INFINERA CORP
Form DEF 14A
March 29, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x   Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

INFINERA CORPORATION

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

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x No fee required.

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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Infinera Corporation

140 Caspian Court

Sunnyvale, CA 94089

NOTICE OF 2013 ANNUAL MEETING OF STOCKHOLDERS

To Be Held on May 15, 2013

10:00 a.m., Pacific Time

Dear Stockholder:

You are cordially invited to attend the 2013 Annual Meeting of Stockholders (the Annual Meeting) of Infinera Corporation, a Delaware corporation (Infinera). Notice is hereby given that the meeting will be held on May 15, 2013, at 140 Caspian Court, Sunnyvale, CA 94089 at 10:00 a.m., Pacific Time, for the following purposes:

1. To elect to the Board of Directors (the Board) the three nominees for Class III directors named in the Proxy Statement;

2. To ratify the appointment of Ernst & Young LLP as Infinera s independent registered public accounting firm for the fiscal year ending December 28, 2013;

3. To approve, on an advisory basis, Infinera s executive compensation, as described in the Proxy Statement; and

4. To transact such other business as may properly come before the meeting or any postponement or adjournment thereof.

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

The record date for the Annual Meeting is March 20, 2013. Only stockholders of record at the close of business on that date may vote at the Annual Meeting or any postponement or adjournment thereof. A list of our stockholders will be maintained and open for examination by any of our stockholders, for any purpose germane to the Annual Meeting, during regular business hours at the address listed above for ten days prior to the meeting.

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

As a stockholder of Infinera, your vote is important. Whether or not you expect to attend the Annual Meeting in person, it is important that you vote as soon as possible so that your shares are represented.

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

By Order of the Board,

/s/ Michael O. McCarthy III

Michael O. McCarthy III

Chief Legal and Administrative Officer and

Corporate Secretary

Sunnyvale, California
March 29, 2013

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PROXY STATEMENT SUMMARY

This summary highlights selected information contained elsewhere in our proxy statement. The summary does not contain all of the information that you should consider, and you should read and consider carefully the more detailed information contained in this proxy statement before voting.

2013 Annual Meeting of Stockholders

Time and Date:	10:00 a.m. Pacific Time on May 15, 2013
Place:	Infinera Corporation, 140 Caspian Court, Sunnyvale, CA 94089
Record Date:	March 20, 2013
Voting:	Stockholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote for each director nominee and one vote for each of the other proposals to be voted on.

Meeting Agenda and Voting Matters

Agenda Items	Board Vote Recommendation	Page Reference (for more detail)
1. To elect to the Board of Directors the three nominees for Class III directors named in the Proxy Statement.	FOR EACH DIRECTOR NOMINEE	6
2. To ratify the appointment of Ernst & Young LLP as Infinera s independent registered public accounting firm for the fiscal year ending December 28, 2013.	FOR	21
3. To approve, on an advisory basis, Infinera s executive compensation, as described in the Proxy Statement.	FOR	59
4. To transact such other business that may properly come before the meeting or any postponement or adjournment thereof.		

Board Nominees

Name	Age	Director Since	Independent[1]	Committee Memberships[2] AC	CC	NGC	TAC	Other Public Company Boards
Kenneth A. Goldman	63	2005	X	M				NXP Semiconductors
Carl Redfield	66	2006	X		M	C		
Mark A. Wegleitner	62	2011	X		C		M	

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

(1) Under the rules and regulations of the SEC and the listing standards of NASDAQ.
(2) As of fiscal year-end 2012.

Executive Compensation Program

Our executive compensation program is designed to balance near-term results with long-term success and continue to encourage employees to build value through innovation and execution. To fulfill this mission, Infinera has a pay-for-performance philosophy that forms the foundation for all decisions regarding executive compensation made by our management team and our Compensation Committee.

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Key Elements of Executive Compensation

Compensation Component	Reason
Base Salary	In an effort to align executive officer s compensation with the interests of our stockholders, we have historically compensated our named executive officers with lower levels of base cash compensation. We believe this represents the baseline that must be paid in order to attract and retain these executives.
Total Cash Compensation	In an effort to align executive officer s compensation with the interests of our stockholders, we have historically compensated our named executive officers with lower levels of total cash compensation. We chose to target total cash compensation, which includes base salary and performance-based incentive cash awards, at slightly below median market levels because it allows us to offer compensation opportunities to our executives that more significantly link pay to the achievement of annual individual and company performance goals.
Equity Compensation Restricted Stock Units Performance-based Restricted Stock Units	We opted to emphasize compensation that relies heavily on equity compensation because it allows us to offer attractive long-term compensation opportunities while linking pay to the achievement of both personal and company performance goals, while maintaining modest levels of total cash compensation. In addition, we believe this provides an attractive opportunity to earn above-market, long-term compensation in a manner that is highly aligned with the interests of our stockholders.

Other Key Compensation Features

Double Trigger Change of Control Agreements	*Clawback Policy*	*Stock Ownership Guidelines*
No Hedging of Infinera Stock	*No Tax Gross-Ups*	*No Employment Agreements*

Fiscal 2012 Executive Compensation Actions

Fiscal 2012 was a period of transition for Infinera as we continued to significantly invest in our DTN-X product in advance of revenues related thereto. Our pay-for-performance philosophy during this period of transition resulted in certain fiscal 2012 compensation decisions and other actions taken by the Compensation Committee. Some of the significant changes to our executive compensation for fiscal 2012 included the following:

Increased Use of Restricted Stock Units and Performance-based Restricted Stock Units. In fiscal 2012, the Compensation Committee granted only restricted stock units and performance-based restricted stock units (PSUs) for equity awards, weighting the split of equity awards more heavily toward the performance-based PSUs for our CEO, and no longer granted stock option awards to our named executive officers.

Majority of CEO s 2012 Compensation was Performance Based. In fiscal 2012, the Compensation Committee continued its practice of providing a majority of our CEO s equity compensation in the form of performance-based compensation. Specifically, the Compensation Committee provided a majority of Mr. Fallon s equity compensation in the form of PSUs and a majority of Mr. Fallon s cash compensation in the form of performance-based incentive cash compensation tied to Infinera s financial and operational performance.

No Exercise of Negative Discretion Pursuant to our Performance-Based Cash Incentive Plan. For fiscal 2012, the Compensation Committee evaluated our performance against the financial and operational goals established pursuant to our performance-based cash incentive plan, the 2012

Bonus Plan, in order to determine the payout, if any, to award to our named executive officers. Although the 2012 Bonus Plan provided that the Compensation Committee could exercise its discretion to adjust a named executive officer s payout, the Compensation Committee chose not to exercise such discretion.

Modification of Peer Group. The Compensation Committee modified the composition of the peer group used for our executive compensation program for fiscal 2012 to more closely reflect our market capitalization and annual revenue level.

2012 Realizable Pay

We believe that our executive compensation philosophy for fiscal 2012, with the changes highlighted above, correctly aligns the interests of our executives with the interests of our stockholders. This is evidenced by the fact that, as a result of our financial performance and the decline in our stock price during fiscal 2012, our named executive officers realized cash and equity compensation was significantly reduced as compared to target cash and equity compensation in fiscal 2012. The SEC s calculation of total compensation includes several items that are driven by accounting and actuarial assumptions, which are not necessarily reflective of compensation actually realized by our named executive officers in 2012. To supplement the SEC-required disclosure, we have included additional tables that set forth the compensation actually realized by each of the named executive officers for fiscal 2012. The supplemental disclosures are set forth on pages 29.

Advisory Vote on Executive Compensation Say-on-Pay Vote

Last year at our 2012 Annual Meeting of Stockholders, we provided stockholders with the opportunity to cast an annual advisory vote on our fiscal 2011 executive compensation (the Say-on-Pay Vote). We were disappointed with the result of the Say-on-Pay Vote, and, as a result, we initiated a review to gain further feedback from key stakeholders. Accordingly, our management team engaged in substantial discussions with individual and institutional investors to gather feedback regarding our executive compensation programs in which we learned that stockholders and other key stakeholders wanted to see an enhanced link of pay and performance embedded in the design of our executive compensation programs, as well as enhanced disclosure related thereto. Accordingly, some of the specific changes that you will see in this Proxy Statement include the following:

Enhanced Disclosures. We are committed to continuing to enhance the disclosure related to our executive compensation programs in this Proxy Statement. Accordingly, we have included a more robust executive summary at the beginning of our Compensation Discussion and Analysis on page 27.

Peer Group Composition. The Compensation Committee adopted a revised peer group for fiscal 2012 to more closely link our executive pay comparisons to companies that more closely reflect our current market capitalization and annual revenue levels.

Commitment to Corporate Governance Practices. We increased our stock ownership requirements for our Board members and increased our disclosure related to our insider trading policy to include information regarding our anti-hedging policies.

Clawback Policy. In early fiscal 2013, the Compensation Committee adopted a clawback policy for our Section 16 Officers and directors pursuant to which the Compensation Committee has a one-year look-back provision and provides the authority to recoup up to 100% of any incentive compensation that resulted from a material misstatement of financial results.

The Compensation Committee is committed to continuing to explore ways to enhance and improve our executive compensation programs. Accordingly, the Compensation Committee will consider input from stockholders when making future executive compensation program decisions, as well as the outcome of our annual say-on-pay vote.

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INFINERA CORPORATION

PROXY STATEMENT

2013 ANNUAL MEETING OF STOCKHOLDERS

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS

AND VOTING PROCEDURAL MATTERS

Annual Meeting

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

A: The Board of Directors (the Board) of Infinera Corporation (Infinera) is providing you access to these proxy materials in connection with the solicitation of proxies for use at the 2013 Annual Meeting of Stockholders (the Annual Meeting) to be held on Wednesday, May 15, 2013 at 10:00 a.m., Pacific Time, and at any adjournment or postponement thereof, for the purpose of considering and acting upon the matters described herein. These materials were first sent or given to stockholders on or about March 29, 2013.

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

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

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

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

Q: Where is the Annual Meeting?

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

Q: Can I attend the Annual Meeting?

A: You are invited to attend the Annual Meeting if you were a stockholder of record or a beneficial owner as of the close of business on March 20, 2013 (the Record Date). You should bring photo identification for entrance into the Annual Meeting. The Annual Meeting will begin promptly at 10:00 a.m., Pacific Time.

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

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

The election of three Class III directors to serve until the 2016 Annual Meeting of Stockholders or until successors have been duly elected and qualified;

The ratification of the appointment of Ernst & Young LLP as Infinera s independent registered public accounting firm for the fiscal year ending December 28, 2013; and

The advisory approval of Infinera s executive compensation, as described in the Proxy Statement.

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

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

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

Proposal 2 Ratification of the appointment of Ernst & Young LLP as Infinera s independent registered public accounting firm for the fiscal year ending December 28, 2013, requires the affirmative vote of a majority of the total votes cast by holders of shares present in person, or represented by proxy, and entitled to vote on this proposal at the Annual Meeting. You may vote FOR, AGAINST or ABSTAIN on this proposal. Abstentions are deemed to be votes cast and have the same effect as a vote AGAINST this proposal. Broker non-votes are not deemed to be votes cast and, therefore, are not included in the tabulation of the voting results on this proposal and will not affect the outcome of the vote. **The Board unanimously recommends that you vote your shares FOR Proposal 2**.

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

Stock Ownership

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

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

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

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Quorum and Voting

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

A: Stockholders of record of Infinera s common stock at the close of business on the Record Date are entitled to receive notice of and to vote their shares at the Annual Meeting. Such stockholders are entitled to cast one vote for each share of common stock held as of the Record Date. As of the close of business on the Record Date, there were 115,604,314 shares of common stock outstanding and entitled to vote at the Annual Meeting.

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

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

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

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

A: A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not exercise available discretionary voting power with respect to that item or, in the absence of discretionary voting power, has not received instructions from the beneficial owner. Broker non-votes will be counted towards the presence of a quorum, but will not be counted towards the vote total for any proposal. The ratification of Ernst & Young LLP as our independent registered public accounting firm (Proposal 2) is considered to be a routine matter for which such discretionary voting power should exist and your nominee will be able to vote on that item even if your nominee does not receive instructions from you, so long as your nominee holds your shares in their name. The election of directors (Proposal 1) and the advisory approval of Infinera s executive compensation (Proposal 3) are non-routine matters for which such discretionary voting power does not exist. If you do not instruct your nominee how to vote with respect to these proposals, your nominee may not vote with respect to such proposals and those votes will be counted as broker non-votes for Proposals 1 and 3.

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

A: *Stockholders of Record* Shares held in your name as the stockholder of record may be voted in person at the Annual Meeting, even if previously voted by another method.

Beneficial Owners Shares held beneficially in street name may be voted in person at the Annual Meeting only if you obtain a proxy voting form from the broker, trustee or other nominee that holds your shares giving you the right to vote the shares.

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

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

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

Internet Stockholders of record with Internet access may submit proxies by following the instructions on the Notice. Most of Infinera s stockholders who hold shares beneficially in street name may vote by accessing the website specified in the voting instructions provided by their brokers, trustees or other nominees. A large number of banks and brokerage firms are participating in Broadridge Financial Solutions, Inc. s online program. This program provides eligible stockholders the opportunity to vote over the Internet or by telephone.

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Voting forms will provide instructions for stockholders whose bank or brokerage firm is participating in Broadridge s program.

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

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

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

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

Q: Can I change or revoke my vote?

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

Stockholders of Record If you are a stockholder of record, you may change your vote by (1) filing with Infinera s Chief Legal and Administrative Officer, prior to your shares being voted at the Annual Meeting, a written notice of revocation or a duly executed proxy card, in either case dated later than the prior proxy relating to the same shares or (2) attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not, by itself, revoke a proxy). Any written notice of revocation or subsequent proxy card must be received by Infinera s Chief Legal and Administrative Officer 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 Infinera s Chief Legal and Administrative Officer or should be sent to Infinera s principal executive offices, Attn: Chief Legal and Administrative Officer.

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 to your broker, trustee or other nominee or (2) attending the Annual Meeting and voting in person if you have obtained a proxy voting form from the broker, trustee or other nominee that holds your shares giving you the right to vote the shares,.

A stockholder of record who has voted via the Internet or by telephone may also change his or her vote by making a timely and valid Internet or telephone vote at a later time but prior to 11:59 p.m., Eastern Time, on the day prior to the Annual Meeting.

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

A: Infinera will bear all expenses of soliciting proxies for the Annual Meeting. Infinera 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. Infinera engaged the services of Morrow & Co., LLC, 470 West Avenue, Stamford, CT, as our proxy solicitor to aid in the solicitation of proxies from certain brokers, bank nominees and other institutional owners. Morrow s fees for this service will be $9,500.

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

A: Infinera intends 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 within four business days after the Annual Meeting.

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Additional Information

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

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

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

A: Infinera s proxy materials will be available on its website at *http://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 *http://www.proxyvote.com*. Infinera s Annual Report on Form 10-K for the fiscal year ended December 29, 2012 (the 2012 Annual Report) is also available on the Internet as indicated in the Notice. In addition, you can access this Proxy Statement and the 2012 Annual Report by going to Infinera s website at *http://www.infinera.com/annual_meeting*. The 2012 Annual Report is not incorporated into this Proxy Statement and is not considered proxy soliciting material.

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PROPOSAL 1

ELECTION OF DIRECTORS

General

Our Board currently consists of nine directors and is divided into three classes, each consisting of three directors. Each class of our Board serves a staggered three-year term. Our Class III directors, whose terms expire at the Annual Meeting, are Kenneth A. Goldman, Carl Redfield and Mark A. Wegleitner.

At the Annual Meeting, three directors will be elected to fill positions as Class III directors. Messrs. Goldman, Redfield and Wegleitner are each a Class III director and are the nominees for election at the Annual Meeting. 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 2016 Annual Meeting of Stockholders, or until his successor is elected and qualified, or until his earlier death, resignation or removal from the Board.

Director Qualifications

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

Information Regarding Nominees and Continuing Directors

Set forth below is information regarding each person nominated for election as a Class III director at the Annual Meeting, as well as for each director continuing service on the Board, including their ages as of March 29, 2013, the periods during which they have served as a director, certain information as to their principal occupations, directorships they hold in corporations whose shares are publicly registered and qualifications for serving as a member of our Board, including the skills, qualities, attributes and experiences that led the Board to determine it is appropriate to nominate these directors.

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Nominees for Election as Class III Directors whose Terms Expire at the 2016 Annual Meeting of Stockholders

Kenneth A. Goldman

Director since 2005

Age 63

Kenneth A. Goldman has been a member of our Board since February 2005. Since October 2012, Mr. Goldman has been the Chief Financial Officer (CFO) of Yahoo! Inc., responsible for Yahoo! s global finance functions, including financial planning and analysis, controllership, tax, treasury, and investor relations. From September 2007 to September 2012, he was CFO of Fortinet Inc., a provider of threat management technologies. From November 2006 to August 2007, Mr. Goldman served as Executive Vice President and CFO of Dexterra, Inc. From August 2000 until March 2006, Mr. Goldman served as Senior Vice President of Finance and Administration and CFO of Siebel Systems, Inc., a supplier of customer software solutions and services, and has held CFO positions at several technology companies in his career, including Excite@Home, Sybase, Cypress Semiconductor and VLSI Technology. Mr. Goldman currently serves on the board of directors of NXP Semiconductors N.V., a mixed signal and standards product semiconductor company.

As a member of our Audit Committee and as an Audit Committee Financial Expert, the Board believes that Mr. Goldman provides a high level of expertise and significant leadership experience in the areas of finance, accounting and audit oversight. The Board also benefits from Mr. Goldman s service on our Audit Committee, extensive executive experience and service as a member of the Financial Accounting Standards Board Advisory Council.

Carl Redfield

Director since 2006

Age 66

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

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

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Mark A. Wegleitner

Director since 2011

Age 62

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

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

Incumbent Class II Directors whose Terms Expire at the 2015 Annual Meeting of Stockholders

Dan Maydan, Ph.D.

Director since 2001

Age 77

Dan Maydan, Ph.D. has been a member of our Board since September 2001. From December 1993 to April 2003, Dr. Maydan served as President of Applied Materials Inc., a semiconductor equipment manufacturing company, and was appointed President Emeritus of Applied Materials from April 2003 to December 2012. Dr. Maydan was a member of the board of directors of Applied Materials from June 1992 until March 2006. Dr. Maydan serves on the board of directors of Electronics for Imaging, Inc., a digital imaging and print management solutions company, or EFI.

Dr. Maydan brings to the Board a significant institutional knowledge of Infinera through his long-standing service on the Board and service on our Compensation and Nominating and Governance Committees. The Board also benefits from Dr. Maydan s executive management, technical and industry experience from his time at Applied Materials, as well as his experience as a public company director at Applied Materials and EFI.

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David F. Welch, Ph.D.

Director since 2010

Age 52

David F. Welch, Ph.D. co-founded Infinera and has served as our Executive Vice President, Chief Strategy Officer, since January 2004 and as a member of our Board since October 2010. From January 2005 to January 2009, Dr. Welch served as our Chief Marketing Officer. From May 2001 to January 2005, Dr. Welch served as our Chief Development Officer/CTO. From May 2001 to November 2006, Dr. Welch also served as a member of our Board. Prior to founding Infinera, Dr. Welch was CTO of the Transmission Products Group of JDS Uniphase Corporation, an optical component company. From January 1985 to February 2001, Dr. Welch served in various executive roles, including CTO and Vice President of Corporate Development for SDL Inc., an optical component company.

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

Paul J. Milbury

Director since 2010

Age 64

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

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

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Incumbent Class I Directors whose Terms Expire at the 2014 Annual Meeting of Stockholders

Thomas J. Fallon Director since 2009 Age 51	**Thomas J. Fallon** has served as our President and Chief Executive Officer (CEO) since January 2010 and as a member of our Board since July 2009. Mr. Fallon served as our Chief Operating Officer from October 2006 to December 2009 and as our Vice President of Engineering and Operations from April 2004 to September 2006. From August 2003 to March 2004, Mr. Fallon was Vice President, Corporate Quality and Development Operations of Cisco Systems, Inc., a networking and telecommunications company. From May 2001 to August 2003, Mr. Fallon served as General Manager of Cisco Systems Optical Transport Business Unit. As the President and CEO of Infinera, the Board believes that Mr. Fallon provides significant institutional knowledge of Infinera and industry knowledge, as well as key insight and advice in the Board s consideration and oversight of corporate strategy and management development. The Board believes that Mr. Fallon s leadership skills and executive management experience, along with his operational management experience and technical expertise, enable Mr. Fallon to make significant contributions to the Board.
Kambiz Y. Hooshmand Director since 2009 Age 51	**Kambiz Y. Hooshmand** has been a member of our Board since December 2009 and has served as Chairman of our Board since October 2010. From March 2005 to May 2009, Mr. Hooshmand served as President and CEO of Applied Micro Circuits Corporation, a communications solutions company, or AMCC. From March 2000 to February 2002, Mr. Hooshmand served as Vice President and Division General Manager of the DSL Business Unit at Cisco Systems. From February 2002 to March 2005, Mr. Hooshmand served as Group Vice President and General Manager of Cisco Systems. From June 1997 to February 2000, Mr. Hooshmand served as Cisco System s Vice President of Engineering. From January 1992 to June 1997, Mr. Hooshmand served as Director of Engineering of StrataCom, Inc., a networking solutions company, which was acquired by Cisco Systems. As the Chairman of the Board of Infinera, Mr. Hooshmand brings his leadership skills, industry experience and comprehensive knowledge of Infinera s business, financial position and operations to the Board deliberations. Mr. Hooshmand brings significant executive management and technical experience in the networking industry as a result of his executive positions at AMCC, Cisco Systems and StrataCom. The Board also benefits from Mr. Hooshmand s service on our Nominating and Governance Committee and as Chairman of our Technology and Acquisition Committee.

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Philip J. Koen

Director since 2010

Age 61

Philip J. Koen has been a member of our Board since February 2010. Mr. Koen has been the Chairman of the board of directors and CEO of Intermedia.net, Inc., a cloud-based provider of hosted Microsoft Exchange, collaboration and content management services, since June 2011. From February 2010 to May 2011, Mr. Koen served as CEO of Montero Partners, an advisory services company. From March 2006 to January 2010, Mr. Koen served as CEO and Director of SAVVIS, Inc., a cloud infrastructure and hosted IT solutions provider. From July 1999 until February 2006, Mr. Koen was employed by Equinix, Inc., a provider of network neutral data centers and Internet exchange services, as President and Chief Operating Officer and as CFO. Mr. Koen serves on the board of directors of Proofpoint, Inc., a cloud-based email security company.

The Board believes that Mr. Koen s leadership skills, executive management experience and industry knowledge provides the Board with a high level of expertise and experience in the operations of a global, technology company. In addition, the Board benefits from Mr. Koen s experience as a public company director at Proofpoint and prior experience as a public company director at SAVVIS, significant expertise in the areas of finance, accounting and audit oversight, and service on our Audit and Technology and Acquisition Committees.

Vote Required

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

Proposal 1 Recommendation of the Board

Our Board unanimously recommends a vote FOR the election to the Board of the three Class III nominees listed above.

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CORPORATE GOVERNANCE AND THE BOARD OF DIRECTORS

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

Independence of the Board

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

Stockholder Communications with our Board

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

Board of Directors

c/o Chief Legal and Administrative Officer

Infinera Corporation

140 Caspian Court

Sunnyvale, CA 94089

Communications are distributed to the Board or to any individual director, as appropriate, depending on the facts and circumstances outlined in the communication. Communications that are unduly hostile, threatening, illegal or similarly unsuitable will be excluded with the provision that any communication that is filtered out will be made available to any independent or non-employee director upon request.

Board Leadership Structure

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

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

Board Oversight of Risk

Risk is inherent with every business and the Board is responsible for overseeing our risk management function. Members of our senior management team are responsible for implementation of our day-to-day risk management processes, while the Board, as a whole and through its committees, has responsibility for the oversight of overall risk management. In connection with the Board s annual strategic plan review, senior management makes a multidisciplinary presentation to the Board that includes any significant strategic, operational, financial, legal and compliance risks facing Infinera, our general risk management strategy and actions taken by senior management in compliance with this strategy. At other meetings of the Board, senior

management provides updates to the Board on any specific risk-related issues. In its risk oversight role, the Board has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed. In addition, each of the committees of our Board considers any risks that may be within its area of responsibilities and Board members, or Board committee members, periodically engage in discussions with members of our senior management team as appropriate. Specifically, the Audit Committee assists the Board in fulfilling its oversight responsibilities with respect to risk management in the areas of financial reporting, internal controls and compliance with legal and regulatory requirements. The Audit Committee also discusses policies with respect to risk assessment and risk management and reports are regularly provided by management to the Audit Committee. The Compensation Committee assists the Board in fulfilling its oversight responsibilities with respect to the management of risks arising from our compensation policies and programs. The Nominating and Governance Committee assists the Board in fulfilling its oversight responsibilities with respect to the management of risks associated with Board organization, membership and structure, succession planning for our directors and executive officers, and corporate governance. The Technology and Acquisition Committee assists the Board in fulfilling its oversight responsibilities with respect to managing the risks associated with Infinera s strategy, technology development and acquisitions and investments.

Code of Business Conduct and Ethics

Infinera has adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers (including our principal executive officer, principal financial officer, and principal accounting officer or controller, or persons performing similar functions) and our directors. The Code of Business Conduct and Ethics reflects Infinera s policy of dealing with all persons, including our customers, employees, investors and suppliers, with honesty and integrity. All employees are required to complete training on our Code of Business Conduct and Ethics.

A copy of our Code of Business Conduct and Ethics is posted on our website at *http://www.infinera.com* in the Corporate Governance section on the Investor Relations page. You may also obtain a copy of our Code of Business Conduct and Ethics without charge by writing to: Infinera Corporation, 140 Caspian Court, Sunnyvale, CA 94089, Attn: Corporate Secretary. We intend to disclose future amendments to certain provisions of our Code of Business Conduct and Ethics, or waivers of such provisions, applicable to any principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions and our directors on our website identified above or on a Form 8-K if required by the applicable listing standards.

Corporate Governance Guidelines

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

Stock Ownership Guidelines

Our Board believes that it is important to link the interests of our directors and management to those of our stockholders. Accordingly, the Compensation Committee adopted Stock Ownership Guidelines for our directors and executive officers who are designated as reporting officers under Section 16 of the Securities Exchange Act of 1934, as amended (Section 16 Officers). The Stock Ownership Guidelines require our directors and Section 16 Officers 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 guidelines or (ii) the date of appointment or promotion of the Section 16 Officer or the election of the director. The following bullet points list the specific Infinera stock ownership requirements as a multiple of each Section 16 Officers base salary or directors annual cash retainer:

CEO:	4x base salary
CFO:	2x base salary
Other Section 16 Officers:	1x base salary
Non-Employee Directors:	3x annual cash retainer

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For purposes of calculating the stock ownership of each Section 16 Officer and director, we aggregate all Infinera common stock owned or beneficially owned by each Section 16 Officer or director, together with all vested, but unexercised in-the-money stock options. 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. If, however, an individual is not compliant with these stock ownership guidelines, then 25% of the net, after-tax stock option sales must be retained until the guideline levels are met. Other than these stock ownership guidelines, we have no other stock holding requirements.

Information Regarding the Board and its Committees

The Board met six times during fiscal 2012. The Board did not act by written consent during fiscal 2012. During fiscal 2012, each director then in office attended 75% or more of the meetings of the Board and the committees on which he served during the period for which he was a director, committee chairman or committee member, as applicable. Our independent directors meet in executive sessions, without management present, during most regular meetings of the Board.

Directors are encouraged, but not required, to attend our annual meetings of stockholders. Two members of our Board attended our 2012 Annual Meeting of Stockholders.

The Board has four standing committees: an Audit Committee, a Compensation Committee, a Nominating and Governance Committee and a Technology and Acquisition Committee. Mr. Fallon does not serve on any committees of the Board. The following table provides membership and meeting information for the Board and each of the committees of the Board as of the end of fiscal 2012:

Name	Board	Audit	Compensation	Nominating and Governance	Technology and Acquisition
Thomas J. Fallon	M				
Kenneth A. Goldman	M	M	C		
Kambiz Y. Hooshmand	C				M
Philip J. Koen	M	M			M
Dan Maydan, Ph.D.	M		M	M	
Paul J. Milbury	M	C	M		
Carl Redfield	M		M	C	
Mark A. Wegleitner	M			M	C
David F. Welch, Ph.D.	M				M
Total Meetings in Fiscal 2012	6	9	6	4	3

C = Chairman

M = Member

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

Audit Committee

The Audit Committee reviews and monitors our financial statements and reporting 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 and our compliance with legal matters that have a significant impact on our financial statements. Our Audit Committee also consults with our management and our independent registered public accounting firm prior to the presentation of financial statements to stockholders and, as appropriate, initiates inquiries into aspects of our financial affairs. Our Audit

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Committee is responsible for establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters. In addition, our Audit Committee is directly responsible for the appointment, retention, compensation and oversight of the work of our independent registered public accounting firm, including approving services and fee arrangements. All related party transactions are subject to approval by our Audit Committee. A more detailed description of the Audit Committee s functions can be found in our Audit Committee charter. A copy of the Audit Committee charter is available on our website at *http://www.infinera.com* in the Corporate Governance section on the Investor Relations page.

The current members of the Audit Committee are Messrs. Goldman, Koen and Milbury. Mr. Milbury chairs the Audit Committee. The Audit Committee met nine times during fiscal 2012. The Audit Committee did not act by written consent during fiscal 2012. Each member of our Audit Committee is independent for Audit Committee purposes under the rules and regulations of the SEC and the listing standards of NASDAQ. In addition to qualifying as independent under the NASDAQ rules, each member of our Audit Committee can read and understand fundamental financial statements in accordance with NASDAQ Audit Committee requirements. The Board has determined that Messrs. Goldman and Milbury are each an Audit Committee Financial Expert as defined in Item 407(d)(5)(ii) of Regulation S-K, including the relevant independence requirements. The designation does not impose on Messrs. Goldman and Milbury any duties, obligations or liabilities that are greater than are generally imposed on them as members of the Audit Committee and the Board.

Compensation Committee

The Compensation Committee has the responsibility, authority and oversight relating to the development of our overall compensation strategy and compensation programs. The Compensation Committee establishes our compensation philosophy and policies, as well as administers all of our compensation plans for executive officers. The Compensation Committee seeks to assure that our compensation practices promote stockholder interests and support our compensation objectives and philosophy. Our compensation program for executive officers focuses on addressing the following principal objectives:

- Attract and retain talented personnel by offering competitive compensation packages;
- Motivate employees to achieve strategic and tactical objectives and the profitable growth of Infinera;
- Reward employees for individual and corporate performance; and
- Align executive compensation with stockholder interests.

In making compensation decisions, the Compensation Committee also seeks to promote teamwork among and high morale within our executive team. The Compensation Committee evaluates the performance of our CEO against objectives set by the Board and may seek assistance in such evaluation from the Chairman of the Board and its compensation consultant. Our CEO is asked by the Compensation Committee to provide his assessment of the performance of the other named executive officers, but he does not participate in the determination of his own compensation. Our CEO is assisted by our Vice President of Human Resources and our Chief Legal and Administrative Officer in making the assessments of the performance of the named executive officers. No other named executive officers participate in the determination of the amount or form of the compensation of named executive officers.

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

During fiscal 2012, the Compensation Committee consisted of Messrs. Goldman, Milbury and Redfield and Dr. Maydan. Mr. Goldman chaired the Compensation Committee during fiscal 2012. In February, 2013, Mr. Wegleitner replaced Mr. Goldman on the Compensation Committee and as chair. The Compensation

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Committee met six times during fiscal 2012. The Compensation Committee did not act by written consent during fiscal 2012. Each member of our Compensation Committee is a non-employee director, as defined in Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act), an outside director, as defined pursuant to Section 162(m) of the Internal Revenue Code and satisfies the NASDAQ independence requirements.

During fiscal 2012, the Compensation Committee engaged the services of Compensia, Inc. (Compensia) to advise the Compensation Committee with respect to executive compensation philosophy, cash incentive design and the amount of cash and equity compensation awarded to our named executive officers. In addition, Compensia gathered market data and compensation information, including data about the compensation paid by a peer group of companies and other companies that may compete with us for executives, and developed recommendations for structuring Infinera s compensation programs. The Compensation Committee selected Compensia, who reports directly to the Compensation Committee and interacts with management at the direction of the Compensation Committee. Compensia has not performed work for Infinera other than pursuant to the engagement by the Compensation Committee. The Compensation Committee regularly, but not less than annually, considers the independence of Compensia and determines whether any related conflicts of interest require disclosure.

Non-Executive Equity Award Subcommittee

The levels for new hire, promotional and annual retention equity awards for named executive officers are reviewed and approved by the Compensation Committee on an annual basis. The Compensation Committee has delegated to the Non-Executive Equity Award Subcommittee, consisting of the CEO, Chief Legal and Administrative Officer and Vice President of Human Resources, the authority to formally approve new hire, promotional and annual retention equity awards to certain employees pursuant to guidelines pre-approved by the Compensation Committee. The delegation does not include the authority to make equity awards to employees who are named executive officers of Infinera. The Non-Executive Equity Award Subcommittee generally meets on the first Monday of each month (unless it is a holiday, in which case the Non-Executive Equity Award Subcommittee meets on the first business day thereafter) to approve new hire and promotional grants that are within the pre-approved guidelines. The delegation of authority to the Non-Executive Equity Award Subcommittee is not exclusive and the Board and Compensation Committee have retained the right to approve any equity awards at their discretion. The Non-Executive Equity Award Subcommittee met 12 times during fiscal 2012.

Nominating and Governance Committee

The Nominating and Governance Committee reviews, implements or recommends corporate governance policies and practices applicable to Infinera and recommends the compensation for the non-employee directors of the Board. In addition, the Nominating and Governance Committee is responsible for identifying, evaluating and making recommendations of nominees to the Board and evaluating the performance of the Board and individual directors, including those eligible for re-election at the annual meeting of stockholders. The Nominating and Governance Committee is also responsible for reviewing developments in corporate governance practices, evaluating and making recommendations to the Board concerning corporate governance matters and overseeing the evaluation of management. 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 *http://www.infinera.com* in the Corporate Governance section on the Investor Relations page.

During fiscal 2012, members of our Nominating and Governance Committee included Messrs. Hooshmand, Redfield and Wegleitner and Dr. Maydan, each of whom is independent under the listing standards of NASDAQ. Mr. Redfield chairs the Nominating and Governance Committee. In February 2013, Mr. Wegleitner resigned from the Nominating and Governance Committee. The Nominating and Governance Committee met four times during fiscal 2012. The Nominating and Governance Committee did not act by written consent during fiscal 2012.

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Board Nominees and Diversity

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

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

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

- To the extent reasonably available, information relating to such director candidate that would be required to be disclosed in a proxy statement pursuant to Regulation 14A under the Exchange Act, in which such individual is a nominee for election to the Board;

- The director candidate s written consent to (a) if selected, be named in our proxy statement and proxy and (b) if elected, to serve on the Board;

- The other information set forth in the applicable sections of Section 2.4 of our Bylaws; and

- Any other information that such stockholder believes is relevant in considering the director candidate.

Technology and Acquisition Committee

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

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The current members of the Technology and Acquisition Committee are Messrs. Hooshmand, Koen and Wegleitner and Dr. Welch. Mr. Hooshmand chairs the Technology and Acquisition Committee. The Technology and Acquisition Committee met three times during fiscal 2012. The Technology and Acquisition Committee did not act by written consent during fiscal 2012.

Compensation Committee Interlocks and Insider Participation

During fiscal 2012, the Compensation Committee of the Board consisted of Messrs. Goldman, Milbury and Redfield and Dr. Maydan. None of these individuals was at any time during fiscal 2012, or at any other time, an executive officer or employee of Infinera. No member of our Compensation Committee had any relationship with us during fiscal 2012 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 our Board or our Compensation Committee.

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COMPENSATION OF DIRECTORS

Our director compensation program is designed to attract and retain highly-qualified, independent directors to represent stockholders on the Board and to act in their best interest. The Nominating and Governance 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. The Nominating and Governance Committee has engaged an outside advisor to provide relevant market data regarding director compensation programs. The Nominating and Governance Committee and Board determined that a mix of cash compensation and equity awards should be utilized in our director compensation program for independent directors. Directors who are also employees of Infinera do not participate in our director compensation program, nor do they receive any additional compensation for their service as directors.

Director Fees

During fiscal 2012, our cash compensation program for non-employee directors was as follows:

Position	Annual Retainer Fee	
Non-Employee Director	$	40,000
Chairman of the Board	$	40,000
Audit Committee Chair	$	30,000
Audit Committee Member	$	12,500
Compensation Committee Chair	$	16,000
Compensation Committee Member	$	8,000
Nominating and Governance Committee Chair	$	10,000
Nominating and Governance Committee Member	$	5,000
Technology and Acquisition Committee Chair	$	10,000
Technology and Acquisition Committee Member	$	5,000

Each non-employee member of our Board also received fees of $2,000 per meeting of the Board attended in person and $1,000 per meeting attended telephonically. We do not pay any meeting fees for any of the committees of the Board. We pay the retainer fees set forth above in quarterly installments. Retainer fees, together with meeting attendance fees, are generally paid in arrears at the first Board meeting of each new fiscal quarter. In addition, we have a policy of reimbursing our directors for reasonable travel, lodging and other expenses incurred in connection with their attendance at Board and committee meetings.

Director Equity Awards

In May 2012, we granted 20,634 restricted stock units (RSUs) to each non-employee member of the Board then in office. The RSUs vest in full on May 16, 2013, subject to each non-employee director s continued service to Infinera. The Nominating and Governance Committee considered a range of factors in determining the May 2012 director equity awards, including factors such as the amount of the Board s cash compensation and number of Board and committee meetings required each year.

Our policy has been to provide future non-employee directors with an initial equity award upon such director s election to the Board. The form, amount and vesting schedule of such initial equity award will depend on our then-current practice regarding equity awards granted to members of our Board, on our potential future common stock price and the associated Black Scholes valuation of such initial equity award.

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2012 Summary of Director Compensation

The following table sets forth all of the compensation awarded to, earned by, or paid to the non-employee members of our Board in fiscal 2012.

Name	Fees Earned or Paid in Cash ($)[1]	Stock Awards ($)[2]	Option Awards ($)[2]	Total ($)
Kenneth A. Goldman	78,500	133,296		211,796
Kambiz Y. Hooshmand	100,000	133,296		233,296
Philip J. Koen	67,500	133,296		200,796
Dan Maydan, Ph.D.	63,000	133,296		196,296
Paul J. Milbury	89,000	133,296		222,296
Carl Redfield	68,000	133,296		201,296
Mark A. Wegleitner	65,000	133,296		198,296

(1) The amounts in this column represent cash compensation paid to each non-employee director for services as a director during fiscal 2012.

(2) The amounts in these columns represent the aggregate grant date fair value of the equity awards granted in fiscal 2012 computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation Stock Compensation (ASC 718). These amounts reflect Infinera s accounting expense for these awards and do not correspond to the actual value that will be recognized by the directors with respect to these awards. A supplemental table following these footnotes sets forth: (i) the aggregate number of equity awards outstanding at fiscal year-end; (ii) the aggregate number of equity awards granted during fiscal 2012; and (iii) the grant date fair value of the equity awards granted by Infinera during fiscal 2012 to each of our directors who was not a named executive officer.

Additional Information With Respect to Director Equity Awards

Name	Stock Awards Granted During Fiscal 2012 (#)[1]	Option Awards Granted During Fiscal 2012 (#)	Grant Date Fair Value of Stock and Option Awards Granted in Fiscal 2012 ($)[2]	Stock Awards Outstanding at Fiscal Year-End (#)[1]	Option Awards Outstanding at Fiscal Year-End (#)[3]
Kenneth A. Goldman	20,634		133,296	20,634	175,069
Kambiz Y. Hooshmand	20,634		133,296	20,634	132,100
Philip J. Koen	20,634		133,296	20,634	132,100
Dan Maydan, Ph.D.	20,634		133,296	20,634	94,600
Paul J. Milbury	20,634		133,296	20,634	117,600
Carl Redfield	20,634		133,296	20,634	157,100
Mark A. Wegleitner	20,634		133,296	20,634	100,000

(1) Includes unvested RSUs.

(2) Represents the fair value of stock options, RSUs and performance-based restricted stock units (PSUs), calculated in accordance with ASC 718. For stock option awards, that number is calculated by multiplying the Black-Scholes value by the number of stock options awarded. For RSUs and PSUs, that number is calculated by multiplying (x) the fair market value of our common stock on the date of grant by (y) the number of units awarded.

(3) Includes both vested and unvested stock options to purchase our common stock.

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PROPOSAL 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED

PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board has selected Ernst & Young LLP, independent registered public accounting firm, as our independent auditors for the fiscal year ending December 28, 2013 and has further directed that we submit the appointment of independent auditors for ratification by the stockholders at the Annual Meeting. Ernst & Young LLP has audited our financial statements since fiscal 2001. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

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

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

Independent Registered Public Accounting Firm s Fees

The following table sets forth the aggregate fees for audit, tax and other services provided by Ernst & Young LLP for the fiscal years ended December 29, 2012 and December 31, 2011. All of the services described in the following table were approved in conformity with the Audit Committee s pre-approval processes and procedures.

	2012	2011
Audit Fees	$ 1,402,000	$ 1,256,000
Tax Fees	35,000	32,000
All Other Fees	2,000	2,000
Total Fees	$ 1,439,000	$ 1,290,000

Audit Fees

This category of the table above includes fees for the integrated audit of our annual consolidated financial statements and internal control over financial reporting, review of the condensed consolidated financial statements included in our quarterly reports on Form 10-Q, and services that are normally provided by Ernst & Young LLP in connection with statutory and regulatory filings or engagements for those fiscal years. The category also includes statutory audits required by non-U.S. jurisdictions. The preparation of Infinera s audited consolidated financial statements includes compliance with Section 404 of the Sarbanes-Oxley Act of 2002 and the preparation by Ernst & Young LLP of a report expressing its opinion regarding the effectiveness of our internal control over financial reporting. Audit fees for fiscal 2012 include $0.1 million of audit fees related to the enterprise resource planning system that the Company implemented during the year.

Tax Fees

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

All Other Fees

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

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Pre-Approval Policies and Procedures

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

Vote Required

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

Proposal 2 Recommendation of the Board

The Board unanimously recommends a vote FOR the ratification of the appointment of Ernst & Young LLP as Infinera s independent registered public accounting firm for its fiscal year ending December 28, 2013.

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REPORT OF THE AUDIT COMMITTEE

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

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

Infinera s 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 Infinera s internal control over financial reporting.

The Audit Committee has reviewed and discussed with our management the audited financial statements of Infinera included in our 2012 Annual Report.

The Audit Committee has also reviewed and discussed with Ernst & Young LLP our audited financial statements in the 2012 Annual Report. In addition, the Audit Committee has discussed with Ernst & Young LLP those matters required to be discussed by the Statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T. Additionally, Ernst & Young LLP has provided and the Audit Committee has received the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding Ernst & Young LLP s communications with the Audit Committee concerning independence. The Audit Committee has also 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 Infinera s 2012 Annual Report for filing with the SEC.

Submitted by the following members of the Audit Committee:

Paul J. Milbury, Chairman

Kenneth A. Goldman

Philip J. Koen

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

Each person known by us to be the beneficial owner of more than 5% of any class of our voting securities;

Our named executive officers;

Each of our directors; and

All executive officers and directors as a group.

The information provided in this table is based on Infinera s records, information filed with the SEC and information provided to Infinera, except where otherwise noted. Unless otherwise indicated, to our knowledge, each stockholder possesses sole voting and investment power over the shares listed, except for shares owned jointly with such person s spouse. The table below is based upon information supplied by our named executive officers, directors and principal stockholders and Schedules 13G and 13G/A filed with the SEC. Our named executive officers include the CEO, the CFO and the three other most highly compensated executive officers at the end of fiscal 2012.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting power and/or investment power with respect to the securities held. Shares of common stock subject to stock options currently exercisable or exercisable within 60 days of the Record Date are deemed outstanding and beneficially owned by the person holding such stock options for purposes of computing the number of shares and percentage beneficially owned by such person, but are not deemed outstanding for purposes of computing the percentage beneficially owned by any other person. Except as indicated in the footnotes to this table, and subject to applicable community property laws, the persons or entities named have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them. Percentage beneficially owned is based on 115,604,314 shares of common stock outstanding on the Record Date. Unless otherwise indicated, the principal address of each of the stockholders below is c/o Infinera Corporation, 140 Caspian Court, Sunnyvale, CA 94089.

Name of Beneficial Owner	Common Shares Currently Held	Common Shares That May Be Acquired Within 60 Days of the Record Date[1]	Total Beneficial Ownership	Percent Beneficially Owned[2]
5% or More Stockholders				
FMR LLC[3]	15,430,953		15,430,953	13.3%
Platinum Investment Management Limited[4]	7,649,603		7,649,603	6.6%
BlackRock, Inc.[5]	6,273,182		6,273,182	5.4%
The Vanguard Group[6]	5,966,605		5,966,605	5.2%
Named Executive Officers and Directors				
Thomas J. Fallon[7]	1,001,160	1,205,709	2,206,869	1.9%
Ita M. Brennan	117,734	294,983	412,717	*
David F. Welch, Ph.D.[8]	2,409,310	853,460	3,262,770	2.8%
Michael O. McCarthy III	105,499	391,136	496,635	*
Ronald D. Martin		125,097	125,097	*
Kenneth A. Goldman[9]	53,373	195,703	249,076	*
Kambiz Y. Hooshmand	14,600	152,734	167,334	*
Philip J. Koen[10]	15,183	152,734	167,917	*
Dan Maydan, Ph.D.[11]	68,400	115,234	183,634	*

Paul J. Milbury	9,100	138,234	147,334	*
Carl Redfield[12]	185,034	177,734	362,768	*
Mark A. Wegleitner		116,467	116,467	*
All current named executive officers and directors as a group (12 persons)	3,979,393	3,919,225	7,898,618	6.6%

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

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

(2) Based on 115,604,314 shares issued and outstanding on the Record Date.

(3) According to a Schedule 13G/A filed with the SEC on February 14, 2013 by FMR LLC (FMR) and Edward C. Johnson III, all such shares are beneficially owned by Fidelity Management & Research Company (Fidelity), a registered investment advisor to various investment companies (Fidelity Funds) and a wholly-owned subsidiary of FMR. Fidelity is the beneficial owner of 15,430,953 shares and has sole voting power with respect to 1,400 shares and sole dispositive power with respect to all reported shares. Mr. Johnson, Chairman of FMR, FMR (through its control of Fidelity) and the funds each has sole dispositive power with respect to 15,430,953 shares. Neither Mr. Johnson nor FMR has the sole power to vote or direct the voting of the shares beneficially owned by Fidelity Funds, which power resides with the Board of Trustees of such funds. The address of Fidelity, FMR and Mr. Johnson is 82 Devonshire Street, Boston, Massachusetts 02109.

(4) According to a Schedule 13G filed with the SEC on February 15, 2013 by Platinum Investment Management Limited (Platinum). Platinum is the beneficial owner of 7,649,603 shares and has sole voting power with respect to 7,061,072 shares and sole dispositive power with respect to all voting shares. The address of Platinum is Level 8, 7 Macquarie Place, Sydney, Australia NSW 2000.

(5) According to a Schedule 13G/A filed with the SEC on February 8, 2013 by BlackRock, Inc. (BlackRock). BlackRock is the beneficial owner of 6,273,182 and has sole voting power with respect to 6,273,182 shares and sole dispositive power with respect to all voting shares. The address of BlackRock is 40 East 52nd Street, New York, New York 10022.

(6) According to a Schedule 13G filed with the SEC on February 13, 2013 by The Vanguard Group (Vanguard). Vanguard is the beneficial owner of 5,966,605 and has sole voting power with respect to 147,465 shares, sole dispositive power with respect to 5,822,640 shares and shared dispositive power with respect to 143,965 shares. The address of Vanguard is 100 Vanguard Boulevard, Malvern, Pennsylvania 19355.

(7) Consists of (i) 779,246 shares held by the Fallon Family Revocable Trust dated 9/7/94; (ii) 100,672 shares held by the Thomas J. Fallon 2011 Annuity Trust A dated 8/1/11; (iii) 100,672 shares held by the Shannon F. Fallon 2011 Annuity Trust A dated 8/1/11 and (iv) 20,570 shares held by Mr. Fallon as trustee for his minor children. Mr. Fallon disclaims beneficial ownership of the shares held in trust for his minor children.

(8) Consists of (i) 20,553 shares held by Dr. Welch; (ii) 233,014 shares held by the Welch Family Trust dated 4/3/96; (iii) 1,099,493 shares held by LRFA, LLC, a limited liability company of which Dr. Welch is the sole managing member; (iv) 500,000 shares held by Welch Group, L.P., a limited partnership of which Dr. Welch is the general partner; (v) 553,750 shares held by SEI Private Trust Company, Trustee of the Welch Family Heritage Trust I u/l dated 9/24/01 and (vi) 2,500 shares held by Dr. Welch as trustee for his minor children. Dr. Welch disclaims beneficial ownership of the shares held in trust for his minor children.

(9) Consists of (i) 16,600 shares held by Mr. Goldman; (ii) 3,051 shares held by the Goldman-Valeriote Family Trust u/a/d 11/15/95 and (iii) 33,722 shares held by G.V. Partners, L.P.

(10) Consists of (i) 583 shares held by Mr. Koen and (ii) 14,600 shares held by the Koen Family Trust dated 11/3/10.

(11) Consists of (i) 54,597 shares held by Dan Maydan, TTEE, Maydan Marital Share One UAD 5/6/00 and (ii) 13,803 shares held by Dan Maydan, TTEE, Dan Maydan 1981 Trust Marital Share 1 U/A DTD 3/26/81.

(12) Consists of (i) 89,562 shares held by Mr. Redfield and (ii) 95,472 shares held by the Carl Redfield Trust 2000 dated 10/18/00.

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RISK ASSESSMENT OF COMPENSATION PRACTICES

During fiscal 2012, at the request of the Compensation Committee, Infinera undertook a review of the risks associated with our compensation policies and practices. This review was conducted by Compensia with input from our legal, finance and human resources departments. This assessment included:

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

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

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

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

Stock ownership guidelines applicable to executive officers to align their interests with those of our stockholders.

Based on the assessment and factors described above, Compensia determined that the risks associated with our compensation policies and practices are not reasonably likely to result in a material adverse effect. Compensia s risk assessment was reviewed by the Board and Compensation Committee.

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COMPENSATION OF EXECUTIVE OFFICERS

Compensation Discussion and Analysis

This section of our Proxy Statement provides a description and analysis of our executive compensation program, the various components thereof, and the compensation-related decisions for fiscal 2012 with respect to our named executive officers. As discussed throughout this section, the individuals who served as Infinera s CEO and CFO during fiscal 2012 and our three other most highly compensated executive officers at the end of fiscal 2012 were as follows:

- Thomas J. Fallon, President and CEO;
- Ita M. Brennan, CFO;
- David F. Welch, Ph.D., Executive Vice President, Chief Strategy Officer;
- Michael O. McCarthy III, Chief Legal and Administrative Officer; and
- Ronald D. Martin, former Senior Vice President, Worldwide Sales.

These employees are referred to in this Proxy Statement as our named executive officers. We have provided detailed compensation information related to these individuals in the Summary Compensation Table for Fiscal 2012 on page 49. All of the named executive officers are or were officers designated as Section 16 Officers in fiscal 2012. As of January 31, 2013, Mr. Martin ceased to be an employee of Infinera.

Executive Summary

Our executive compensation program is designed to balance near-term results with long-term success and continue to encourage employees to build value through innovation and execution. To fulfill this mission, Infinera has a pay-for-performance philosophy that forms the foundation for all decisions regarding executive compensation made by our management team and our Compensation Committee.

Fiscal 2012 Executive Compensation Program

Fiscal 2012 was an important year for Infinera as we successfully brought our next generation DTN-X platform to market. The DTN-X platform quickly gained market share exiting the year with 22 customer purchase commitments and significant revenue recognized in the second half of 2012. The Dell Oro Group, which tracks the telecommunications market, ranked Infinera number one for the second half of 2012 in the global long-haul 100G market as measured by the number of long-haul 100G ports sold. We also saw double digit revenue growth in the fourth quarter of fiscal 2012 on a year-over-year basis, as well as on a sequential quarterly basis, which reflected robust sales of our DTN-X platform, combined with continued revenue from our DTN platform.

Although, DTN-X market traction and the resulting growth in revenue contributed to an improvement in our overall financial performance in the second half of 2012, we had incurred significant pre-production DTN-X related expenditures in the first half of 2012, and this resulted in financial and stock performance for the year that was below our expectations. We ended fiscal 2012 with $438.2 million in GAAP revenue and a non-GAAP net loss of $(43.5) million, which excludes non-cash stock-based compensation expense. This financial outcome resulted in significantly lower levels of compensation pursuant to our performance-based compensation plans for our named executive officers. In particular, our executives received no bonus related to our financial performance goals and received a total bonus payout for fiscal 2012 of their on-target amounts of 5% for the CEO and CFO and 10% for the other named executive officers.

Our pay-for-performance alignment during this transition period was reflected in certain fiscal 2012 compensation decisions and other actions taken by the Compensation Committee. Some of the significant changes to our executive compensation for fiscal 2012 included the following:

Increased Use of Restricted Stock Units and Performance Stock Units. In fiscal 2012, the Compensation Committee granted only RSUs and PSUs for equity awards, weighting the split of equity awards more heavily toward the performance-based PSUs for our CEO, and no longer granted stock option awards to our named executive officers. The RSUs vest annually over a three-year period. The vesting criteria for the PSUs were tied to the attainment of long-term strategic objectives related to our DTN-X product, with 50% of the PSUs vesting upon the achievement of $100 million in recognized revenue from the DTN-X product prior to June 2013 and 50% of the PSUs vesting upon the achievement of certain targeted operating income performance levels for fiscal 2013 or fiscal 2014.

Majority of CEO Compensation is Performance Based. In fiscal 2012, the Compensation Committee continued its practice of providing a majority of our CEO s equity compensation in the form of performance-based compensation. As noted above, the Compensation Committee discontinued the use of stock option awards to provide performance-based compensation, and instead provided a majority of Mr. Fallon s equity compensation in the form of PSUs in fiscal 2012. In particular, in fiscal 2012, Mr. Fallon received a PSU grant of 175,000 shares and an RSU grant of 155,000 shares. As described above, Mr. Fallon s PSU grant vests only if we achieve certain revenue milestones for the DTN-X product prior to June 2013 and certain targeted operating income performance levels for fiscal 2013 or fiscal 2014. In addition, Mr. Fallon s base salary remained unchanged for fiscal 2012 and a majority of Mr. Fallon s total eligible cash compensation was performance based. Specifically, Mr. Fallon s performance-based cash compensation was tied to Infinera s financial and operational performance, which resulted in a payout of 5% of Mr. Fallon s eligible on-target performance-based cash compensation available for fiscal 2012.

No Exercise of Negative Discretion Pursuant to our Performance-Based Cash Incentive Plan. For fiscal 2012, the Compensation Committee evaluated our performance against the financial and operational goals established pursuant to our performance-based cash incentive plan, the 2012 Bonus Plan, in order to determine the payout, if any, to award to our named executive officers. Although the 2012 Bonus Plan provided that the Compensation Committee could exercise its discretion to adjust a named executive officer s payout by 25%, the Compensation Committee chose not to exercise such discretion. Accordingly, the Compensation Committee awarded a 2012 Bonus Plan payout to our named executive officers based solely on the achievement of one operational goal, which resulted in a payout (as a percentage of base salary) of 5% for our CEO and CFO and 10% for our other named executive officers.

Modification of Peer Group. The Compensation Committee modified the composition of the peer group used by the Compensation Committee for our executive compensation program for fiscal 2012 to more closely reflect our market capitalization and annual revenue level.

In addition, our executive compensation program for fiscal 2012 included the following aspects that we believe align the interests of our executives with those of our stockholders:

Balance of Short- and Long-Term Incentives. The executive compensation program provides an appropriate balance of annual and long-term incentives, which include a significant portion of performance that is tied to financial and operational metrics within the current year, together with equity awards that are both time based and tied to operational and/or financial targets.

Targeting of Base Salary Below Median. The Compensation Committee continued to target less than median base salary for the CEO and most of the named executive officers in order to weigh executive compensation more heavily toward equity compensation that better aligns the interests of our named executive officers with those of our stockholders.

No Change to CEO Cash Compensation. Even though our CEO s total cash compensation (base salary and incentive compensation bonus plan) has been significantly below the median, the Compensation Committee did not make any changes to our CEO s base salary or at-target incentive cash compensation for fiscal 2012. As a result of these targeted levels and the low level of payout pursuant to our incentive compensation bonus plan, both our CEO s targeted cash compensation and actual cash compensation were significantly below the median level of pay as compared to our peer group.

Double Trigger Change of Control Agreements. We provide for double trigger change of control benefits that are only triggered upon a qualifying termination of employment within twelve months following a change of control.

Stock Ownership Guidelines. In fiscal 2012, we increased the ownership requirements in our stock ownership guidelines. As a result, these guidelines provide that the CEO must own 4x base salary, the CFO must own 2x base salary, the other named executive officers must own 1x base salary, and the Board members must own 3x their annual director cash retainers.

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No Hedging of Infinera Stock. Our insider trading policy prohibits all employees, including the named executive officers, from hedging their Infinera stock.

No Employment Agreements or Tax Gross-Ups. We do not have employment agreements with any of our named executive officers and we do not provide for any tax gross-ups for payments made in connection with our change of control or separation benefits.

Realizable Pay

We believe that our executive compensation philosophy for fiscal 2012, with the changes highlighted above, correctly aligns the interests of our executives with the interests of our stockholders. This is evidenced by the fact that, as a result of financial performance below our expectations and the decline in our stock price during fiscal 2012, our named executive officers realized cash and equity compensation was significantly reduced as compared to target cash and equity compensation in fiscal 2012. In fact, our named executive officers received a 5-10% payout on their incentive cash compensation and considerably lower valuation of their equity compensation as compared to grant date fair values, resulting in significantly lower levels of actual compensation for fiscal 2012.

For fiscal 2012, the total actual versus target cash compensation for our named executive officers was as follows:

(1) Market is based on our 2012 peer group, as supplemented by survey data, as described further below.

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Pursuant to our executive compensation programs, our named executive officers received the following aggregate equity compensation in the last three fiscal years:

(1) Equity remaining reflects in-the-money stock options (vested and unvested), as well as unvested RSUs and PSUs as of the end of fiscal 2012.

The table below sets forth in further detail the equity compensation our named executive officers received in the last three fiscal years:

Name and Principal Position	Year	Equity Granted: Stock Awards RSUs ($)[1]	Equity Granted: Stock Awards PSUs ($)[1]	Equity Granted: Option Awards ($)[1][2]	Equity Realized: Stock Awards RSUs ($)[3]	Equity Realized: Stock Awards PSUs ($)[3]	Equity Realized: Option Awards ($)[2][3]	Equity Remaining: Stock Awards RSUs ($)[4]	Equity Remaining: Stock Awards PSUs ($)[4]	Equity Remaining: In-the-Money Value of Option Awards ($)[2]
Thomas J. Fallon	2012	1,233,800	1,393,000					899,000	1,015,000	
President and CEO	2011	1,218,360		2,204,842	396,659			549,063		
	2010									
Ita M. Brennan	2012	465,280	206,960					371,200	150,800	
CFO	2011	283,140		589,773	92,180			127,600		
	2010	258,750		272,895	129,844			108,750		
David F. Welch, Ph.D.	2012	1,595,200	262,680					1,202,050	191,400	
Executive Vice President, Chief Strategy	2011	351,780		734,947	114,529			158,531		
Officer	2010									
Michael O. McCarthy III	2012	843,380	206,960					646,700	150,800	
Chief Legal and Administrative Officer	2011	283,140		589,773	92,180			127,600		
	2010									
Ronald D. Martin	2012	407,120	183,080					324,800	133,400	
former Senior Vice President, Worldwide	2011	214,500		444,598	69,839			96,663		
Sales	2010									

(1) The amounts in this column represent the aggregate grant date fair value of the listed equity awards, computed in accordance with ASC 718. See Note 2 of the notes to our consolidated financial statements contained in our 2012 Annual Report on Form 10-K filed on March 5, 2013 for a discussion of all assumptions made by us in determining the ASC 718 values of equity awards.

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(2) Excludes the stock options granted in connection with Infinera s fiscal 2010 Option Exchange Program. The new stock options were exchanged on a fair-value basis with the value of the new stock option equal to the value of the cancelled stock options.

(3) These amounts represent the actual value realized upon exercise of stock options and release of RSUs and PSUs. For comparison purposes, the value realized is included in the line item for the fiscal year of the date of grant regardless of the fiscal year in which the exercise or release occurred.

(4) These amounts represent the value of the remaining RSUs and target PSUs calculated using Infinera's stock price as of the last day of fiscal 2012, which was $5.80.

Advisory Vote on Executive Compensation Say-on-Pay Vote

Last year at our 2012 Annual Meeting of Stockholders, we provided stockholders with the opportunity to cast an annual advisory vote on our fiscal 2011 executive compensation (the Say-on-Pay Vote). Approximately 41% of the stockholder votes cast on this proposal were voted in favor of our executive compensation proposal, as disclosed in our 2012 Proxy Statement. We were disappointed with this result, recognizing the need to better understand our investors opinions and perspectives on our executive compensation programs and, as a result, we initiated a review to gain further feedback from key stakeholders. In reaction to the Say-on-Pay Vote, and the feedback received from stakeholders, the Compensation Committee considered the following input:

- The results of our Say-on-Pay Vote;
- Changes in the design of our executive compensation program in fiscal 2012 versus fiscal 2011;
- Feedback from individual and institutional stockholders;
- Feedback from proxy advisory services and corporate governance research firms;
- Feedback from compensation consultants; and
- Management recommendations based on Infinera s strategic direction and market practices.

Stakeholder Outreach and Resulting Changes to Proxy Statement

In connection with our failed Say-on-Pay Vote, our management team engaged in substantial discussions with individual and institutional investors to gather feedback regarding our executive compensation programs. Such discussions included topics such as CEO compensation, executive compensation program disclosures, equity and long-term incentive compensation programs, the composition of our peer group, change of control and severance arrangements, policies related to clawbacks, and our corporate governance practices. Some of the particular recommendations of our stockholders included the following:

- Adding a summary of the annual changes to executive compensation in the Compensation Discussion and Analysis;
- Providing a majority of the equity for our CEO in the form of performance-based compensation;
- Disclosing whether we restrict hedging of Infinera s stock;

Increasing the stock ownership requirements for members of our Board;

Providing additional information on realized pay; and

Including the specific performance metrics for any performance-based equity grants in the Compensation Discussion and Analysis.

As a result of the review of our executive compensation programs, we identified that stockholders and other key stakeholders wanted to see an enhanced link of pay and performance embedded in the design of our executive compensation programs, as well as enhanced disclosure related thereto. In addition, the Compensation Committee will continue to explore ways to enhance and improve our executive compensation programs. However, it is important to note that the impact of some of these changes will not be reflected in the named executive officer compensation reported in this Proxy Statement because many of the decisions related to our

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fiscal 2012 executive compensation programs reported in this Proxy Statement were made before our Say-on-Pay Vote. Some of the specific changes that you will see in this Proxy Statement include the following:

Enhanced Disclosures. We are committed to continuing to enhance the disclosure related to our executive compensation programs in this Proxy Statement. Accordingly, we have included a more robust executive summary at the beginning of this Compensation Discussion and Analysis and highlighted the significant changes in executive compensation for fiscal 2012. As requested, we also are disclosing more detailed information about the performance metrics underlying our performance-based PSUs and other performance-based awards.

Realized Pay Tables. To continue our commitment to enhancing the disclosure of our executive compensation programs, we have included in this Proxy Statement supplemental tables illustrating the impact of Infinera s below-target financial performance in fiscal 2012, which had a significant impact on realized versus target cash incentive and equity compensation of our named executive officers. The realized pay tables are located above.

Peer Group Composition. We are committed to the ongoing improvement of our executive compensation programs through the continual review and update of our peer group. The Compensation Committee adopted a revised peer group for both fiscal 2012 and fiscal 2013 to more closely link our executive pay comparisons to companies that more closely reflect our market capitalization and annual revenue levels.

Commitment to Corporate Governance Practices. We strive to continually improve and enhance our corporate governance practices. As a result, we have increased our stock ownership requirements for our Board members and will increase disclosure of our insider trading policy, including disclosure related to our anti-hedging policies.

Clawback Policy. In early fiscal 2013, the Compensation Committee adopted a clawback policy for our Section 16 Officers and directors pursuant to which the Compensation Committee has a one-year look-back provision and provides the authority to recoup up to 100% of any incentive compensation that resulted from a material misstatement of financial results. The Compensation Committee recognizes that the SEC has not yet developed definitive clawback policy recommendations, but believes it is important to establish this policy in advance of definitive requirements by the SEC.

The Compensation Committee is committed to continuing to explore ways to enhance and improve our executive compensation programs. Accordingly, the Compensation Committee will consider input from stockholders when making future executive compensation program decisions, as well as the outcome of our annual say-on-pay vote.

Compensation Objectives and Philosophy

Objectives. Our executive compensation program is designed to:

Attract and retain our executives;

Motivate our executives to pursue our corporate objectives; and

Encourage the creation of long-term value for our stockholders.

Philosophy. Consistent with these compensation objectives, we have a pay-for-performance philosophy that forms the foundation for all decisions regarding the design of our executive compensation programs. In designing these programs, we also are guided by secondary principles which include:

Maintaining a clear link between the achievement of business goals and compensation payout. Executive compensation programs can be an effective means of driving the behavior needed to accomplish our objectives, but only if each executive clearly understands how achievement of predetermined business goals influences his or her compensation.

Selecting the right performance metrics. Equally important is the selection of performance metrics. Such metrics should be measurable and linked to business success and increased stockholder value.

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Sharing information and encouraging feedback. We also believe that focused and clear program design supports transparency for our stockholders. It is important for stockholders to understand the basis for our named executive officers compensation, as this provides stockholders insight into our goals and direction and the manner in which Infinera s resources are being used to increase stockholder value.

Compensation Elements. With these objectives, philosophy and principles in mind, we created an executive compensation program that has a mix of short- and long-term components, cash and equity elements, and fixed and contingent payments. We provide such elements of compensation because we believe each is necessary to attract, retain and motivate our named executive officers, on whom our success largely depends. The main elements of compensation for our executive officers include base salary, annual performance-based incentive cash bonuses, and long-term incentives in the form of equity awards, including a mix of time-based RSUs and performance-based PSUs for fiscal 2012.

The following chart summarizes the principal elements of executive compensation that Infinera utilizes and the reasons the Compensation Committee emphasizes each form of compensation.

Compensation Component	**Reason**
Base Salary	In an effort to align executive officer s compensation with the interests of our stockholders, we have historically compensated our named executive officers with lower levels of base cash compensation. We believe this represents the baseline that must be paid in order to attract and retain these executives.
	Individual compensation may vary from the reference point based on the qualitative factors described above.
Total Cash Compensation	In an effort to align executive officer s compensation with the interests of our stockholders, we have historically compensated our named executive officers with lower levels of total cash compensation. We chose to target total cash compensation, which includes base salary and performance-based incentive cash awards, at slightly below median market levels because it allows us to offer compensation opportunities to our executives that more significantly link pay to the achievement of annual individual and company performance goals.
	Actual payments of performance-based incentive cash awards will vary based on our performance as compared to pre-determined financial and operational goals. The target amount of the performance-based incentive cash award may change to align the mix of compensation (targeted amount of at-risk pay) as deemed appropriate by the Compensation Committee based on the qualitative factors described above.
Long-Term Equity Incentive Compensation	We opted to emphasize compensation that relies heavily on equity awards because it allows us to offer attractive long-term compensation opportunities while linking pay to the achievement of both personal and company performance goals, while maintaining modest levels of cash compensation. In addition, we believe this provides an attractive opportunity to earn above-market, long-term compensation in a manner that is highly aligned with the interests of our stockholders.
	Actual compensation will vary based upon stock price performance and achievement relative to the equity incentive plan targets. The target amount of the long-term incentives may change to align the mix of compensation (targeted amount of at-risk pay) based on the qualitative factors described above. A portion of the equity awards to our named executive officers is performance-based and will only be paid if Infinera achieves certain pre-determined milestones. We believe that allocating a portion of the total equity compensation to performance-based equity more closely aligns the named executive officers with the interests of our stockholders.

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Compensation Component	Reason
Health and Welfare Benefits	Programs for the named executive officers are substantially the same as for all other eligible employees. Benefits under the plans are set to what is reasonable with respect to the intent of the program and what is competitive with comparator group practices.
Separation and Change of Control Benefits	Program benefits provide minimum security to executives and are set to what is reasonable with respect to the intent of the program and what is competitive with comparator group practices. Benefits for separation from service take into account the role of the executive, expected length of time until subsequent employment is secured, expense management, and the ability to attract qualified candidates into senior roles. Change of control benefits are structured to support decisions that are in the best interests of stockholders, neutralizing personal concerns and managing related expenses.

Fiscal 2012 Executive Compensation

In setting executive compensation for fiscal 2012, the Compensation Committee sought to balance the need to recognize individual performance and execution of the DTN-X product with Infinera s focus on revenue growth and achieving profitability on an adjusted (non-GAAP) basis. In particular, the Compensation Committee sought to mitigate any risk that its compensation decision-making and design, including any resulting compensation awards or payouts, could adversely affect our results of operations. In furtherance of both of these goals, and in seeking to ensure a close alignment of the short- and long-term interests of our named executive officers with those of our stockholders, the Compensation Committee took the following key actions relating to executive compensation for fiscal 2012:

- Reassessed and modified the composition of the peer group used by the Compensation Committee for executive compensation comparison purposes to more closely reflect our market capitalization and annual revenue level;

- Continued to target less than median base cash compensation for most of our named executive officers in recognition that fiscal 2012 would be a transition year while Infinera continued to develop its next-generation product;

- Increased the use of PSUs for equity grants to our CEO, weighting the split of such awards more heavily toward the performance-based PSUs with vesting criteria tied to the attainment of long-term strategic objectives related to Infinera s DTN-X product;

- Maintained the CEO s base cash compensation at the same level as fiscal 2011, even though it was significantly below the median as compared to our peer group, while continuing to provide for a majority of the CEO s equity compensation in the form of PSUs, which resulted in a majority of the CEO s overall compensation being performance based;

- Structured the performance-based incentive cash bonus plan to ensure that no award would be earned by the executive officers (including the named executive officers) if Infinera failed to meet specific financial and operational goals for fiscal 2012; and

- Transitioned the base for the total target cash compensation of our Senior Vice President, Worldwide Sales, from sales incentive-based compensation to company-wide, performance-based compensation. In particular, we increased the allocation for the former Senior Vice President, Worldwide Sales from 75% company-wide performance-based to 100% in fiscal 2012. We believe that this creates better uniformity among the named executive officers with regard to cash incentive arrangements.

Governance of Executive Compensation

The Compensation Committee s approach to our fiscal 2012 compensation program reflects our core executive compensation governance principles and practices, including the following:

Our executive compensation programs are reviewed and established annually by the Compensation Committee, which consists solely of independent directors;

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- The Compensation Committee relies upon input from an independent compensation consultant that is retained directly by the Compensation Committee and does not perform additional consulting or other services for Infinera or its management;

- Elements of our performance-based equity and cash incentive compensation are aligned with the financial and operational objectives of Infinera, as established in our Board-approved annual operating plan;

- Our change of control agreements are double trigger arrangements that require a termination (or a constructive termination) of employment following a change in control of Infinera before severance benefits are triggered;

- Our executive officers and Board members are subject to stock ownership requirements;

- Our executive officers and Board members are prohibited from hedging their Infinera stock under our insider trading policy;

- The Compensation Committee annually conducts a compensation risk assessment to determine whether our compensation arrangements, or components thereof, create risks that are reasonably likely to have a material adverse effect on Infinera (as discussed in Risk Assessment of Compensation Practices); and

- We do not provide excessive perquisites, such as tax gross-ups or executive retirement plans to our named executive officers.

Compensation-Setting Process, Participants and Comparative Framework

Participants in Compensation-Setting Process

Role of Compensation Committee. The Compensation Committee is responsible for administering Infinera s executive officer compensation plans, policies and programs. The Compensation Committee has the responsibility of determining the salary, bonus, equity compensation, severance arrangements, change of control protections and any other compensatory arrangements of our CEO based on his performance and other relevant criteria, as well as annually reviewing and setting such elements of compensation for our other named executive officers based on consultation with our CEO. In addition, the Compensation Committee also reviews, approves and administers our other material employee benefit plans (for example, our 401(k) plan), which are generally available to our employees, including the named executive officers.

Role of Independent Compensation Consultant. The Compensation Committee has the authority to engage its own advisors to assist it in carrying out its responsibilities. During fiscal 2012, the Compensation Committee engaged the services of Compensia to advise the Compensation Committee with respect to its executive compensation philosophy, executive compensation program design, composition of our peer group, and the amount of cash and equity compensation awarded to the named executive officers. Compensia also provided the Compensation Committee with analysis and data regarding our named executive officer compensation relative to external market benchmarks, compensation trends, compensation strategies, peer group and general market data, and incentive compensation plan design, as well as recommendations for structuring our compensation programs. The Compensation Committee selected Compensia and they reported directly to the Compensation Committee. Compensia interacted with management at the direction of the Compensation Committee, but did not perform work for Infinera other than pursuant to their engagement by the Compensation Committee. Compensia s fees were paid by Infinera.

Role of Executive Officers. The CEO, Chief Legal and Administrative Officer and Vice President of Human Resources typically attend all meetings of the Compensation Committee. In connection with his close working relationship with each of the other named executive officers, our CEO is asked by the Compensation Committee to provide his assessment of the performance of each of the other named executive officers. Our CEO is assisted by our Vice President of Human Resources in making these assessments. Our CEO also takes an active role in the discussions of the Compensation Committee at which compensation of the other named executive officers is discussed; however, all decisions regarding the CEO s compensation are made by the Compensation Committee or by the Board in an executive session that excludes the CEO. The Compensation Committee considers, but is in no way bound by, the recommendations made by the CEO in determining compensation for the other named executive officers. None of the named executive officers makes any recommendations regarding his or her own

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compensation and none of the executive officers are present at meetings in which their compensation is determined. Our compensation consultant and our Vice President of Human Resources provide recommendations for the Compensation Committee to consider in relation to our CEO s compensation. As part of this process, the Compensation Committee considers input from the Board and feedback from the CEO. Similarly, the Compensation Committee considers, but is in no way bound by, the recommendations of its compensation consultant.

Comparative Framework, Mix and Positioning of Compensation

Determining the Proper Mix of Pay Elements. For fiscal 2012, the principal components of our executive compensation programs included the following:

- Base salary;
- Annual performance-based incentive cash bonuses; and
- Long-term incentives in the form of equity awards, including a mix of performance-based PSUs and time-based RSUs (together with the cash compensation, the total direct compensation);
- Health and welfare benefits; and
- Separation and change of control benefits.

In determining how we allocate a named executive officer s total direct compensation package among the various components, we emphasize compensation elements that reward performance against measures that we believe correlate closely with increases in stockholder value, which underscores our pay-for-performance philosophy. Accordingly, a significant portion of our named executive officer compensation is at-risk, including the annual performance-based incentive cash bonuses and performance-based equity awards. We generally aimed total cash compensation (base salary plus performance-based incentive cash bonuses) at slightly below the median and equity compensation at above median for our named executive officers for the reasons stated above, and, as a result, each of the named executive officers has a higher percentage of at-risk compensation (and thus greater upside potential and downside risk) relative to our other employees. Equity awards, which for fiscal 2012 consisted of RSUs and PSUs, represent a large component of our named executive officers total compensation in order to encourage sustained, long-term performance and ensure alignment of the interests of our named executive officers with the interests of our stockholders. We believe this mix of pay elements is appropriate because our named executive officers have the greatest influence on Infinera s performance. Accordingly, approximately 54% of our CEO s compensation is considered at-risk.

The following shows the mix of pay elements as a percentage of overall compensation for fiscal 2012 for our named executive officers.

(1) Excludes one-time retention RSU awards granted to Mr. McCarthy and Dr. Welch in fiscal 2012.

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Internal Equity Considerations. The Compensation Committee seeks to promote teamwork among, and high morale within, our executive team. While the Compensation Committee does not use any quantitative formula or multiple for comparing or establishing compensation among the named executive officers, it is mindful of internal pay equity considerations and assesses the relationship of the compensation of each named executive officer to other members of the executive team. Each fiscal year, the Compensation Committee also considers, on a relative basis, the aggregate portion of equity awards, in terms of economic value and allocation of shares, made to the named executive officers, in comparison to other eligible members of the executive team and senior employees.

Consideration of Qualitative Factors. In any given year, and for any particular named executive officer, the Compensation Committee may consider a range of subjective or qualitative factors when making compensation decisions, including the following:

- The role the executive plays and the importance of such individual to Infinera s business strategy and objectives;
- Differences in each executive s tenure, skills and experience;
- The responsibilities and particular nature of the functions performed or managed by the executive;
- Our CEO s recommendations and his assessment of the executive s performance;
- The value of prior unvested equity grants for each named executive officer; and
- Competitive labor market pressures and the likely cost and difficulty that would be encountered in recruiting a replacement and the risk that such individual would leave Infinera if not appropriately compensated and motivated.

The Compensation Committee s consideration of any particular factor may range from inapplicable to significant, depending upon the individual and period under consideration. The Compensation Committee does not assign relative weights or rankings to such factors. Moreover, the Compensation Committee does not target a specified percentile as compared to our peer group in determining each named executive officer s total compensation, but instead targets certain compensation elements at a specified percentile (for example, with respect to equity compensation) or below the median generally (for example, with respect to base salary). The Compensation Committee relies upon its members knowledge and judgment in assessing the various qualitative and quantitative inputs it receives as to each individual and makes compensation decisions accordingly.

With respect to determining fiscal 2012 executive compensation, in addition to any specific factors or assessment of peer group and market data (as described below) in determining each element of compensation for the named executive officers, the Compensation Committee broadly considered the following qualitative factors in making its compensation decisions for each named executive officer:

- Mr. Fallon has served as our CEO since January 2010 and as a member of our Board since July 2009. The Compensation Committee believed that Mr. Fallon has demonstrated considerable leadership and strategic direction in managing Infinera and our executive team during his time as CEO. In addition, the Compensation Committee believes that Mr. Fallon has provided Infinera with significant institutional and industry knowledge, as well as key oversight of corporate strategy and management development.
- Ms. Brennan assumed the role of CFO in June 2010. The Compensation Committee believed that Ms. Brennan demonstrated strong performance during her tenure as CFO. In addition to her significant responsibilities in interacting with the financial community, our Board and our Audit Committee, the Compensation Committee determined that Ms. Brennan effectively supervised and managed a number of functions, including the financial, accounting, and internal audit organizations.

Dr. Welch is a co-founder of Infinera, has served as our Executive Vice President, Chief Strategy Officer, since January 2007, and has served as a member of our Board since October 2010. In addition, Dr. Welch assumed the position of Chief Technology Officer in January 2012. The Compensation Committee believed that Dr. Welch added significant value in supervising and managing our product marketing, corporate marketing, business development, network strategy, product line management, product architecture and network systems analysis organizations. In particular, his experience, knowledge and deep technical understanding of the optical network industry enabled Dr. Welch, among other things, to successfully align our product development initiatives with our marketing and selling strategies.

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Mr. McCarthy joined Infinera in May 2003 as our General Counsel and since March 2010 has served as our Chief Legal and Administrative Officer. The Compensation Committee determined that Mr. McCarthy had continued to utilize his business acumen with his significant experience as Infinera s Chief Legal Officer to continue his strong interaction with the Board and the executive management team, as well as provided effective leadership of Infinera s legal organization. Mr. McCarthy has successfully integrated the human resources, information technology and facilities teams into his organization and continued to work closely with our CEO on strategic and cross-functional priorities for Infinera. The Compensation Committee believed that he demonstrated a strong performance in his role and in sponsoring Infinera s enterprise risk management project.

Mr. Martin continued his effective performance in leading Infinera s global sales organization since he joined Infinera as our Senior Vice President, Worldwide Sales, in August 2009. Mr. Martin has over 30 years experience in the telecommunications industry and long-term relationships with many Tier 1 telecommunications service providers. The Compensation Committee believed that Mr. Martin demonstrated his leadership during a period of intense competition within our industry sector and focused his team on driving a strong flow of sales orders during this transition period.

Determination of Peer Group and Considerations of Peer Group and Market Data. In making compensation decisions for our named executive officers, the Compensation Committee compares a number of elements of total compensation against a peer group of companies for analyzing, benchmarking and setting compensation. This list of peer group companies is periodically reviewed and updated by the Compensation Committee to take into account changes in both Infinera s business and the businesses of the peer group companies. The Compensation Committee reviewed and updated our peer group in late fiscal 2011 for evaluating fiscal 2012 compensation. In developing the peer group, the Compensation Committee focused on those companies that had annual revenues between $250 million and $1 billion in the last four quarters and a current market capitalization between $400 million and $2 billion. By selecting companies that fall within a narrower range with respect to market capitalization and revenue as compared to Infinera, the Compensation Committee believed that the market data allowed for comparisons that provided better guidance with respect to setting our executive compensation. The Compensation Committee then further limited this data to focus on companies in the systems level communications equipment market, with a total number of employees between 650 and 2,500, and generally positive revenue growth. The Compensation Committee selected peer group companies that it believes reflect those companies that it considers to be similar to, and competitive with, Infinera in terms of size, product market and revenue opportunity in which Infinera may compete for executive talent. The data on the compensation practices of the peer group was gathered by Compensia s search of publicly available information. At the time of the Compensation Committee s assessment of our peer group, Infinera compared to the peer group identified below as follows:

	Revenue[1]	Market Capitalization	Headcount
Peer Group Average	$ 630.8M	$ 944.6M	2,043
Infinera	$ 436.0M	$ 888.4M	1,072
Infinera Percentile of Peer Group	35%	53%	30%

(1) Includes revenue over the four fiscal quarters preceding the assessment.

As part of the Compensation Committee s review, ten companies (ADC Telecommunications, Inc., Aruba Networks, Inc., Brocade Communications Systems, Inc., F5 Networks, Inc., JDS Uniphase Corporation, Juniper Networks, Inc., Polycom, Inc., Riverbed Technology, Inc., Sonus Networks, Inc. and Tekelec) were removed from the peer group, including ADC Telecommunications, Inc., which was acquired in 2010 as they no longer fit the fiscal 2012 peer group criteria. Seven companies (ADTRAN, Inc., Calix, Inc., Coherent, Inc., Emulex Corporation, IPG Photonics Corporation, Ixia, Neophotonics Corporation, Openwave Systems Inc. and Opnext, Inc.) were added to the fiscal 2012 peer group for the reasons discussed above.

For fiscal 2012, the peer group consisted of the following companies:

ADTRAN, Inc.	IPG Photonics Corporation
Arris Group, Inc.	Ixia
Blue Coat Systems, Inc.	Neophotonics Corporation
Calix, Inc.	Netgear, Inc.
Ciena Corporation	Oclaro, Inc.
Coherent, Inc.	Openwave Systems Inc.
Emulex Corporation	Opnext, Inc.
Finisar Corporation	ViaSat, Inc.
Harmonic Inc.	

The Compensation Committee looked to information about the peer group as one of a number of considerations in establishing named executive officer compensation levels. In addition to the peer group data, the Compensation Committee also considered Radford s Global Technology Survey for companies with revenue between $200 million and $1 billion. In this discussion, where we refer to market levels of pay and the market group, we are referring to the combined peer group and survey data described above. In considering peer group compensation data, the Compensation Committee recognizes that executives at different companies can play significantly different roles, with different responsibilities and scopes of work, even though they may hold similar titles or positions. Moreover, from the available information about peer group compensation, it is not always possible to determine the respective qualitative factors that may influence compensation, such as scope of each named executive officer s responsibilities, their performance during the period under consideration or their perceived importance to their company s business, strategy and objectives. Accordingly, the Compensation Committee looked to information about the peer group as one of a number of considerations in establishing named executive officer compensation levels.

Principal Elements of Executive Compensation

2012 Cash Compensation

2012 Base Salaries

For fiscal 2012, the Compensation Committee reviewed each named executive officer s experience, skills, knowledge and responsibilities and analyzed such base salaries in comparison to the market group. In determining our compensation positioning for each of our named executive officers, the Compensation Committee used available information from the market group to position base salaries below median market levels. The Compensation Committee also considered internal equity of named executive officer compensation between their various roles, as well as potential retention concerns based on the competitiveness of our current compensation levels.

The Compensation Committee determined it was best to increase Dr. Welch s and Mr. McCarthy s base salaries. The Compensation Committee concluded Dr. Welch s unique position as a founder, executive vice president and Chief Strategy Officer of Infinera, along with the significant leadership role he assumes at Infinera, warranted such increase. Mr. McCarthy s continued leadership over our legal, human resources, information technology and facilities teams, as well as his continued strong interaction with the Board, led the Compensation Committee to conclude an increase in Mr. McCarthy s was appropriate. The Compensation Committee determined an adjustment was not necessary to the base salaries for Messrs. Fallon and Martin and Ms. Brennan, as their base salaries were already set at appropriate levels as compared to our market group.

For fiscal 2012, the base salary as compared to the market group was set at less than the 25th percentile for Mr. Fallon, the 25th percentile for Ms. Brennan, and the 26th percentile for Mr. McCarthy. As described above, Dr. Welch s unique role with Infinera and the significant scope of his leadership resulted in an increase in Dr. Welch s base salary for fiscal 2012, which brought him to slightly above median as compared to the market group at the 58th percentile. Due to Mr. Martin s significant sales experience and lower equity compensation, Mr. Martin s base salary was set at greater than the 75th percentile as compared to the market group.

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The following table shows the base salary for each of our named executive officers for fiscal 2011 and fiscal 2012.

Name and Principal Position	Fiscal 2011 Base Salary	Fiscal 2012 Base Salary
Thomas J. Fallon, President and CEO	$ 300,000	$ 300,000
Ita M. Brennan, CFO	$ 300,000	$ 300,000
David F. Welch, Ph.D., Executive Vice President, Chief Strategy Officer	$ 300,000	$ 350,000
Michael O. McCarthy III, Chief Legal and Administrative Officer	$ 300,000	$ 315,000
Ronald D. Martin, former Senior Vice President, Worldwide Sales	$ 350,000	$ 350,000

2012 Performance-Based Incentive Cash Compensation Plan

Under the performance-based incentive cash compensation plan for fiscal 2012 (the 2012 Bonus Plan), the Compensation Committee has the discretion to, among other things, determine eligibility for participation, establish bonus pool funding criteria, determine target awards, and establish individual performance criteria. On January 30, 2012, the Compensation Committee approved the bonus pool funding and award payout criteria for all employees of Infinera, including each of the named executive officers for fiscal 2012. The funding of the bonus pool for named executive officers under the 2012 Bonus Plan was based 80% on achievement by Infinera against financial performance metrics, including revenue and operating income goals, for fiscal 2012, and 20% on achievement by Infinera against certain operational goals for fiscal 2012.

To drive increased focus on results and align our named executive officers interests with those of our stockholders, the Compensation Committee determined that revenue and operating income performance metrics were the appropriate financial goals to utilize under the 2012 Bonus Plan. The Compensation Committee believed that revenue growth is an essential component of the long-term success and viability of Infinera. In addition, the Compensation Committee determined that a focus on operating income could serve to make generating a return for investors a priority, while allowing Infinera to re-invest in research and development and people for future success. In addition, the Compensation Committee determined that focusing on specific operational goals was key to attaining success in fiscal 2012 and providing for long-term value for our stockholders.

Pursuant to the 2012 Bonus Plan, each named executive officer was eligible to receive a midyear bonus payout based on the achievement of the financial goals for the first two quarters of fiscal 2012 and the projected achievement of the financial goals for the balance of 2012. The midyear bonus payout, if any, would be determined as the product of: (a) the named executive officer s target bonus expressed as a percentage of base salary, (b) the named executive officer s base salary as of the last day of the second quarter of fiscal 2012, and (c) the percentage of achievement of the financial goals against targets established by the Compensation Committee. The midyear bonus payout for each named executive officer will be paid only if Infinera is on track to achieve the minimum thresholds established for the financial goals. The midyear bonus payout for each named officer is capped at 100% of such named executive officer s target bonus (as prorated for the first two fiscal quarters of fiscal 2012).

In addition, pursuant to the 2012 Bonus Plan, each named executive officer was eligible for a final bonus payout based on the achievement of the financial goals and operational goals for fiscal 2012. The final bonus payout, if any, was determined as (i) the product of: (a) the named executive officer s target bonus expressed as a percentage of base salary, (b) the named executive officer s base salary as of the last day of fiscal 2012, (c) the named executive officer s individual performance rating, and (d) the percentage of achievement of the financial goals and operational goals against targets established by the Compensation Committee, minus (ii) any midyear bonus payout. The individual performance rating was set at 100%; provided, however, that the Compensation Committee, in its sole discretion and upon solicitation of the recommendation of the CEO, may increase or decrease the individual performance rating for any named executive officer by up to 25%. The final bonus payout for each named executive officer is capped at 200% of such named executive officer s target bonus less any midyear bonus paid to such named executive officer.

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The following table shows the performance metrics and weighting as established by the Compensation Committee for the 2012 Bonus Plan, as well as the actual performance for each of the performance metrics:

Performance Metrics	**Weighting**	**Target**	**Actual Performance**
Financial Metrics (80%			