senior Notes

In March 2020, the Company issued the 2027 Notes due on March 1, 2027, unless earlier repurchased, redeemed or converted. The 2027 Notes are governed by an indenture dated as of March 9, 2020 (the “2027 Indenture”), between the Company and U.S. Bank National Association, as trustee. The 2027 Notes are unsecured, and the 2027 Indenture does 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 the Company's other securities by the Company.

Interest is payable semi-annually in arrears on March 1 and September 1 of each year, commencing on September 1, 2020. The net proceeds to the Company were approximately $193.3 million after deducting initial purchasers' fee and other debt issuance costs. The Company intends to use the net proceeds for general corporate purposes, including working capital to fund growth and potential strategic projects.

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 2027 Notes. For any remaining conversion obligation, the Company intends to pay or deliver, as the case may be, either cash, shares of its common stock, or a combination of cash and shares of its common stock, at the Company’s election. The initial conversion rate is 130.5995 shares of common stock per $1,000 principal amount of 2027 Notes, subject to anti-dilution adjustments, which is equivalent to a conversion price of approximately $7.66 per share of common stock.

Throughout the term of the 2027 Notes, the conversion rate may be adjusted upon the occurrence of certain events, including for any cash dividends. Holders of the 2027 Notes will not receive any cash payment representing accrued and unpaid interest upon conversion of a 2027 Note. Accrued but unpaid interest will be deemed to be paid in full upon conversion rather than canceled, extinguished or forfeited. Prior to December 1, 2026, holders may convert their 2027 Notes under the following circumstances:

- during any fiscal quarter commencing after the fiscal quarter ended on June 27, 2020 (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 2027 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;
- if the Company calls any or all of the 2027 Notes for redemption, such 2027 Notes called for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date;
- upon the occurrence of specified corporate events described under the 2027 Indenture, such as a consolidation, merger or binding share exchange; or
- at any time on or after December 1, 2026 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their 2027 Notes at any time, regardless of the foregoing circumstances.

If the Company undergoes a fundamental change as defined in the 2027 Indenture, holders may require the Company to repurchase for cash all or any portion of their 2027 Notes at a repurchase price equal to 100% of the principal amount of the 2027 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 2027 Indenture), the Company may, in certain circumstances, be required to increase the conversion rate by a number of additional shares for a holder that elects to convert its 2027 Notes in connection with such make-whole fundamental change.

As of December 25, 2021, the carrying amount of the equity component of the 2027 Notes was $67.8 million.

In accounting for the issuance of the 2027 Notes, the Company separated the 2027 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 2027 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 2027 Notes.

The Company allocated the total issuance costs incurred to the liability and equity components of the 2027 Notes based on their relative values. Issuance costs attributable to the liability component were recorded as a reduction to the liability portion of the 2027 Notes and will be amortized as interest expense over the term of the 2027 Notes. The issuance costs attributable to the equity component were netted with the equity component in stockholders' equity.

The Company recorded a deferred tax liability of $16.2 million in connection with the issuance of the 2027 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 2027 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 stockholders' equity if freestanding.

For the years ended December 25, 2021 and December 26, 2020, the debt discount and debt issuance costs for the 2027 Notes were amortized, using an annual effective interest rate of 9.92%, to interest expense

over the term of the 2027 Notes. Unamortized debt conversion discount and issuance costs will be amortized over the remaining life of the 2027 Notes, which is approximately 62 months.

Based on the closing price of the Company’s common stock of $9.55 per share as reported on the Nasdaq Stock Market on December 23, 2021 (the last trading day of the fiscal quarter), the if-converted value of the 2027 Notes exceeded their principal amount by approximately $49.4 million.

Asset-based revolving credit facility

On August 1, 2019, the Company entered into a Credit Agreement (the "Credit Agreement") with Wells Fargo Bank, National Association. The Credit Agreement provides for a senior secured asset-based revolving credit facility of up to $100 million (the "Credit Facility"), which the Company may draw upon from time to time. The Company may increase the total commitments under the Credit Facility by up to an additional $50 million, subject to certain conditions. The Credit Agreement provides for a $50 million letter of credit sub-facility and a $10 million swing loan sub-facility.

On December 23, 2019, the Company exercised its option to increase the total commitments under the Credit Facility and entered into an Increase Joinder and Amendment Number One to Credit Agreement (the “Amendment”), with BMO Harris Bank N.A. and Wells Fargo Bank, National Association, as administrative agent. The amendment increased the total commitments under the Credit Facility to $150 million.

The proceeds of the loans under the Credit Agreement, as amended by the Amendment (the “Amended Credit Agreement”) may be used to pay the fees, costs and expenses incurred in connection with the Amended Credit Agreement and for working capital and general corporate purposes. The Credit Facility matures, and all outstanding loans become due and payable, on March 5, 2024. Availability under the Credit Facility is based upon periodic borrowing base certifications valuing certain inventory and accounts receivable, as reduced by certain reserves. The Credit Facility is secured by first-priority security interest (subject to certain exceptions) in inventory, certain related assets, specified deposit accounts, and certain other accounts in certain domestic subsidiaries.

Loans under the Amended Credit Agreement bear interest, at the Company's option, at either a rate based on LIBOR for the applicable interest period or a base rate, in each case plus a margin. The margin ranges from 2.00% to 2.50% for LIBOR rate loans and 1.00% to 1.50% for base rate loans, depending on the utilization of the Credit Facility. The commitment fee payable on the unused portion of the Credit Facility ranges from 0.375% to 0.625% per annum, also based on the current utilization of the Credit Facility. Letters of credit issued pursuant to the Credit Facility will accrue a fee at a per annum rate equal to the applicable LIBOR rate margin times the average amount of the letter of credit usage during the immediately preceding quarter in addition to the fronting fees, commissions and other fees.

Effective January 1, 2022, with the cessation of LIBOR, the Credit Facility provides for an alternative benchmark rate for LIBOR based loans which may include Term Secured Overnight Financing Rate (SOFR) or other prevailing market rate as determined by the agent plus a spread based on prevailing market convention for the applicable interest period plus a margin ranging from 2.00% to 2.50%.

The Amended Credit Agreement contains customary affirmative covenants, such as financial statement reporting requirements and delivery of borrowing base certificates. The Amended Credit Agreement also contains customary covenants that limit the ability of the Company and its subsidiaries to, among other things, incur debt, create liens and encumbrances, engage in certain fundamental changes, dispose of assets, prepay certain indebtedness, make restricted payments, make investments, and engage in transactions with affiliates. The Amended Credit Agreement also contains a financial covenant that requires the Company to maintain a minimum amount of liquidity and customary events of default.

In connection with the Credit Facility, the Company incurred lender and other third-party costs of approximately $4.9 million in 2019, which were recorded as a deferred asset and amortized to interest expense using a straight-line method over the term of the Credit Facility. During the fiscal year ended December 25, 2021, the Company recorded $1.1 million as amortization of deferred debt issuance cost, $1.1 million as contractual interest expense and related charges.

As of December 25, 2021, the Company had availability of $138.5 million under the Credit Facility and had letters of credit outstanding of approximately $11.5 million. As of December 26, 2020, the Company had availability of $61.3 million under the Credit Facility and had letters of credit outstanding of approximately $11.5 million.

Finance Assistance Agreement

During March 2019, the Company signed an agreement with a third-party contract manufacturer that governs the transfer of the activities from the legacy Coriant manufacturing facility in Berlin, Germany to a third-party contract manufacturer. Subsequently in May 2019, the Company entered into a financing assistance agreement with the contract manufacturer whereby the contract manufacturer agreed to provide funding of up to $40 million to cover severance, retention and other costs associated with the transfer. The funding is secured against certain foreign assets, carries a fixed interest rate of 6% and is repayable in 12 months from the date of each draw down. In October 2020, the Company and the contract manufacturer amended the payment terms to extend the due date by six months set the fixed interest rate at 3% during such period, and allow for the phased transfer of inventory to offset the amount due. In 2021, the Company repaid the entire outstanding principal balance and accrued interest.

Mortgage Payable

In March 2019, the Company mortgaged a property it owns. The Company received proceeds of $8.7 million in connection with the loan. The loan carries a fixed interest rate of 5.25% and is repayable in 59 equal monthly installments of principal and interest with the remaining unpaid principal balance plus accrued unpaid interest due five years from the date of the loan.

On September 24, 2021, the loan was amended to reduce the interest rate from 5.25% to 3.80% for the remaining 31 equal monthly installments of approximately $0.1 million, with the remaining principal payment at maturity date. In connection with the amendment, the Company paid a fee of $0.1 million which is being amortized over the remaining life of the loan.

2024 Convertible Senior Notes

In September 2018, the Company issued the 2024 Notes due on September 1, 2024, unless earlier repurchased, redeemed or converted. The 2024 Notes are governed by a base indenture dated as of September 11, 2018 and a first supplemental indenture dated as of September 11, 2018 (together, the “Indenture”), between the Company and U.S. Bank National Association, as trustee. The 2024 Notes are unsecured, and the Indenture does 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 the Company's other securities by the Company.

Interest is payable semi-annually in arrears on March 1 and September 1 of each year, commencing March 1, 2019. The net proceeds to the Company were approximately $391.4 million, of which approximately $48.9 million was used to pay the cost of the capped call transactions with certain financial institutions (“Capped Calls”). The Company also used a portion of the remaining net proceeds to fund the cash portion of the purchase price of the Acquisition, including fees and expenses relating thereto, and intends to use the remaining net proceeds for general corporate purposes.

The Capped Calls have an initial strike price of $9.87 per share, subject to certain adjustments, which corresponds to the initial conversion price of the 2024 Notes. The Capped Calls have initial cap prices of $15.19 per share, subject to certain adjustments. The Capped Calls cover, subject to anti-dilution adjustments, 40.8 million shares of common stock. The capped call transactions are expected generally to reduce or offset potential dilution to the Company's common stock upon any conversion of the 2024 Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of converted 2024 Notes, as the case may be, with such reduction and/or offset subject to a cap. The Capped Calls expire on various dates between July 5, 2024 and August 29, 2024. The Capped Calls were recorded as a reduction of the Company’s stockholders' equity in the accompanying consolidated balance sheets.

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 2024 Notes. For any remaining conversion obligation, the Company intends to pay or deliver, as the case may be, either cash, shares of its common stock, or a combination of cash

and shares of its common stock, at the Company's election. The initial conversion rate is 101.2812 shares of common stock per $1,000 principal amount of 2024 Notes, subject to anti-dilution adjustments, which is equivalent to a conversion price of approximately $9.87 per share of common stock.

Throughout the term of the 2024 Notes, the conversion rate may be adjusted upon the occurrence of certain events, including for any cash dividends. Holders of the 2024 Notes will not receive any cash payment representing accrued and unpaid interest upon conversion of a 2024 Note. Accrued but unpaid interest will be deemed to be paid in full upon conversion rather than canceled, extinguished or forfeited. Prior to June 1, 2024, holders may convert their 2024 Notes under the following circumstances:

- during any fiscal quarter commencing after the fiscal quarter ended on December 29, 2018 (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 2024 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;
- if the Company calls the 2024 Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date;
- 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 June 1, 2024 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their 2024 Notes at any time, regardless of the foregoing circumstances.

If the Company undergoes a fundamental change as defined in the Indenture governing the 2024 Notes, holders may require the Company to repurchase for cash all or any portion of their 2024 Notes at a repurchase price equal to 100% of the principal amount of the 2024 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 may, in certain circumstances, be required to increase the conversion rate by a number of additional shares for a holder that elects to convert its 2024 Notes in connection with such make-whole fundamental change.

As of December 25, 2021, the carrying amount of the equity component of the 2024 Notes was $128.7 million.

In accounting for the issuance of the 2024 Notes, the Company separated the 2024 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 2024 Notes. The equity component is not re-measured 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 2024 Notes.

The Company allocated the total issuance costs incurred to the liability and equity components of the 2024 Notes based on their relative values. Issuance costs attributable to the liability component were recorded as a reduction to the liability portion of the Notes and will be amortized as interest expense over the term of the 2024 Notes. The issuance costs attributable to the equity component were netted with the equity component in stockholders' equity.

The Company recorded a deferred tax liability of $30.9 million in connection with the issuance of the 2024 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 2024 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.

For the years ended December 25, 2021 and December 26, 2020, the debt discount and debt issuance costs were amortized, using an annual effective interest rate of 9.92%, to interest expense over the term of the 2024 Notes. Unamortized debt conversion discount and issuance costs will be amortized over the remaining life of the 2024 Notes, which is approximately 32 months.

Based on the closing price of the Company’s common stock of $9.55 on December 23, 2021, the if-converted value of the 2024 Notes did not exceed their principal amount.

13. Commitments and Contingencies

The following table sets forth commitments and contingencies related to our various obligations (in thousands):

		Payments Due by Period					
	Total	2022	2023	2024	2025	2026	Thereafte
Operating leases[1][2]	$ 90,887	$ 22,201	$ 15,496	$ 13,371	$ 12,383	$ 9,717	$ 17,719
Financing lease obligations[3]	2,337	1,346	814	177	—	—	—
Purchase obligations [4]	591,540	562,965	27,844	702	29	—	—
2027 Notes, including interest[5]	227,500	5,000	5,000	5,000	5,000	5,000	202,500
2024 Notes, including interest[5]	428,159	8,553	8,553	411,053	—	—	—
Mortgage Payable, including interest[5]	8,392	781	781	6,830	—	—	—
Total contractual obligations	$ 1,348,815	$ 600,846	$ 58,488	$ 437,133	$ 17,412	$ 14,717	$ 220,219

(1) The Company leases facilities under non-cancelable operating lease agreements. These leases have varying terms that range from one to 11 years. The above payment schedule includes interest. See Note 3, "Leases" to the Notes to Consolidated Financial Statements for more information.

(2) 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 $5.1 million and $5.0 million as of December 25, 2021 and December 26, 2020, respectively. All of the $5.1 million as of December 25, 2021 is classified as other long-term liabilities on the accompanying consolidated balance sheets.

(3) The Company has finance leases for other equipment and leasehold improvements. The above payment schedule includes interest. See Note 3, "Leases" to the Notes to Consolidated Financial Statements for more information.

(4) The Company has agreements with its major production suppliers, where the Company is committed to purchase certain parts. As of December 25, 2021, December 26, 2020 and December 28, 2019, these non-cancelable purchase commitments were $591.5 million, $291.4 million and $258.2 million, respectively.

(5) See Note 12, "Debt" to the Notes to Consolidated Financial Statements for more information.

Legal Matters

Oyster Optics LLC

On July 29, 2019, Oyster Optics filed a complaint against the Company, Coriant (USA) Inc., Coriant North America, LLC and Coriant Operations, Inc. in the United States District Court for the Eastern District of Texas. The complaint asserted infringement of U.S. Patent No. 6,665,500 (the “Oyster patent in suit”). The complaint sought unspecified damages and a permanent injunction. On October 7, 2019, the Company filed its answer to the complaint asserting among other things, counterclaims and defenses based on non-infringement, invalidity, and a license to the Oyster patent in suit. On December 27, 2019, the Company filed Inter Partes Review ("IPR") petitions with the U.S. Patent and Trademark Office ("USPTO"), in which the Company requested the USPTO to invalidate the asserted claims of the Oyster patent in suit. On June 26, 2020, the USPTO granted institution on all but one of the asserted claims. On June 22, 2021, the Patent Trial and Appeal Board ruled on the Company's IPR petition, determining that ten of the eleven claims remaining at issue in the IPR were unpatentable. In July 2021, the parties entered into a settlement agreement and all claims in the lawsuit were dismissed with prejudice.

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 each of December 25, 2021 and December 26, 2020, the Company has accrued the estimated liabilities associated with certain loss contingencies.

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. The terms of such indemnification obligations vary. These contracts may 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; and (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.

In addition, the Company has agreed to indemnify certain customers for claims made against the Company's products, where such claims allege infringement of third-party intellectual property rights, including, but not limited to, patents, registered trademarks, and/or copyrights. Under the aforementioned intellectual property indemnification clauses, the Company may be obligated to defend the customer and pay for the damages awarded against the customer under an infringement claim as well as the customer's attorneys' fees and costs. These indemnification obligations generally do not expire after termination or expiration of the agreement containing the indemnification obligation. In certain cases, there are limits on and exceptions to the Company's potential liability for indemnification. The Company cannot estimate the amount of potential future payments, if any, that it might be required to make as a result of these agreements. The maximum potential amount of any future payments that the Company could be required to make under these indemnification obligations could be significant.

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. The term of the indemnification period is for the officer's or director's lifetime for certain events or occurrences while the officer or director is, or was, serving at the Company's request in such capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements could be significant; 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.

14. Guarantees

Product Warranties

Activity related to product warranty was as follows (in thousands):

	December 25, 2021	December 26, 2020
Beginning balance	$ 40,708	$ 43,348
Charges to operations	23,061	23,973
Utilization	(25,745)	(31,462)
Change in estimate[1]	6,286	4,849
Balance at the end of the period	$ 44,310	$ 40,708

[1] The Company records product warranty liabilities based on the latest quality and cost information available as of the date the revenue is recorded. The changes in estimate shown here are due to changes in overall actual failure rates, the mix of new versus used units related to replacement of failed units, and changes in the estimated cost of repair and product recalls. As the Company's products mature over time, failure rates and repair costs associated with such products generally decline leading to favorable changes in warranty reserves.

Letters of Credit and Bank Guarantees

The Company had $22.5 million and $28.9 million of standby letters of credit, bank guarantees and surety bonds outstanding as of December 25, 2021 and December 26, 2020, respectively. Details are sets in below table (in thousands).

	December 25, 2021	December 26, 2020
Customer performance guarantees	$ 16,307	$ 19,821
Value added tax license	287	296
Property leases	4,684	4,016
Pension plans	1,004	4,396
Credit cards	150	296
Other liabilities	68	65
Total	$ 22,500	$ 28,890

Of the $16.3 million related to customer performance guarantees, approximately $4.0 million was used to secure surety bonds in the aggregate of $5.5 million as of December 25, 2021. Of the $19.8 million to customer performance guarantees, approximately $2.8 million was used to secure surety bonds in the aggregate of $5.5 million as of December 26, 2020.

Of the aforementioned standby letters of credit and bank guarantees outstanding, $11.5 million was backed by cash collateral from a third-party institution, and the Company accrues 2.25% annual fee and 0.13% annual fronting fee on the average letter of credit balances outstanding on the cash collateral.

As of December 25, 2021 and December 26, 2020, the Company had a Credit Facility, which included a $50.0 million letter of credit sub-facility, pursuant to which letters of credit in the amount of $11.5 million had been issued and outstanding for both periods. Approximately $200.0 million and $169.5 million of assets of certain Company subsidiaries have been pledged to secure this Credit Facility and other obligations for the years ended December 25, 2021 and December 26, 2020, respectively.

15. Stockholders' Equity

Open Market Sales Agreement

On August 12, 2020, the Company entered into an Open Market Sale Agreement (the "Sales Agreement") with Jefferies LLC ("Jefferies"), as sales agent and/or principal, pursuant to which the Company issued and sold through Jefferies, shares of its common stock, par value $0.001 per share (the "Shares"), having an aggregate offering price of $96.3 million.

During the fiscal year ended December 26, 2020, the Company sold 12 million shares of common stock under the Sales Agreement, for net proceeds of approximately $93.4 million after paying Jefferies a sales commission of approximately $2.9 million related to services provided as the sales agent with respect to the sales of those shares.

2016 Equity Incentive Plan, 2019 Inducement Equity Incentive Plan and Employee Stock Purchase Plan

In February 2007, the Company's board of directors adopted the ESPP and the Company's stockholders approved the ESPP in May 2007. The ESPP was last amended by the stockholders in May 2019 to increase the shares authorized under the ESPP to a total of approximately 31.6 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 a maximum of 15% of the employee's compensation and an employee may not purchase more than 3,000 shares per purchase period.

In February 2016, the Company's board of directors adopted the 2016 Plan and the Company's stockholders approved the 2016 Plan in May 2016. In May 2018, May 2019, May 2020 and May 2021, the Company's stockholders approved amendments to the 2016 Plan to increase the number of shares authorized for issuance under the 2016 Plan by 1.5 million shares, 7.3 million shares, 8.1 million shares and 4.4 million shares, respectively. As of December 25, 2021, the Company reserved a total of 35.2 million shares of common stock for the award of stock options, RSUs and PSUs to employees, non-employees, consultants and members of the Company's board of directors pursuant to the 2016 Plan, plus any shares subject to awards granted under the 2007 Plan that, after the effective date of the 2016 Plan, expire, are forfeited or otherwise terminate without having been exercised in full to the extent such awards were exercisable, and shares issued pursuant to awards granted under the 2007 Plan that, after the effective date of the 2016 Plan, are forfeited to or repurchased by the Company due to failure to vest. The 2016 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.

In July 2019, the Company's board of directors approved a new 2019 Inducement Equity Incentive Plan and set the maximum number of shares to be issued at 750,000.

Shares Reserved for Future Issuances

Common stock reserved for future issuance was as follows (in thousands):

	December 25, 2021
Outstanding stock awards	13,721
Reserved for future award grants	8,480
Reserved for future ESPP	7,165
Total common stock reserved for stock options and awards	29,366

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. The following tables summarize the Company’s equity award activity and related information (in thousands, except per share data):

	Number of Restricted Stock Units	Weighted-Average Grant Date Fair Value Per Share	Aggregate Intrinsic Value
Outstanding at December 29, 2018	6,746	$ 10.83	$ 26,446
RSUs granted	8,950	$ 4.36	
RSUs released	(2,784)	$ 10.48	$ 12,901
RSUs canceled	(1,312)	$ 8.37	
Outstanding at December 28, 2019	11,600	$ 6.20	$ 90,254
RSUs granted	7,064	$ 5.95	
RSUs released	(5,087)	$ 6.36	$ 30,421
RSUs canceled	(1,109)	$ 6.29	
Outstanding at December 26, 2020	12,468	$ 5.99	$ 136,781
RSUs granted	7,377	$ 8.68	
RSUs released	(7,509)	$ 5.96	$ 66,317
RSUs canceled	(729)	$ 6.92	
Outstanding at December 25, 2021	11,607	$ 7.66	$ 110,849

	Number of Performance Stock Units	Weighted-Average Grant Date Fair Value Per Share	Aggregate Intrinsic Value
Outstanding at December 29, 2018	1,129	$ 16.10	$ 4,425
PSUs granted	2,202	$ 4.63	
PSUs released	(99)	$ 11.11	$ 472
PSUs canceled	(727)	$ 14.42	
Outstanding at December 28, 2019	2,505	$ 6.48	$ 19,485
PSUs granted	1,628	$ 5.89	
PSUs released	(285)	$ 9.02	$ 1,702
PSUs canceled	(382)	$ 6.93	
Outstanding at December 26, 2020	3,466	$ 5.36	$ 38,022
PSUs granted	659	$ 8.61	
PSUs released	(964)	$ 5.21	$ 8,278
PSUs canceled	(1,047)	$ 4.91	
Outstanding at December 25, 2021	2,114	$ 6.66	$ 20,184
Expected to vest as of December 25, 2021	1,964		$ 18,751

The aggregate intrinsic value of unreleased RSUs and unreleased PSUs is calculated using the closing price of the Company's common stock of $9.55 at December 23, 2021. 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 recognized, net of forfeitures, of the Company's equity compensation plans as of December 25, 2021. 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)
RSUs	$ 65,970	2.04
PSUs	$ 7,197	2.11

Employee Stock Options

The Company did not grant any stock options during 2021, 2020 and 2019. Stock option exercises are settled with newly issued shares of common stock approved by stockholders for inclusion under the 2007 Plan.

Stock-based compensation expense related to stock options in 2021, 2020 and 2019 was insignificant.

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 25, 2021	December 26, 2020	December 28, 2019
Volatility	38% - 50%	42% - 97%	70% - 72%
Risk-free interest rate	0.05% - 0.06%	0.12% - 1.56%	1.76% - 2.48%
Expected life	0.5 years	0.5 years	0.5 years
Estimated fair value	$2.22 - $3.11	$2.17 - $3.42	$1.64 - $1.77

The expected dividend yield is zero for the Company as it does not expect to pay dividends in the future.

The Company's ESPP activity for the following periods was as follows (in thousands):

	Years Ended		
	December 25, 2021	December 26, 2020	December 28, 2019
Stock-based compensation expense	$ 5,879	$ 6,607	$ 4,873
Employee contributions	$ 16,167	$ 15,346	$ 12,052
Shares purchased	2,272	3,001	2,897

Restricted Stock Units

Pursuant to the 2016 Plan, the Company has granted RSUs to employees and non-employee members of the Company's board of directors. All RSUs awarded are subject to each individual's continued service to the Company through each applicable vesting date. 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 2021, 2020 and 2019 was approximately $42.3 million, $36.1 million and $32.3 million, respectively.

Performance Stock Units

Pursuant to the 2016 Plan, the Company has granted PSUs to certain of the Company's executive officers, senior management and certain employees. All PSUs awarded are subject to each individual's continued service to the Company through each applicable vesting date and if the performance metrics are not met within the time limits specified in the award agreements, the PSUs will be canceled.

PSUs granted to the Company’s executive officers and senior management under the 2016 Plan during the first half of 2018 are based on the total stockholder return ("TSR") of the Company's common stock price relative to the TSR of the individual companies listed in the S&P North American Technology Multimedia Networking Index (“SPGIIPTR”) over the span of one year, two years and three years. The number of shares to be issued upon vesting of these PSUs range from zero to two times the target number of PSUs granted depending on the Company’s performance against the individual companies listed in the SPGIIPTR.

The ranges of estimated values of the PSUs granted that are compared to the SPGIIPTR, as well as the assumptions used in calculating these values were based on estimates as follows:

	2018
Index volatility	33%
Infinera volatility	58% - 59%
Risk-free interest rate	2.37% - 2.40%
Correlation with index	0.04 - 0.48
Estimated fair value	$14.99 - $19.46

The expected dividend yield is zero for the Company as it does not expect to pay dividends in the future.

PSUs granted to the Company's executive officers and senior management under the 2016 Plan during 2019, 2020 and 2021 are based on performance criteria related to a specific financial target over the span of a three-year performance period. These PSUs may become eligible for vesting to begin before the end of the three-year performance period, if the applicable financial target is met. The number of shares to be issued upon vesting of these PSUs are capped at the target number of PSUs granted. Certain other employees were awarded PSUs that will only vest upon the achievement of specific financial and operational performance criteria.

The following table summarizes by grant year, the Company’s PSU activity for the fiscal year ended December 25, 2021 (in thousands):

	Total Number of Performance Stock Units	2018	2019	2020	2021
Outstanding at December 26, 2020	3,466	109	1,757	1,600	—
PSUs granted	659	—	—	—	659
PSUs released	(964)	(104)	(860)	—	—
PSUs canceled	(1,047)	(5)	(712)	(330)	—
Outstanding at December 25, 2021	2,114	—	185	1,270	659

Amortization of stock-based compensation expense related to PSUs in 2021, 2020 and 2019 was approximately $3.3 million, $6.0 million and $6.1 million, respectively.

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 25, 2021	December 26, 2020	December 28, 2019
Stock-based compensation effects in inventory	$ 3,707	$ 3,979	$ 4,798
Income tax benefit associated with stock-based compensation	$ 9,345	$ 8,637	$ 10,438
Stock-based compensation effects in net loss before income taxes			
Cost of revenue	$ 7,928	$ 7,785	$ 6,449
Research and development	18,554	16,863	17,457
Sales and marketing	12,345	10,907	8,413
General and administrative	12,985	13,906	10,460
Total stock-based compensation expense	$ 51,812	$ 49,461	$ 42,779

16. Income Taxes

The following is a geographic breakdown of the provision for income taxes (in thousands):

	Years Ended		
	December 25, 2021	December 26, 2020	December 28, 2019
Current:			
Federal	$ 991	$ 494	$ —
State	137	917	288
Foreign	12,431	9,606	3,046
Total current	$ 13,559	$ 11,017	$ 3,334
Deferred:			
Federal	$ —	$ —	$ 369
State	—	—	—
Foreign	(1,571)	(4,982)	(740)
Total deferred	$ (1,571)	$ (4,982)	$ (371)
Total provision for income taxes	$ 11,988	$ 6,035	$ 2,963

Loss before provision for income taxes from international operations was $20.7 million, $37.3 million and $202.2 million for the years ended December 25, 2021, December 26, 2020 and December 28, 2019, respectively.

The provisions for income taxes differ from the amount computed by applying the statutory federal income tax rates as follows:

	Years Ended		
	December 25, 2021	December 26, 2020	December 28, 2019
Expected tax at federal statutory rate	21.0 %	21.0 %	21.0 %
State taxes, net of federal benefit	(1.2)%	(0.4)%	(0.1)%
Research credits	1.7 %	1.2 %	1.0 %
Stock-based compensation	1.1 %	(1.2)%	(2.0)%
Change in valuation allowance	(20.9)%	(16.9)%	(19.7)%
Foreign rate differential	(6.9)%	(6.3)%	(0.2)%
Other	(2.3)%	(0.4)%	(0.8)%
Effective tax rate	(7.5)%	(3.0)%	(0.8)%

For 2021, the Company's income tax expense was $12.0 million with effective tax rate of (7.5)%. The difference between the effective income tax rate and the U.S federal statutory rate of 21% to income before income taxes is primarily the result of foreign income taxed at different rates and valuation allowances. The Company recognized an income tax expense of $6.0 million and $3.0 million in 2020 and 2019, respectively. The resulting effective tax rates were (3.0)% and (0.8)% for 2020 and 2019, respectively. The 2020 and 2019 effective tax rates differ from the expected statutory rate of 21%, based on our ability to benefit from its U.S. loss carryforwards, offset by state income taxes, non-deductible stock-based compensation expenses and foreign taxes provided on foreign subsidiary earnings.

Deferred tax assets and liabilities are recognized for the future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis using enacted tax rates in effect for the year in which the differences are expected to reverse. Significant deferred tax assets and liabilities consist of the following (in thousands):

	Years Ended	
	December 25, 2021	December 26, 2020
Deferred tax assets:		
Net operating losses	$ 336,711	$ 354,598
Research and foreign tax credits	132,829	126,839
Nondeductible accruals	76,898	61,871
Inventory valuation	22,651	32,444
Property, plant and equipment	—	5,819
Leasing Liabilities	19,407	24,261
Stock-based compensation	4,902	4,161
Total deferred tax assets	$ 593,398	$ 609,993
Valuation allowance	(521,620)	(531,923)
Net deferred tax assets	$ 71,778	$ 78,070
Deferred tax liabilities:		
Property, plant and equipment	$ (10,792)	$ —
Right of use asset	(12,216)	(17,515)
Acquired intangible assets	(19,273)	(24,547)
Convertible senior notes	(29,897)	(37,979)
Total deferred tax liabilities	$ (72,178)	$ (80,041)
Net deferred tax liabilities	$ (400)	$ (1,971)

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. The Company must consider all positive and negative evidence, including the Company's forecasts of taxable income over the applicable carryforward periods, its current financial performance, its market environment, and other factors in evaluating the need for a full or partial valuation allowance against its net U.S. deferred tax assets. Based on the available objective evidence, management believes it is not more likely than not that the domestic net deferred tax assets will be realizable in the foreseeable future. Accordingly, the Company has provided a full valuation allowance against its domestic deferred tax assets, net of deferred tax liabilities, as of December 25, 2021 and December 26, 2020.

To the extent that the Company determines that deferred tax assets are realizable on a more likely than not basis, and an adjustment is needed, that adjustment will be recorded in the period that the determination is made and would generally decrease the valuation allowance and record a corresponding benefit to earnings or other comprehensive income.

As of December 25, 2021, the Company had net operating loss carryforwards of approximately $681.9 million for federal income tax purposes which will begin to expire in 2027 if unused. The Company had net operating loss carryforwards of approximately $548.3 million for state income tax purposes which will begin to expire in the year 2022 if unused. The Company also had foreign net operating loss carryforwards of approximately $638.7 million.

As of December 25, 2021, the Company also had R&D credit carryforwards of approximately $84.6 million for federal income tax and $50.6 million for state income tax purposes. The federal R&D tax credit will begin to expire in 2023 if unused. State R&D tax credits will carry forward indefinitely.

As of December 25, 2021, the Company also had Foreign Tax credit carryforwards of approximately $41.5 million for federal income tax. The foreign tax credit will begin to expire in 2023 if unused.

Infinera Canada Inc., an indirect wholly owned subsidiary, has Scientific Research and Experimental Development Expenditures ("SRED") credits available of $3.9 million to offset future Canadian income taxes payable as of December 25, 2021. Infinera Portugal subsidiary has a SIFIDE Credit of $4.3 million to offset future income tax payable in Portugal as of December 25, 2021. Canadian SRED credits will begin to expire in the year 2032 if not fully utilized. The Portugal SIFIDE credits will begin to expire in the year 2022.

At December 25, 2021, we had federal capital loss carryforwards of $7.6 million. If not utilized, the federal capital loss will expire in 2023.

The federal and state net operating loss carryforwards may be subject to significant limitations under Section 382 and Section 383 of the Internal Revenue Code of 1986 and similar provisions under state law. The Tax Reform Act of 1986 contains provisions that limit the federal net operating loss carryforwards that may be used in any given year in the event of special occurrences, including significant ownership changes. The Company has completed a Section 382 review and has determined that none of its operating losses will expire solely due to Section 382 limitation(s).

The aggregate changes in the balance of gross unrecognized tax benefits were as follows (in thousands):

	December 25, 2021	December 26, 2020	December 28, 2019
Beginning balance	$ 57,931	$ 44,092	$ 24,617
Tax position related to current year			
Additions	1,198	3,213	1,965
Tax positions related to prior years			
Additions	7,633	11,494	18,212
Reductions	(9,569)	(625)	(542)
Lapses of statute of limitations	(2,943)	(243)	(160)
Ending balance	$ 54,250	$ 57,931	$ 44,092

As of December 25, 2021, the cumulative unrecognized tax benefit was $54.3 million, of which $41.5 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 25, 2021, approximately $12.8 million, if recognized, would impact the Company's effective tax rate. The amount of unrecognized tax benefit could be reduced upon expiration of the applicable statute of limitation. The potential reduction in unrecognized tax benefits during the next 12 months is not expected to be material.

As of December 25, 2021, December 26, 2020 and December 28, 2019, the Company had $2.1 million, $2.9 million and $1.4 million, respectively, of accrued interest or penalties related to unrecognized tax benefits, of which less than $0.8 million was included in the Company's provision for income taxes in each of the years ended December 25, 2021, December 26, 2020 and December 28, 2019, respectively. 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 2003 and forward.

Included in the balance of income tax liabilities, accrued interest and penalties at December 25, 2021 is an immaterial amount related to tax positions for which it is reasonably possible that the statute of limitations will expire in various jurisdictions within the next twelve months.

Post US Tax Reform, the Company and its subsidiaries do not have significant unremitted foreign earnings and the associated withholding and other taxes are not material for the fiscal year ended December 25, 2021.

17. 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 as a provider of optical transport networking equipment, software and services. 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. For more information regarding revenue disaggregated by geography, see Note 4, "Revenue Recognition" to the Notes to Consolidated Financial Statements.

Additionally, the following table sets forth our property, plant and equipment by geographic region (in thousands):

	December 25, 2021	December 26, 2020
United States	$ 141,977	$ 127,691
Other Americas	2,687	2,668
Europe, Middle East and Africa	12,245	18,605
Asia Pacific and Japan	3,309	4,169
Total property, plant and equipment, net	$ 160,218	$ 153,133

18. Employee Benefit and Pension Plans

Defined Contribution Plans

The Company has established a savings plan under Section 401(k) of the Internal Revenue Code (the "401(k) Plan"). As allowed under Section 401(k) of the Internal Revenue Code, the 401(k) 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. The Company made voluntary cash contributions and matched a portion of employee contributions of $2.8 million, $2.4 million and $2.7 million for 2021, 2020, and 2019, respectively. Expenses related to the 401(k) Plan were insignificant for each of the years 2021, 2020, and 2019.

The Company has an ITP pension plan covering its Swedish employees. Commitments for old-age and survivors' pension for salaried employees in Sweden are vested through an insurance policy. Expenses related to the ITP pension plan were $2.8 million for 2021, $2.7 million for 2020 and $2.6 million for 2019.

The Company also provides defined contribution plans in certain foreign countries where required by local statute or at the Company's discretion. For the years ended December 25, 2021, December 26, 2020 and December 28, 2019, the Company had $6.2 million, $3.5 million, and $3.9 million related to post-retirement costs, respectively.

Pension Plans

Pension and Post-Retirement Benefit Plans

As a result of the Acquisition in 2018, the Company acquired a number of post-employment plans in Germany, as well as a number of smaller post-employment plans in other countries, including both defined contribution and defined benefit plans. The defined benefit plans expose the Company to actuarial risks such as, investment risk, interest rate risk, life expectancy risk and salary risk. The characteristics of the defined benefit plans and the risks associated with them vary depending on legal, fiscal, and economic requirements.

Obligations and Funded Status

The following table sets forth the changes in benefits obligations and the fair value of plan assets of the Company's benefit plans (in thousands):

	December 25, 2021	December 26, 2020
Benefit obligation at beginning of year	$ 129,936	$ 113,234
Service cost	351	896
Interest cost	1,265	1,773
Benefits paid	(3,413)	(3,103)
Curtailment	—	(258)
Actuarial loss (gain)	(3,050)	6,243
Employee contributions	190	986
Foreign currency exchange rate changes	(9,508)	10,165
Benefit obligation at end of year[(1)]	$ 115,771	$ 129,936
Fair value of plan assets at beginning of year	$ 77,561	$ 69,777
Actual return on plan assets	12,425	447
Payments	(3,206)	—
Employee contributions	289	1,305
Foreign currency exchange rate changes	(5,454)	6,032
Fair value of plan assets at end of year	$ 81,615	$ 77,561
Net liability recognized	$ 34,156	$ 52,375

(1) The Company's accumulated benefit obligation was $115.1 million and $128.9 million at December 25, 2021 and December 26, 2020, respectively.

The net liability is included in the line item other long-term liabilities in the Company's consolidated balance sheets.

The following table presents net amounts of non-current assets and current and non-current liabilities for the Company's pension and other post-retirement benefit plans recognized on its consolidated balance sheet (in thousands):

	December 25, 2021	December 26, 2020
Other non-current assets	$ 81,615	$ 77,561
Other long-term liabilities	(115,771)	(129,936)
Net liability recognized	$ (34,156)	$ (52,375)

Components of Net Periodic Benefit Cost

Net periodic benefit cost for the Company's pension and other post-retirement benefit plans consisted of the following (in thousands):

	Years ended		
	December 25, 2021	December 26, 2020	December 28, 2019
Service cost	$ 351	$ 896	$ 2,061
Interest cost	1,265	1,773	2,075
Expected return on plan assets	(2,895)	(2,644)	(2,371)
Amortization of net actuarial loss	3,383	1,884	1,638
Total net periodic benefit cost	$ 2,104	$ 1,909	$ 3,403

Actuarial gains and losses are amortized using a corridor approach. The gain/loss corridor is equal to 10% of the greater of the pension benefit obligation and the market-related value of assets. Gains and losses in excess of the corridor are generally amortized over the average future working lifetime of the pension plan participants. All components of net periodic benefit cost are recorded in operating expense of the Company's consolidated statements of operations as the impact of the amounts to be recorded in other income and expense is immaterial.

The following table sets forth the changes in accumulated other comprehensive income for the Company's benefit plans (pre-tax) (in thousands):

	December 25, 2021	December 26, 2020
Beginning balance	$ (11,666)	$ (5,367)
Net actuarial gain (loss) arising in current year	12,580	(8,183)
Amortization of net actuarial loss[1]	3,383	1,884
Ending balance	$ 4,297	$ (11,666)

(1) The actuarial loss for the fiscal year ended December 25, 2021 was caused primarily by the change in the discount rate. Amounts in accumulated other comprehensive income expected to be recognized as components of net periodic pension cost during 2022 is $0.4 million (pre-tax).

Assumptions

Certain weighted-average assumptions used in computing the benefit obligations are as follows:

	December 25, 2021	December 26, 2020
Discount rate	1.20 %	1.05 %
Salary growth rate	2.25 %	2.25 %
Pension growth rate	2.00 %	2.00 %
Expected long-term rate of return on plan assets	3.93 %	3.93 %

Investment Policy

The financial position of the Company’s funded status is the difference between the fair value of plan assets and projected benefit obligations. Volatility in funded status occurs when asset values change differently from liability values and can result in fluctuations in costs in financial reporting. The Company’s investment policies and strategies are designed to increase the rate of assets to plan liabilities at an appropriate level of funded status volatility. Asset allocation decisions are recommended by the trustees for the specific plan and agreed to by the Company's management. Investment objectives are designed to generate returns that will enable the plan to meet its future obligations. The Company's management reviews the investment strategy and performance semi-annually and discuss alternatives to manage volatility.

Basis for Expected Long-Term Rate of Return on Plan Assets

The expected long-term rate of return on plan assets reflects the expected returns for each major asset class in which the plan invests and the weight of each asset class in the target mix. Expected asset returns reflect the current yield on government bonds, risk premiums for each asset class and expected real returns which considers each country’s specific inflation outlook. The expected return is set using a low to medium risk profile and to meet the market expectations over a longer period of time to meet the obligations in the future.

Fair Value of Plan Assets

The following tables present the fair value of plan assets for pension and other benefit plans by major asset category (in thousands):

	As of December 25, 2021			December 26, 2020		
	Fair Value Measured Using			Fair Value Measured Using		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash	$ 738	$ —	$ 738	$ 1,060	$ —	$ 1,060
Equity fund	—	55,400	55,400	—	48,942	48,942
Insurance contracts	—	25,388	25,388	—	27,394	27,394
Pension fund	—	89	89	—	165	165
Total plan assets at fair value	$ 738	$ 80,877	$ 81,615	$ 1,060	$ 76,501	$ 77,561

Valuation Techniques

The following describes the valuation techniques used to measure the fair value of the assets shown in the table above. Equity funds are invested in traded securities and are recorded at market value as of the balance sheet date. Insurance contracts are recorded at cash surrender value of the policies. Mixed fund and pension fund are valued at the amounts as provided by the insurance companies who manage the funds and represent fair market value at the date of the balance sheet.

Transfers Between Levels

Any transfers between levels in the fair value hierarchy are recognized as of the end of the reporting period. No material transfers between levels occurred during the fiscal year ended December 25, 2021.

Future Contributions

In 2022, the Company expects to make contributions of $5.3 million to cover benefit payments to plan participants.

Cash Flows

Estimated future benefit payments under the Company's pension plans as of December 25, 2021 are as follows (in thousands):

2022	$ 5,251
2023	3,670
2024	3,943
2025	5,606
2026	3,932
2027 to 2031	21,329

19. Financial Information by Quarter (Unaudited)

The following table sets forth the Company's unaudited quarterly consolidated statements of operations data for 2021 and 2020. 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)							
	2021				2020			
	Dec. 25	Sep. 25	Jun. 26	Mar. 27	Dec. 26	Sep. 26	Jun. 27	Mar. 28
	(In thousands, except per share data)							
Revenue:								
Product	$316,956	$270,818	$257,441	$254,161	$267,226	$261,906	$ 261,227	$ 255,192
Services	83,301	84,996	80,786	76,746	86,299	78,305	70,360	75,081
Total revenue	400,257	355,814	338,227	330,907	353,525	340,211	331,587	330,273
Cost of revenue:								
Cost of product	206,577	187,956	172,053	165,485	178,153	185,001	186,519	201,792
Cost of services	45,580	43,722	41,446	43,260	44,724	38,100	36,599	40,695
Amortization of intangible assets	5,782	4,609	4,614	4,616	4,611	7,287	8,721	8,628
Acquisition and integration costs	—	—	—	—	—	43	750	1,035
Restructuring and other related costs	(148)	1,434	(269)	514	(106)	1,504	1,591	1,157
Total cost of revenue	257,791	237,721	217,844	213,875	227,382	231,935	234,180	253,307
Gross profit	142,466	118,093	120,383	117,032	126,143	108,276	97,407	76,966
Amortization of intangible assets	4,307	4,351	4,392	4,405	4,745	4,696	4,585	4,555
Acquisition and integration costs	—	—	—	614	(265)	1,045	3,344	9,222
Restructuring and other related costs	5,055	6,546	(674)	2,319	7,230	6,679	5,097	5,580
Other operating expenses	143,246	138,172	139,913	132,807	121,209	122,773	129,007	134,489
Total operating expenses	152,608	149,069	143,631	140,145	132,919	135,193	142,033	153,846
Loss from operations	(10,142)	(30,976)	(23,248)	(23,113)	(6,776)	(26,917)	(44,626)	(76,880)
Other income (expense), net	(20,479)	(17,363)	(9,271)	(24,198)	(2,043)	(7,620)	(14,374)	(21,452)
Loss before income taxes	(30,621)	(48,339)	(32,519)	(47,311)	(8,819)	(34,537)	(59,000)	(98,332)
Provision for income taxes	2,447	5,455	3,075	1,011	1,105	1,359	2,635	936
Net loss	$ (33,068)	$ (53,794)	$ (35,594)	$ (48,322)	$ (9,924)	$ (35,896)	$ (61,635)	$ (99,268)
Net loss per common share								
Basic	$ (0.16)	$ (0.26)	$ (0.17)	$ (0.24)	$ (0.05)	$ (0.19)	$ (0.33)	$ (0.55)
Diluted	$ (0.16)	$ (0.26)	$ (0.17)	$ (0.24)	$ (0.05)	$ (0.19)	$ (0.33)	$ (0.55)

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 2021 and 2020 were 52-week years that ended on December 25, 2021 and December 26, 2020, respectively.

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 25, 2021, our disclosure controls and procedures were effective.

Inherent Limitations on Effectiveness of 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 its 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.

Changes in Internal Control over Financial Reporting

During the three months ended December 25, 2021 there were no changes in our internal control over financial reporting which were identified in connection with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We are continually monitoring and assessing the COVID-19 pandemic situation to minimize the impact, if any, on the design and operating effectiveness on our internal controls.

Management's 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 25, 2021, 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 the end of 2021 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. GAAP.

The effectiveness of our internal control over financial reporting as of the end of 2021 has been audited by Ernst & Young, LLP, an independent registered public accounting firm, as stated in their report, which is included elsewhere herein.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

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 2022 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. For information pertaining to our executive officers, refer to the section entitled "Information about our Executive Officers" 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 2022 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 2022 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 2022 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 2022 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:

	Page
Reports of Ernst & Young LLP, Independent Registered Public Accounting Firm	65
Consolidated Balance Sheets	68
Consolidated Statements of Operations	69
Consolidated Statement of Comprehensive Income (Loss)	70
Consolidated Statements of Stockholders' Equity	71
Consolidated Statements of Cash Flows	72
Notes to Consolidated Financial Statements	74

(a)(2) *Financial Statement Schedule*

Schedule II: Valuation and Qualifying Accounts

	Years Ended		
	December 25, 2021	December 26, 2020	December 28, 2019
	(In thousands)		
Deferred tax asset, valuation allowance			
Beginning balance	$ 531,923	$ 484,834	$ 493,157
Additions	14,395	53,761	122,878
Reductions	(24,698)	(6,672)	(131,201)
Ending balance	$ 521,620	$ 531,923	$ 484,834
Allowance for credit losses			
Beginning balance	$ 2,912	$ 4,005	$ 1,821
Additions	822	2,422	2,184
Write-offs	(2,430)	(3,515)	—
Ending balance	$ 1,304	$ 2,912	$ 4,005

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.

ITEM 16. FORM 10-K SUMMARY

None.

INDEX TO EXHIBITS

Exhibit No.	Description
2.1	Unit Purchase Agreement by and among Infinera Corporation, Coriant Investor LLC and Oaktree Optical Holdings, L.P., dated July 23, 2018, incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K/A (No. 001-33486), filed with the SEC on July 27, 2018.
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 August 11, 2020.
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	Base Indenture, dated as of September 11, 2018, by and between Infinera Corporation and U.S. Bank National Association, 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 September 12, 2018.
4.3	First Supplemental Indenture, dated as of September 11, 2018, by and between Infinera Corporation and U.S. Bank National Association, incorporated herein by reference to Exhibit 4.2 of the Registrant's Current Report on Form 8-K (No. 001-33486), filed with the SEC on September 12, 2018.
4.4	Form of 2.125% Convertible Senior Notes due 2024 (included in Exhibit 4.3 incorporated by reference hereto).
4.5	Indenture, dated March 9, 2020, by and between Infinera Corporation and U.S. Bank National Association, 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 March 9, 2020
4.6	Form of 2.50% Convertible Senior Notes due 2027 (included in Exhibit 4.5 incorporated by reference hereto)
4.7	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934, incorporated herein by reference to Exhibit 4.5 of the Registrant's Annual Report on Form 10-K (No. 001-33486) filed with the SEC on March 4, 2020.
4.8	Form of Indenture, incorporated herein by reference to Exhibit 4.2 of the Registrant's Form S-3 Registration Statement (No. 333-244741) filed with the SEC on August 12, 2020.
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*	2007 Equity Incentive Plan, incorporated herein by reference to Exhibit 10.3 of the Registrant's Annual Report on Form 10-K (No. 001-33486), filed with the SEC on February 18, 2015.
10.3*	Infinera Corporation Amended and Restated 2007 Employee Stock Purchase Plan, incorporated herein by reference to Exhibit 10.3 of the Registrant's Annual Report on Form 10-K (No. 001-33486) filed with the SEC on March 4, 2020.
10.4*	Form of 2007 Employee Stock Purchase Plan Global Subscription Agreement, incorporated herein by reference to Exhibit 10.4 of the Registrant's Annual Report on Form 10-K (No. 001-33486) filed with the SEC on March 4, 2020.
10.5*	Bonus Plan, incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on 8-K (No. 001-33486), filed with the SEC on February 14, 2011.
10.6*	Form of Section 16 Officer Notice of Grant of Restricted Stock Units under the 2007 Equity Incentive Plan, incorporated herein by reference to Exhibit 10.7 of the Registrant's Annual Report on Form 10-K (No. 001-33486), filed with the SEC on February 18, 2015.
10.7*	Form of Notice of Grant of Stock Option 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.
10.8*	Form of Chief Executive Officer Amended and Restated Change of Control Severance Agreement, 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 February 22, 2018.

Exhibit No.	Description
10.9*	Form of Section 16 Officer Amended and Restated Change of Control Severance 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 February 22, 2018.
10.10*	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.
10.11*	Executive Severance Policy, incorporated herein by reference to Exhibit 10.19 of the Registrant's Annual Report on Form 10-K (No. 001-33486), filed with the SEC on February 18, 2015.
10.12*	Infinera Corporation Amended and Restated 2016 Equity Incentive 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 24, 2021.
10.13*	Form of Notice of Grant of Restricted Stock Units under the Amended and Restated 2016 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 9, 2019.
10.14*	Form of Notice of Grant of Restricted Stock Units for Directors under the Amended and Restated 2016 Equity Incentive Plan, incorporated herein by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K (No. 001-33486), filed with the SEC on May 17, 2016.
10.15*	Form of Notice of Grant of Performance Shares under the Amended and Restated 2016 Equity Incentive Plan, incorporated herein by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q (No. 001-33486), filed with the SEC on May 9, 2019.
10.16	Underwriting Agreement, dated as of September 6, 2018, by and between Infinera Corporation and Morgan Stanley & Co. LLC, as manager of the underwriter named therein, 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 September 12, 2018.
10.17	Form of Capped Call Confirmation, 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 September 12, 2018.
10.18	First Amendment to Unit Purchase Agreement, dated as of March 4, 2019, by and among Infinera Corporation, Coriant Investor LLC and Oaktree Optical Holdings, L.P., 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 4, 2019.
10.19*	Offer Letter between Infinera Corporation and David L. Teichmann dated March 18, 2019, 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 August 8, 2019.
10.20*	Offer Letter between Infinera Corporation and Nancy Erba dated July 8, 2019, 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 November 12, 2019.
10.21*	Infinera Corporation 2019 Inducement Equity Incentive Plan, incorporated herein by reference to Exhibit 4.1 of the Registrant's Registration Statement on Form S-8 (No. 333-233150), filed with the SEC on August 8, 2019.
10.22*	Form of Notice of Grant of Restricted Stock Units (Inducement Plan), incorporated herein by reference to Exhibit 4.2 of the Registrant's Registration Statement on Form S-8 (No. 333-233150), filed with the SEC on August 8, 2019.
10.23*	Form of Notice of Grant of Performance Shares (Inducement Plan), incorporated herein by reference to Exhibit 4.3 of the Registrant's Registration Statement on Form S-8 (No. 333-233150), filed with the SEC on August 8, 2019.
10.24	Credit Agreement, dated as of August 1, 2019, by and among Infinera Corporation, Coriant Operations, Inc., Coriant North America, LLC, Coriant America Inc., Coriant (USA) Inc., and Wells Fargo Bank, National Association, as administrative agent, 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 August 2, 2019.
10.25	Guaranty and Security Agreement, dated as of August 1, 2019, by and among Infinera Corporation, the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent, 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 August 2, 2019.

Exhibit No.	Description
10.26	Increase Joinder and Amendment Number One to Credit Agreement, dated as of December 23, 2019, by and among Infinera Corporation, Wells Fargo Bank, National Association and BMO Harris Bank N.A., 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 December 26, 2019.
10.27*	Offer Letter between Infinera Corporation and Nicholas Walden dated January 3, 2020, incorporated herein by reference to Exhibit 10.27 of the Registrant's Annual Report in Form 10-K (No. 001-33486) filed with the SEC on March 4, 2020.
10.28	Second Amendment to Credit Agreement, dated as of March 4, 2020, among Infinera Corporation, the lenders party thereto, and Wells Fargo Bank, National Association, as Administrative Agent, 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 4, 2020
10.29	Purchase Agreement, dated March 4, 2020, by and between Infinera Corporation and Goldman Sachs & Co. LLC, 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 9, 2020
10.30	Letter agreement, dated as of April 13, 2020, among Infinera Corporation, Oaktree Optical Holdings, L.P. and certain other parties, 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 14, 2020
10.31	Transition Agreement, dated as of November 21, 2020, by and between Infinera Corporation and Thomas Fallon.
21.1	Subsidiaries.
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
24.1	Power of Attorney (reference is made to the signature page hereto)
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
104	Cover Page Interactive Data File (embedded within the Inline XBRL 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 Exchange Act 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, as amended, or the Exchange Act, 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 23, 2022

Infinera Corporation

By: /s/ NANCY ERBA

Nancy Erba
Chief Financial Officer
Principal Financial Officer

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints David W. Heard and Nancy Erba, 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/ DAVID W. HEARD **David W. Heard**	Chief Executive Officer, Principal Executive Officer and Director	February 23, 2022
/s/ NANCY ERBA **Nancy Erba**	Chief Financial Officer, Principal Financial Officer	February 23, 2022
/s/ MICHAEL FERNICOLA **Michael Fernicola**	Chief Accounting Officer and Principal Accounting Officer	February 23, 2022
/s/ GEORGE RIEDEL **George Riedel**	Chairman of the Board	February 23, 2022
/s/ CHRISTINE BUCKLIN **Christine Bucklin**	Director	February 23, 2022
/s/ GREG P. DOUGHERTY **Greg P. Dougherty**	Director	February 23, 2022
/s/ MARCEL GANI **Marcel Gani**	Director	February 23, 2022
/s/ SHARON HOLT **Sharon Holt**	Director	February 23, 2022
/s/ ROOP K. LAKKARAJU **Roop Lakkaraju**	Director	February 23, 2022
/s/ PAUL J. MILBURY **Paul J. Milbury**	Director	February 23, 2022
/s/ AMY RICE **Amy Rice**	Director	February 23, 2022
/s/ MARK A. WEGLEITNER **Mark A. Wegleitner**	Director	February 23, 2022
/s/ DAVID F. WELCH, PH.D. **David F. Welch, Ph.D.**	Co-founder, Chief Innovation Officer and Director	February 23, 2022

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