



FORM 10-K

JDS UNIPHASE CORP /CA/ - JDSU

Filed: August 27, 2008 (period: June 28, 2008)

Annual report which provides a comprehensive overview of the company for the past year

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

Form 10-K

(Mark One)

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

For the fiscal year ended **June 28, 2008**

OR

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

For the transition period from _____ to _____

Commission File Number **0-22874**

JDS UNIPHASE CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

94-2579683
(I.R.S. Employer
Identification Number)

430 North McCarthy Boulevard, Milpitas, California 95035

(Address of principal executive offices including Zip code)

(408) 546-5000

(Registrant's telephone number, including area code)

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

Common Stock, par value of \$0.001 per share

Preferred Stock Purchase Rights

(Title of Class)

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

None

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

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

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

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

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of **December 29, 2007** the aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately \$2.9 billion, based upon the closing sale prices of the common stock and exchangeable shares as reported on the NASDAQ National Market and the Toronto Stock Exchange, respectively. Shares of common stock and exchangeable shares held by executive officers and directors have been excluded from this calculation because such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of **July 25, 2008**, the Registrant had 214,377,670 shares of common stock outstanding, including 5,113,641 exchangeable shares of JDS Uniphase Canada Ltd. Each exchangeable share is exchangeable at any time into common stock on a one-for-one basis, entitles a holder to dividend and other rights economically equivalent to those of the common stock, and through a voting trust, votes at meetings of stockholders of the Registrant.

Documents Incorporated by Reference: Portions of the Registrant's Notice of Annual Meeting of stockholders and Proxy Statement to be filed pursuant to Regulation 14A within 120 days after Registrant's fiscal year end of June 28, 2008 are incorporated by reference into Part III of this Report.

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FORWARD-LOOKING STATEMENTS

Statements contained in this Annual Report on Form 10-K which are not historical facts are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. A forward-looking statement may contain words such as “anticipates that,” “believes,” “can impact,” “continue to,” “estimates,” “expects to,” “intends,” “may,” “plans,” “potential,” “projects,” “to be,” “will be,” “will continue to be,” “continuing,” “ongoing,” or the negative thereof or other comparable terminology regarding beliefs, plans, expectations or intentions regarding the future. Forward-looking statements include statements regarding: our expectations regarding an increase in consumer demand for real-time, interactive visual and audio experiences; our beliefs regarding bandwidth growth over optical networks; our belief that we are well positioned to benefit from industry trends; our plan to expand opportunities in emerging geographies and through channel marketing; our strategy to operate as a Company comprised of a portfolio of businesses with a focus on optical and broadband innovation; our expectation that the growing demand for network capacity will encourage the adoption of optical communications products across the telecom sector; our belief that an increase in network capacity will increase the demand for optical products in the storage and enterprise sectors; our belief that the deployment of fiber closer to the end user increases the availability of high-bandwidth services and will result in increased demand on the metro and long-haul networks; our plan to continue to enable our customers to build systems for Agile Optical Networks (“AON”); our expectation that the Company will continue to play a vital role in the broadband and optical innovation that enables breakthrough solutions for essential high-tech industries; our belief that we are well positioned to migrate from fixed to reconfigurable dense wavelength division multiplexer (“DWDM”) architectures and networks; our belief that increasing deployments of broadband access, the expansion of IP-based services, and the need to reduce deployment time and cost should result in increased demand for communications test and measurement instruments, systems, software and services; our expectation that the Company’s Communications Test and Measurement business unit will continue to improve profitability; our belief that we have the broadest range of wire line products and solutions available in the communications test and measurement industry; our belief that our broad portfolio of test and measurement solutions position the company well to benefit from these improvements; our plan to continue to leverage our unique intellectual property, including leading expertise in optics, light management and material technology to develop solutions that provide unique advantages for our customers; our belief in the increasing demand for high quality lasers for a variety of markets; our belief that the Company is well positioned to benefit from the demand for quality compact lasers; our plan to accelerate new customer applications enabled by using lasers coupled with high performance photonic power photovoltaic converters to provide power over fiber; our belief that the Company is a pioneer in the emerging market of photonic power; our plan to continue to help customers make their existing networks more flexible and agile by designing agility into our products at the photonic level; our objective to continue to be a leading supplier for all markets and industries we serve and the strategies we plan to pursue to achieve such objective; our commitment to invest organically through acquisitions and partnerships in new technologies, products and services; our commitment to the ongoing evaluation of strategic opportunities and the acquisition of additional products, technologies or businesses; our belief that we strengthened our business model by expanding our addressable market, customer base and expertise, diversifying our product portfolio and fortifying our core businesses through acquisitions as well as other organic initiatives; our plans to leverage the technologies, distribution relationships, products and services gained as a result of acquisitions; our belief that our acquisitions create new opportunities for the acquired products due to JDSU’s direct sales and service organization serving the largest telecommunications and cable service providers worldwide; our plan to continue to strengthen our partnerships with contract manufacturers for our telecommunications, data communications and laser products; our intention to continue to centralize many administrative functions such as information technology, human resources and finance; our devotion of substantial resources to research and development in order to develop new and enhanced products to serve our markets and segments; our intention to establish at least two sources of supply for raw materials whenever possible; our intention not to broadly license our intellectual property rights; our belief that we have good employee relations; our expectation that seasonable demand fluctuations will cause significant, periodic variations in our financial results for our Communications Test and Measurement segment; our desire to expand our markets and customer base, improve the profitability of our product portfolio and improve time to revenue in

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our Advanced Optical Technologies segment and commercial lasers business and efforts to effect such changes; our efforts to reduce our cost structure; the impact of restructuring charges on our results of operations and cash flows; our efforts to divert resources from new product research and development and other functions to assist with difficulties related to execution capabilities and customer relations; our continued experiences with product failures; our intention to continue to develop new product lines and improve the business for existing ones; our expectation that the introduction of new products will continue to incur higher start-up costs and increased yield and product quality risk among other issues; our expectations regarding our future growth; our continued reliance on a limited number of customers for a significant portion of our revenues; our expectation that we will continue to experience strain on our supply chain and periodic supplier problems; our belief that we must maintain a substantial commitment to innovation and product differentiation, as well as significantly reduce cost structure to remain competitive in future business climates; our intention to continue to address the need to develop new products through acquisitions of other companies and technologies; our efforts to continue to recruit key personnel; our expectations that net revenue from international customers outside of North America will continue to account for a significant portion of our total revenue; our expectation regarding the expansion of our research and development activities in China; our expectation of the need to respond to and our intention to respond to intellectual property infringement claims in the course of our business operations from our competitors; our belief that our existing properties, including both owned and leased sites, are in good condition and suitable for the conduct of our business; our belief that our existing facilities are adequate to meet our immediate needs; our belief that various critical accounting policies are affected by significant estimates, assumptions and judgments used in the preparation of our consolidated financial statements; our belief that certain equipment is not software related and should be excluded from the scope of the AICPA SOP No. 97-2; our belief that using a combination of historical and market-based implied volatility from traded options on Company common stock is a better indicator of expected volatility and future stock price trends than relying solely on historical volatility; our anticipation that cash dividends will not be paid in the foreseeable future; our commitment to enabling broadband and optical innovation in the communications and commercial markets; our expectation that high customer concentration, attendant pricing pressure, and other effects on our communications markets will remain for the foreseeable future; our efforts to expand our products, customers and distribution channels for several of our core competencies; our expectations that seasonality in the Communications Test and Measurement segment will continue for the foreseeable future; our expectation that the adoption of certain accounting pronouncements will not have a material adverse effect on our financial statements; our estimates for costs associated with our restructuring plans; our assumptions related to pension and postretirement benefits; our expectation that we will continue to encounter a number of industry and market structural risks and uncertainties that will limit our business climate and market visibility; the continued North American assembly transitions; our belief that investment in research and development ("R&D") is critical to attaining our strategic objectives; our continued efforts to reduce total operating spending; our intention to continue to address our selling, general and administrative ("SG&A") expenses and reduce these expenses as and when opportunities arise; our expectations regarding future SG&A expenses; our expectation that none of the non-core SG&A expenses will have a material adverse impact on our financial condition; our expectation that the zero coupon convertible notes will be retired within one year; our efforts to take advantage of opportunities to reduce costs through targeted, customer-driven restructuring events; our expectation that payments related to severance benefits will be paid off by the third quarter of fiscal 2013 and that payments related to lease costs will be paid by the fourth quarter of fiscal 2012; our plan to pay the lease costs associated with the Ottawa facility by the third quarter of fiscal 2018; our belief that we have provided adequate amounts for adjustments that may result from tax audits; our estimates for additional required investment in research and development in connection with our acquisitions; our expectation that our acquisitions will strengthen the Company's position in the related markets and help grow our business in various regions; our belief that our existing cash balances and investments will be sufficient to meet our liquidity and capital spending requirements at least through the next 12 months; our expectation that gains and losses on derivatives will be offset by re-measurement gains and losses on the foreign currency dominated assets and liabilities; our ability to mitigate credit risk and marketability risk of our portfolio of investments; our intention to maintain a sufficient safety stock of products and to maintain ongoing communications with suppliers to guard against interruptions or cessation of supply; the expectation for the deductibility of goodwill associated with our acquisitions; our

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estimates for associated restructuring and non-recurring charges; our expectation that \$19.5 million will be repatriated with no additional tax expense in China; our estimate that no additional taxes would have to be provided if the earnings were repatriated back to the U.S.; our belief that certain jurisdictions in which we received tax benefits attributable to the release of valuation allowances will generate future income; our expectation that the Full Value Awards will vest over one to four years; our expectation to amortize \$30.3 million of unrecognized stock-based compensation cost related to stock option activity over a period of 2.9 years; our expectation to amortize \$0.1 million of stock based compensation expense related to the employee stock purchase plan ("ESPP") in the first quarter of fiscal 2009; our expectation to amortize \$69.5 million of estimated stock based compensation expense related to Full Value Awards over an estimated amortization period of 2.5 years; our expectation that the required contribution to the Company's pension plans in fiscal 2009 will be zero; our expectation to close \$167.3 million in obligations to purchase inventory and other commitments within one year; our estimate that the Company's potential tax liability related to a Dutch wage tax audit and a Texas franchise tax audit will be from \$0.8 million to \$46.2 million, plus interest and penalties; our belief that the factual allegations and circumstances underlying the securities class actions, derivative actions, the OCLI and SDL class actions, and the ERISA class actions are without merit and that the expense of defending such actions will continue to be costly and may not be covered by our insurance policies; and our belief that resolving claims that arise in the ordinary course of our business will not have a material adverse impact on our financial position or results of operations.

Management cautions that forward-looking statements are subject to risks and uncertainties that could cause our actual results to differ materially from those projected in such forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected, including, without limitation, the following: incorrect assumptions regarding the basis for consumer demands; an unexpected decreased in the availability of broadband networks; our inability to successfully capitalize on our position in the market, industry trends and strategic opportunities; inability to successfully operate as a portfolio of businesses solely with a focus on optical and broadband innovation; inability to meet marketplace demands for optical communications products; inability to accurately assess the demand on the metro and long-haul networks into which high-bandwidth services feed; inability to support our customer growth in building systems for AONs; our inability to assess the feasibility of certain innovations and the impact that such innovations might have on high-tech industries; licensing issues related to our intellectual property; broader product offering of competitors; inaccuracies regarding the direction of the market to migrate from fixed to reconfigurable DWDM architectures and networks; inability to accurately assess the market demand for communications test and measurement instruments, systems, software and services; difficulties associated with limiting and predicting costs in the Communications Test and Measurement business unit; inaccurate assumptions regarding the optical industry; inability to accurately predict the demand for high-quality lasers in various commercial markets; inability to quickly introduce customer applications into the marketplace to meet customer demands for commercial lasers; inaccuracies regarding the Company's position in the photonic power market; inaccurate assumptions regarding the importance of agility and flexibility to our current customers; our inability to invest in new technologies; inaccuracies regarding promising markets and our ability to focus the company's resources towards developing products for potentially promising markets; unanticipated SG&A expenses and inaccuracies as to the impact of SG&A expenses on the Company's financial condition; inaccurate assumptions regarding the viability of certain product lines; unanticipated difficulties associated with the centralization of administrative functions; inability to timely and effectively develop, manufacture and market our new products, or enhance our existing products; our inability to accurately and timely complete valuation analyses in connection with our acquisitions; our limited ability to perceive or predict market trends; decreases in our product portfolio and revenues; inaccuracies regarding our employee relations and inability to maintain a steady workforce; loss of a significant customer eliminating a significant portion of our future revenues; dependence on fewer customers limiting our ability to increase our profitability; unrealized customer and market penetration resulting from our recent acquisitions; inability to effectively execute programs related to our investments and partnerships; failure to reduce manufacturing costs through restructuring efforts; inability to accurately predict the volatility of future stock trends; introduction of new accounting pronouncements; lack of resources set aside for investment in R&D; inaccurate assessment of our tax liability as

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a result of acquisitions and tax audits; greater than anticipated tax exposure; unforeseen damage and repairs to the Company's leased and owned properties; need to expand or decrease the size of our existing facilities; excessive costs associated with defending various claims and suits brought against the Company and its directors; unexpected impairment of goodwill associated with our acquisitions; delays in bringing products to market due to development problems; excessively high costs in the future related to enhancing our existing systems; significant changes in customer preferences; the possibility that competitors will introduce products faster than us; unanticipated difficulties in building close working relationships with manufacturers; our inability to establish relationships with alternative suppliers of raw materials; growth in our business placing unexpected strains on our resources; international expansion beyond the capacities of our current properties; loss of key personnel to competitors and an inability to effectively recruit replacements; inherent uncertainty surrounding the litigation process and the fact that litigation could result in substantial cost and diversion of our management's attention; inability to obtain new orders from major customers; substantial technological changes in the Communications Test and Measurement solutions market; the timing of orders; difficulties in assessing the impact of accounting changes on financial statements; incorrect estimates, assumptions and judgments used in preparing the Company's consolidated financial statements; inaccuracies in categorizing equipment for accounting purposes; inaccuracies related to the assumptions used in assessing the Company's option-price; market rejection of new products; inaccuracies of the strength of various acquisitions on improving the Company's position within various markets; inability to accurately predict when various products acquired during our acquisitions will be fully developed and completed; inaccurate assumptions or estimates associated with severance and lease payments; inability to accurately assess additional tax expenses due to repatriation of certain earnings in China; inability to accurately assess future income attributable to tax benefits; inability to predict the vesting period of the Company's Full Value Awards; difficulty in estimating the amortization period of stock based compensation expense of stock option activity and our ESPP; inability to accurately predict the amount of money the Company must contribute to its pension plans as legally mandated; inability to deliver inventory and collect payments due under purchase orders; and other factors set forth in "Risk Factors" and elsewhere herein. Further, our future business, financial condition and results of operations could differ materially from those anticipated by such forward-looking statements and are subject to risks and uncertainties including the risks set forth above and in Part I, Item 1A "Risk Factors" set forth in this Form 10-K. Moreover, neither we assume nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. Forward-looking statements are made only as of the date of this Report and subsequent facts or circumstances may contradict, obviate, undermine or otherwise fail to support or substantiate such statements. We are under no duty to update any of the forward-looking statements after the date of this Form 10-K to conform such statements to actual results or to changes in our expectations.

ITEM 1. BUSINESS**General***Overview*

JDS Uniphase Corporation (“JDSU”) is the leading provider of communications test and measurement solutions and optical products for telecommunications service providers, cable operators, and network equipment manufacturers. JDSU technologies also enable broadband and optical innovation in many essential industries such as biomedical and environmental instrumentation, semiconductor processing, aerospace and defense, and brand protection. In addition, our optical coatings are used in visual display and decorative product differentiation applications.

To serve its markets, JDSU operates in the following business segments: Optical Communications, which accounted for approximately 34% of net revenue in fiscal 2008; Communications Test and Measurement, which accounted for approximately 46% of net revenue in fiscal 2008; Advanced Optical Technologies, which accounted for approximately 14% of net revenue in fiscal 2008; and Commercial Lasers, which accounted for approximately 6% of net revenue in fiscal 2008. The financial results for the Commercial Lasers business is reported in the “All Other, Commercial Lasers” segment in this document.

Industry Trends

The trends that drive the broadband communications industry are key drivers in the business segments that comprise JDSU. Demand for high-bandwidth communications continues to increase, powered by the growing number of broadband users worldwide and the greater reliance on high-bandwidth capabilities in our daily lives. For example, the number of video and digital music downloads is growing rapidly, as is demand for HDTV and fiber-to-the-home or other fiber networks (FTTx). In addition, cell phones increasingly offer integrated audio, photo, video, email and Internet capabilities. As greater bandwidth capacity is delivered closer to end users through broadband access networks, consumer demand for real-time, interactive, visual and audio experiences will increase. The resulting traffic, in turn, impacts core networks that depend on optical technology. New services will also drive the need for test and measurement, as well as service assurance solutions. JDSU is well-positioned to continue to benefit from these industry trends due to its leadership in the broadband test and measurement and optical networking markets.

In addition to communications, optical technologies are increasingly applied to solve complex problems in other industries. For example, our high-precision lasers enable the trend toward smaller integrated circuits for use in today’s compact consumer electronics, the testing of new pharmaceuticals via induced fluorescence, and deoxyribonucleic acid (DNA) sequencing through the appropriate application of monochromatic light. Our optically variable pigment (OVP[®]) solutions protect commercial brands and consumer products, such as medicines and electronics, against counterfeiting with secure labels and other optical devices. This technology is also used to inhibit counterfeiting of currencies and valuable documents.

Sales and Marketing

JDSU markets its products to telecommunications and cable television service providers, network equipment manufacturers, OEMs, distributors and strategic partners worldwide. Each business segment has a dedicated sales force that communicates directly with customers’ executive, technical, manufacturing and purchasing personnel as needed to determine design, performance, and cost requirements. In addition, all business segments are working to expand opportunities in emerging geographies and through alternate channels of distribution.

A high level of support is necessary to develop and maintain long-term relationships with our customers. JDSU engages the customer at the design-in phase and continues to build the relationship as customer needs change and develop. Service and support are provided through JDSU offices and those of its partners worldwide.

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Additional Information

JDSU was incorporated in California in 1979 and reincorporated in Delaware in 1993. JDSU is the product of several significant mergers and acquisitions including, among others, the combination of Uniphase Corporation and JDS FITELE in 1999, and the acquisition of Acterna, Inc. in 2005. Our strategy is to operate as a company comprised of a portfolio of business with a focus on optical and broadband innovation.

We are subject to the information requirements of the Securities Exchange Act of 1934, or the Exchange Act. Therefore, we file periodic reports, proxy statements and other information with the Securities and Exchange Commission (SEC). Such reports, proxy statements and other information may be obtained by visiting the Public Reference Room of the SEC at 100 F Street, NE, Washington, DC 20549 or by calling the SEC at 1-800-SEC-0330, by sending an electronic message to the SEC at publicinfo@sec.gov or by sending a fax to the SEC at 1-202-777-1027. In addition, the SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. We also post all SEC filings on our website at www.jdsu.com/investors as soon as reasonably practicable after they are electronically filed or furnished to the SEC.

Business Segments

The JDSU corporate structure is comprised of four business segments—optical communications, communications test and measurement, advanced optical technologies, and commercial lasers. Each segment has its own engineering, manufacturing, sales, and marketing groups to better serve customers and respond quickly to the market needs. In addition, our business segments share common corporate services that provide capital, infrastructure, resources, and functional support, allowing them to focus on core technological strengths to compete and innovate in their markets.

Optical Communications

The Optical Communications business segment provides products used by communications equipment providers for telecommunications and enterprise data communications. These products enable the transmission and transport of video, audio and text data over high-capacity fiber optic cables. Transmission products primarily consist of optical transceivers, optical transponders, and their supporting components such as modulators and source lasers, like vertical-cavity surface-emitting lasers (VCSELs). Transport products primarily consist of amplifiers and ROADMS and their supporting components such as 980 nm pumps, passive devices, and array waveguides (AWGs). In fact, today's most advanced optical networks are built on our transport and transmission components, modules and subsystems.

Market

JDSU Optical Communications produces a wide range of components, modules, subsystems, and solutions to support and maintain customers in our two market segments: telecommunications, including access (local), metro (intracity), long-haul (city-to-city and worldwide), and submarine (undersea) networks; and enterprise data communications, including storage access networks (SANs), local area networks (LANs), and Ethernet wide-area networks (WANs).

Customers

JDSU customers such as Alcatel-Lucent, Ciena, Cisco, Ericsson, Fujitsu, Hewlett-Packard, Huawei, IBM, Nokia Siemens Networks, Nortel, and Tellabs manufacture network equipment used to create telecommunications and data communications.

Trends

To remain competitive, network operators worldwide must offer broader suites of digital services. To do this, they are migrating to Internet protocol (IP) networks, which effectively deliver triple-play services (voice, video and data) while lowering capital and operating costs of DWDM networks. In data communications,

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demand for broadband is driven by growing needs of intracompany LAN and intercompany WAN networks. In addition, many companies are embracing new applications, such as voice over IP (VoIP), that replace traditional fixed voice communications with network routed calls; and universal messaging systems that require greater bandwidth and data storage. This growing demand for more capacity will encourage the adoption of optical communications products across the telecom sector, including long-haul, metro (core and access), cable television (CATV), submarine, and fiber to the premises (FTTP or FTTx). It will also increase demand for optical products in the storage and enterprise sectors, including LAN, SAN and WAN.

Migrating to agile optical networks (AONs), which employ reconfigurable optical add/drop multiplexers (ROADM), tunable transponders, and other agile optical products, also provides an effective way to respond to unpredictable bandwidth demands and manage expenses. With an AON, a service provider can add capacity, with minimal human intervention, by using remote management applications rather than by dispatching technicians to perform manual operations in the field.

In addition, the high-end routers, switches, and cross-connect equipment that must handle legacy *and* IP traffic, are becoming increasingly complex in order to meet higher bandwidth, scalability, speed, and reliability needs with compact designs. At the same time, those compact designs must meet requirements for emissions, performance, cost, and reduced power consumption.

Deployment of fiber closer to the end user increases the availability of high-bandwidth services and will result in increased demand on the metro and long-haul networks into which these services feed. The dynamically reconfigurable nature of an AON offers competitive and cost advantages, such as enabling communications service providers to more flexibly use and scale network capacity, streamline service provisioning, accelerate rerouting around points of failure, and modify network topology through simple point-and-click network management systems.

JDSU, with its innovative optical communications and flexible, cost-effective AON portfolio, is positioned to be the supplier of choice for next-generation networks.

Strategy

Customers partner with JDSU Optical Communications not only for access to its pipeline of optical technologies, but also for the ability to expand their own supply chain with a vendor that is capable of high-volume manufacturing.

Our strategy for optical communications is to focus on technology leadership, cost leadership, and functional integration.

As our optical communications segment continues to align the latest technologies with best-in-class manufacturing and operations, JDSU will thrive as the source for the innovation that drives the next phase of optical communications with highly integrated technologies that are faster, more agile, and more reliable, making us a valuable business and technology partner to NEMs and service providers.

Competition

JDSU competes against numerous public and private companies providing fiber optic components, modules, and subsystems, including independent merchant suppliers and business units within vertically integrated equipment manufacturers, some of whom are our customers. A partial list of public company competitors includes AvaneX, Bookham Technology, Finisar, Fujitsu, Furukawa Electric, Optium, Opnext, Oplink Communications, and Sumitomo Electric.

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In addition to these established companies, JDSU faces significant and focused competition from other companies and emerging startups. While each of its product families has multiple competitors, JDSU has the broadest range of products and technologies available in the industry. Furthermore, with the breadth and product leadership of its AON portfolio positions, JDSU is well positioned as the industry continues to migrate from fixed to reconfigurable DWDM architectures and networks.

Offerings

As mentioned above, the JDSU optical communications segment addresses two markets—telecommunications and enterprise data communications. In addition to a full selection of active and passive components, JDSU offers increasing levels of functionality and integration in modules, circuit packs, and subsystems for transmission, amplification, wavelength management, and more. Our optical communications product offerings include:

Telecommunications

In the telecommunications segment, we offer solutions for the synchronous optical network (SONET), synchronous digital hierarchy (SDH) and wavelength division multiplexer (WDM) markets, including transmission and transport products.

These include tunable transponders, ROADMs, and optical amplifiers. JDSU also offers components used to develop the previously mentioned products, which include active components like tunable lasers and 980 nm pumps, as well as passive components such as attenuators, circulators, couplers/splitters/WDMs, gain flattening filters, hybrid interleavers, multiplexer/demultiplexers (mux/demux), polarization components, switches, and wavelength lockers.

Transmission products

JDSU products used for sending and receiving data include tunable transponders, transceivers and transmitter modules, as well as components like tunable lasers, detectors/receivers, modulators, and source lasers such as VCSELs.

Transport products

JDSU products used for transporting data include ROADMs and optical amplifiers, as well as the components used to develop these products. This includes active components such as 980 nm pumps and optical channel monitors, as well as passive components such as attenuators, circulators, couplers/splitters/WDMs, gain flattening filters, hybrid interleavers, multiplexer/demultiplexers (mux/demux), polarization components, switches, and wavelength lockers.

We continue to innovate for our customers with the new AON Super Transport Blade, which integrates all major optical transport functions (wavelength switching, preamplification, postamplification, monitoring) into a single-slot blade. This all-in-one solution reduces the size, cost, and power requirements of optical components, incorporates nano wavelength selective switch (WSS) technology, and enables greater chassis density and smaller footprint.

Data communications

For the data communications market, which relies on storing and moving vast amounts of data, JDSU offers optical transceivers for Fibre Channel and Gigabit Ethernet applications. JDSU transceivers are also used in Ethernet connections for servers, routers, hubs, and switches for Internet and e-mail services.

In data communications, digital music, video, interactive games, social networking, e-mail, e-commerce, datacenter replication, and disaster recovery applications continue to drive SAN bandwidth higher. To support this growth, many storage system providers have migrated from 2 to 4 or 8 Gbps. Higher speeds, increased system densities, and lower power consumption are also driving next-generation optical transceivers.

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For higher data transfer rates of 40 and 100 Gbps, optical technologies like vertical-cavity surface-emitting lasers (VCSELs) address the concerns associated with increasingly complex solutions. VCSELs reduce power consumption, heat, electromagnetic interference (EMI), and cost while increasing speed, reliability, and link distance. Our compact arrays offer an innovative solution for the LANs, SANs, broadband Internet, and metro-area network applications that currently depend on high-end routers, switches, and cross-connect equipment to handle legacy and IP traffic.

Optical transceivers

JDSU integrated fiber optic transceivers provide a high-speed, serial electrical interface for connecting processors, switches, and peripherals using fiber optic technology. They are available in hot-pluggable or pin-through-hole versions with a small footprint for use in compact system designs. This allows manufacturers to double the density of transceivers on a board compared to conventional designs.

Communications Test and Measurement

The Communications Test and Measurement business segment products and services enable the design, deployment, and maintenance of communication equipment and networks, as well as ensure the quality of services delivered to the end customer. These products and services provide solutions that help accelerate the deployment of new services and lower operating expenses while improving performance and reliability. Included in the product portfolio are test tools and platforms for optical transport networks, DSL services, data networks, cable networks, digital video broadcast, and fiber characterization services.

Market

JDSU provides instruments, service assurance systems and services for communications network operators and equipment manufacturers that deliver and/or operate broadband/IP networks (cable, fixed and mobile) deploying triple- and quad-play services (voice, video, data, and wireless). Our solutions help accelerate the deployment of new services, lower operating expenses, reduce customer turnover with improved quality of service, and increase productivity across each critical phase of the network lifecycle, including research and development, production, deployment, and service assurance. JDSU enables the effective management of services, such as VoIP and IPTV, by providing visibility into the end-user experience and also provides repair, calibration, instrument management and other services to aid its customers in the rapid deployment and repair of networks and services. JDSU test solutions address lab and production (capacity expansion and 40G), field service (triple-play deployments for cable, telecom, FTTx, and home networking) and service assurance (quality of experience, or QoE, for Ethernet and IP services, including cable, wireless and fixed/telecom networks).

Customers

JDSU customers for communications test and measurement solutions include the world's largest communications service providers, communications equipment manufacturers, government organizations, and large corporate customers. These include major telecom and cable operators such as AT&T, Bell Canada, British Telecom, China Telecom, Comcast, Deutsche Telecom, France Telecom, Telefonica, Telmex, TimeWarner, Verizon and many others. JDSU test and measurement customers also include many of the network equipment manufacturers served by our optical communications group, including Alcatel-Lucent, Ciena, Cisco, Huawei, Fujitsu, Nortel, and Motorola.

Trends

As content providers in the communications industry are developing new business models to expand their distribution capabilities, they are increasingly adopting on-line channels for rich broadband content such as music, gaming, video programming, and movies. Telecommunications service providers are, in turn, planning to increase their revenues and profitability by expanding the capabilities of their IP packet-based networks to increase their network capacity and to deliver sophisticated levels of quality of service required to meet the service requirements of the content providers and the consumers.

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Telecommunications, cable television, satellite, and wireless service providers are competing with each other to offer content providers and consumers the ability to carry virtually any type of content via bundled services. With more applications and content available, potential benefits for service providers include increased average revenue per user (ARPU) and less customer turnover due to better service quality, thus increasing profitability and long-term competitive advantage. As a result, many providers are developing consolidated network architectures intended to enable a triple-play (integrated voice, data and video services) offering from a single provider rather than three separate services from three separate providers over three separate networks.

Additionally, the proliferation of new and higher bandwidth services, including video-based content such as news, movies, and gaming, is generating strong growth in demand for network capacity and bandwidth rates, which in turn drives demand for many types of networking, access and transport systems.

Increasing deployments of broadband access, the expansion of IP-based services, and the need to reduce deployment time and cost should result in increased demand for communications test and measurement instruments, systems, software, and services. These communications test and measurement solutions support the rapid deployment of new services, increase customer satisfaction by helping technicians complete installation and repair work correctly the first time, and lower operating expenses by automating and improving network installation, maintenance, and management processes. Our broad portfolio of test and measurement solutions positions us well to benefit from these developments.

Strategy

The JDSU Communications Test and Measurement business segment will continue to improve profitability by providing communications test and management solutions that address the business challenges of network operators and communications equipment manufacturers. Its focus is to enable network operators to accelerate deployment of new services, improve service quality, reduce customer churn, and lower network operating expenses.

Competition

JDSU competes against various companies, including Agilent, Anritsu, Exfo, Spirent, and Sunrise. While each of the JDSU product families has multiple competitors, the Company has one of the broadest ranges of wireline products and solutions available in the communications test and measurement industry.

Offerings

JDSU provides the industry's most expansive set of communications-focused test and measurement solutions. This portfolio provides end-to-end test support across communications networks, including the core, metro, access, and home networking environments. JDSU is a leader in the test and measurement market and has an installed base of hundreds of thousands of test instruments and systems deployed in communications networks around the world. Our test and measurement product portfolio includes:

Instruments

JDSU provides devices that perform various communications test and monitoring functions. Designed to be mobile devices, these products assist service provider technicians in assessing the performance of network elements and segments or verifying the integrity of the information being transmitted across the network. These instruments incorporate high levels of intelligence and have user interfaces that are designed to simplify operation and minimize training. JDSU test instruments also include those used by network equipment manufacturers (NEMs) in the design and manufacture of next-generation network equipment. Thorough testing by NEMs plays a critical role in producing the components and equipment that are the building blocks of network infrastructure.

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Software

JDSU provides software products and custom software development services to its customers. Software products address applications for network capacity management, test operations support systems and workflow solutions. Software services are provided to customize software applications and to interface JDSU software to customer operations support systems.

Systems

JDSU systems are test and management devices that reside in communication networks. Typically, these systems consist of hardware and software components. Using an integrated test and management system, JDSU customers are able to analyze a variety of network elements, transmission technologies and protocols from a single console, simplifying the process of deploying, provisioning and managing network equipment and services. From a centralized location, technicians can access the test systems within the network and perform simultaneous test and monitoring functions on one or more elements, either manually or automatically. These capabilities allow network operators to initiate service to new customers faster, decrease the need for technicians to make on-site service calls, help to make necessary repairs faster and, as a result, provide higher quality and more reliable services.

Services

JDSU offers a range of product support and professional services geared to comprehensively address its customers' requirements. JDSU provides repair, calibration, and software support services for our products as well as technical assistance on a global basis. In addition, it offers product and technology training services as well as consulting services to our customers. Project management services are an integral part of the professional service offerings. These professional services are provided in conjunction with system integration projects that include installation and implementation.

Advanced Optical Technologies

The Advanced Optical Technologies (AOT) business segment leverages its core technology strengths of optics and materials science to manage light and/or color effects. With deep experience in optical coating technology, AOT develops innovative solutions that meet the needs of a variety of markets—from holograms to space exploration. AOT consists of the Authentication Solutions Group (ASG), the Custom Optics Product Group (COPG), and the Flex Products Group

Market

Our AOT segment spans several markets including multilayer product security techniques, which involve overt and covert product verification for protection against diversion, brand erosion, and lost revenue due to counterfeiting. These technologies safeguard brands in the pharmaceutical, consumer electronics, printing/imaging supplies, and fast-moving consumer good industries through innovative color-shifting properties. Holographic technologies, which manage light and color, also protect transaction cards issued by more than 20,000 financial institutions worldwide.

AOT also produces precise, high-performance, optical thin-film coatings for a variety of applications in government and aerospace, biomedical, telecommunications, office automation, and other markets. These applications include night-vision goggles, satellite solar covers, medical instrumentation, optical communications components, fax machines, computer-driven projectors, and event lighting.

In addition, we offer unique solutions for product finishes and decorative packaging that can be applied to a wide variety of substrates. These include innovative optically-based color-shifting and other solutions that provide product enhancement for brands in the pharmaceutical, automotive, consumer electronics, and fast-moving consumer goods industries.

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Customers

The AOT business segment serves customers such as BAE Systems, Eastman Kodak, Hewlett-Packard, ITT, Mitsubishi, Northrup Grumman, SICPA, Siemens Medical, Sony, and Toshiba. JDSU technology is used to protect the currencies of China, the European Union, the United States, and other governments around the world. Leading pharmaceutical companies worldwide also use JDSU solutions to protect their brands, as do transaction card providers such as American Express, Discover, MasterCard, and VISA. JDSU decorative product differentiation solutions are used by customers such as DuPont and PPG.

Trends

Product integrity is a worldwide, multibillion dollar issue that poses consumer health and safety risks, corporate liability, devaluation of brand image, weakening of brand loyalty, and lost revenues. Favored targets include pharmaceuticals, imaging supplies, apparel, automotive parts, consumer electronics, and electronic media. Other issues, such as product diversion, where distributors divert products intended for lower-priced markets to higher-priced markets, increasingly require brand protection. The spread of counterfeiting can be attributed to using the Internet to facilitate distribution, a ready availability of low-cost, high-quality printing equipment to reproduce product packaging, the elimination of international trade barriers, and an increasingly mobile global society.

The need to protect high-value documents and offer solutions for authenticating personal, identification, and financial documents is also growing. Our authentication solution products offer multilayer solutions for creating effective security programs that combine secure authentication, flexible aesthetics, and ease of application.

Demand for optical solutions to solve complex problems extends to the aerospace, defense and medical/environmental instrumentation markets, which require customized, high-precision coated products and optical components that selectively absorb, transmit or reflect light to meet the performance requirements of advanced systems. Our custom optics products offer an array advanced technologies and precision optics—from the ultraviolet to the far infrared portion of the light spectrum. Most products are custom optical filters, on either a simple or complex irregular shape, that require from one to several hundred layers to create the coating.

Another challenge is the need to differentiate products in order to build brands. Global competition and an increasing range of product offerings are driving designers to look for innovative ways to increase the aesthetic value of their products and make them stand out. Our decorative products are used in coatings and packaging to create unique and striking visual effects. JDSU technology has also become a worldwide standard for currency protection.

Strategy

The AOT business segment develops technologies that differentiate and effectively protect valuable brands via a secure, flexible, aesthetically striking optical platform. It also strives to supply the highest-quality, best-in-class optical components and assemblies with innovative thin-film coating processes that help customers protect and/or differentiate their products. JDSU will continue to leverage its unique intellectual property, including leading expertise in optics, light management and material technology to develop solutions that provide a unique advantage to customers.

Competition

In these markets, JDSU faces competition from providers of special-effect pigments, like Merck KGA, and from Japanese coating companies such as Nidek, Toppan, and Toray, as well as display-component companies such as Asahi, Fuji Photo-Optical, Nikon, Nitto Optical, and Viratec. JDSU also competes with optics companies such as Barr Associates and Deposition Sciences.

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Offerings

Optical thin-film coatings are submicroscopic (nanometer to micrometer) layers of materials, such as silicon and magnesium fluoride, that are applied to the surface of a substrate, including glass, plastic or metal, to alter the substrate's optical properties. Thin-film coatings work by controlling, enhancing or modifying the behavior of light at the surface of the substrate to produce specific effects such as reflection, refraction, absorption, abrasion resistance, antiglare, oxygen and/or moisture transmission, and electrical conductivity.

Brand Protection

To strengthen brand integrity, many corporate brand owners are introducing protective measures of overt packaging that provides consumers and/or inspection personnel with the ability to quickly determine product authenticity by visually detecting a color effect on the package. Covert solutions provide an additional layer of protection that cannot be seen or detected without a visual aid.

JDSU offers both overt and covert solutions for security, including a line of products that use light interference technology, which allows inks or plastics to exhibit different colors and visual effects from different viewing angles. This technology is also used to inhibit counterfeiting of currencies, identification, and other valuable documents. Applications include pharmaceuticals, imaging supplies, electronics, computer, and other consumer goods. JDSU offers these solutions in a wide range of choices by incorporating them into printing inks, product labels, and product packaging.

Document authentication

Our background as an innovator in optical science is showcased in our optically variable pigment (OVP[®]) technology and SecureShift[®] pigments, which provide the reflective surface necessary for the light interference that produces color-shifting characteristics. SecureShift technology combats forgery and counterfeiting, protects against alteration of data, and allows for immediate authentication of high-value documents.

Aerospace and defense

JDSU provides customized optics for solar cell coverglass, thermal control mirror technology, and optical sensors for aerospace applications. One or more JDSU thin-film optics products can be found on U.S. manned spacecraft, U.S. satellites, and international satellites. In addition, JDSU supplies various types of filters used in military defense applications such as infrared night vision goggles and electronic counter measures. JDSU also provides beam splitters and optical filters for medical instruments.

Consumer and commercial electronics

JDSU manufactures and sells products for use in home and business display systems. These products include dichroic filters, mirrors, polarization compensators, heater panels and other coated optics, and assemblies. Products for the automation market include photo receptors and mirrors for photocopiers, document scanners, computer-driven projectors, and facsimile machines.

Instrumentation

JDSU provides multicavity and linear variable optical filters on a variety of substrates for numerous applications, including gas monitoring and analysis, thermal imaging, smart munitions, fire detection, spectroscopy, and pollution monitoring. These filters are additionally used in biomedical applications including microscopy, cytology, semiconductor test systems, and test and measurement equipment. JDSU also provides advanced optical filters used to create dramatic lighting effects and project rich, saturated color in intelligent lighting systems for concerts, discotheques, stages, studios, and architectural lighting.

Product Differentiation

For decorative product differentiation, a wide variety of products are designed with our ChromaFlair[®] and SpectraFlair[®] pigments to create striking color effects that emphasize body contours, create dynamic

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environments, or enhance products in motion. Some products that use OVP pigments include eye-catching automobiles, spectacular sports equipment, and cutting-edge electronics. These pigments are added to paints, plastics, or textiles to achieve dramatic and vivid effects.

Our line of decorative products uses proprietary manufacturing processes and light interference (or diffractive) technology to provide products with certain color characteristics that are attractive for applications in paints, cosmetics, and plastics. The products create a durable finish with striking color properties for automotive, consumer electronics, and other applications.

Currency Protection

Our SecureShift pigment is an overt security technology designed for easy integration into document authentication security programs. SecureShift technology solutions provide a color-shifting effect that enables positive, easy visual verification and deters counterfeiting. SecureShift ink applications can be used to protect and authenticate banknotes as well as high-value government documents, such as passports, identification cards, checks, and bonds.

Commercial Lasers

Market

The JDSU portfolio of laser products includes components and subsystems used in a wide variety of original equipment manufacturer (OEM) applications from low- to high-power output, ultraviolet (UV), visible, and IR wavelengths. Core laser technologies include continuous-wave (cw), q-switched, and mode-locked lasers addressing application needs from cw to Megahertz repetition rates. JDSU supports clients in the solid-state, gas, and fiber-based laser markets, which include applications such as biotechnology, materials processing, semiconductor wafer processing, solar cell processing, graphics and imaging, remote sensing/ranging, and other precision machining.

Customers

JDSU provides commercial lasers to clients such as Applied Biosystems, ASML, Beckman Coulter, Disco, Eastman Kodak, Electro Scientific Instruments, General Dynamics, Han's Laser, KLA Tencor, Panasonic, and Sony.

Trends

There is increased demand for high-quality lasers in a variety of markets, including semiconductor processing, materials processing and biotechnology, as well as for use in imaging, aerospace and defense applications. Maturing technology trends in these markets are increasing the pressure on laser manufacturers to consistently produce smaller and lower-cost lasers with high reliability for applications. These trends include:

- Demand for electronic products with greater functionality, requiring high-speed, precise micromachining and materials processing
- Advances in cytology, hematology, genome sequencing, and crime scene investigation
- Solar cell processing and high-throughput silicon wafer processing
- Technology requirements shifting toward smaller feature sizes that require short wavelengths
- Laser processing replacing mature mechanical processing, such as drills and saws
- Electronics and precision materials processing, such as microbending, soldering and plastic welding

Strategy

JDSU works to establish long-term business partnerships with OEM laser clients. Leveraging established manufacturing, engineering, telecommunications, and photonics expertise, JDSU provides its clients with products that meet cost-of-ownership and reliability needs while delivering on volume production demands.

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Competition

JDSU competitors in the laser market include Coherent (COHR), IPG Photonics (IPGP), Rofin-Sinar (RSTI), CVI-Melles, and the Spectra-Physics division of Newport Corporation (NEWP). In photonic power solutions, JDSU competes against Spectrolab.

Offerings

Our broad range of products includes continuous-wave and pulsed diode-pumped solid-state lasers, high-reliability industrial diode lasers, gas lasers including argon-ion and helium-neon (HeNe) lasers, and fiber-based lasers:

Diode-pumped solid-state lasers with excellent beam quality, low noise, exceptional reliability, and extremely small packaging are used in biotechnology instrumentation, materials processing, graphics and imaging, semiconductor manufacturing, and laser-induced fluorescence applications. JDSU offers very low noise continuous-wave green lasers and blue lasers, high-repetition-rate near-infrared lasers, and high-power pulsed UV lasers.

Industrial diode lasers include components, plug-and-play modules and fiber-coupled devices. These diode lasers address a wide variety of applications, including laser pumping, thermal exposure, illumination, ophthalmology, image recording, printing, materials processing, optical storage, and spectral analysis.

Gas lasers, including argon-ion and helium-neon lasers provide a stable, low-cost and reliable solution over a wide range of operating conditions, making them well suited for complex, high-resolution OEM applications such as flow cytometry, DNA sequencing, graphics and imaging, and semiconductor inspection.

Fiber-based lasers are compact, efficient and air-cooled, making them easy to integrate into many applications. Wavelengths around one micron are ideal for precision machining applications, such as marking, bending, and cutting, and selective soldering where visible wavelengths are used for fluorescence and inspection applications.

Photonic Power

Traditional power provided over copper cables is susceptible to radio frequency (RF) and EMI interference. Photonic power is an innovative power-over-fiber delivery system that converts optical power to electrical power. Since it is delivered over nonconducting fiber optic cable, it is immune to the surrounding environment, is lighter, generates less heat, and is spark-free. JDSU is a pioneer in this emerging market. This innovative power source can be used to drive sensors, gauges, actuators, low-power communications devices, and innumerable other electronic devices. The isolated nature of the power delivery makes it ideal for applications that require a spark-free environment or that are operating under high levels of RF, EMI, or voltage, or other harsh environmental conditions. Power is provided without contributing any adverse effects. This technology can be used in an ever-increasing number of applications, including medical, energy, defense, aerospace, fiber optic and wireless communications, and industrial sensors.

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Corporate Strategy

Our objective is to continue to be a leading provider for all markets and industries we serve, as detailed in previous sections. In support of our business segments, we are pursuing a corporate strategy that we believe will best position us for future opportunities. The key elements of our corporate strategy include:

- **Enabling our customers' innovation in broadband and optical markets** We will continue to help customers make their existing networks more flexible by designing agility into our products, providing NEMs with the performance, size, and power benefits they require to meet growing demand and maximize the competitiveness of their offerings.

We remain committed to working closely with our customers from initial product design and manufacturing through to solution deployment and training. We strive to engage with our customers at the early stages of development to provide them with the most innovative and timely products and services and ensure our technology direction is aligned with their emerging requirements. Our sales, customer support, product marketing, and development efforts are organized to maximize effectiveness in our customer interactions. Based on current and anticipated demand, we will continue to invest in R&D and through acquisitions and partnerships in new technologies, products and services that offer our customers increased efficiency, higher performance, improved functionality, and/or higher levels of integration.

- ***Strengthening our product portfolio based on profitability and revenue growth*** In fiscal 2008, we continued to invest in product development in line with our profitability and growth objectives. Similarly, acquisition targets are carefully selected to support our objective to expand our addressable market in potentially higher growth, higher profitability areas. The acquisition of the fiber division of Westover Scientific, Inc., for example, complements our existing fiber field and lab and production test portfolio with a full suite of fiber inspection and cleaning solutions that are critical components in a comprehensive fiber deployment and operations strategy.

We remain committed to streamlining our manufacturing operations and reducing costs by using contract manufacturers where appropriate for our less complex, high volume products, and by situating our factories in lower-cost locations capable of consistently meeting our customers' quality and performance requirements.

- ***Diversifying our customer base*** Our acquisition strategy over the last several years has focused on our desire to diversify our business in terms of product offering and customer base. The acquisition of American Bank Note Holographics, Inc. ("ABNH"), for example, expanded our presence in the transaction card and hologram markets. With this acquisition, JDSU builds upon its leadership position in security solutions for brand protection, and expands its offering to include security solutions for transaction card-based commerce. It also fortifies our leadership position as a fully integrated overt and covert security solutions provider for product authentication and brand protection.

- ***Focusing on best-in-class operating metrics*** Our business segments are required to exhibit profitability and sustainable growth in addition to focusing on best-in-class operating metrics. Our shared corporate functions model provides our business segments with the centralized strength and depth of a larger company, while allowing each segment to remain focused and responsive to its own market needs. In turn, each of our corporate functions focuses on benchmark operating metrics in the high-technology sector.

Although we expect to successfully implement our strategy, internal and/or external factors could impact our ability to meet any, or all, of our objectives. Some of these factors are discussed under "Risk Factors."

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Acquisitions

As part of our strategy, we are committed to the ongoing evaluation of strategic opportunities and, where appropriate, the acquisition of additional products, technologies or businesses that are complementary to, or broaden the markets for our products. We believe we strengthened our business model by expanding our addressable market, customer base, and expertise, diversifying our product portfolio, and fortifying our core businesses through acquisition as well as through organic initiatives.

In February 2008, we purchased American Bank Note Holographics Inc. (“ABNH”), a public company. ABNH is a market leader in the origination, production and marketing of holograms for security applications and the leading supplier of optical security devices for the transaction card market and is included in our Advanced Optical Technologies segment.

In January 2008, we purchased certain assets of the fiber optics division of Westover Scientific Inc. (“Westover”), and agreed to acquire the tangible assets of Westover’s related party contract manufacturer Fuzhou Chenpo Optical Instrument Co. Ltd. Westover is a leading provider of fiber optic inspection and cleaning solutions, which complements our existing fiber field and lab and production test portfolio and is included in our Communications Test and Measurement segment.

In May 2007, we completed the acquisition of Innocor Ltd. (“Innocor”), a provider of broadband test solutions for network equipment manufacturers. The merger strengthened our position in the North American lab and production markets and helped grow our business in the EMEA and APAC regions. Innocor is included in our Communications Test and Measurement segment.

In May 2007, we completed the acquisition of Picolight Inc. (“Picolight”), a designer and manufacturer of optical pluggable transceivers. By acquiring Picolight, we strengthened our position in high-growth pluggable optics for the enterprise market and added an established, vertically integrated manufacturing model. Picolight is included in our Optical Communications segment.

In January 2007, we completed the acquisition of Casabyte Inc. (“Casabyte”), a provider of service quality monitoring solutions for mobile network operations. By acquiring Casabyte, we accelerated our service assurance growth by capitalizing on a number of key assets, including Casabyte’s wireless service quality solutions expertise, technology and established customer relationships. We also plan to leverage our global direct sales organization and other distribution channels to increase Casabyte’s penetration into international markets. Casabyte is included in our Communications Test and Measurement segment.

In May 2006, we completed the acquisition of Test-Um Inc. (“Test-Um”), a provider of home networking test instruments for the FTTx and digital cable markets. By acquiring Test-Um, we expanded our channels for the sale of our broad portfolio of test instruments for broadband access networks, including the recently introduced SmartClass line of instruments. We leveraged Test-Um’s network of several hundred distribution partners, making our access test instruments available to the service installation and electrical contractors served by Test-Um today. In addition, the acquisition creates new market opportunities for Test-Um’s products, which is available through JDSU’s direct sales and service organization serving the largest telecommunications and cable service providers worldwide. Test-Um is included in our Communications Test and Measurement segment.

In November 2005, we completed the acquisition of Agility Communications Inc. (“Agility”), a provider of widely tunable laser solutions for optical networks. The acquisition solidified our leadership position in the rapidly growing market for tunable lasers and transponders; offered a more efficient path to high volume, high yield, tunable, pluggable solutions when combined with JDSU’s manufacturing scalability, and established JDSU as the broadest end-to-end agile optical network portfolio provider in the marketplace. Agility is included in our Optical Communications segment.

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In August 2005, we completed the acquisition of Acterna Inc. (“Acterna”), a leading worldwide provider of broadband and optical test and measurement solutions for telecommunications and cable service providers and network equipment manufacturers. With this acquisition, we have become a leading provider of broadband test and measurement systems serving an expanded customer base that includes many of the largest 100 telecommunications and cable services providers and system manufacturers worldwide. The combined portfolio of products and services enhanced the deployment of IP-based data, voice, and video services over optical long haul, metro, fiber-to-the-home, DSL, and cable networks. Starting in the first quarter of fiscal 2006, the addition of Acterna’s Test and Measurement business created a new reportable segment of our business, the Communications Test and Measurement segment.

Please refer to “Note 3. Mergers and Acquisitions” of Notes to Consolidated Financial Statements under Item 8 of this Annual Report on Form 10-K for further discussion of the acquisitions completed during fiscal 2008, 2007 and 2006.

Restructuring Programs and Divestitures

Since April 2001, we have significantly consolidated the manufacturing of our products based on core competencies, cost efficiency, and alternative manufacturers, where appropriate. Among other things, we continue to strengthen our partnerships with contract manufacturers primarily for our telecommunications, data communications, and laser products. We also are in the process of centralizing in-house manufacturing from North America pertaining to product lines relating to primarily the Optical Communications segment to our lower-cost facility in Shenzhen, China. Additionally, we continue to centralize many administrative functions such as information technology, human resources, and finance to take advantage of common processes and controls, and economies of scale.

Our results of operations and financial condition were significantly affected by charges related to our restructuring activities, the write-downs of inventories, and the impairment of our investments and long-lived assets during fiscal 2008, 2007, and 2006. We may not be successful in our manufacturing strategy, and there are many risks to be addressed as described in the “Risk Factors” section.

Please refer to Management’s Discussion and Analysis of Financial Condition and Results of Operations under Item 7 and the Notes to the Consolidated Financial Statements under Item 8 of this Annual Report on Form 10-K for further discussion on these charges.

Research and Development

During fiscal 2008, 2007, and 2006, we incurred research and development expenses of \$188.1 million, \$168.4 million, and \$155.5 million, respectively. The number of employees engaged in research and development was approximately 1,100 as of June 28, 2008 and 1,000 as of June 30, 2007, and July 1, 2006.

We devote substantial resources to research and development to develop new and enhanced products to serve our markets. Once the design of a product is complete, our engineering efforts shift to enhancing both the performance of that product and our ability to manufacture it in volume and at lower cost.

For the optical communications market, we are increasing our focus on the most promising markets while maintaining our capability to provide products throughout the network. We are increasing our emphasis on the next generation AON components and modules, such as ROADMs and tunable devices needed for long-haul, metro, access, local area network, storage area network, and enterprise markets. We are also responding to our customers’ requests for higher levels of integration, including the integration of optics, electronics and software in our modules, subsystems, and circuit packs.

In our communications test and measurement market, we track and address the market segments for portable instruments for Telecom Field Service personnel, systems and software used in Network Operations Centers and

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instruments use in the design and production of telecom network equipment. We are increasing our focus on IP-based service delivery and assurance and the required changes in the network architecture as they relate to our target market segments. At the same time, we maintain our capability to continue to serve all major network architectures and protocols.

In our Advanced Optical Technologies and Commercial Laser market, our research and development efforts concentrate on developing more innovative solutions for our markets. Our Applied Optical technology group continues to advance light interference micro-flakes, color separation and birefringent filters, holographic images, components and assemblies for optical systems. Our Commercial Laser group continues to develop new product offerings in solid state lasers that embrace processes and assemblies strategies consistent with our telecommunication heritage. All of these developments are targeted to serve the security, biomedical, environmental monitoring, semiconductor, aerospace and display industries.

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Manufacturing

The following table sets forth our major manufacturing locations and the primary products manufactured at each location as of June 28, 2008. Manufacturing facilities and products manufactured by our contract-manufacturing partners (located in California, Texas, Ottawa, China, Indonesia, Singapore, Malaysia, and Thailand) are not included in the table below:

Location	Products
<u>NORTH AMERICA:</u>	
Canada:	
Kanata, Ontario	Telecommunications test hardware
United States:	
Bloomfield, CT	Lithium niobate modulators, wavelength lockers, and electronic drivers for telecommunications
Camarillo, CA	Home networking test hardware
Commerce, CA	Packaging labels for both security and non-security applications
Coral Springs, FL	Color and image enhancement products
Germantown, MD	Communications Test and Measurement products
Indianapolis, IN	Communications Test and Measurement products
Louisville, CO	VCSEL Wafer fabrication for telecommunications
Mill Creek, WA	Fiber optic inspection and cleaning solutions
Milpitas, CA	Waveguide wafer fabrication & photonic power products
Robbinsville, NJ	Holograms for security applications and optical security devices
San Jose, CA	Wafer fabrication (high power lasers, source lasers, detectors), submarine products, CoC testing, and solid state lasers
Santa Rosa, CA	Optical display and projection products, light interference pigments for security and decorative applications, and thin film filters
<u>REST OF WORLD:</u>	
China:	
Beijing	Light interference pigments for security applications
Shenzhen	Variety of standard optical components and modules, photodetectors, receiver products, erbium doped fiber amplifiers (EDFA), optical circuit packs, differential gain equalizers, high power lasers and source lasers
France:	
St. Etienne	Communications Test and Measurement products
Germany:	
Eningen	Communications Test and Measurement products

Sources and Availability of Raw Materials

JDSU uses various companies and contract manufacturers to supply parts and components for the manufacture and support of multiple product lines. Although our intention is to establish at least two sources of supply for materials whenever possible, for some certain components we do have sole or limited source supply arrangements. We may not be able to procure these components from alternative sources at acceptable prices within reasonable time; therefore the loss or interruption of such arrangements could have an impact on our ability to deliver certain products on a timely basis.

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JDSU will continue initiatives to reduce cost and risk of production interruptions and shortages of components with: (1) selecting and qualifying alternative sources of supplies for key components whenever possible, and (2) maintaining an appropriate safety stock of key components.

Patents and Proprietary Rights

Intellectual property rights that apply to our various products include patents, trade secrets, and trademarks. We do not intend to broadly license our intellectual property rights unless we can obtain adequate consideration or enter into acceptable patent cross-license agreements. As of June 28, 2008, we owned 1,350 U.S. patents and 544 foreign patents, and we are processing several hundred pending applications throughout the world.

Backlog

Backlog consists of purchase orders for products for which we have assigned shipment dates within the following 12 months. As of June 28, 2008, our backlog was approximately \$341.1 million as compared to \$342.5 million at June 30, 2007. Because of possible changes in product delivery schedules and cancellation of product orders and our sales often reflect orders shipped in the same quarter in which they are received, our backlog at any particular date is not necessarily indicative of actual revenue or the level of orders for any succeeding period.

Employees

We employed approximately 7,100 employees as of June 28, 2008, as compared to approximately 7,000 and 7,100 as of June 30, 2007 and July 1, 2006, respectively. Our workforce as of June 28, 2008 included approximately 4,100 employees in manufacturing, 1,100 employees in research and development, 800 employees in general and administrative functions, and 1,100 employees in sales and marketing.

We have never experienced a work stoppage, slowdown or strike. Notwithstanding the reductions in force that have taken place, we consider our employee relations generally to be good.

Similar to other technology companies, particularly those in Silicon Valley, we rely upon our ability to use stock options, Full Value Awards, and other forms of stock-based compensation as key components of our executive and employee compensation structure. Historically, these components have been critical to our ability to retain important personnel and offer competitive compensation packages. Without these components, we would be required to significantly increase cash compensation levels (or develop alternative compensation structures) to retain our key employees.

ITEM 1A. RISK FACTORS

We have a history of net losses, and our future profitability is not assured.

Although our profitability has improved materially over the last several years, we continue to incur net losses. We incurred net losses of \$21.7 million, \$26.3 million, and \$151.2 million in fiscal years 2008, 2007 and 2006, respectively. As a portfolio company, comprised of many product lines, with diverse operating metrics and markets, our profit performance in a particular period is generally a function of both revenue and product mix factors. For example, our product portfolio has a broad gross margin range. Moreover, the profit contribution of each of our business segments currently varies materially. Additionally, for the last several years, we have undergone multiple manufacturing, facility, organizational and product line transitions. We expect some of these activities to continue for the foreseeable future. These activities are costly and impair our profitability objectives while ongoing. Specific factors that may undermine our financial objectives include, among others:

- uncertain future telecom carrier and cable operator capital and R&D spending levels, which particularly affects our Optical Communications and Communications Test and Measurement segments;

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- the current uncertain macro-economic climate including, among other things, the ongoing fall-out from the recent credit market crisis, which, in the near term has negatively-impacted our transaction card business in our AOT segment, and more generally creates uncertainty for business across our portfolio;
- adverse changes to our product mix, both fundamentally (resulting from new product transitions, the declining profitability of certain legacy products and the termination of certain formerly higher margin products, among other things) and due to quarterly demand fluctuations;
- under-utilization of our manufacturing capacities, particularly in our Optical Communications segment;
- intense pricing pressure across our product lines (due to competitive forces, increasingly from Asia, and to a highly concentrated customer base for many of our product lines), which continues to offset many of the cost improvements we are realizing quarter over quarter;
- availability and cost of components for our products, particularly in our Optical Communications segment;
- increasing commoditization of previously differentiated products, and the attendant negative effect on average selling prices and profit margins, particularly in our Optical Communications segment;
- execution challenges, which limit revenue opportunities and harm profitability, market opportunities and customer relations;
- revenue declines associated, periodically, with terminated or divested product lines;
- redundant costs related to periodic transitioning of manufacturing to low cost locations;
- ongoing costs associated with organizational transitions, consolidations and restructurings, which are expected to continue in the nearer term;
- continuing high levels of selling, general and administrative, (“SG&A”) expenses; and
- seasonal fluctuations in revenue from our Communications Test and Measurement segment, which is the largest of our business segments.

Taken together, these factors limit our ability to predict future profitability levels and to achieve our long-term profitability objectives. While some of these factors may diminish over time as we improve our cost structure and focus on enhancing our product mix, several factors, such as continuous pricing pressure, increasing Asia-based competition, increasing commoditization of previously-differentiated products, a highly concentrated customer base for many of our product lines and seasonal Communications Test and Measurement segment revenue fluctuations, are likely to remain endemic to our businesses. If we fail to achieve profitability expectations, the price of our debt and equity securities, as well as our business and financial condition, may be adversely impacted.

Our Communications Test and Measurement Segment is particularly vulnerable to seasonal variations in our business.

The majority of the products in our Communications Test and Measurement segment are subject to significant seasonal fluctuations in demand. Reasons for this seasonal variation include, among other things, the customary capital equipment and research and development buying patterns of the telecommunications carriers and cable service providers, which are the most significant customers for these products. As a consequence, we expect seasonal demand fluctuations to cause significant, periodic variations in our financial results for this reportable segment. Moreover, our overall financial results will be adversely impacted by these seasonal fluctuations to the extent that financial results from our other reportable segments do not offset the declines in our Communications Test and Measurement segment.

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We have continuing concerns regarding the manufacture, quality and distribution of our products. These concerns are heightened with new product offerings and when overall demand increases.

Our success depends upon our ability to deliver both our current product offerings and new products and technologies on time and at acceptable cost to our customers. As a technology company, we constantly encounter quality, capacity and cost concerns. The following factors are potential contributors to our concerns:

- our continuing cost reduction programs, which include site and organization consolidations, asset divestitures, product transfers (internally to our Shenzhen, China facilities and to contract manufacturers) and employee reductions, require the re-establishment and re-qualification by our customers of complex manufacturing lines, as well as modifications to systems, planning and operational infrastructure. During this process, we have experienced, and continue to experience additional costs, delays in re-establishing volume production levels, planning difficulties, inventory issues, factory absorption concerns, and systems integration problems;
- increases in demand for certain of our products, in the midst of our cost reduction programs, are straining our execution abilities as well as those of our suppliers, as we are experiencing periodic and varying capacity, workforce and materials constraints, enhanced by the impact of our ongoing product and operational transfers;
- variability of manufacturing yields caused by difficulties in the manufacturing process, the effects from a shift in product mix, changes in product specifications and the introduction of new product lines. These difficulties can reduce yields or disrupt production and thereby increase our manufacturing costs and adversely affect our margin;
- the possibility of incurring significant costs to correct defective products (despite rigorous testing for quality both by our customers and by us), which could include lost future sales of the affected product and other products, and potentially severe customer relations problems, litigation and damage to our reputation;
- our dependence on a limited number of often small, specialized vendors for raw materials, packages and standard components. Our business and results of operations have been, and could continue to be adversely affected by this dependency. Specific concerns we periodically encounter with our suppliers include stoppages or delays of supply, insufficient vendor resources to supply our requirements, substitution of more expensive or less reliable products, receipt of defective parts or contaminated materials, increases in the price of supplies, and an inability to obtain reduced pricing from our suppliers in response to competitive pressures; and
- new product programs and introductions, which due to their large-scale restricted field testing and lack of production manufacturers with their increased complexity, expose us to yield and product risk internally and with our materials suppliers.

These factors have caused strain on our execution capabilities and customer relations. Currently, we are (a) having periodic difficulty responding to customer delivery expectations for some of our products, (b) experiencing yield and quality problems, particularly with some of our new products and higher volume products, and (c) expending additional funds and other resources to respond to these execution challenges. We are also, in the short-term, diverting resources from new product research and development and other functions to assist with resolving these matters. If we do not improve our performance in all of these areas, our operating results will be harmed, the commercial viability of new products may be challenged and our customers may choose to reduce their purchases of our products and purchase additional products from our competitors.

We rely on a limited number of customers for a significant portion of sales.

We believe that we will continue to rely upon a limited number of customers for a significant portion of our revenues for each period for the foreseeable future and any failure by us to capture a significant share of these

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customers could materially harm our business. Dependence on a limited number of customers exposes us to the risk that order reductions from any one customer can have a material adverse effect on periodic revenue. Further, to the extent that our direct communications equipment manufacturer customer base and their customer base, the service providers, consolidates, we will have increased dependence on fewer customers who may be able to exert increased pressure on our prices and contractual terms in general. Customer consolidation activity and periodic manufacturing and inventory initiatives could also create the potential for pauses in customer demand for our products as a consequence of their new decision frameworks and periods of operational streamlining.

Also, we have a strategic alliance with SICPA, our principal customer for our light interference microflakes that are used to, among other things, provide security features in currency. Under a license and supply agreement, we rely exclusively on SICPA to market and sell one of these product lines, Optically Variable Pigment (OVP[®]), for document authentication applications worldwide. The agreement requires SICPA to purchase minimum quantities of these pigments over the term of the agreement. If SICPA fails to purchase these quantities, as and when required by the agreement, for any reason, our business and operating results (including, among other things, our revenue and gross margin) will be harmed, at least in the short-term. In the long-term, we may be unable to find a substitute marketing and sales partner or develop these capabilities ourselves.

Risks in acquisitions.

Our growth strategy continues to include a reliance on periodic acquisitions of complimentary businesses and technologies. Acquisitions involve numerous risks, including the following:

- difficulties and costs in integrating the operations, technologies, products and personnel of the acquired businesses;
- inadequate internal control procedures and disclosure controls to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or poor integration of a target company's or businesses' procedures and controls;
- diversion of management's attention from normal daily operations of the business;
- potential difficulties in completing projects associated with in-process research and development;
- difficulties in entering markets in which we have no or limited direct prior experience and where competitors in such markets have stronger market positions;
- insufficient net revenue to offset increased expenses associated with acquisitions;
- potential loss of key employees of the acquired companies; and
- difficulty in forecasting revenues and margins.

Acquisitions may also cause us to:

- issue common stock that would dilute our current shareholders' percentage ownership;
- assume liabilities, some of which may be unknown at the time of such acquisitions;
- record goodwill and intangible assets that will be subject to impairment testing and potential periodic impairment charges;
- incur amortization expenses related to certain intangible assets;
- incur large and immediate write-offs of in-process research and development costs; or
- become subject to litigation.

Mergers and acquisitions of high-technology companies inherently entail risk, and no assurance can be given that our previous or future acquisitions will be successful or will not adversely affect our business, operating results, or financial condition. We are currently devoting substantial resources to the integration of our

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recent acquisitions, which among other things, requires significant investment in IT systems and infrastructure. Failure to manage and successfully integrate acquisitions could harm our business and operating results in a material way. Even when an acquired company has already developed and marketed products, there can be no assurance that product enhancements will be made in a timely fashion or that all pre-acquisition due diligence will have identified all possible issues that might arise with respect to such products.

If we fail to attract and retain key finance personnel, our ability to maintain internal control over financial reporting may be impaired.

Our key financial positions are currently staffed. Should we experience turnover or should the demands on our current resources increase due to an increase in the number of complex, non-routine transactions, our internal control over financial reporting could be adversely impacted. This could result in material weaknesses in our internal controls over financial reporting.

Certain of our non-communications related products are subject to governmental and industry regulations, certifications and approvals.

The commercialization of certain of the products we design, manufacture and distribute through our Advanced Optical Technologies segment and Commercial Lasers business unit may be more costly due to required government approval and industry acceptance processes. Development of applications for our light interference and diffractive microflakes may require significant testing that could delay our sales. For example, certain uses in cosmetics may be regulated by the Food and Drug Administration, which has extensive and lengthy approval processes. Durability testing by the automobile industry of our decorative microflakes used with automotive paints can take up to three years. If we change a product for any reason, including technological changes or changes in the manufacturing process, prior approvals or certifications may be invalid and we may need to go through the approval process again. If we are unable to obtain these or other government or industry certifications in a timely manner, or at all, our operating results could be adversely affected.

We face risks related to our international operations and revenue.

Our customers are located throughout the world. In addition, we have significant offshore operations, including product development, manufacturing, sales and customer support operations. Our operations outside North America include product development and manufacturing facilities in Europe and Asia and service, sales and support offices worldwide.

In particular, as a result of our efforts to reduce costs, we have expanded our manufacturing operations in Shenzhen and Beijing, China. Looking ahead we expect to expand our research and development activities in China. Our ability to operate in China may be adversely affected by changes in Chinese laws and regulations, such as those relating to taxation, import and export tariffs, environmental regulations, land use rights, intellectual property and other matters, which laws and regulations remain highly underdeveloped and subject to change, with little or no prior notice, for political or other reasons.

Our international presence exposes us to certain risks, including the following:

- Currency fluctuations;
- our ability to comply with customs, import/export and other trade compliance regulations of the countries in which we do business, together with any unexpected changes in such regulations;
- difficulties in establishing and enforcing our intellectual property rights;
- tariffs and other trade barriers;
- political, legal and economic instability in foreign markets, particularly in those markets in which we maintain manufacturing and product development facilities;

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- difficulties in staffing and management;
- language and cultural barriers;
- seasonal reductions in business activities in the countries where our international customers are located;
- integration of foreign operations;
- longer payment cycles;
- greater difficulty in accounts receivable collection;
- difficulties in management of foreign distributors; and
- potential adverse tax consequences.

Net revenue from customers outside the Americas accounted for 48%, 45% and 39% of our total net revenue for fiscal 2008, 2007 and 2006, respectively. We expect that net revenue from customers outside North America will continue to account for a significant portion of our total net revenue. Lower sales levels that typically occur during the summer months in Europe and some other overseas markets may materially and adversely affect our business. In addition, the revenues we derive from many of our customers depend on international sales and consequently further expose us to the risks associated with such international sales.

Changes in our effective tax rate or adverse outcomes resulting from tax audits may have an adverse impact on our results.

As an international corporation, we are subject to taxation in the various jurisdictions in which we conduct business. Significant judgment is required in the determination of our worldwide provision for income taxes and this determination requires the interpretation and application of complex and sometimes uncertain tax laws and regulations. Our effective tax rate may be adversely impacted by changes in the mix of earnings between countries which have different statutory tax rates, in the valuation of our deferred tax assets, and by changes in tax rules and regulations. We are subject to income tax audits in the respective jurisdictions in which we conduct business and we regularly assess the likelihood of adverse outcomes resulting from these tax audits to ascertain the adequacy of our provision for income taxes. There can be no assurance that the outcomes of these tax audits will not have an adverse impact on our results and financial condition.

Our business and operations would be adversely impacted in the event of a failure of our information technology infrastructure.

We rely upon the capacity, reliability and security of our information technology hardware and software infrastructure and our ability to expand and update this infrastructure in response to our changing needs. We are constantly updating our information technology infrastructure. For example, we have initiated a multiphase, companywide program to upgrade and restructure our current Oracle system in an effort to improve system integration and performance. Any failure to manage, expand and update our information technology infrastructure or any failure in the operation of this infrastructure could harm our business.

Our acquisition of Acterna created additional burden and risk. The integration of Acterna is of particular concern to our information technology infrastructure due to Acterna's size and complexity. Converting Acterna's business processes, data and applications to our standards continues to be a complex and time-consuming task. During this transition period, we are exposed to the risks associated with incompatible and complex reporting systems.

Despite our implementation of security measures, our systems are vulnerable to damages from computer viruses, natural disasters, unauthorized access and other similar disruptions. Any system failure, accident or security breach could result in disruptions to our operations. To the extent that any disruptions or security breach results in a loss or damage to our data, or in inappropriate disclosure of confidential information, it could harm our business. In addition, we may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future.

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Failure to maintain effective internal controls may adversely affect our stock price. Out-of-period adjustments could require us to restate previously issued financial statements.

Effective internal controls are necessary for us to provide reliable financial reports and to effectively prevent fraud. The SEC, as directed by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring public companies to include a report by management on the effectiveness of the Company's internal control over financial reporting in their annual reports on Form 10-K. In addition, our independent registered public accounting firm must report on the effectiveness of the internal control over financial reporting. Although we review our internal control over financial reporting in order to ensure compliance with the Section 404 requirements, if we or our independent registered public accounting firm is not satisfied with our internal control over financial reporting or the level at which these controls are documented, designed, operated or reviewed, or if our independent registered public accounting firm interprets the requirements, rules and/or regulations differently from our interpretation, then they may issue a report that is qualified. This could result in an adverse reaction in the financial marketplace due to a loss of investor confidence in the reliability of our financial statements, which ultimately could negatively impact our stock price.

In addition, we have in the past recorded, and may in the future record, "out-of-period" adjustments to our financial statements. In making such adjustments we apply the analytical framework of Staff Accounting Bulletin No. 99, "Materiality", ("SAB 99") to determine whether the effect of any out-of-period adjustment to our financial statements is material and whether such adjustments, individually or in the aggregate, would require us to restate our financial statements for previous periods. Under SAB 99, companies are required to apply quantitative and qualitative factors to determine the "materiality" of particular adjustments. From a quantitative perspective, the amount of a company's reported profit or loss is a significant factor in the determination. In recent periods, we have reported net income at, or close to, "break-even" levels. In periods with "break-even" profitability it is mathematically more likely that such adjustments may meet the quantitative "materiality" threshold established under SAB 99. This is especially the case if we continue to operate at or near "break-even" over an extended period of time so that this becomes our de facto standard of profitability. We have recorded out-of-period adjustments in the past in each instance determining that such adjustments were not material to the period that the error originated or was corrected. In the future we may identify further out-of-period adjustments impacting our interim or annual financial statements during a period (or series of periods) when our net income or loss is at or near break-even levels. Depending upon the complete qualitative and quantitative analysis, this could result in our having to restate previously issued financial statements.

If we fail to timely file with the trustee of our Zero Coupon Senior Convertible Notes or our 1% Senior Convertible Notes certain information, documents and reports required to be filed by us with the SEC, such notes could become due and payable immediately. As a result, our liquidity position could be adversely impacted or we may not have enough cash to pay the note holders, which would harm our business and the trading price of our debt and equity securities.

Under the terms of both of the indentures governing our senior convertible notes, we must comply with certain covenants, agreements and conditions, including filing with the trustee certain information, documents and reports required to be filed by us with the SEC. Certain failures to comply with the filing of such reports with the trustee would constitute a default. Upon such a default, the trustee or holders of 25% of the outstanding principal of either series of notes have the option to send us a notice of default, demanding that such default be cured within 60 days. If we receive such a notice of default, we will be required to cure such default within 60 days or obtain a waiver from holders of a majority of the outstanding principal balance of each series of notes. If we cannot cure such default within 60 days or obtain a waiver, the notes could be accelerated. This could severely impact our liquidity position or, under certain circumstances, we may not have enough cash to pay the note holders, which would harm our business and the trading price of debt and equity securities.

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We sold \$475 million of senior convertible notes in 2003 and \$425 million of senior convertible notes in 2006, which may cause our reported earnings per share to be more volatile because of the conversion contingency features of these notes.

We issued \$475 million of indebtedness in October 2003 and \$425 million of indebtedness in May and June, 2006 in the form of senior convertible notes. The issuance of these notes substantially increased our principal payment obligations and we may not have enough cash to repay the notes when due. The degree to which we are leveraged could materially and adversely affect our ability to successfully obtain financing for working capital, acquisitions or other purposes and could make us more vulnerable to industry downturns and competitive pressures. In addition, the holders of those notes are entitled to convert those notes into shares of our common stock or a combination of cash and shares of common stock under certain circumstances which would cause dilution to our existing stockholders and lower our reported per share earnings.

If we have insufficient proprietary rights or if we fail to protect those we have, our business would be materially harmed.

Our intellectual property rights may not be adequate to protect our products or product roadmaps.

We seek to protect our products and our product roadmaps in part by developing and/or securing proprietary rights relating to those products, including patents, trade secrets, know-how and continuing technological innovation. The steps taken by us to protect our intellectual property may not adequately prevent misappropriation or ensure that others will not develop competitive technologies or products. Other companies may be investigating or developing other technologies that are similar to our own. It is possible that patents may not be issued from any application pending or filed by us and, if patents do issue, the claims allowed may not be sufficiently broad to deter or prohibit others from making, using or selling similar products. We do not own patents in every country in which we sell or distribute our products, and thus others may be able to offer identical products in countries in which we do not have intellectual property protection. In addition, the laws of some territories in which our products are or may be developed, manufactured or sold, including Europe, Asia-Pacific or Latin America, may not protect our products and intellectual property rights to the same extent as the laws of the United States.

Any patents issued to us may be challenged, invalidated or circumvented, and recent Supreme Court precedent may make it easier to invalidate some of our patents than in the past. Additionally, we are currently a licensee in all of our operating segments for a number of third-party technologies, software and intellectual property rights from academic institutions, our competitors and others, and are required to pay royalties to these licensors for the use thereof. Unless we are able to obtain such licenses on commercially reasonable terms, patents or other intellectual property held by others could inhibit our development of new products, impede the sale of some of our current products, substantially increase the cost to provide these products to our customers, and could have a significant adverse impact on our operating results. In the past, licenses generally have been available to us where third-party technology was necessary or useful for the development or production of our products. In the future licenses to third-party technology may not be available on commercially reasonable terms, if at all.

Our products may be subject to claims that they infringe the intellectual property rights of others.

Lawsuits and allegations of patent infringement and violation of other intellectual property rights occur in our industry on a regular basis. We have received in the past, and anticipate that we will receive in the future, notices from third parties claiming that our products infringe third-party proprietary rights. Over the past few years there has been a marked increase in the number and potential severity of third party patent infringement claims, primarily from two distinct sources. First, large technology companies, including some of our customers and competitors, are seeking to monetize their patent portfolios and have developed large internal organizations that have approached us with demands to enter license agreements. Second, numerous patent-holding companies, entities that do not make or sell products (often referred to as "patent trolls"), have claimed that our products

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infringe upon their proprietary rights. In addition, our markets are extremely competitive and we expect to experience intellectual property infringement disputes with our competitors from time to time. We will continue to respond to these claims in the course of our business operations. In the past, the settlement and disposition of these disputes has not had a material adverse impact on our business or financial condition, however this may not be the case in the future. Further, the litigation or settlement of these matters, regardless of the merit of the claims, could result in significant expense to us and divert the efforts of our technical and management personnel, whether or not we are successful. If we are unsuccessful, we could be required to expend significant resources to develop non-infringing technology or to obtain licenses to the technology that is the subject of the litigation. We may not be successful in such development, or such licenses may not be available on terms acceptable to us, if at all. Without such a license, we could be enjoined from future sales of the infringing product or products, which could adversely affect our revenues and operating results.

The use of open source software in our products, as well as those of our suppliers, manufacturers and customers, may expose us to additional risks and harm our intellectual property position.

Certain of the software and/or firmware that we use and distribute (as well as that of our suppliers, manufacturers and customers) may be, be derived from, or contain, so-called “open source” software that is generally made available to the public by its authors and/or other third parties. Such open source software is often made available under licenses which impose obligations in the event the software or derivative works thereof are distributed or re-distributed. These obligations may require us to make source code for the derivative works available to the public, and/or license such derivative works under a particular type of license, rather than the forms of license customarily used to protect our own software products. While we believe we have complied with our obligations under the various applicable licenses for open source software, in the event that a court rules that these licenses are unenforceable, or in the event the copyright holder of any open source software were to successfully establish in court that we had not complied with the terms of a license for a particular work, we could be required to release the source code of that work to the public and/or stop distribution of that work. Additionally, open source licenses are subject to occasional revision. In the event future iterations of open source software are made available under a revised license, such license revisions may adversely affect our ability to use such future iterations.

We face certain litigation risks that could harm our business.

We have had numerous lawsuits filed against us asserting various claims, including securities and ERISA class actions and stockholder derivative actions. For example, although all claims in *In re JDS Uniphase Corporation Securities Litigation* have been dismissed pursuant to the Court’s final judgment and the period for appealing that judgment has expired, several lawsuits against the Company based on the same facts alleged in *In re JDS Uniphase Corporation Securities Litigation* remain unresolved. The results of those and other complex legal proceedings are difficult to predict. Moreover, many of the complaints filed against us do not specify the amount of damages that plaintiffs seek, and we therefore are unable to estimate the possible range of damages that might be incurred should these lawsuits be resolved against us. While we are unable to estimate the potential damages arising from such lawsuits, certain of them assert types of claims that, if resolved against us, could give rise to substantial damages. Thus, an unfavorable outcome or settlement of one or more of these lawsuits could have a material adverse effect on our financial condition, liquidity and results of operations. Even if these lawsuits are not resolved against us, the uncertainty and expense associated with unresolved lawsuits could seriously harm our business, financial condition and reputation. Litigation is costly, time-consuming and disruptive to normal business operations. The costs of defending these lawsuits, particularly the securities class actions and stockholder derivative actions, have been significant, will continue to be costly and may not be covered by our insurance policies. The defense of these lawsuits could also result in continued diversion of our management’s time and attention away from business operations, which could harm our business. For additional information regarding certain of the lawsuits in which we are involved, see the “Legal Proceedings” portion of this report.

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We may be subject to environmental liabilities which could increase our expenses and harm our operating results.

We are subject to various federal, state and foreign laws and regulations governing the environment, including those governing pollution and protection of human health and the environment and, recently, those restricting the presence of certain substances in electronic products and holding producers of those products financially responsible for the collection, treatment, recycling and disposal of certain products. Such laws and regulations have been passed in several jurisdictions in which we operate. Laws governing the environmental effects of electronic products have been passed in several European Union member countries, and similar laws are now pending in various jurisdictions within the United States. The European Union has enacted the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment, or RoHS, and the Waste Electrical and Electronic Equipment, or WEEE, directives. The RoHS directive prohibits the use of certain substances, including lead, mercury, cadmium and chromium, in covered products placed on the market after July 1, 2006. The WEEE directive obligates parties that place electrical and electronic equipment onto the market in the European Union to clearly mark the equipment, register with and report to European Union regulators regarding distribution of the equipment, and provide a mechanism to recall and properly dispose of the equipment. Each European Union member country has enacted, or is expected to soon enact, legislation clarifying what is and what is not covered by the WEEE directive in that country. However, there is still some uncertainty in certain European Union countries as to which party involved in the manufacture, distribution and sale of electronic equipment will be ultimately held responsible. If we are deemed to be a manufacturer of covered products, we may be required to register as a producer in certain European Union countries, and incur financial responsibility with respect to products sold within the European Union, including products of other manufacturers that have been replaced by our products. We may also incur substantial costs to change our manufacturing processes, redesign or reformulate, and obtain substitute components for, our products that are deemed covered products under the RoHS directive. We may also incur significant inventory write-downs if certain components held in inventory become unusable because they are not RoHS-compliant. If we fail to timely provide RoHS-compliant products, we will not be able to offer our products within European Union, and we may be subject to civil or criminal liabilities.

Similar legislation has been and may be enacted in other locations where we manufacture or sell our products. We will need to ensure that we comply with such laws and regulations as they are enacted, as well as all environmental laws and regulations, and as appropriate or required, that our component suppliers also timely comply with such laws and regulations. If we fail to timely comply with such laws, we could face sanctions for such noncompliance, and our customers further may refuse to purchase our products, which would have a materially adverse effect on our business, financial condition and results of operations.

With respect to compliance with environmental laws and regulations in general, we have incurred and in the future could incur substantial costs for the cleanup of contaminated properties, either those we own or operate or to which we have sent wastes in the past, or to comply with such environmental laws and regulations; further, we could be subject to disruptions to our operations and logistics as a result of such clean-up or compliance obligations. In addition, if we were found to be in violation of these laws, we could be subject to governmental fines and liability for damages resulting from such violations. If we have to make significant capital expenditures to comply with environmental laws, or if we are subject to significant expenditures in connection with a violation of these laws, our financial condition or operating results could be adversely impacted.

Our rights plan and our ability to issue additional preferred stock could harm the rights of our common stockholders.

In February 2003, we amended and restated our Stockholder Rights Agreement and currently each share of our outstanding common stock is associated with one right. Each right entitles stockholders to purchase 1/100,000 share of our Series B Preferred Stock at an exercise price of \$21.00.

The rights only become exercisable in certain limited circumstances following the tenth day after a person or group announces acquisition of or tender offers for 15% or more of our common stock. For a limited period of

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time following the announcement of any such acquisition or offer, the rights are redeemable by us at a price of \$0.01 per right. If the rights are not redeemed, each right will then entitle the holder to purchase common stock having the value of twice the then-current exercise price. For a limited period of time after the exercisability of the rights, each right, at the discretion of our Board of Directors, may be exchanged for either 1/100,000 share of Series B Preferred Stock or one share of common stock per right. The rights expire on June 22, 2013.

Our Board of Directors has the authority to issue up to 499,999 shares of undesignated preferred stock and to determine the powers, preferences and rights and the qualifications, limitations or restrictions granted to or imposed upon any wholly unissued shares of undesignated preferred stock and to fix the number of shares constituting any series and the designation of such series, without the consent of our stockholders. The preferred stock could be issued with voting, liquidation, dividend and other rights superior to those of the holders of common stock.

The issuance of Series B Preferred Stock or any preferred stock subsequently issued by our Board of Directors, under some circumstances, could have the effect of delaying, deferring or preventing a change in control.

Some provisions contained in the rights plan, and in the equivalent rights plan that our subsidiary, JDS Uniphase Canada Ltd., has adopted with respect to our exchangeable shares, may have the effect of discouraging a third party from making an acquisition proposal for us and may thereby inhibit a change in control. For example, such provisions may deter tender offers for shares of common stock or exchangeable shares, which offers may be attractive to stockholders, or deter purchases of large blocks of common stock or exchangeable shares, thereby limiting the opportunity for stockholders to receive a premium for their shares of common stock or exchangeable shares over the then-prevailing market prices.

Some anti-takeover provisions contained in our charter and under Delaware laws could hinder a takeover attempt.

We are subject to the provisions of Section 203 of the Delaware General Corporation Law prohibiting, under some circumstances, publicly-held Delaware corporations from engaging in business combinations with some stockholders for a specified period of time without the approval of the holders of substantially all of our outstanding voting stock. Such provisions could delay or impede the removal of incumbent directors and could make more difficult a merger, tender offer or proxy contest involving us, even if such events could be beneficial, in the short-term, to the interests of the stockholders. In addition, such provisions could limit the price that some investors might be willing to pay in the future for shares of our common stock. Our certificate of incorporation and bylaws contain provisions relating to the limitations of liability and indemnification of our directors and officers, dividing our board of directors into three classes of directors serving three-year terms and providing that our stockholders can take action only at a duly called annual or special meeting of stockholders. These provisions also may have the effect of deterring hostile takeovers or delaying changes in control or management of us.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We own and lease various properties in the United States and in 25 other countries around the world. We use the properties for executive and administrative offices, data centers, product development offices, customer service offices, and manufacturing facilities. Our corporate headquarters of approximately 180,110 square feet is located in Milpitas, California. As of June 28, 2008, our leased and owned properties provided us with aggregate square footage of approximately 2.8 million and 0.4 million, respectively. Larger owned sites include properties located in the United States and Germany. Larger leased sites include properties located in Canada, United States, Germany, and China. We believe that our existing properties, including both owned and leased sites, are in good condition and suitable for the conduct of our business.

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From time to time we consider various alternatives related to our long-term facilities needs. While we believe our existing facilities are adequate to meet our immediate needs, it may become necessary to lease, acquire, or sell additional or alternative space to accommodate any future business needs.

ITEM 3. LEGAL PROCEEDINGS

The material set forth in Note 20 of our Notes to Consolidated Financial Statements in this Annual Report on Form 10-K is incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

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

Our common stock is traded on the NASDAQ Stock Market under the symbol "JDSU" and our exchangeable shares of JDS Uniphase Canada Ltd. are traded on the Toronto Stock Exchange under the symbol "JDU." Holders of exchangeable shares may tender their holdings for common stock on a one-for-one basis at any time. As of July 25, 2008, we had 214,377,670 shares of common stock outstanding, including 5,113,641 exchangeable shares. The closing price on July 25, 2008 was \$10.94 for the common stock and Canadian \$11.11 for the exchangeable shares. The following table summarizes the high and low closing sales prices for our common stock as reported on the NASDAQ Stock Market during fiscal 2008 and 2007.

	<u>High</u>	<u>Low</u>
Fiscal 2008:		
Fourth Quarter	\$ 15.00	\$ 11.23
Third Quarter	14.11	10.06
Second Quarter	15.77	12.80
First Quarter	15.89	13.35
Fiscal 2007:		
Fourth Quarter	\$ 16.98	\$ 12.51
Third Quarter	17.93	14.90
Second Quarter	19.37	14.04
First Quarter	21.20	16.40

As of July 25, 2008, we had 4,250 holders of record of our common stock and exchangeable shares. We have not paid cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future.

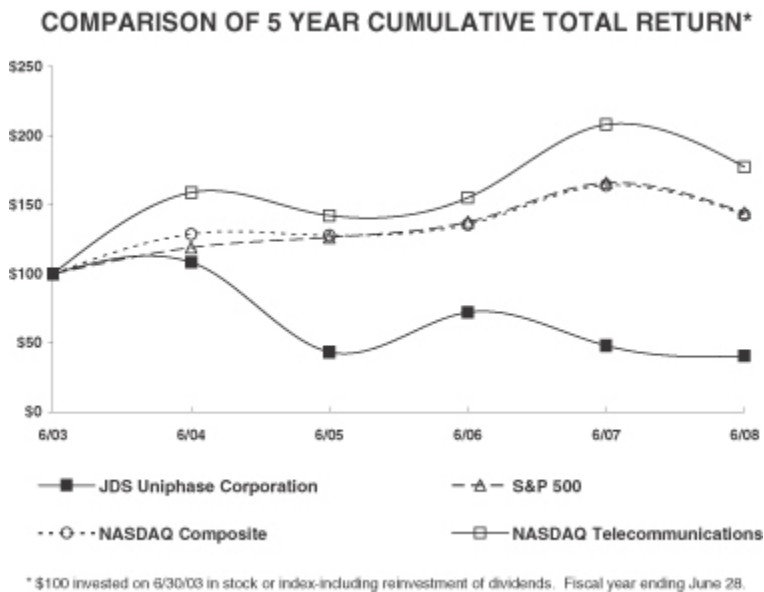
Stock Repurchase Program

On May 15, 2008, the Company's Board of Directors authorized the Company to repurchase up to \$200 million of its common stock through open market or private transactions during a two year period ending May 14, 2010. During the three months ended June 28, 2008, the Company repurchased approximately 9.6 million shares of common stock in open market purchases at an average price of \$11.76 per share. The total purchase price of \$113.2 million was reflected as a decrease to common stock based on the stated par value per share with the remainder to accumulated deficit. All common shares repurchased under this program have been cancelled and retired. See "Note 21. Subsequent Events" for more details.

STOCK PERFORMANCE GRAPH

The information contained in the following graph shall not be deemed to be “soliciting material” or to be “filed” with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the 1934 Securities Exchange Act, as amended, except to the extent that the Company specifically incorporates it by reference in such filing.

The following graph and table set forth the Company’s total cumulative Stockholder return of an investment of \$100 in June 2003 and ending June 2008 in: (i) the Company’s Common Stock, (ii) the S&P 500 Index, (iii) the NASDAQ Composite (U.S.) Index and, (iv) the NASDAQ Telecommunications Index. Total return assumes reinvestment of dividends. Historical stock price performance is not necessarily indicative of future stock price performance.



	6/03	6/04	6/05	6/06	6/07	6/08
JDS Uniphase Corporation	100.00	108.38	43.47	72.35	48.01	40.61
S&P 500	100.00	119.11	126.64	137.57	165.90	144.13
NASDAQ Composite (U.S.)	100.00	129.09	127.97	136.00	164.15	142.67
NASDAQ Telecommunications	100.00	158.99	142.16	155.17	208.02	177.36

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ITEM 6. SELECTED FINANCIAL DATA

This table sets forth selected financial data of JDSU, in millions, except share and per share amounts, for the periods indicated. This data should be read in conjunction with and is qualified by reference to “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Item 7 of this Annual Report on Form 10-K and our audited consolidated financial statements, including the notes thereto and our independent registered public accounting firm’s report thereon and the other financial information included in Item 8 of this Form 10-K. The selected data in this section are not intended to replace the consolidated financial statements included in this report.

	Years Ended				
	June 28, 2008	June 30, 2007	July 1, 2006(1)	July 2, 2005	July 3, 2004
Consolidated Statement of Operations Data:					
Net revenue	\$ 1,530.1	\$ 1,396.8	\$ 1,204.3	\$ 712.2	\$ 635.9
Gross profit	591.3	472.0	340.5	112.2	135.9
Amortization of intangibles	30.0	26.8	24.4	6.4	6.1
Acquired in-process research and development	—	5.1	20.3	1.1	2.6
Impairment of goodwill and intangibles and loss on long-lived assets	43.7	7.8	28.0	85.3	52.3
Restructuring charges	6.7	14.7	35.0	18.2	11.5
Total operating expense	724.3	591.2	588.5	362.0	316.7
Loss from operations	(133.0)	(119.2)	(248.0)	(249.8)	(180.8)
Net loss	(21.7)	(26.3)	(151.2)	(261.3)	(115.5)
Net loss per share—basic and diluted	(0.10)	(0.12)	(0.73)	(1.45)	(0.64)

	Years Ended				
	June 28, 2008 (2)	June 30, 2007	July 1, 2006(1)	July 2, 2005	July 3, 2004
Consolidated Balance Sheet Data:					
Cash, cash equivalents, short-term investments, and restricted cash	\$ 884.7	\$ 1,142.7	\$ 1,238.6	\$ 1,304.5	\$ 1,545.9
Working capital	983.7	1,312.8	1,382.6	1,350.9	1,539.5
Total assets	2,906.1	3,025.3	3,065.1	2,089.9	2,392.2
Long-term obligations	643.3	941.9	1,059.1	519.4	508.9
Total stockholders’ equity	1,817.4	1,735.5	1,583.6	1,329.7	1,571.1

- (1) (a) Effective July 3, 2005, the first day of fiscal 2006, we adopted Statement of Financial Accounting Standard No. 123, “Share-Based Payment (Revised 2004)” (“SFAS 123(R)”) on a modified prospective basis. As a result, we have included stock-based compensation costs in our results of operations starting fiscal 2006.
- (b) On August 3, 2005, we acquired Acterna, Inc. (“Acterna”) in a transaction accounted for as a purchase. The Consolidated Statement of Operations for fiscal 2006 included the results of operations from Acterna subsequent to August 3, 2005 and the Consolidated Balance Sheet as of July 1, 2006 included Acterna’s financial position.
- (c) On May 17, 2006, we completed an offering of \$375 million aggregate principal amount of 1% Senior Convertible Notes due 2026. On June 5, 2006, we sold an additional \$50 million aggregate principal amount of the notes which were issued upon the exercise by the initial purchasers of an over-allotment option granted by JDSU. The sale of the additional notes brought the total aggregate principal amount of 1% Senior Convertible Notes outstanding to \$425 million. Both transactions are included in the Consolidated Balance Sheet as of July 1, 2006.
- (2) Cash and working capital balances declined in fiscal 2008 primarily due to \$400.7 million of repurchases of debt and common stock, offset by cash from operations of \$197.2 million.

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

JDSU is the leading provider of communications test and measurement solutions and optical products for telecommunications service providers, cable operators, and network equipment manufacturers. JDSU technologies also enable broadband and optical innovation in many essential industries such as biomedical and environmental instrumentation, semiconductor processing, aerospace and defense, and brand protection. In addition, our optical coatings are used in visual display and decorative product differentiation applications.

Our Optical Communications segment consists generally of:

- Optical components, modules, and subsystems sold to manufacturers of network equipment used to create telecommunications and data communications networks such as Alcatel-Lucent, Ciena, Cisco, Ericsson, Fujitsu, Hewlett-Packard, Huawei, IBM, Nokia Siemens Networks, Nortel, and Tellabs.

Our Communications Test and Measurement segment consists generally of:

- Lab and production test platforms used in the design, performance, and interoperability testing of network equipment for all major and emerging core, metro, cable, and access network technologies for customers such as Alcatel-Lucent, Ciena, Cisco, Huawei, Fujitsu, Nortel, Motorola, and Nokia Siemens Networks.
- Field test instrumentation and software used in the installation, provisioning, and maintenance of broadband voice, video, and data communication services for customers such as AT&T, China Telecom, Comcast, Deutsche Telecom, Telefonica, Telmex, and Verizon.
- Network and service assurance systems used to monitor and troubleshoot network performance and to optimize quality of service for customers such as Bell Canada, British Telecom, and TimeWarner.

Our Advanced Optical Technologies segment consists generally of:

- Security holograms that authenticate valuable documents and products, as well as security devices used to protect a wide range of products, such as most major transaction cards, personal documents issued many governments, pharmaceuticals, and other consumer and industrial products
- Precise, high-performance, optical thin-film coatings used in medical/environmental instrumentation and optical sensors for aerospace and defense applications.
- Optically based color-shifting solutions used in security for currencies and high-value documents, anticounterfeiting measures, and decorative surface treatments.

Our Commercial Lasers segment consists generally of:

- Laser used in biotech instrumentation, semiconductor inspection, electronic material processing and precision machining.
- Our innovative photonic power delivery system used to drive sensors, gauges, actuators, low-power communications devices, and innumerable other electronic devices.

Overall, our optical communications markets are notable for, among other things, their high concentration of customers at each level of the industry, extremely long design cycles and increasing competition from Asian (principally China-based) suppliers. One consequence of a highly concentrated customer base and increasing Asian competition is systemic pricing pressure at each level of the industry. Large capital investment requirements, long return on investment periods, uncertain business models and complex and shifting regulatory hurdles, among other things, currently combine to limit opportunities for new carriers and their system suppliers

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to emerge. Thus, we expect that high customer concentration, the attendant pricing pressure, and other effects on our communications markets will remain for the foreseeable future. Long design cycles mean that considerable resources must be spent to design and develop new products with limited visibility relative to the ultimate market opportunity for the products (pricing and volumes) or the timing thereof.

As a supplier of components and modules to the telecommunications industry, we feel these effects most acutely, as system designs must first be initiated at the carrier level, communicated to the systems provider and then communicated to us and our competitors. During system design periods, shifts in economic, industry, customer or consumer conditions could and often do cause redesigns, delays or even cancellations to occur. Communications industry design cycles are often challenging for companies without the financial and infrastructural resources to sustain the long periods between project initiation and revenue realization.

The advanced optical technologies markets and the laser business, while more diverse, share some of the customer concentration and design cycle attributes of our communications markets.

We are working aggressively on strategies to expand our products, customers and distribution channels for several of our core competencies in these areas in order to, among other things, reduce our exposure to customer concentration and long design cycles across our company. As part of this strategy, we have expanded into the communications test and measurement segment, which has expanded our customer base and distribution significantly.

However, there remains a level of uncertainty due to economic conditions. For example, in North America telecom, we witnessed a pattern such that a few of the largest providers maintained or increased their spending while the smaller service providers evidenced cautionary practices. Relative to the businesses that serve consumer markets, we saw pullbacks in commercial lasers that enable semiconductor inspection and holograms that protect credit card authenticity.

In February 2008, we purchased American Bank Note Holographics Inc. (“ABNH”), a public company. ABNH is a market leader in the origination, production and marketing of holograms for security applications and the leading supplier of optical security devices for the transaction card market and is included in our Advanced Optical Technologies segment.

In January 2008, we purchased certain assets of the fiber optics division of Westover Scientific Inc. (“Westover”), and agreed to acquire the tangible assets of Westover’s related party contract manufacturer Fuzhou Chenpo Optical Instrument Co. Ltd. Westover is a leading provider of fiber optic inspection and cleaning solutions, which complements our existing fiber field and lab and production test portfolio and is included in our Communications Test and Measurement segment.

In May 2007, we completed the acquisition of Innocor Ltd. (“Innocor”), a provider of broadband test solutions for network equipment manufacturers. The merger strengthened our position in the North American lab and production markets and helped grow our business in the EMEA and APAC regions. Innocor is included in our Communications Test and Measurement segment.

In May 2007, we completed the acquisition of Picolight Inc. (“Picolight”), a designer and manufacturer of optical pluggable transceivers. By acquiring Picolight, we strengthened our position in high-growth pluggable optics for the enterprise market and added an established, vertically integrated manufacturing model. Picolight is included in our Optical Communications segment.

In January 2007, we completed the acquisition of Casabyte Inc. (“Casabyte”), a provider of service quality monitoring solutions for mobile network operations. By acquiring Casabyte, we accelerated our service assurance growth by capitalizing on a number of key assets, including Casabyte’s wireless service quality solutions expertise, technology and established customer relationships. We also plan to leverage our global direct sales organization and other distribution channels to increase Casabyte’s penetration into international markets. Casabyte is included in our Communications Test and Measurement segment.

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In May 2006, we completed the acquisition of Test-Um Inc. (“Test-Um”), a provider of home networking test instruments for the FTTx and digital cable markets. By acquiring Test-Um, we expanded our channels for the sale of our broad portfolio of test instruments for broadband access networks, including the recently introduced SmartClass line of instruments. We leveraged Test-Um’s network of several hundred distribution partners, making our access test instruments available to the service installation and electrical contractors served by Test-Um today. In addition, the acquisition creates new market opportunities for Test-Um’s products, which is available through JDSU’s direct sales and service organization serving the largest telecommunications and cable service providers worldwide. Test-Um is included in our Communications Test and Measurement segment.

In November 2005, we completed the acquisition of Agility Communications Inc. (“Agility”), a provider of widely tunable laser solutions for optical networks. The acquisition solidified our leadership position in the rapidly growing market for tunable lasers and transponders; offer an optimal path to high volume, high yield, tunable, pluggable solutions when combined with JDSU’s manufacturing scalability; establish JDSU as the broadest end-to-end agile optical network portfolio provider in the marketplace. Agility is included in our Optical Communications segment.

In August 2005, we completed the acquisition of Acterna Inc. (“Acterna”), a leading worldwide provider of broadband and optical test and measurement solutions for telecommunications and cable service providers and network equipment manufacturers. Beginning in the first quarter of fiscal 2006, the addition of Acterna created a new reportable segment to our business, the Communications Test and Measurement segment. One attribute of this segment is considerable seasonal revenue variability. We expect this seasonality to continue for the foreseeable future, impacting our Communications Test and Measurement financial results, our overall product mix, and financial performance.

During fiscal 2008:

- Net revenue in fiscal 2008 increased 10%, or \$133.3 million, to \$1,530.1 million from \$1,396.8 million in fiscal 2007. Net revenue in fiscal 2008 consisted of \$526.9 million, or approximately 34% of net revenue, from Optical Communications, \$710.6 million, or approximately 46% of net revenue, from Communications Test and Measurement, \$206.5 million, or approximately 14% of net revenue, from Advanced Optical Technologies, and \$87.2 million, or approximately 6% of net revenue, from Commercial Lasers and other. Communications Test and Measurement net revenue includes \$(1.1) million of deferred revenue that is eliminated from consolidated revenue as a result of purchase accounting adjustments.
- Gross profit in fiscal 2008 increased to 39% from 34% in fiscal 2007. The improvement in gross margin was primarily related to the increased gross profit of Communications Test and Measurement, an increase in Optical Communications’ sales volume, and the impact of our on-going manufacturing cost reduction programs.
- Our combined research and development (“R&D”) and selling, general and administrative (“SG&A”) expenses, as a percent of net revenue, increased to 42% in fiscal 2008 from 38% in fiscal 2007. The increase is primarily due to additional business brought by the recent acquisitions of ABNH, Westover, Picolight, and Innocor coupled with increased investment in new platforms and products, and higher stock-based compensation expense.

RECENT ACCOUNTING PRONOUNCEMENTS

FASB Staff Positions APB 14-1

In May 2008, the FASB issued FASB Staff Position (FSP) No. APB 14-1, “*Accounting for Convertible Debt Instruments That May be Settled in Cash Upon Conversion (Including Partial Cash Settlement)*”. FSB No APB 14-1 applies to convertible debt securities that, upon conversion, may be settled by the issuer fully or partially in cash. The FSP is effective for fiscal years (and interim periods within those fiscal years) beginning after

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December 15, 2008 and is to be applied retrospectively to all past periods presented—even if the instrument has matured, converted, or otherwise been extinguished as of the FSP’s effective date. The Company has not completed its assessment of the impact of FSP 14-1. However, management expects this will have a significant impact on its consolidated financial statements.

FASB Staff Positions FAS 142-3

In April 2008, the FASB issued FASB Staff Position (FSP) No. FAS 142-3, “*Determination of the Useful Life of Intangible Assets*”. The final FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS 142, “Goodwill and Other Intangible Assets”. The FSP is intended to improve the consistency between the useful life of an intangible asset determined under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141 (revised 2007), “Business Combinations”, and other US generally accepted accounting principles. The FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. We believe the adoption of FSP 142-3 will not have a material impact on our consolidated financial statements.

FASB Staff Positions FAS 157-1 and 2

In February 2008, the FASB has issued the following two final FASB Staff Positions (FSP) amending FASB Statement No. 157, Fair Value Measurements (FAS 157):

- FSP FAS 157-2 delays the effective date of FAS 157 by one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The delay gives the FASB and constituents additional time to consider the effect of various implementation issues that have arisen, or that may arise, from the application of FAS 157 to these assets and liabilities. For items covered by the FSP, FAS 157 will now go into effect in fiscal years beginning after November 15, 2008 and in interim periods within those fiscal years.
- FSP FAS 157-1 amends FAS 157 to exclude FASB Statement No. 13, Accounting for Leases (FAS 13), and its related interpretive accounting pronouncements that address leasing transactions. The FASB decided to exclude leasing transactions covered by FAS 13 in order to allow it to more broadly consider the use of fair value measurements for these transactions as part of its project to comprehensively reconsider the accounting for leasing transactions.

We are currently evaluating the impact these FSPs will have on our consolidated financial statements.

FASB Statement No. 141(R)

In December 2007, the Financial Accounting Standards Board (“FASB”) issued FASB Statement No. 141(R), *Business Combinations* (SFAS 141(R)). SFAS 141(R) introduces significant changes in the accounting for and reporting of business. SFAS 141(R) continues the movement toward the greater use of fair values in financial reporting and increased transparency through expanded disclosures. It changes how business acquisitions are accounted for and will impact financial statements at the acquisition date and in subsequent periods. Further, certain of the changes will introduce more volatility into earnings and thus may impact a company’s acquisition strategy. In addition, SFAS 141(R) will impact the annual goodwill impairment test associated with acquisitions that close both before and after the effective date of the Standard. We are currently evaluating the impact SFAS 141(R) will have on our consolidated financial statements. SFAS 141(R) is effective for the Company beginning in fiscal year 2010.

FASB Statement No. 159

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115” (“SFAS 159”). SFAS 159 expands the use of fair value accounting but does not affect existing standards which require assets or liabilities to be carried at fair value. Under SFAS 159, a company may elect to use fair value to measure accounts and loans

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receivable, available-for-sale and held-to-maturity securities, equity method investments, accounts payable, guarantees and issued debt. Other eligible items include firm commitments for financial instruments that otherwise would not be recognized at inception and non-cash warranty obligations where a warrantor is permitted to pay a third party to provide the warranty goods or services. If the use of fair value is elected, any upfront costs and fees related to the item must be recognized in earnings and cannot be deferred, e.g., debt issue costs. The fair value election is irrevocable and generally made on an instrument-by-instrument basis, even if a company has similar instruments that it elects not to measure based on fair value. At the adoption date, unrealized gains and losses on existing items for which fair value has been elected are reported as a cumulative adjustment to beginning retained earnings. Subsequent to the adoption of SFAS 159, changes in fair value are recognized in earnings. We are currently evaluating the impact SFAS 159 will have on our consolidated financial statements. SFAS 159 is effective for the Company beginning in fiscal year 2009.

FASB Statement No. 157

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "*Fair Value Measurements*" ("SFAS 157"), to provide enhanced guidance when using fair value to measure assets and liabilities. SFAS 157 defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. SFAS 157 applies whenever other pronouncements require or permit assets or liabilities to be measured at fair value and, while not requiring new fair value measurements, may change current practices. We are currently evaluating the impact SFAS 157 will have on our consolidated financial statements. SFAS 157 is effective for the Company beginning in fiscal year 2009 for financial assets and financial liabilities.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, net revenue and expenses, and the related disclosures. We base our estimates on historical experience, our knowledge of economic and market factors and various other assumptions that we believe to be reasonable under the circumstances. Estimates and judgments used in the preparation of our financial statements are, by their nature, uncertain and unpredictable, and depend upon, among other things, many factors outside of our control, such as demand for our products and economic conditions. Accordingly, our estimates and judgments may prove to be incorrect and actual results may differ, perhaps significantly, from these estimates under different estimates, assumptions or conditions. We believe the following critical accounting policies are affected by significant estimates, assumptions and judgments used in the preparation of our consolidated financial statements.

Revenue Recognition

We recognize revenue when it is realized or realizable and earned. We consider revenue realized or realizable and earned when it has persuasive evidence of an arrangement, delivery has occurred, the sales price is fixed or determinable, and collectibility is reasonably assured. Delivery does not occur until products have been shipped or services have been provided to the client, risk of loss has transferred to the client and client acceptance has been obtained, client acceptance provisions have lapsed, or we have objective evidence that the criteria specified in the client acceptance provisions have been satisfied. In situations where a formal acceptance is required but the acceptance only relates to whether the product meets its published specifications, revenue is generally recognized upon shipment provided all other revenue recognition criteria are met. The sales price is not considered to be fixed or determinable until all contingencies related to the sale have been resolved.

We reduce revenue for rebates and other similar allowances. Revenue is recognized only if these estimates can be reliably determined. We base our estimates on historical results taking into consideration the type of client, the type of transaction and the specifics of each arrangement.

In addition to the aforementioned general policies, the following are the specific revenue recognition policies for multiple-element arrangements and for each major category of revenue.

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Hardware

Revenue from hardware sales is generally recognized when the product is shipped to the customer and when there are no unfulfilled company obligations that affect the customer's final acceptance of the arrangement. Any cost of warranties and remaining obligations that are inconsequential or perfunctory are accrued when the corresponding revenue is recognized. Revenue from rentals and operating leases is recognized on a straight-line basis over the term of the rental or lease.

Multiple-Element Arrangements

We enter into multiple-element revenue arrangements, which may include any combination of hardware, software and services. Certain of our networking and communications products are integrated with software that is not considered more than incidental to the functionality of the equipment. We believe that this equipment is not considered software related and would therefore be excluded from the scope of American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) No. 97-2, "*Software Revenue Recognition*" ("SOP 97-2"). Accordingly, we allocate the fair value of the equipment when sold with software according to the FASB Emerging Issues Task Force Abstracts No. 00-21, "*Revenue Arrangements with Multiple Deliverables*" ("EITF 00-21"). The value of the arrangement, less the allocated hardware is then considered within the scope of SOP 97-2.

To the extent that a deliverable(s) in a multiple-element arrangement is subject to specific guidance (for example, software that is subject to SOP 97-2 on whether and/or how to separate multiple-deliverable arrangements into separate units of accounting (separability) and how to allocate value among those separate units of accounting (allocation), that deliverable(s) is accounted for in accordance with such specific guidance. A multiple-element arrangement is separated into more than one unit of accounting if all of the following criteria are met:

- The delivered item(s) has value to the client on a standalone basis.
- There is objective and reliable evidence of the fair value of the undelivered item(s).
- If the arrangement includes a general right of return relative to the delivered item(s), delivery or performance of the undelivered item(s) is considered probable and substantially in the control of us.

If these criteria are not met, revenue is deferred until the earlier of when such criteria are met or when the last undelivered element is delivered. If there is objective and reliable evidence of fair value for all units of accounting in an arrangement, the arrangement consideration is allocated to the separate units of accounting based on each unit's relative fair value. There may be cases, however, in which there is objective and reliable evidence of fair value of the undelivered item(s) but no such evidence for the delivered item(s). In those cases, the residual method is used to allocate the arrangement consideration. Under the residual method, the amount of consideration allocated to the delivered item(s) equals the total arrangement consideration less the aggregate fair value of the undelivered item(s). The revenue policies described below are then applied to each unit of accounting, as applicable.

Services

Revenue from services and system maintenance is typically recognized on a straight-line basis over the term of the contract. Revenue from time and material contracts is recognized at the contractual rates as labor hours are delivered and direct expenses are incurred. Revenue related to extended warranty and product maintenance contracts is deferred and recognized on a straight-line basis over the delivery period. We also generate service revenue from hardware repairs and calibrations which is recognized as revenue upon completion of the service.

Software

Revenue from perpetually licensed software is recognized at the inception of the license term. Revenue from time based license arrangements is recognized on a subscription basis over the period that the customer is using the license. Revenue from maintenance, unspecified upgrades and technical support is recognized over the period

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such items are delivered. In multiple-element revenue arrangements that include software that is more than incidental to the products or services as a whole (software multiple-element arrangements), software and software-related elements are accounted for in accordance with the following policies. Software-related elements include software products and services as well as any non-software deliverable(s) for which a software deliverable is essential to its functionality.

A software multiple-element arrangement is separated into more than one unit of accounting if all of the following criteria are met:

- The functionality of the delivered element(s) is not dependent on the undelivered element(s).
- There is vendor-specific objective evidence (VSOE) of fair value of the undelivered element(s).
- Delivery of the delivered element(s) represents the culmination of the earnings process for that element(s).

If these criteria are not met, the revenue is deferred until the earlier of when such criteria are met or when the last undelivered element is delivered. If there is VSOE for all units of accounting in an arrangement, the arrangement consideration is allocated to the separate units of accounting based on each unit's relative VSOE. There may be cases, however, in which there is VSOE of the undelivered item(s) but no such evidence for the delivered item(s). In these cases, the residual method is used to allocate the arrangement consideration. Under the residual method, the amount of consideration allocated to the delivered item(s) equals the total arrangement consideration less the aggregate VSOE of the undelivered elements. Our assessment of VSOE for each undelivered element is primarily determined via contract specific substantive renewal rates. Changes to the elements in an arrangement and our ability to establish vendor-specific objective evidence for those elements could affect the timing of the revenue recognition.

Allowances for Doubtful Accounts

We perform credit evaluations of our customers' financial condition. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We record our bad debt expenses as selling, general and administrative expenses. When we become aware that a specific customer is unable to meet its financial obligations to us, for example, as a result of bankruptcy or deterioration in the customer's operating results or financial position, we record a specific allowance to reflect the level of credit risk in the customer's outstanding receivable balance. In addition, we record additional allowances based on certain percentages of our aged receivable balances. These percentages are determined by a variety of factors including, but not limited to, current economic trends, historical payment and bad debt write-off experience. We are not able to predict changes in the financial condition of our customers, and if circumstances related to our customers deteriorate, our estimates of the recoverability of our trade receivables could be materially affected and we may be required to record additional allowances. Alternatively, if we provide more allowances than we need, we may reverse a portion of such provisions in future periods based on our actual collection experience.

Stock-based Compensation

We estimate the fair value of equity awards granted using the Black-Scholes-Merton option-pricing formula and a single option award approach. This option-pricing model requires the input of highly subjective assumptions, including the option's expected life and the price volatility of the underlying stock. The expected stock price volatility assumption was determined using a combination of historical and implied volatility of our common stock. We believe that using a combination of historical and market-based implied volatility from traded options on JDSU common stock is a better indicator of expected volatility and future stock price trends than relying solely on historical volatility. In addition, we are required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. When estimating forfeitures, we consider voluntary termination behavior as well as future workforce reduction programs. Estimated forfeiture rates are trueed-up to actual forfeiture as the stock-based awards vest. The total fair value of the equity awards, net of forfeiture, is recorded on a straight-line basis (except for performance based Full Value Awards which are amortized based upon graded vesting method) over the requisite service periods of the awards, which is generally the vesting period.

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Fair Value of Financial Instruments

The carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, accrued compensation and other accrued liabilities, approximate fair value because of their short maturities. Estimates of fair value of fixed-income securities are based on quoted market prices from markets or third party, market-based pricing sources which the company believes to be reliable. These estimates represent the third parties' good faith opinion as to what a buyer in the marketplace would pay for a security in a current sale. For instruments that are not actively traded, estimates may be based on current treasury yields adjusted by an estimated market credit spread for the specific instrument. The use of different valuation methodologies or market assumptions could have a material impact on estimated fair value amounts. Fair value for equity investments in public companies is determined using quoted market prices for those securities. Fair value for equity investments in privately held companies is estimated based upon one or more of the following: Assessment of the investees' historical and forecasted financial condition; operating results and cash flows; the values of recent rounds of financing; or quoted market prices of comparable public companies. The fair market value of the Company's Senior Convertible Notes fluctuates with interest rates and with the market price of the stock, but does not affect the carrying value of the debt on the balance sheet, which remains at the par value of \$1,000 per bond. See "Note 10. Convertible Debt and Letters of Credit" for more detail.

Inventory Valuation

We assess the value of our inventory on a quarterly basis and write-down those inventories which are obsolete or in excess of our forecasted usage to their estimated realizable value. Our estimates of realizable value are based upon our analysis and assumptions including, but not limited to, forecasted sales levels by product, expected product lifecycle, product development plans and future demand requirements. Our marketing department plays a key role in our excess review process by providing updated sales forecasts, managing product rollovers and working with manufacturing to maximize recovery of excess inventory. If actual market conditions are less favorable than our forecasts or actual demand from our customers is lower than our estimates, we may be required to record additional inventory write-downs. If actual market conditions are more favorable than anticipated, inventory previously written down may be sold, resulting in lower cost of sales and higher income from operations than expected in that period.

Goodwill Valuation

We test goodwill for possible impairment on an annual basis in our fourth quarter and at any other time if events occur or circumstances indicate that the carrying amount of goodwill may not be recoverable. Circumstances that could trigger an impairment test include but are not limited to: a significant adverse change in the business climate or legal factors; an adverse action or assessment by a regulator; unanticipated competition; loss of key personnel; the likelihood that a reporting unit or significant portion of a reporting unit will be sold or otherwise disposed; results of testing for recoverability of a significant asset group within a reporting unit; and recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of a reporting unit.

Application of the goodwill impairment test requires judgments. They include the identification of the reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, determining the fair value of each reporting unit, forecasting of future operating results used in the preparation of the estimated future cash flows, including forecasted revenues and costs, timing of overall market growth and our percentage of that market, discount rates and growth rates in terminal values.

Long-lived asset valuation (property, plant and equipment and intangible assets)

Long-lived assets held and used

We test long-lived assets or asset groups for recoverability when events or changes in circumstances indicate that their carrying amounts may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant decreases in the market price of the asset; significant adverse changes in the business climate or legal factors; accumulation of costs significantly in excess of the amount originally expected

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for the acquisition or construction of the asset; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and current expectation that the asset will more likely than not be sold or disposed of significantly before the end of its estimated useful life.

Recoverability is assessed based on the carrying amounts of the asset and its fair value which is generally determined based on the sum of the undiscounted cash flows expected to result from the use and the eventual disposal of the asset, as well as specific appraisals in certain instances. An impairment loss is recognized when the carrying amount is not recoverable and exceeds fair value.

Long-lived assets held for sale

We classify long-lived assets as held for sale when certain criteria are met, including: management's commitment to a plan to sell the assets; the availability of the assets for immediate sale in their present condition; whether an active program to locate buyers and other actions to sell the assets has been initiated; whether the sale of the assets is probable and their transfer is expected to qualify for recognition as a completed sale within one year; whether the assets are being marketed at reasonable prices in relation to their fair value; and how unlikely it is that significant changes will be made to the plan to sell the assets. Long-lived assets held for sale are classified as other current assets in the Consolidated Balance Sheets.

We measure long-lived assets to be disposed of by sale at the lower of carrying amounts or fair value less cost to sell. Fair value is determined using quoted market prices or the anticipated cash flows discounted at a rate commensurate with the risk involved.

Income Taxes

In accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"), we recognize income taxes using an asset and liability approach. This approach requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our consolidated financial statements or tax returns. The measurement of current and deferred taxes is based on provisions of the enacted tax law and the effects of future changes in tax laws or rates are not anticipated.

SFAS 109 provides for recognition of deferred tax assets if the realization of such deferred tax assets is more likely than not to occur. With the exception of certain international jurisdictions, we have determined that at this time it is more likely than not that deferred tax assets attributable to the remaining jurisdictions will not be realized, primarily due to uncertainties related to our ability to utilize our net operating loss carryforwards before they expire based on our recent years history of losses. Accordingly, we have established a valuation allowance for such deferred tax assets. If there is a change in our ability to realize our deferred tax assets, then our tax provision may decrease in the period in which we determine that realization is more likely than not.

On July 13, 2006, the FASB issued Interpretation No. 48 "Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement 109" ("FIN 48"). We adopted FIN 48 on July 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with FASB Statement 109, "Accounting for Income Taxes", and prescribes a recognition threshold and measurement attributes for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Additionally, FIN 48 provides guidance on recognition, classification, and disclosure of tax positions.

We are subject to income tax audits by the respective tax authorities in all of the jurisdictions in which we operate. The determination of tax liabilities in each of these jurisdictions requires the interpretation and application of complex and sometimes uncertain tax laws and regulations. We recognize liabilities based on our estimate of whether, and the extent to which, additional tax liabilities are more likely than not. If we ultimately determine that the payment of such a liability is not necessary, then we reverse the liability and recognize a tax benefit during the period in which the determination is made that the liability is no longer necessary.

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The recognition and measurement of current taxes payable or refundable and deferred tax assets and liabilities requires that we make certain estimates and judgments. Changes to these estimates or a change in judgment may have a material impact on our tax provision in a future period.

Warranty Accrual

We provide reserves for the estimated costs of product warranties at the time revenue is recognized. We estimate the costs of our warranty obligations based on our historical experience of known product failure rates, use of materials to repair or replace defective products and service delivery costs incurred in correcting product failures. In addition, from time to time, specific warranty accruals may be made if unforeseen technical problems arise. Should our actual experience relative to these factors differ from our estimates, we may be required to record additional warranty reserves. Alternatively, if we provide more reserves than we need, we may reverse a portion of such provisions in future periods.

Restructuring Accrual

In accordance with Statement of Financial Accounting Standard No. 146, "*Accounting for Costs Associated with Exit or Disposal Activities*" ("SFAS 146"), generally costs associated with restructuring activities initiated after December 31, 2002 have been recognized when they are incurred rather than at the date of a commitment to an exit or disposal plan. However, in the case of leases, the expense is estimated and accrued when the property is vacated. Given the significance of, and the timing of the execution of such activities, this process is complex and involves periodic reassessments of estimates made at the time the original decisions were made, including evaluating real estate market conditions for expected vacancy periods and sub-lease rents. In addition, post-employment benefits accrued for workforce reductions related to restructuring activities initiated after December 31, 2002 are accounted for under Statement of Financial Accounting Standards No. 112, "*Employer's Accounting for Post-employment Benefits*" ("SFAS 112"). A liability for post-employment benefits is recorded when payment is probable, the amount is reasonably estimable, and the obligation relates to rights that have vested or accumulated. We continually evaluate the adequacy of the remaining liabilities under our restructuring initiatives. Although we believe that these estimates accurately reflect the costs of our restructuring plans, actual results may differ, thereby requiring us to record additional provisions or reverse a portion of such provisions.

Pension and Other Postretirement Benefits

The funded status of our retirement-related benefit plans is recognized in the Consolidated Balance Sheets. The funded status is measured as the difference between the fair value of plan assets and the benefit obligation at fiscal year end, the measurement date. For defined benefit pension plans, the benefit obligation is the projected benefit obligation (PBO) and for the nonpension postretirement benefit plan the benefit obligation is the accumulated postretirement benefit obligation (APBO). The PBO represents the actuarial present value of benefits expected to be paid upon retirement. The APBO represents the actuarial present value of postretirement benefits attributed to employee services already rendered. The fair value of plan assets represents the current market value of cumulative company contributions made to an irrevocable trust fund, held for the sole benefit of participants, which are invested by the trust fund. Underfunded plans, with the benefit obligation exceeding the fair value of plan assets, are aggregated and recorded as a retirement and nonpension postretirement benefit obligation equal to this excess. The current portion of the retirement-related benefit obligation represents the actuarial present value of benefits payable in the next 12 months in excess of the fair value of plan assets, measured on a plan-by-plan basis. This liability is recorded in other current liabilities in the Consolidated Balance Sheets.

(Gains)/losses and prior service cost/(credit) not recognized as a component of net periodic pension cost/(income) in the Consolidated Statement of Operations as they arise are recognized as a component of accumulated other comprehensive income in the Consolidated Balances Sheets, net of tax. Those (gains)/losses and prior service cost/(credit) are subsequently recognized as a component of net periodic pension period cost/(income) pursuant to the recognition and amortization provisions of applicable accounting standards. (Gains)/losses arise as a result of differences between actual experience and assumptions or as a result of changes in

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actuarial assumptions. Prior service cost/(credit) represents the cost of benefit improvements attributable to prior service granted in plan amendments.

Net periodic pension cost/(income) is recorded in the Consolidated Statement of Operations and includes service cost, interest cost, expected return on plan assets, amortization of prior service cost and (gains)/losses previously recognized as a component of accumulated other comprehensive income. Service cost represents the actuarial present value of participant benefits earned in the current year. Interest cost represents the time value of money cost associated with the passage of time. Certain events, such as changes in employee base, plan amendments and changes in actuarial assumptions, result in a change in the benefit obligation and the corresponding change in other comprehensive income. The result of these events is amortized as a component of net periodic cost/(income) over the service lives of the participants, provided such amounts exceed thresholds which are based upon the benefit obligation or the value of plan assets.

The measurement of the benefit obligation and net periodic pension cost/(income) is based on our estimates and actuarial valuations provided by third-party actuaries which are approved by our management. These valuations reflect the terms of the plans and use participant-specific information such as compensation, age and years of service, as well as certain assumptions, including estimates of discount rates, expected return on plan assets, rate of compensation increases, and mortality rates. While we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions that may be required under new legislation, or accounting pronouncements, or otherwise may materially affect our pension and other post-retirement obligations and our future expense.

Loss Contingencies

We are subject to the possibility of various loss contingencies arising in the ordinary course of business. We consider the likelihood of loss or impairment of an asset or the incurrence of a liability, as well as our ability to reasonably estimate the amount of loss in determining loss contingencies. An estimated loss is accrued when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. We regularly evaluate current information available to us to determine whether such accruals should be adjusted and whether new accruals are required.

Out of Period Adjustments

In fiscal 2008, we recorded adjustments primarily related to revenue, cost of sales, operating expenses, income tax expense, and certain balance sheet accounts. These adjustments resulted in additional net income of \$2.1 million recorded in fiscal 2008. As a result of these adjustments, the operating loss for fiscal 2008 decreased by \$3.1 million and was partially offset by \$1.0 million related to tax provision adjustments. There was a positive impact on net loss of \$0.01 per share in fiscal 2008 from these adjustments.

In fiscal 2007, we recorded adjustments primarily related to retention bonuses, interest expense, manufacturing, and inventory. These adjustments resulted in additional net loss of \$1.5 million recorded in fiscal 2007. As a result of these adjustments, the operating loss for fiscal 2007 increased by \$3.9 million and was partially offset by \$2.4 million related to adjustments for interest expense, tax provision, and foreign exchange. There was a negative impact on net loss per share of \$0.01 in fiscal 2007 from these adjustments.

In fiscal 2006, we recorded adjustments primarily related to restructuring charges, asset retirement obligations, and deferred rent expenses. These adjustments resulted in additional net loss of \$6.3 million recorded in fiscal 2006. As a result of these adjustments, the operating loss for fiscal 2006 increased by \$7.7 million and was partially offset by \$1.4 million in gains on investments. There was a negative impact on net loss per share of \$0.04 in fiscal 2006 from these adjustments.

Management and the Audit Committee believe that such amounts are not material to the current and previously reported financial statements.

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RESULTS OF OPERATIONS

The results of operations for the current period are not necessarily indicative of results to be expected for future years. The following table sets forth the components of our Consolidated Statements of Operations as a percentage of net revenue:

	Years Ended		
	June 28, 2008	June 30, 2007	July 1, 2006
Net revenue	100%	100%	100%
Cost of sales	58	63	69
Amortization of acquired developed technologies	3	3	3
Impairment of acquired developed technologies	—	—	—
Gross profit	39	34	28
Operating expenses:			
Research and development	12	12	13
Selling, general and administrative	30	26	27
Amortization of other intangibles	2	2	2
Acquired in-process research and development	—	—	2
Impairment of goodwill	2	—	2
Impairment of intangibles and loss on long-lived assets	—	1	—
Restructuring charges	1	1	3
Total operating expenses	47	42	49
Loss from operations	(8)	(8)	(21)
Interest and other income	8	5	2
Interest expense	(1)	(1)	—
Gain on sale of investments	—	2	6
Loss before income taxes	(1)	(2)	(13)
Provision of (benefit for) income taxes	—	—	—
Net loss	(1)%	(2)%	(13)%

Financial Data for Fiscal 2008, 2007, and 2006

The following table summarizes selected Consolidated Statement of Operations items (*in millions*, except for percentages):

	2008	2007	Change	Percentage Change	2007	2006	Change	Percentage Change
Net revenue	\$ 1,530.1	\$ 1,396.8	\$ 133.3	10%	\$ 1,396.8	\$ 1,204.3	\$ 192.5	16%
Gross profit	591.3	472.0	119.3	25%	472.0	340.5	131.5	39%
Percentage of net revenue	39%	34%			34%	28%		
Research and development	188.1	168.4	19.7	12%	168.4	155.5	12.9	8%
Percentage of net revenue	12%	12%			12%	13%		
Selling, general and administrative	455.8	368.4	87.4	24%	368.4	325.3	43.1	13%
Percentage of net revenue	30%	26%			26%	27%		
Amortization of other intangibles	30.0	26.8	3.2	12%	26.8	24.4	2.4	10%
Percentage of net revenue	2%	2%			2%	2%		
Acquired in-process research and development	—	5.1	(5.1)	-100%	5.1	20.3	(15.2)	-75%
Percentage of net revenue	—	—			—	2%		
Impairment of goodwill	37.0	—	37.0	0%	—	22.4	(22.4)	-100%
Percentage of net revenue	2%	—			—	2%		
Impairment of other long-lived assets	6.7	7.8	(1.1)	-14%	7.8	5.6	2.2	39%
Percentage of net revenue	—	1%			1%	—		
Restructuring charges	6.7	14.7	(8.0)	-54%	14.7	35.0	(20.3)	-58%
Percentage of net revenue	—	1%			1%	3%		

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Net Revenue

Net revenue in fiscal 2008 increased 10%, or \$133.3 million, to \$1,530.1 million from \$1,396.8 million in fiscal 2007. The increase is primarily due to an increased demand for our Communications Test and Measurement products mostly in Telecom Field Service, Field Test and System, and Optical transport business units. Revenue growth also includes increased demand for certain of our Optical Communications products including Pluggables, Submarine Products, Tunable Transponders, and Modules. Demands for our products in the Advanced Optical Technologies segment increased in business units: Flex and Custom Optics. Revenue increase in Authentication Solutions business unit was the result of recent acquisition of ABNH. The increase in net revenue was partially offset by decrease in our Commercial Lasers business unit in the Lasers segment due to declining demand.

Net revenue in fiscal 2007 increased 16%, or \$192.5 million, to \$1,396.8 million from \$1,204.3 million in fiscal 2006. The increase is primarily due to an increased demand for our Communications Test and Measurement products including telecom and cable operators. Revenue growth also includes increased demand for certain of our Optical Communications products including Modulators, Submarines, Tunable Transponders, ROADMS, Passive Components and Circuit Packs. There were also growth in our Commercial Lasers products including High Power Lasers, Solid State Lasers, Integrated Photonics products, and Tunable Lasers. Demands for our Document Authentication products in the Advanced Optical Technologies segment also increased. Revenue growth is also the result of recent acquisitions. The increase in net revenue was partially offset by a decrease in our Custom Optics business unit in the Advanced Optical Technologies segment due to our decision to exit non-core and unprofitable product lines.

Going forward, we expect to continue to encounter a number of industry and market structural risks and uncertainties that will limit our business climate and market visibility, and consequently, our ability to predict future revenue, profitability and general financial performance, and that could create quarter over quarter variability in one or more of our financial measures. These structural risks and uncertainties include: (a) strong pricing pressures, particularly within our Optical Communications markets, due to, among other things, a highly concentrated customer base, increasing Asian competition, excess device manufacturing capacity within the optical communications industry and a general commoditization trend for many of our products; (b) high product mix variability, particularly in our Optical Communications products, which causes revenue variability, as well as gross profit variability due to, among other things, factory utilization fluctuations and inventory and supply chain management complexities; (c) seasonal buying patterns within our Communications Test and Measurement customers, which causes significant seasonal revenue variation within this high gross margin business unit; and (d) continuing service provider business model uncertainty, which causes demand, revenue and profitability measure unpredictability at each level of the communications industry. Moreover, the current trend of communications industry consolidations is expected to continue, directly affecting our Optical Communication's and Communications Test and Measurement's customer base and adding additional risk and uncertainty to our financial and business predictability.

Our program of North American assembly manufacturing transitions will continue, but until completed, these activities will continue to present additional supply chain and product delivery disruption risks, yield and quality concerns and increased cost risks. These risks, while expected to diminish over the next several quarters, also currently limit our ability to predict future revenue, profitability and general financial performance.

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We operate primarily in three geographic regions: Americas, Europe and Asia. The following table presents net revenue by geographic regions (*in millions*):

	Years Ended		
	June 28, 2008	June 30, 2007	July 1, 2006
Net revenue:			
Americas	\$ 803.1	\$ 766.8	\$ 736.2
Europe	436.0	376.0	283.1
Asia-Pacific	291.0	254.0	185.0
Total net revenue	\$ 1,530.1	\$ 1,396.8	\$ 1,204.3

Net revenue from customers outside the Americas represented 48%, 45%, and 39% of net revenue for the fiscal years ended 2008, 2007, and 2006, respectively. Net revenue was assigned to geographic regions based on the customers' shipment locations. We expect revenue from international customers to continue to be an important part of our overall net revenue and an increasing focus for net revenue growth.

During fiscal 2008, 2007, and 2006, no one single customer accounted for more than 10% of net revenue.

Gross Profit

Gross profit in fiscal 2008 increased 25%, or \$119.3 million, to \$591.3 million from \$472.0 million in fiscal 2007. The increase is primarily due to gross profit increase in our Communications Test and Measurement segment, mostly from increase in sales in Field Service group, Field Test and System, and Optical transport business units. Additional gross profit increase is in Advanced Optical Technologies segment due to increased demand and acquisition; and Optical Communications segment primarily from an increase in sales volume and savings from our on-going manufacturing cost reduction programs. This increase in gross profit was partially offset by small increase in amortization expense of acquired developed technologies, purchase accounting adjustments recognized in fiscal 2007. Gross profit excluding amortization expense of acquired developed technologies in fiscal 2008 increased 25%, or \$128.4 million; to \$640.6 million from \$512.2 million in fiscal 2007.

Gross profit in fiscal 2007 increased 39%, or \$131.5 million, to \$472.0 million from \$340.5 million in fiscal 2006. The increase is primarily due to gross profit increase in our Communications Test and Measurement segment, mostly from increase in sales in Cable and Fiber Optics. Additional gross profit increase is in Optical Communications, primarily from an increase in sales volume and savings from our on-going manufacturing cost reduction programs. This increase in gross profit was partially offset by small increase in amortization expense of acquired developed technologies, purchase accounting adjustments recognized in fiscal 2006. Gross profit excluding amortization expense of acquired developed technologies in fiscal 2007 increased 36%, or \$135.3 million; to \$512.2 million from \$376.9 million in fiscal 2006.

As discussed in more detail under "Net Revenue" above, we sell products in certain markets that are consolidating, undergoing product, architectural and business model transitions, have high customer concentrations, are highly competitive (increasingly due to Asia-based competition), are price sensitive and are affected by customer seasonal and mix variant buying patterns. These factors along with our continuing ongoing product and manufacturing transitions, certain suppliers' constraints, and factory utilization and execution issues, could have an impact, resulting in quarterly variability of our gross profit.

In addition to the risks and uncertainties discussed under "Net Revenue" above, we face additional risks and uncertainties, associated with new product introductions that could impair future gross profits. New product programs and introductions, which due to their large scale restricted field testing and lack of production manufacturers with their increased complexity, have incurred and are expected to continue to incur relatively higher start-up costs and increased yield and product quality risk. Issues associated with some of these products have negatively impacted and could continue to negatively impact our gross profit.

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Research and Development (“R&D”)

R&D expense in fiscal 2008 increased 12%, or \$19.7 million, to \$188.1 million from \$168.4 million in fiscal 2007. The increase is primarily due to additional business brought by the recent acquisitions of ABNH, Westover, Picolight, and Innocor in the amount of \$15.6 million, coupled with increased investment in new platforms and products, and higher stock-based compensation expense in the amount of \$2.8 million.

R&D expense in fiscal 2007 increased 8%, or \$12.9 million, to \$168.4 million from \$155.5 million in fiscal 2006. The increase is primarily due to the recent acquisitions of Picolight, Casabyte, Test-Um and Innocor, coupled with increased investment in new platforms and products, and higher stock-based compensation expense. Stock-based compensation expense was lower in fiscal 2006 due to the acceleration of options with exercise prices above \$20.00 in June 2005, resulting in a lower number of options being expensed compared to fiscal 2007.

We believe that investment in R&D is critical to attaining our strategic objectives. Historically, we have devoted significant engineering resources to assist with production, quality and delivery challenges which have had some negative impact on our new product development activities. Despite our continued efforts to reduce total operating expenses, there can be no assurance that our R&D expenses will continue to remain at the current level. In addition, there can be no assurance that such expenditures will be successful or that improved processes or commercial products, at acceptable volumes and pricing, will result from our investment in R&D.

Selling, General and Administrative (“SG&A”)

SG&A expense in fiscal 2008 increased 24%, or \$87.4 million, to \$455.8 million from \$368.4 million in the fiscal 2007. The increase is primarily due to increased selling expense on higher bookings and significant increases in revenues year over year of 9.5%, or \$133.2 million, as well as cost of additional business from ABNH, Westover, Picolight and Innocor acquisitions, coupled with upgrade of company’s ERP system and higher stock based compensation expense in fiscal 2008.

SG&A expense in fiscal 2007 increased 13%, or \$43.1 million, to \$368.4 million from \$325.3 million in the fiscal 2006. The increase is primarily due to increased selling expense on higher bookings and significant increases in revenues year over year of 16%, or \$192.5 million, the inclusion of Picolight, Casabyte, Test-Um and Innocor acquisitions expense, coupled with higher stock based compensation expense in fiscal 2007. Stock-based compensation was lower in fiscal 2006 due to the acceleration of options with exercise prices above \$20.00 in June 2005, resulting in a lower number of options being expensed compared to fiscal 2007.

We intend to continue to aggressively address our SG&A expenses and reduce these expenses as and when opportunities arise. We have in the recent past experienced, and expect to continue to experience in the future, certain non-core expenses, such as litigation and dispute related settlements and accruals, which could increase our SG&A expenses, and impair our profitability expectations, in any particular quarter. We are also increasing SG&A expenses in the near term to complete the integration of recent acquisitions, particularly with respect to business infrastructure and systems matters. None of these non-core expenses, however, is expected to have a material adverse impact on our financial condition. There can be no assurance that our SG&A expense will decline in the future or that, more importantly, we will develop a cost structure (including our SG&A expense), which will lead to profitability under current and expected revenue levels.

Amortization of Other Intangibles

Amortization of other intangibles in fiscal 2008 increased 12%, or \$3.2 million, to \$30.0 million from \$26.8 million in fiscal 2007. The increase in amortization expense in fiscal 2008 is primarily due to the increase in our intangible assets subject to amortization as a result of our acquisitions of Casabyte, Innocor, and Picolight in fiscal 2007 and ABNH and Westover in the third quarter of fiscal 2008.

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Amortization of other intangibles in fiscal 2007 increased 10%, or \$2.4 million, to \$26.8 million from \$24.4 million in fiscal 2006. The increase in amortization expense in fiscal 2007 is primarily due to the increase in our intangible assets subject to amortization as a result of our acquisitions of Test-Um in the fourth quarter of fiscal 2006, and Casabyte, Innocor and Picolight in fiscal 2007.

For Additional information regarding intangible assets subject to amortization, see “Note 8. Other Intangibles” to the Consolidated Financial Statements.

Acquired In-Process Research and Development

In fiscal 2008, we did not incur any in-process research and development (“IPR&D”) expense.

In fiscal 2007, we incurred \$3.0 million and \$2.1 million of in-process research and development (“IPR&D”) expense in connection with our purchase of Picolight and Innocor in the fourth quarter of fiscal 2007. In accordance with generally accepted accounting principles, this IPR&D amount was expensed on the acquisition date as the acquired technology had not yet reached technological feasibility and had no future alternative uses.

Impairment of Goodwill

As part of our quarterly review of financial results, we determine if there are indicators that the carrying value of our goodwill may not be recoverable. We test for impairment of goodwill on an annual basis in the fourth quarter and at any other time if events occur or circumstances indicate that the carrying amount of goodwill may not be recoverable. See “Note 7. Goodwill” of our Notes to Consolidated Financial Statements.

As part of our annual impairment analysis as of May 1, 2008, under the first step of the Statement of Financial Accounting Standards No. 142, “*Goodwill and Other Intangible Assets*” (“SFAS 142”), the fair value of ASG and da Vinci was determined. Based on that analysis, we concluded that the carrying amounts of ASG and da Vinci exceeded their fair value.

Accordingly, we recorded a \$24.5 million goodwill impairment related to the Authentication Solution Group (“ASG”) (formerly ABNH, the business we acquired in February 2008) reporting unit within the Advanced Optical Technologies segment and a \$12.5 million goodwill impairment related to the da Vinci reporting unit within the Communications Test and Measurement segment. The impairment for the ASG was the result of lower than expected demand for transaction card products due to trouble in the U.S. Banking industry. The impairment for da Vinci was the result of delayed product introduction and acceptance of next generation color and image enhancement products. We performed the second step analysis to determine the amount of goodwill impairment.

In fiscal 2007, we performed our annual impairment analysis. As a result, we did not record any impairment charges.

In fiscal 2006, we recorded a \$22.4 million of impairment charge related to our da Vinci reporting unit within the Communications Test and Measurement segment. The impairment was the result of delayed product introduction and acceptance of next generation color and image enhancement products.

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Impairment of Other Long-Lived Assets

During fiscal 2008, 2007 and 2006, we recorded \$10.7 million, \$7.8 million and \$5.6 million, respectively, of impairments in the carrying value of our long-lived assets in accordance with Financial Accounting Standards No. 144, “*Accounting for the Impairment or Disposal of Long-Lived Assets*” (“SFAS 144”).

The following table summarizes the components of the impairments of other long-lived assets (*in millions*):

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Impairments of other long-lived assets:			
Assets held and used	\$ 8.8	\$ 0.8	\$ 3.0
Assets held for sale	—	0.7	0.1
(Gain)/loss on the sale of assets	(1.4)	1.7	2.5
Long-lived assets to be disposed of other than sale	<u>3.3</u>	<u>4.6</u>	<u>—</u>
Total impairments of other long-lived assets	<u>\$ 10.7</u>	<u>\$ 7.8</u>	<u>\$ 5.6</u>

Fiscal 2008

Assets Held and Used

During fiscal year 2008, we recorded an impairment charge of \$0.4 million for certain assets related to the Company’s Santa Rosa, California facility and \$8.4 million for certain intangible assets related to our da Vinci business. The \$8.4 million consists of \$4.0 million and \$4.4 million recorded in cost of sales and operating expenses, respectively.

Sale of Assets

During fiscal year 2008, we recorded a gain of \$1.4 million for the sale and disposal of assets.

Assets to be Disposed of Other Than Sale

During fiscal year 2008, we recorded a loss of \$3.3 million for the disposal of assets related to Singapore and Ottawa facilities.

Fiscal 2007

Assets Held and Used

In the second quarter of fiscal year 2007, we recorded impairment charges of \$0.8 million for certain assets related to our Santa Rosa, California facility.

Assets Held for Sale

In the first quarter of fiscal year 2007, we recorded impairment charges of \$0.7 million related to the sale of our Rochester, Minnesota facility.

Sale of Assets

During fiscal year 2007, we recorded losses of \$1.7 million on the sale of assets primarily relating to the transfer of assets to Fabrinet.

Assets to be Disposed of Other Than Sale

During fiscal year 2007, we recorded losses of \$4.6 million on assets to be disposed of other than sale primarily relating to a \$3.7 million impairment charge for the cancellation of a software program implementation at our Eningen, Germany facility, and write-offs resulting from a physical count of fixed assets.

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[Fiscal 2006](#)

Assets Held and Used

We noticed indicators during fiscal 2006 that the carrying value of our long-lived assets may not be recoverable and performed an impairment review in accordance with SFAS 144. We evaluated the recoverability of our long-lived assets and recorded impairment charges based on the amounts by which the carrying amounts of these assets exceeded their fair value. As a result of the review, we recorded losses of \$2.7 million for impairment of certain assets formerly utilized in our Santa Rosa, California manufacturing facility, \$0.2 million in connection with the closure of the Melbourne, Florida facility, and \$0.5 million in connection with the closure of the Rochester, Minnesota facility, partially offset by \$0.4 million gain on other adjustments.

Assets Held for Sale

In the fourth quarter of fiscal year 2006, we entered into a contract to sell our Milan, Italy sales office facility and evaluated its fair value in accordance with SFAS 144 to record an impairment charge of \$0.1 million. The sale closed in the second quarter of fiscal year 2007 and resulted in a net proceeds of approximately \$2.8 million.

Sale of Assets

During fiscal year 2006, we recorded losses of \$6.9 million on the sale of assets primarily relating to the sale of our front surface mirror business and the sale of one of our Santa Rosa, California manufacturing facilities, offset by gains of \$3.8 million on the sale of our Melbourne, Florida manufacturing facility, \$0.3 million on the sale of our Cotia, Brazil sales and warehouse facility, and \$0.3 million on the sale of 55 acres of land in Raleigh, North Carolina.

Restructuring and Other Related Charges

We continue to take advantage of opportunities to further reduce costs through targeted, customer-driven restructuring events intended to consolidate and rationalize the manufacture of our products based on core competencies and cost efficiencies. See "Note 11. Restructuring" for more detail.

During fiscal 2008, we recorded \$6.7 million in restructuring charges which included \$6.2 million for severance and benefits, \$0.2 million for manufacturing transfer costs, and \$0.3 million of lease costs for additional restructured space. These charges were primarily related to the further consolidation of our manufacturing operations. This further consolidation accounted for the termination of 159 employees: 114 in North America, 29 in Asia, 15 in Europe and 1 in Latin America. Of these reductions to headcount, 95 were in manufacturing, 25 in research and development and 39 in sales, general and administration functions. As of June 28, 2008, 141 of these employees have been terminated. Payments related to severance and benefits are expected to be paid off by the third quarter of fiscal 2013 and payments related to lease costs are expected to be paid by the fourth quarter of fiscal 2012. In addition during fiscal 2008, we also recorded a lease exit charge, net of assumed sub-lease income, of \$5.4 million related to the Ottawa facility that was included in selling, general and administrative expenses. The payments related to these lease costs are expected to be paid by the third quarter of fiscal 2018.

During fiscal 2007, we recorded \$14.7 million in restructuring charges which included \$5.6 million for severance and benefits, \$11.2 million for manufacturing transfer costs, and \$(2.1) million of lease costs which include \$(2.5) million gain on the settlement of lease obligations, \$0.6 million for additional restructured space, and \$(0.2) million to adjust accruals on previously restructured leases. These charges were primarily related to the further consolidation of our manufacturing operations. This further consolidation accounted for the termination of 241 employees: 237 in North America and 4 in Asia. Of these reductions to headcount, 182 were in manufacturing, 41 in research and development and 18 in sales, general and administration functions. As of

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June 28, 2008, 185 of these employees have been terminated. In the third quarter of fiscal 2008, we decided that 52 employees located in North America would not be terminated, and as a result, a restructuring accrual of \$0.1 million was reversed. Payments related to severance and benefits are expected to be paid off by the second quarter of fiscal 2009 and payments related to lease costs are expected to be paid by the first quarter of fiscal 2014.

During fiscal 2006, we recorded \$35.0 million in restructuring charges which included \$15.2 million for severance and benefits, \$9.0 million for manufacturing transfer costs, \$5.8 million in lease termination costs and \$5.0 million to adjust accruals on previously restructured leases. These charges were primarily related to the further consolidation of our manufacturing operations and the transfer of such operations to other of our facilities and to the facilities of our contract manufacturing partners and the relocation of our executive offices to accommodate the future needs of the organization. These events accounted for the termination of 921 employees: 894 in North America and 27 in Europe. Of these reductions to headcount, 770 were in manufacturing, 84 in research and development and 67 in sales, general and administration functions. As of June 28, 2008, 905 of these employees have been terminated. Payments related to severance and benefits are expected to be paid off by the first quarter of fiscal 2009.

Interest and Other Income (Loss)

During fiscal 2008, interest and other income (loss) increased by \$47.1 million, from \$73.0 million in fiscal 2007 to \$120.1 million in fiscal 2008. The increase was primarily due to the receipt of proceeds from a Nortel class action settlement of \$61.6 million and an increase in gains of \$4.8 million from the repurchase of Zero Coupon Senior Convertible Notes, offset by a decrease in interest income of \$9.5 million due to lower cash balances resulting from the repurchase of Zero Coupon Senior Convertible Notes and the repurchase of shares, a decrease in net foreign exchange gains of \$4.2 million and income of \$5.1 million related to the settlement of a held-to-maturity security received in fiscal 2007. See "Note 4. Balance sheet and Other Details" for more information.

During fiscal 2007, interest and other income (loss) increased by \$46.0 million, from \$27.0 million in fiscal 2006 to \$73.0 million in fiscal 2007. The increase was primarily due to an increase in interest income of \$26.7 million due to higher cash balances resulting from the issuance of the 1% Senior Convertible Notes in the fourth quarter of fiscal 2006, an increase in net foreign exchange gains of \$9.5 million, gains of \$6.3 million from the repurchase of \$92 million aggregate principle amount of Zero Coupon Senior Convertible Notes and income of \$5.1 million related to the settlement of a held-to-maturity security. See "Note 4. Balance sheet and Other Details" for more information.

Interest Expense

During fiscal 2008, interest expense increased by \$1.7 million, from \$7.1 million in fiscal 2007 to \$8.8 million in fiscal 2008. The increase was primarily the result of a one time out-of-period benefit recorded in fiscal 2007 of \$1.1 million which was disclosed in our 10-Q for the three months ended December 30, 2006 and is referred to in Note 1 to these financial statements.

During fiscal 2007, interest expense increased by \$3.3 million, from \$3.8 million in fiscal 2006 to \$7.1 million in fiscal 2007. The higher interest expense was primarily due to the issuance of \$425.0 million of 1% Senior Convertible Notes in the fourth quarter of fiscal 2006.

Gain on Sale of Investments

During fiscal 2008, we recorded net gains on sale of investments of \$2.4 million primarily due to the sale of fixed income securities for a net gain of \$1.0 million and the sale of equity investments in BaySpec, Inc. ("BaySpec") and Nufern, Inc. ("Nufern") for net gains of \$0.5 million and \$0.5 million, respectively. These equity investments had a combined carrying value of zero at June 30, 2007. The fair value of our marketable equity securities at June 28, 2008 was approximately \$0.1 million. See "Note 6. Investments" for more details.

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During fiscal 2007, we recorded net gains on sale of investments of \$29.0 million primarily due to the sale of our equity investments in IPG Photonics Corporation (“IPG”) and Epion Corporation (“Epion”) for net gains of \$25.7 million and \$3.2 million, respectively. These investments had a combined carrying value of \$1.0 million at July 1, 2006. The fair value of our marketable equity securities at June 30, 2007 was approximately \$0.5 million. See “Note 6. Investments” for more details.

During fiscal 2006, we recorded net gains on sale of investments of \$73.2 million primarily due to the sale of our equity investments in ADVA Optical Networking AG (“ADVA”), Prudential Financial, Inc. (“Prudential”), and Nortel Networks (“Nortel”) for net gains of \$63.6 million, \$3.6 million, and \$4.4 million, respectively. These investments had a combined carrying value of \$9.8 million at July 2, 2005. The fair value of our marketable equity securities at July 1, 2006 was approximately \$1.1 million. See “Note 6. Investments” for more details.

Provision (Benefit) for Income Tax

Fiscal 2008 Tax Expense

We recorded an income tax expense of \$2.4 million for fiscal 2008. The expected tax benefit derived by applying the federal statutory rate to our loss before income taxes for fiscal 2008 differed from the income tax expense recorded primarily due to non-deductible acquisition-related charges, a net increase in our valuation allowance related to the increase in domestic and foreign tax net operating losses sustained during the fiscal year, the recognition of \$8.7 million of uncertain tax benefits relating to the expiration of a statute of limitations in a non-U.S. jurisdiction, establishment of a valuation allowance against \$2.7 million of deferred tax assets in a foreign jurisdiction, and the recognition a net \$1.0 million of foreign jurisdiction research tax credits. Also, the Company received a favorable IRS ruling to treat one of the Company’s subsidiaries as a disregarded entity which resulted in the recognition of a \$1.3 million tax benefit.

During fiscal year 2008, China adopted transitional rules regarding the 2007 Unified Enterprise Income Tax Law which took effect on January 1, 2008. Pursuant to these transitional rules of the new law, an 18% statutory tax rate applies for the 2008 calendar year and increases each year until calendar year 2012 when it reaches a 25% statutory rate. The measurement of the Company’s deferred taxes in China has been calculated taking into account the new transition rules.

Based on a jurisdiction by jurisdiction review of anticipated future income and due to the continued economic uncertainty in the industry, management has determined that in most of our jurisdictions it is more likely than not that our net deferred tax assets will not be realized and we have recorded deferred tax assets as of June 28, 2008 only to the extent of certain offsetting deferred tax liabilities in those jurisdictions. During fiscal 2008 the valuation allowance for deferred tax assets decreased by \$25.4 million. The decrease was primarily due to increase to deferred tax liabilities resulting from acquired intangibles. The decrease was partially offset by the increase domestic and foreign tax net operating losses sustained during the fiscal year.

We are currently subject to various federal, state and foreign audits by taxing authorities. We believe that adequate amounts have been provided for any adjustments that may result from these examinations.

Fiscal 2007 Tax Expense

We recorded an income tax expense of \$2.0 million for fiscal 2007. The expected tax benefit derived by applying the federal statutory rate to our loss before income taxes for fiscal 2007 differed from the income tax expense recorded primarily due to non-deductible acquisition-related charges and a net increase in our valuation allowance for deferred tax assets. Also included in tax expense for fiscal 2007 is a tax benefit of \$1.6 million related to the release of valuation allowance for one of our foreign subsidiaries which we believe is more likely than not to have future income as a result of a restructuring, and a net tax benefit of \$3.4 million attributable to the increase of our net deferred tax assets associated with our Chinese operations, which includes a \$2.7 million benefit attributable to a change in tax rates.

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During fiscal 2007, China adopted a new Unified Enterprise Income Tax Law which took effect on January 1, 2008. Pursuant to the law, a new 25% statutory tax rate applies to most companies beginning January 1, 2008, subject to certain transitional rules and other potential special incentives. During fiscal year 2007, there were uncertainties as to how the final transitional rules would impact phase-in of the new tax rate, we measured the increase in our deferred taxes assuming a prorated introduction of the new tax rate over a five year period which resulted in a \$2.7 million tax benefit.

Based on a jurisdiction by jurisdiction review of anticipated future income and due to the continued economic uncertainty in the industry, management has determined that in most of our jurisdictions it is more likely than not that our net deferred tax assets will not be realized and we have recorded deferred tax assets as of June 30, 2007 only to the extent of certain offsetting deferred tax liabilities in those jurisdictions. During fiscal 2007, the valuation allowance for deferred tax assets increased by \$90.2 million. The increase was primarily due to domestic and foreign tax net operating losses sustained during the fiscal year and changes to loss carryforwards resulting from tax audits. The increase was partially offset by the increase to deferred tax liabilities resulting from acquired intangibles.

We are currently subject to various federal, state and foreign audits by taxing authorities. We believe that adequate amounts have been provided for any adjustments that may result from these examinations.

Fiscal 2006 Tax Benefit

We recorded a net income tax benefit of \$0.4 million in fiscal 2006. The net income tax benefit recorded for fiscal 2006 primarily relates to \$9.6 million of income tax benefit recognized for refunds attributable to the successful conclusion of an IRS audit related to tax losses carried back to taxable periods, net of reductions to related goodwill. In addition, we recognized a tax benefit of \$2.3 million attributable to the release of valuation allowance for jurisdictions which we believe are more likely than not to have future income and a tax expense of \$3.6 million as a result of a non cash charge associated with the reversal of tax benefits recognized in prior periods relating to the sale of certain marketable securities. The \$3.6 million income tax expense was recorded in accordance with Statement of Financial Accounting Standard No. 115, "*Accounting for Certain Investments in Debt and Equity Securities*" ("SFAS 115") and Statement of Financial Accounting Standard No. 109, "*Accounting for Income Taxes*" ("SFAS 109"). We also provided \$6.9 million of current tax expense for certain foreign and state jurisdictions.

Based on a jurisdiction by jurisdiction review of anticipated future income and due to the continued economic uncertainty in the industry, management has determined that in most of our jurisdictions it is more likely than not that our net deferred tax assets will not be realized and we have recorded deferred tax assets as of July 1, 2006 only to the extent of certain offsetting deferred tax liabilities in those jurisdictions. During fiscal 2006 the valuation allowance for deferred tax assets increased by \$48.9 million. The increase was primarily due to domestic and foreign tax net operating losses sustained during the fiscal year. The increase was partially offset by the increase to deferred tax liabilities resulting from acquired intangibles.

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Operating Segment Information (dollars in millions)

	2008	2007	Change	Percentage Change	2007	2006	Change	Percentage Change
Optical Communications								
Net Revenue	\$ 526.9	\$ 496.1	\$ 30.8	6%	\$ 496.1	\$ 470.5	\$ 25.6	5%
Operating income	20.8	(14.2)	35.0	-246%	(14.2)	(26.6)	12.4	47%
Communications Test and Measurement								
Net Revenue	710.6	635.2	75.4	12%	635.2	494.5	140.7	28%
Operating income	117.2	96.7	20.5	21%	96.7	70.7	26.0	37%
Advanced Optical Technologies								
Net Revenue	206.5	170.0	36.5	21%	170.0	162.8	7.2	4%
Operating income	76.8	52.6	24.2	46%	52.6	36.2	16.4	45%
All Other, Commercial Lasers								
Net Revenue	87.2	95.9	(8.7)	-9%	95.9	80.5	15.4	19%
Operating loss	(0.5)	4.2	(4.7)	-112%	4.2	—	4.2	100%

Optical Communications:

The increase in Optical Communications net revenue between fiscal 2008 and fiscal 2007 was mainly related to increased revenue growth in each of Optical Communications' major business units, as well as the acquisition of Picolight in fiscal 2007. The decrease in operating loss for Optical Communications mostly related to improved margins due to site consolidations, product transfers to Asia, vertical integration, cost reduction programs, and improved product mix.

The increase in Optical Communications net revenue between fiscal 2007 and fiscal 2006 was mainly related to increased revenue growth in each of Optical Communications' major business units. The decrease in operating loss for Optical Communications is due to improved margins due to site consolidations, product transfers to Asia, cost reduction programs, improved product mix, and lower operating expenses.

Communications Test and Measurement:

The increase in Communications Test and Measurement net revenue between fiscal 2008 and fiscal 2007 was mainly related to strong broadband deployment trends, the acquisition of Westover and Innocor, and strong demand from telecom companies, cable operators, and network equipment manufacturers. Operating income increased due to strong margins partially offset by increased operating expense from sales commissions on higher bookings and the continued efforts to increase our R&D investment level.

The increase in Communications Test and Measurement net revenue between fiscal 2007 and fiscal 2006 was mainly related to strong broadband deployment trends, the acquisition of Casabyte, Innocor and Test-Um, and strong demand from telecom companies, cable operators, and network equipment manufacturers. Operating income increased due to strong margins partially offset by increased operating expense from sales commissions on higher bookings and the continued efforts to increase our R&D investment level.

On August 3, 2005, we completed the acquisition of Acterna, a leading worldwide provider of broadband and optical test and measurement solutions for telecommunications and cable service providers and network equipment manufacturers. Beginning in the first quarter of fiscal 2006, the addition of Acterna comprises a new reportable segment to our business: Communications Test and Measurement.

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Advanced Optical Technologies:

The increase in Advanced Optical Technologies net revenue between fiscal 2008 and fiscal 2007 was primarily due to increased demand for Document Authentication and core Custom Optics products, and the recent acquisition of ABNH. The increase in operating income for Advanced Optical Technologies reflects increased revenue, improved product mix and successful cost reduction initiatives.

The increase in Advanced Optical Technologies net revenue between fiscal 2007 and fiscal 2006 was primarily due to increased demand for Document Authentication and core Custom Optics products partially offset by non-core and unprofitable product lines in Custom Optics. The increase in operating income for Advanced Optical Technologies reflects increased revenue, improved product mix and successful cost reduction initiatives.

All Other, Commercial Lasers:

The decrease in Commercial Lasers net revenue between fiscal 2008 and fiscal 2007 was primarily due to an overall decline of demand for Solid State Lasers in semiconductor equipment market; together with continuing decrease demand for Gas Lasers. The decrease in operating income for Lasers is due to lower revenues, as well as increased investment in product development and marketing.

The increase in Commercial Lasers net revenue between fiscal 2007 and fiscal 2006 was primarily due to an increase in shipments of solid state lasers, as demand for these products continued to grow and replace Gas Lasers in the market, coupled with improved product mix. The increase in operating income for Commercial Lasers reflects stronger margins and the benefit of cost reduction plans, partly offset by increased investment in product development and marketing.

LIQUIDITY AND CAPITAL RESOURCES

Our investments of surplus cash are made in accordance with an investment policy approved by the Audit Committee of our Board of Directors. In general, our investment policy requires that securities purchased be rated A-1/P-1, A/A2 or better. Securities that are down graded subsequent to purchase are evaluated and may be sold or held at management's discretion. No security may have an effective maturity that exceeds 37 months, and the average duration of our holdings may not exceed 18 months. At any time, no more than 10% of the investment portfolio may be concentrated in a single issuer other than the U.S. government or U.S. agencies. Our investments in debt securities and marketable equity securities are primarily classified as available-for-sale investments or trading assets and are recorded at fair value. The cost of securities sold is based on the specific identification method. Unrealized gains and losses on available-for-sale investments are reported as a separate component of stockholders' equity. We did not hold any investments in auction rate securities, mortgage backed securities, collateralized debt obligations, or variable rate demand notes at the end of fiscal 2008 and all debt securities held were of investment grade (at least BBB/Baa3) or higher.

Fiscal 2008

We had a combined balance of cash and cash equivalents, short-term investments and restricted cash of \$884.7 million at June 28, 2008, a decrease of \$258.0 million from June 30, 2007. Significant inflows included \$197.2 million provided by operating activities, \$32.2 million from a sales-leaseback transaction and \$15.8 million from the exercise of stock options and the issuance of stock under employee stock plans. Significant outflows included \$113.2 million of cash used to repurchase JDSU's common stock, \$287.5 million of cash used to repurchase a portion of the company's Zero Coupon Senior Convertible Notes, \$51.7 million for purchases of property, plant and equipment and \$59.9 million of cash used in acquisitions. Cash and cash equivalents decreased by \$97.3 million in fiscal 2008, primarily due to the above-referenced items and sales and maturities of investments in excess of purchases of \$177.5 million.

Operating activities provided \$197.2 million of cash during fiscal 2008, resulting from our net loss adjusted for non-cash items such as depreciation, amortization, and various gains and losses, of \$180.0 million, together

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with changes in operating assets and liabilities that provided \$17.2 million related primarily to a decrease in inventories of \$30.4 million and an increase in accounts payable of \$9.6 million, offset by an increase in net accounts receivable of \$23.0 million.

Cash provided by investing activities was \$53.4 million during fiscal 2008, primarily due to \$177.5 million from sales and maturities of investments in excess of purchases, and \$3.6 million of proceeds from the sale of assets. Partially offsetting these sources of cash were \$51.7 million used for purchases of property and equipment, and \$59.9 million of cash used for acquisitions, net of cash acquired.

Our financing activities used cash of \$353.0 million, primarily related to \$287.5 million used to repurchase a portion of the company's Zero Coupon Senior Convertible Notes, and \$113.2 million used to repurchase common stock, offset by proceeds from a sales-leaseback transaction of \$32.2 million and the exercise of stock options and issuance of stock under employee stock plans of \$15.8 million. See "Note 10. Convertible Debt and Letters of Credit" of our Notes to Consolidated Financial Statements for additional information regarding debt financing.

On May 15, 2008, the Company's Board of Directors authorized the Company to repurchase up to \$200 million of its common stock through open market or private transactions during a two year period ending May 14, 2010. During the three months ended June 28, 2008, the Company repurchased approximately 9.6 million shares of common stock in open market purchases at an average price of \$11.76 per share. The total purchase price of \$113.2 million was reflected as a decrease to common stock based on the stated par value per share with the remainder to accumulated deficit. All common shares repurchased under this program have been cancelled and retired. See "Note 21. Subsequent Events" for more details.

Fiscal 2007

We had a combined balance of cash and cash equivalents, short-term investments and restricted cash of \$1,142.7 million at June 30, 2007, a decrease of \$95.9 million from July 1, 2006. Significant inflows included \$61.3 million provided by operating activities and \$13.0 million from the exercise of stock options and the issuance of stock under employee stock plans. Significant outflows included \$85.0 million of cash used to repurchase a portion of the company's Zero Coupon Senior Convertible Notes, \$75.7 million for purchases of property, plant and equipment and \$69.2 million of cash used in acquisitions. Cash and cash equivalents decreased by \$2.0 million in fiscal 2007, primarily due to the above-referenced items and sales and maturities of investments in excess of purchases of \$134.8 million.

Operating activities provided \$61.3 million of cash during fiscal 2007, resulting from our net loss adjusted for non-cash items such as depreciation, amortization, and various gains and losses, of \$103.9 million, offset by changes in operating assets and liabilities that used \$42.6 million related primarily to an increase in net accounts receivable, which used \$22.3 million and a decrease in accounts payable, which used \$19.6 million.

Cash provided by investing activities was \$6.4 million during fiscal 2007, primarily due to \$10.2 million of proceeds from the sale of assets, and \$134.8 million from sales and maturities of investments in excess of purchases. Partially offsetting these sources of cash were \$75.7 million used for purchases of property and equipment, and \$69.2 million of cash used for acquisitions, net of cash acquired.

Our financing activities used cash of \$72.0 million, primarily related to \$85.0 million used to repurchase a portion of the company's Zero Coupon Senior Convertible Notes, offset by \$13.0 million provided by the exercise of stock options and issuance of stock under employee stock plans. See "Note 10. Convertible Debt and Letters of Credit" of our Notes to Consolidated Financial Statements for additional information regarding debt financing.

Fiscal 2006

We had a combined balance of cash, cash equivalents, short-term investments and restricted cash of \$1,238.6 million at July 1, 2006, a decrease of \$65.9 million from June 30, 2005. Significant inflows included

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\$415.9 million of net proceeds from the issuance of convertible debt, \$75.1 million from the sale of long-term investments, \$31.6 million from sales of net assets and \$28.2 million from the exercise of stock options and the issuance of stock under employee stock plans. Significant outflows included \$479.7 million of cash used in acquisitions, \$81.2 million used in operating activities and \$67.2 million for purchases of property, plant and equipment. Cash and cash equivalents decreased by \$141.8 million in fiscal 2006, primarily due to the above-referenced items and to an increase in short-term investments of \$64.0 million.

Operating activities used \$81.2 million in cash during fiscal 2006, resulting from: (i) our net loss, adjusted for non-cash items such as depreciation, amortization, and various gains and losses, of \$23.1 million, and (ii) changes in operating assets and liabilities that used \$58.1 million. The largest change in operating assets and liabilities was an increase in net accounts receivable, which added \$67.1 million to cash used in operating activities. The increase in accounts receivable was primarily due to the acquisition of Acterna in August 2005.

Cash used in investing activities was \$506.7 million during fiscal 2006, primarily due to \$479.7 million of cash used for acquisitions, net of cash acquired, and \$67.2 million used for purchases of property and equipment. Partially offsetting these uses of cash were \$31.6 million of proceeds from the sale of assets, and \$16.8 million from sales and maturities of investments in excess of purchases.

Our financing activities provided cash of \$444.1 million, representing \$415.9 million of net proceeds from issuance of debt and \$28.2 million from the exercise of stock options and issuance of stock under employee stock plans.

Financial Commitments

Our holdings include \$13.2 million in minority investments in certain privately held companies and venture capital funds. As of June 28, 2008, we had a commitment of \$4.0 million to provide additional funding to a partnership.

Contractual Obligations

The following summarizes our contractual obligations at June 28, 2008, and the effect such obligations are expected to have on our liquidity and cash flow over the next five years (*in millions*):

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligations					
Asset retirement obligations—expected cash payments	\$ 13.1	\$ 1.2	\$ 4.8	\$ 0.8	\$ 6.3
Long-Term Debt: (1)					
Zero Coupon Senior Convertible Notes	83.0	83.0	—	—	—
1% Senior Convertible Notes	425.0	—	—	425.0	—
Interest on 1% Senior Convertible Notes	21.3	4.3	8.5	8.5	—
Purchase obligations (2)	167.3	167.3	—	—	—
Operating lease obligations (2)	128.8	30.0	42.7	27.5	28.6
Capital lease obligations (2)	2.8	1.0	1.8	—	—
Pension and postretirement benefit payments	86.6	11.3	9.4	10.4	55.5
Other non-current liabilities	3.5	1.9	1.0	0.3	0.3
Total	\$ 931.4	\$ 300.0	\$ 68.2	\$ 472.5	\$ 90.8

(1) See “Note 10. Convertible Debt and Letters of Credit” for more information.

(2) See “Note 17. Commitments and Contingencies” for more information.

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As of June 28, 2008, operating lease obligations of \$7.1 million in connection with our restructuring program were accrued in our Consolidated Balance Sheet. Operating lease obligations of \$2.5 million were included in the “Restructuring accrual” and \$4.6 million was accrued in “Other non-current liabilities”.

Purchase obligations represent legally-binding commitments to purchase inventory and other commitments made in the normal course of business to meet operational requirements.

As of June 28, 2008, other non-current liabilities primarily represent other long-term employment related obligations.

As of June 28, 2008, our liabilities for unrecognized tax benefits including accrued interest and penalties amounted to \$35.1 million and are classified as other non-current liabilities on our Consolidated Balance Sheets. As of June 28, 2008, the settlement period for our income tax liabilities cannot be determined, however it is not anticipated to be within the next twelve months.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, as such term is defined in rules promulgated by the Securities and Exchange Commission, that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Acquisitions

As part of our strategy, we are committed to the ongoing evaluation of strategic opportunities and, where appropriate, the acquisition of additional products, technologies or businesses that are complementary to, or broaden the markets for our products. We believe we strengthened our business model by expanding our addressable market, customer base, and expertise, diversifying our product portfolio, and fortifying our core businesses through acquisition as well as through organic initiatives.

In February 2008, we purchased American Bank Note Holographics Inc. (“ABNH”), a public company, for approximately 8.7 million shares of the Company’s common stock with a market value of \$110.3 million at the measurement date and \$19.5 million in cash, including \$1.2 million of direct transaction costs incurred in connection with the acquisition. We also assumed ABNH’s employee outstanding stock options at close, valued at \$11.4 million at the measurement date. ABNH is a market leader in the origination, production and marketing of holograms for security applications and the leading supplier of optical security devices for the transaction card market and is included in our Advanced Optical Technologies segment.

In January 2008, we purchased certain assets of the fiber optics division of Westover Scientific Inc. (“Westover”) for approximately \$51.5 million in cash, including \$0.8 million of direct transaction costs incurred in connection with the acquisition. We also agreed to acquire the tangible assets of Westover’s related party contract manufacturer Fuzhou Chenpo Optical Instrument Co. Ltd. Westover is a leading provider of fiber optic inspection and cleaning solutions, which complements our existing fiber field and lab and production test portfolio and is included in our Communications Test and Measurement segment.

In May 2007, we completed the acquisition of Innocor Ltd. (“Innocor”), a provider of broadband test solutions for network equipment manufacturers, for \$19.4 million in cash. The merger strengthened our position in the North American lab and production markets and helped grow our business in the EMEA and APAC regions. Innocor is included in our Communications Test and Measurement segment.

In May 2007, we completed the acquisition of Picolight Inc. (“Picolight”), a designer and manufacturer of optical pluggable transceivers. The aggregate announced purchase price for this acquisition was approximately \$110.0 million in common stock, which equated to approximately 8.1 million shares. By acquiring Picolight, we strengthened our position in high-growth pluggable optics for the enterprise market and added an established, vertically integrated manufacturing model. Picolight is included in our Optical Communications segment.

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In January 2007, we completed the acquisition of Casabyte Inc. (“Casabyte”), a provider of service quality monitoring solutions for mobile network operations, for \$34.5 million in cash. By acquiring Casabyte, we accelerated our service assurance growth by capitalizing on a number of key assets, including Casabyte’s wireless service quality solutions expertise, technology and established customer relationships. We also plan to leverage our global direct sales organization and other distribution channels to increase Casabyte’s penetration into international markets. Casabyte is included in our Communications Test and Measurement segment.

In May 2006, we completed the acquisition of Test-Um Inc. (“Test-Um”), a provider of home networking test instruments for the FTTx and digital cable markets, for \$17.2 million in cash. By acquiring Test-Um, we expanded our channels for the sale of our broad portfolio of test instruments for broadband access networks, including the recently introduced SmartClass line of instruments. We leveraged Test-Um’s network of several hundred distribution partners, making our access test instruments available to the service installation and electrical contractors served by Test-Um today. In addition, the acquisition creates new market opportunities for Test-Um’s products, which is available through our direct sales and service organization serving the largest telecommunications and cable service providers worldwide. Test-Um is included in our Communications Test and Measurement segment.

In November 2005, we completed the acquisition of Agility Communications Inc. (“Agility”), a provider of widely tunable laser solutions for optical networks, for approximately \$10.7 million in cash and \$54.1 million in common stock, which equated to approximately 2.8 million shares. The acquisition solidified our leadership position in the rapidly growing market for tunable lasers and transponders; offer an optimal path to high volume, high yield, tunable, pluggable solutions when combined with our manufacturing scalability; establishes JDSU as the broadest end-to-end agile optical network portfolio provider in the marketplace. Agility is included in our Optical Communications segment.

In August 2005, we completed the acquisition of Acterna Inc. (“Acterna”), a leading worldwide provider of broadband and optical test and measurement solutions for telecommunications and cable service providers and network equipment manufacturers, for approximately \$459.3 million in cash and \$304.7 million in common stock, which equated to approximately 25.1 million shares. Beginning in the first quarter of fiscal 2006, the addition of Acterna created a new reportable segment to our business, the Communications Test and Measurement segment. One attribute of this segment is considerable seasonal revenue variability. We expect this seasonality to continue for the foreseeable future, impacting our Communications Test and Measurement financial results, our overall product mix, and financial performance.

Please refer to “Note 3. Mergers and Acquisitions” of our Notes to Consolidated Financial Statements.

Employee Stock Options

Our stock option and Full Value Award program is a broad-based, long-term retention program that is intended to attract and retain employees and align stockholder and employee interests. As of June 28, 2008, we have available for issuance 8.2 million shares of common stock for grant primarily under our Amended and Restated 2003 Equity Incentive Plan (the “2003 Plan”). The exercise price for the options is equal to the fair market value of the underlying stock at the date of grant. Options generally become exercisable over a four-year period and, if not exercised, expire from five to ten years post grant date. Majority of our employees participate in our stock option program. “Full Value Awards” are Restricted Stock, Restricted Stock Units, Performance Units and Performance Shares that are granted with a per share or unit purchase price below 100% of Fair Market Value on the date of grant. These Full Value Awards are performance based, time based, or a combination of performance and time based and are expected to vest over one to five years except with respect to awards with performance conditions, such conditions are achieved on a different timeline. The fair value of the Full Value Awards is based on the closing market price of our common stock on the date of award. Beginning in the fourth quarter of fiscal 2007, the intent is to use Full Value Awards as our predominant equity compensation vehicle. See “Note 14. Stock-Based Compensation” for more detail.

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Pension and Other Postretirement Benefits

As a result of acquiring Acterna in August 2005, we sponsor pension plans for certain past and present employees in the UK and Germany. JDSU also is responsible for the nonpension postretirement benefit obligation of a previously acquired subsidiary. These plans have been closed to new participants and no additional service costs are being accrued. The plans are partially funded. SFAS No. 158 requires the recognition of the funded status of the pension plans and nonpension postretirement benefit plans (retirement-related benefit plans) as an asset or a liability in the Consolidated Statement of Financial Position. SFAS No. 158 also requires the recognition of changes in that funded status in the year in which they occur through the Gains and (losses) not affecting retained earnings, net of tax, and the recognition of previously unrecognized gains/(losses), prior service costs/(credits) and transition assets as a component of Accumulated gains and (losses) not affecting retained earnings in the Consolidated Statement of Stockholders' Equity. The funded status of a retirement plan is the difference between the projected benefit obligation and the fair value of its plan assets. The projected benefit obligation is the actuarial present value of all benefits attributed by the plan's benefit formula to employee service. At June 28, 2008, our pension plans were under funded by \$85.4 million since the projected benefit obligation exceeded the fair value of its plan assets. Similarly, we had accrued \$0.8 million related to our non-pension postretirement benefit plan.

Because the plans have received limited funding in the past, we anticipate future annual outlays related to the plans will at least approximate estimated future benefit payments. These future benefit payments have been estimated based on the same actuarial assumptions used to measure our projected benefit obligation and currently are forecasted to range between \$5.3 million and \$5.9 million per annum. In addition, during fiscal 2009 we anticipate the UK pension plan will make lump-sum cash payments of approximately \$4.4 million to deferred pensioners who have elected to transfer out of the plan. We anticipate these transfer out payments will be made from plan assets.

During the fourth quarter of fiscal 2008, we contributed GBP 2.5 million or approximately \$4.9 million to our UK pension plan. This contribution allowed the Company to substantially comply with regulatory funding requirements.

A key actuarial assumption is the discount rate. Changes in the discount rate impact the interest cost component of the net periodic benefit cost calculation and, due to the fact that the accumulated benefit obligation ("ABO") is calculated on a net present value basis, changes in the discount rate will also impact the current ABO. Decreases in the discount rate will generally increase pre-tax cost, recognized expense and the ABO. Increases in the discount rate tend to have the opposite effect. In estimating the expected return on plan assets, we consider historical returns on plan assets, adjusted for forward-looking considerations, inflation assumptions and the impact of the active management of the plan's invested assets. While it is not possible to accurately predict future rate movements, we believe our current assumptions are appropriate. Please refer to "Note 15. Employee Benefit Plans" of Notes to Consolidated Financial Statements under Item 8 of this Annual Report on Form 10-K for further discussion.

Status of Acquired In-Process Research and Development Projects

We periodically review the stage of completion and likelihood of success of each of the IPR&D projects. The nature of the efforts required to develop the IPR&D projects into commercially viable products principally relates to the completion of all planning, designing, prototyping, verification and testing activities that are necessary to establish that the products can be produced to meet their design specifications, including functions, features and technical performance requirements. The current status of our significant IPR&D projects from acquisitions is as follows:

Picolight

Picolight was acquired in May 2007, and at the time of acquisition was in the process of developing transceivers. We have incurred post-acquisition costs of approximately \$5.1 million to date.

[Table of Contents](#)[Lightwave](#)

Lightwave was acquired in May 2005, and at the time of acquisition was in the process of developing multiple diode pumped solid state laser products. We have incurred post-acquisition costs of \$9.3 million to date. The project was completed in the third quarter of fiscal year 2008.

Liquidity and Capital Resources Requirement

We believe that our existing cash balances and investments will be sufficient to meet our liquidity and capital spending requirements at least through the next 12 months. However, possible investments in or acquisitions of complementary businesses, products or technologies may require the use of additional cash or financing prior to such time. We have in past periods consumed, and in the future we may consume, portions of our cash reserves to fund our operations. The amounts consumed to date, together with the amounts currently anticipated to be spent, are not expected to materially impair our financial condition. However, we may need to expend additional, currently unanticipated, cash reserves to fund our operations. Our liquidity could be negatively affected by a decline in demand for our products, which are subject to rapid technological changes, or a reduction of capital expenditures by telecommunications carriers.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
Foreign Exchange Risk

We utilize foreign exchange forward contracts and other instruments, including option contracts, to hedge foreign currency risk associated with foreign currency denominated assets and liabilities, primarily short-term certain intercompany receivables and payables. Our foreign exchange forward contracts and other instruments are accounted for as derivatives whereby the fair value of the contracts are reflected as other current assets or other current liabilities and the associated gains and losses are reflected in Interest and other income (loss) in the Consolidated Statements of Operations. Our hedging programs reduce, but do not eliminate, the impact of currency exchange rate movements. The gains and losses on those derivatives are expected to be offset by re-measurement gains and losses on the foreign currency denominated assets and liabilities.

The following table provides information about our foreign currency forward and option contracts outstanding as of June 28, 2008. The forward contracts, most with a term of less than 120 days, were transacted near month end; therefore, the fair value of the contracts is approximately zero.

<i>(in millions)</i>	Contract Amount (Local Currency)	Contract Amount (USD)	Fair Value at June 28, 2008 (USD)
Canadian Dollar (contracts to sell CAD / buy USD)	CAD 5.4	\$ 5.3	\$ —
Chinese Renminbi (contracts to sell CNY / buy USD)	CNY 145.4	21.5	—
British Pound (contracts to buy GBP / sell USD)	GBP 5.0	9.8	—
Euro (contracts to sell EUR / buy USD)	EUR 69.1	107.1	—
Hong Kong Dollar (contracts to sell HKD / buy USD)	HKD 104.5	13.4	—
Singapore Dollar (contracts to sell SGD / buy USD)	SGD 32.3	23.7	—
Mexican Peso (contracts to buy MXN / sell USD)	MXN 40.6	3.9	—
Australian Dollar (contracts to sell AUD / buy USD)	AUD 6.8	6.4	—
Brazilian Real (contracts to sell BRL / buy USD)	BRL 3.1	1.9	—
Japanese Yen (contracts to sell JPY / buy USD)	JPY 645.9	6.0	—
Total USD notional amount of outstanding Foreign Exchange Contracts		<u>\$ 199.0</u>	
Net unrealized gain (loss) on derivative financial instruments			<u>\$ —</u>

The counterparties to these hedging transactions are creditworthy multinational banks. The risk of counterparty nonperformance associated with these contracts is not considered to be material. Notwithstanding our efforts to mitigate some foreign exchange risks, we do not hedge all of our foreign currency exposures, and there can be no assurances that our mitigating activities related to the exposures that we do hedge will adequately protect us against the risks associated with foreign currency fluctuations.

Investments

We maintain an investment portfolio in a variety of financial instruments, including, but not limited to, U.S. government and agency bonds, corporate obligations, money market funds, asset-backed securities, and other investment-grade securities. The majority of these investments pay a fixed rate of interest. The securities in the investment portfolio are subject to market price risk due to changes in interest rates, perceived issuer creditworthiness, marketability, and other factors. These investments are generally classified as available-for-sale and, consequently, are recorded on our Consolidated Balance Sheets at fair value with unrealized gains or losses reported as a separate component of stockholders' equity.

Investments in both fixed-rate and floating-rate interest earning instruments carry a degree of interest rate risk. The fair market values of our fixed-rate securities decline if interest rates rise, while floating-rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment

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income may be less than expectations because of changes in interest rates or we may suffer losses in principal if we sell securities that have experienced a decline in market value because of changes in interest rates.

The following tables (*in millions*) present the hypothetical changes in fair value in the available-for-sale debt instruments held at June 28, 2008 and June 30, 2007 that are sensitive to changes in interest rates. These instruments are not leveraged or hedged and are held for purposes other than trading. Investments in money market funds and similar investment funds that seek to maintain a constant net asset value per unit of investment are not considered to be subject to market price risk and are not included in this sensitivity analysis. The modeling technique used measures the change in fair values arising from selected potential changes in interest rates. Market changes reflect immediate hypothetical parallel shifts in the yield curve of plus or minus 50 basis points ("BPS"), 100 BPS, and 150 BPS over a 12-month horizon. Beginning fair values represent the market value, excluding accrued interest and dividends at June 28, 2008 and June 30, 2007.

	Valuation of Securities Given an Interest Rate Decrease of "X" BPS			Fair Value as of June 28, 2008	Valuation of Securities Given an Interest Rate Increase of "X" BPS		
	150 BPS	100 BPS	50 BPS		50 BPS	100 BPS	150 BPS
U.S. Treasuries and agencies	\$ 180	\$ 180	\$ 179	\$ 179	\$ 178	\$ 178	\$ 178
Municipal bonds and sovereign debt instruments	5	5	5	5	5	5	5
Asset-backed securities	165	165	164	162	163	163	163
Corporate bonds and commercial paper	312	311	310	310	309	309	308
Total	\$ 662	\$ 660	\$ 658	\$ 656	\$ 656	\$ 655	\$ 654

	Valuation of Securities Given an Interest Rate Decrease of "X" BPS			Fair Value as of June 30, 2007	Valuation of Securities Given an Interest Rate Increase of "X" BPS		
	150 BPS	100 BPS	50 BPS		50 BPS	100 BPS	150 BPS
U.S. Treasuries and agencies	\$ 127	\$ 126	\$ 125	\$ 125	\$ 124	\$ 124	\$ 124
Municipal bonds and sovereign debt instruments	—	—	—	—	—	—	—
Asset-backed securities	218	217	216	215	214	213	212
Corporate bonds and commercial paper	528	527	525	523	521	519	517
Total	\$ 873	\$ 870	\$ 866	\$ 863	\$ 859	\$ 856	\$ 853

We seek to mitigate the credit risk of our portfolio of fixed-income securities by holding only high-quality, investment-grade obligations with effective maturities of 37 months or less. We also seek to mitigate marketability risk by holding only highly liquid securities with active secondary or resale markets. However, the investments may decline in value or marketability due to changes in perceived credit quality or changes in market conditions.

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Long-term Debt

The fair market value of the Zero Coupon Senior Convertible Notes and the 1% Senior Convertible Notes is subject to interest rate and market price risk due to the convertible feature of the notes and other factors. Generally the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. The fair market value of the notes may also increase as the market price of JDSU stock rises and decrease as the market price of the stock falls. Interest rate and market value changes affect the fair market value of the notes but do not impact our financial position, cash flows or results of operations. Based on quoted market prices, as of June 28, 2008 and June 30, 2007, the fair market values of the Zero Coupon Senior Convertible Notes were approximately \$80.8 million and \$354.6 million and the fair market values of the 1% Senior Convertible Notes were \$334.9 million and \$347.8 million, respectively. Changes in fair market value reflect both the change in the market price of the notes and the impact of the partial repurchase of the Zero Coupon Senior Convertible Notes during fiscal year 2008. For additional information, see “Note 10. Convertible Debt and Letters of Credit”.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of JDS Uniphase Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, stockholders' equity, and cash flows present fairly, in all material respects, the financial position of JDS Uniphase Corporation and its subsidiaries at June 28, 2008 and June 30, 2007, and the results of their operations and their cash flows for each of the three years in the period ended June 28, 2008 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 28, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 15 to the consolidated financial statements, effective June 30, 2007, the Company changed its method of accounting for certain defined benefit pension plans. As discussed in Note 12 to the consolidated financial statements, effective July 1, 2007, the Company changed its method of accounting for uncertainty in income taxes.

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

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

/s/ PRICEWATERHOUSECOOPERS LLP

San Jose, California
August 26, 2008

JDS UNIPHASE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data)

	Years Ended		
	June 28, 2008	June 30, 2007	July 1, 2006
Net revenue	\$ 1,530.1	\$ 1,396.8	\$ 1,204.3
Cost of sales	885.5	884.6	827.4
Amortization of acquired technologies	49.3	40.2	36.4
Impairment of acquired developed technologies	4.0	—	—
Gross profit	591.3	472.0	340.5
Operating expenses:			
Research and development	188.1	168.4	155.5
Selling, general and administrative	455.8	368.4	325.3
Amortization of other intangibles	30.0	26.8	24.4
Acquired in-process research and development	—	5.1	20.3
Impairment of goodwill	37.0	—	22.4
Impairment of intangibles and loss on long-lived assets	6.7	7.8	5.6
Restructuring charges	6.7	14.7	35.0
Total operating expenses	724.3	591.2	588.5
Loss from operations	(133.0)	(119.2)	(248.0)
Interest and other income	120.1	73.0	27.0
Interest expense	(8.8)	(7.1)	(3.8)
Gain on sale of investments	2.4	29.0	73.2
Loss before income taxes	(19.3)	(24.3)	(151.6)
Provision of (benefit for) income taxes	2.4	2.0	(0.4)
Net loss	\$ (21.7)	\$ (26.3)	\$ (151.2)
Net loss per share—basic and diluted	\$ (0.10)	\$ (0.12)	\$ (0.73)
Shares used in per share calculation—basic and diluted	223.8	211.7	206.2

See accompanying notes to consolidated financial statements.

JDS UNIPHASE CORPORATION
CONSOLIDATED BALANCE SHEETS
(in millions, except share and par value data)

	June 28, 2008	June 30, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 265.6	\$ 362.9
Short-term investments	608.0	769.9
Restricted cash	11.1	9.9
Accounts receivable, less reserves and allowances of \$5.0 at June 28, 2008 and \$5.4 at June 30, 2007	297.7	264.2
Inventories	188.9	204.3
Refundable income taxes	7.8	4.7
Other current assets	50.0	44.8
Total current assets	1,429.1	1,660.7
Property, plant and equipment, net	213.2	210.5
Deferred income taxes	3.6	7.1
Goodwill	796.2	710.0
Other intangibles, net	416.1	411.5
Long-term investments	25.6	3.1
Other non-current assets	22.3	22.4
Total assets	<u>\$ 2,906.1</u>	<u>\$ 3,025.3</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 129.6	\$ 111.5
Current portion of long-term debt	83.0	—
Accrued payroll and related expenses	58.9	62.0
Income taxes payable	6.7	42.3
Deferred income taxes	0.4	2.6
Restructuring accrual	5.7	6.9
Warranty accrual	10.1	10.3
Other current liabilities	151.0	112.3
Total current liabilities	445.4	347.9
Long-term debt	425.0	808.0
Other non-current liabilities	218.3	133.9
Commitments and contingencies (Note 17, 19, and 20)		
Stockholders' equity:		
Preferred Stock, \$0.001 par value: Authorized shares: 1,000,000	—	—
Common Stock, \$0.001 par value:		
Authorized shares: 1,000,000,000	0.2	0.2
Issued and outstanding shares: 221,977,736 at June 28, 2008 and 219,012,065 at June 30, 2007		
Additional paid-in capital	69,325.0	69,143.6
Accumulated deficit	(67,585.7)	(67,450.8)
Accumulated other comprehensive income	77.9	42.5
Total stockholders' equity	1,817.4	1,735.5
Total liabilities and stockholders' equity	<u>\$ 2,906.1</u>	<u>\$ 3,025.3</u>

See accompanying notes to consolidated financial statements.

JDS UNIPHASE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Years Ended		
	June 28, 2008	June 30, 2007	July 1, 2006
OPERATING ACTIVITIES:			
Net loss	\$ (21.7)	\$ (26.3)	\$ (151.2)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation expense	65.2	61.4	57.4
Asset retirement obligations and deferred rent expenses	0.5	0.6	5.6
Amortization expense	79.3	67.0	60.8
Amortization of deferred compensation and other stock-based compensation expense	49.3	29.7	15.0
Acquired in-process research and development	—	5.1	20.3
Non-cash tax expense on sale of short term investment	—	—	3.6
Amortization of debt issuance costs	2.3	3.8	2.7
Non-cash changes in short term investment	(3.6)	(4.5)	3.4
Impairment of intangibles and other long-lived assets	10.7	7.8	5.7
Impairment of goodwill	37.0	—	22.4
Gain on sale of investments	(2.3)	(29.0)	(73.2)
Settlement of held-to-maturity debt security	—	(5.1)	—
Reduction in fair value of investments	—	0.2	4.2
Activity related to equity investments	(1.2)	—	0.3
Gain on sale of subsidiaries' assets	—	—	(0.1)
Gain on repurchase of debt	(11.1)	(6.3)	—
Non-cash portion of Nortel settlement	(24.0)	—	—
Allowance for doubtful accounts	(0.4)	(0.5)	2.2
Changes in operating assets and liabilities, net of impact of acquisitions of businesses:			
Accounts receivable	(23.0)	(22.3)	(69.3)
Inventories	30.4	7.8	(13.8)
Other current assets	(3.4)	41.3	28.6
Accounts payable	9.6	(19.6)	16.4
Income taxes payable	(11.2)	(3.7)	3.4
Deferred taxes, net	(1.2)	(9.5)	(2.1)
Accrued payroll and related expenses	(6.5)	(2.0)	5.6
Other	22.5	(34.6)	(29.1)
Net cash provided by (used in) operating activities	<u>197.2</u>	<u>61.3</u>	<u>(81.2)</u>
INVESTING ACTIVITIES:			
Purchases of available-for-sale investments	(753.1)	(777.0)	(541.0)
Maturities and sales of investments	930.6	911.8	557.8
Changes in restricted cash	(7.1)	6.5	(7.8)
Acquisitions, net of cash acquired	(59.9)	(69.2)	(479.7)
Purchases of long term investments	(9.0)	—	(0.4)
Proceeds from settlement of held-to-maturity debt security	—	5.1	—
Acquisition of property and equipment	(51.7)	(75.7)	(67.2)
Proceeds from sale of net assets	3.6	10.2	31.6
Other assets	—	(5.3)	—
Net cash provided by (used in) investing activities	<u>53.4</u>	<u>6.4</u>	<u>(506.7)</u>
FINANCING ACTIVITIES:			
Payments on debt and capital lease obligations	(0.3)	—	—
Repayment of debt	(287.5)	(85.0)	—
Proceeds from issuance of debt, net of issuance costs	—	—	415.9
Proceeds from finance lease	32.2	—	—
Repurchase of common stock	(113.2)	—	—
Proceeds from exercise of employee stock options and employee stock purchase plan	15.8	13.0	28.2
Net cash provided by (used in) financing activities	<u>(353.0)</u>	<u>(72.0)</u>	<u>444.1</u>
Effect of exchange rates on cash and cash equivalents	5.1	2.3	2.0
Decrease in cash and cash equivalents	(97.3)	(2.0)	(141.8)
Cash and cash equivalents at beginning of period	<u>362.9</u>	<u>364.9</u>	<u>506.7</u>
Cash and cash equivalents at end of period	<u>\$ 265.6</u>	<u>\$ 362.9</u>	<u>\$ 364.9</u>
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$ 6.6	\$ 4.5	\$ 0.2
Cash paid for taxes	8.5	6.5	7.7
Cash received for tax refunds	2.5	23.5	2.7
Non-cash transactions:			
Common stock issued in connection with acquisitions	121.6	104.7	358.8

See accompanying notes to consolidated financial statements.

JDS UNIPHASE CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions)

	Preferred Stock		Common Stock		Additional			Accumulated		
	Shares	Amount	Shares	Amount	Paid-In Capital	Deferred Compensation	Accumulated Deficit	Other Comprehensive Income	Total	
Balance at July 2, 2005	—	\$ —	181.0	\$ 1.4	\$ 68,597.4	\$ (4.9)	\$ (67,273.3)	\$ 9.1	\$ 1,329.7	
Net loss	—	—	—	—	—	—	(151.2)	—	(151.2)	
Change in net unrealized gains on available-for-sale investments	—	—	—	—	—	—	—	0.8	0.8	
Foreign currency translation adjustment	—	—	—	—	—	—	—	2.7	2.7	
Comprehensive loss	—	—	—	—	—	—	—	—	(147.7)	
Adjustment for divestiture	—	—	—	—	(0.4)	—	—	—	(0.4)	
Shares issued under employee stock plans, net of tax effects	—	—	1.8	0.1	28.1	—	—	—	28.2	
Stock-based compensation	—	—	0.1	—	15.0	—	—	—	15.0	
Shares issued for Acterna acquisition	—	—	25.0	0.2	304.5	—	—	—	304.7	
Shares issued for Agility acquisition	—	—	2.8	—	54.1	—	—	—	54.1	
Reclass of deferred compensation balance upon adoption of SFAS 123(R)	—	—	—	—	(4.9)	4.9	—	—	—	
Balance at July 1, 2006	—	—	210.7	1.7	68,993.8	—	(67,424.5)	12.6	1,583.6	
Net loss	—	—	—	—	—	—	(26.3)	—	(26.3)	
Change in net unrealized gains on available-for-sale investments	—	—	—	—	—	—	—	5.8	5.8	
Foreign currency translation adjustment	—	—	—	—	—	—	—	15.2	15.2	
Comprehensive loss	—	—	—	—	—	—	—	—	(5.3)	
Defined benefit obligation upon adoption of SFAS 158, net of tax	—	—	—	—	—	—	—	8.9	8.9	
Shares issued under employee stock plans, net of tax effects	—	—	0.9	—	13.0	—	—	—	13.0	
Reverse stock split reclass	—	—	—	(1.5)	1.5	—	—	—	—	
Stock-based compensation	—	—	0.2	—	28.8	—	—	—	28.8	
Shares issued for Picolight acquisition	—	—	7.2	—	104.7	—	—	—	104.7	
Note conversion	—	—	—	—	1.8	—	—	—	1.8	
Balance at June 30, 2007	—	—	219.0	0.2	69,143.6	—	(67,450.8)	42.5	1,735.5	
Net loss	—	—	—	—	—	—	(21.7)	—	(21.7)	
Change in net unrealized gains on available-for-sale investments	—	—	—	—	—	—	—	(0.6)	(0.6)	
Foreign currency translation adjustment	—	—	—	—	—	—	—	28.5	28.5	
Defined benefit obligation, net of tax	—	—	—	—	—	—	—	7.5	7.5	
Comprehensive income	—	—	—	—	—	—	—	—	13.7	
Shares issued under employee stock plans, net of tax effects	—	—	2.1	—	15.8	—	—	—	15.8	
Repurchase of common stock	—	—	(9.6)	—	—	—	(113.2)	—	(113.2)	
Stock-based compensation	—	—	0.8	—	44.0	—	—	—	44.0	
Shares issued for Picolight acquisition	—	—	1.0	—	(0.1)	—	—	—	(0.1)	
Shares issued for ABNH acquisition	—	—	8.7	—	121.7	—	—	—	121.7	
Balance at June 28, 2008	—	\$ —	222.0	\$ 0.2	\$ 69,325.0	\$ —	\$ (67,585.7)	\$ 77.9	\$ 1,817.4	

See accompanying notes to consolidated financial statements.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Description of Business and Summary of Significant Accounting Policies

Description of Business

JDS Uniphase Corporation is the leading provider of communications test and measurement solutions and optical products for telecommunications service providers, cable operators, and network equipment manufacturers. JDSU technologies also enable broadband and optical innovation in many essential industries such as biomedical and environmental instrumentation, semiconductor processing, aerospace and defense, and brand protection. In addition, our optical coatings are used in visual display and decorative product differentiation applications.

Fiscal Years

The Company utilizes a 52-53 week fiscal year ending on the Saturday closest to June 30th. The Company's fiscal 2008 ended on June 28, 2008 and was a 52 week year. The Company's fiscal 2007 and fiscal 2006 ended on June 30, 2007 and July 1, 2006, and were also 52 week years. Historically, for comparative presentation purposes, the Company utilized a dating convention where its consolidated financial statements and notes were shown as ending on the last day of the calendar quarter. In addition, the Company disclosed in the notes to the financial statements its use of this dating convention and the actual period end dates for each period presented. Beginning in the second quarter of fiscal year 2007, the Company changed its dating convention to utilize the actual closing dates for all periods presented in its Consolidated Financial Statements and accompanying notes. This change had no impact on the Company's financial position, results of operations, and cash flows for any of the periods presented.

Principles of Consolidation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and include the Company and its wholly-owned subsidiaries. All inter-company accounts and transactions have been eliminated.

Out of Period Adjustments

In fiscal 2008, the Company recorded adjustments primarily related to revenue, cost of sales, operating expenses, income tax expense, and certain balance sheet accounts. These adjustments resulted in additional net income of \$2.1 million recorded in fiscal 2008. As a result of these adjustments, the operating loss for fiscal 2008 decreased by \$3.1 million and was partially offset by \$1.0 million related to tax provision adjustments. There was a positive impact on net loss of \$0.01 per share in fiscal 2008 from these adjustments.

In fiscal 2007, the Company recorded adjustments primarily related to retention bonuses, interest expense, manufacturing, and inventory. These adjustments resulted in additional net loss of \$1.5 million recorded in fiscal 2007. As a result of these adjustments, the operating loss for fiscal 2007 increased by \$3.9 million and was partially offset by \$2.4 million related to adjustments for interest expense, tax provision, and foreign exchange. There was a negative impact on net loss per share of \$0.01 in fiscal 2007 from these adjustments.

In fiscal 2006, the Company recorded adjustments primarily related to restructuring charges, asset retirement obligations, and deferred rent expenses. These adjustments resulted in additional net loss of \$6.3 million recorded in fiscal 2006. As a result of these adjustments, the operating loss for fiscal 2006 increased by \$7.7 million and was partially offset by \$1.4 million in gains on investments. There was a negative impact on net loss per share of \$0.04 in fiscal 2006 from these adjustments.

Management and the Audit Committee believe that such amounts are not material to the current and previously reported financial statements.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of net revenue and expenses during the period. The Company bases estimates on historical experience and on various assumptions about the future that are believed to be reasonable based on available information. The Company's reported financial position or results of operations may be materially different under different conditions or when using different estimates and assumptions, particularly with respect to significant accounting policies, which are discussed below. In the event that estimates or assumptions prove to differ from actual results, adjustments are made in subsequent periods to reflect more current information.

Cash and Cash Equivalents

The Company considers highly liquid instruments such as treasury bills, commercial paper and money market instruments with original maturities of 90 days or less at the time of purchase to be cash equivalents.

Restricted Cash

At June 28, 2008 and June 30, 2007, the Company's restricted cash balance was \$11.1 million and \$9.9 million, respectively. It primarily includes interest-bearing investments in bank certificates of deposit and money market funds which act as collateral supporting the issuance of letters of credit and performance bonds for the benefit of third parties.

Investments

The Company's investments in debt securities and marketable equity securities are primarily classified as available-for-sale investments or trading assets and are recorded at fair value. The cost of securities sold is based on the specific identification method. Unrealized gains and losses on available-for-sale investments, net of tax, are reported as a separate component of stockholders' equity. Gains or losses on trading assets resulting from changes in fair value are recognized currently in earnings. The Company's short-term investments include securities with stated maturities of longer than twelve months which are classified as current assets as they are highly liquid and available to support current operations. The Company's long-term investments include certain available-for-sale debt securities that are classified as long term based on the Company's expectation that they will be held to maturity. The Company also has certain minority investments in privately held companies and private venture funds. These investments are generally carried at cost and are generally classified as long-term investments.

The Company periodically reviews these investments for impairment. In the event the carrying value of an investment exceeds its fair value and the decline in fair value is determined to be other-than-temporary, the Company writes down the value of the investment to its fair value.

Fair Value of Financial Instruments

The carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, accrued compensation and other accrued liabilities, approximate fair value because of their short maturities. Estimates of fair value of fixed-income securities are based on quoted market prices from active markets or third party, market-based pricing sources which the company believes to be reliable. These estimates represent the third parties' good faith opinion as to what a buyer in the marketplace would pay for a security in a current sale. For instruments that are not actively traded, estimates may be based on current treasury yields adjusted by an estimated market credit spread for the specific instrument. The use of different valuation

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

methodologies or market assumptions could have a material impact on estimated fair value amounts. Fair value for equity investments in public companies is determined using quoted market prices for those securities. Fair value for equity investments in privately held companies is estimated based upon one or more of the following: Assessment of the investees' historical and forecasted financial condition; operating results and cash flows; the values of recent rounds of financing; or quoted market prices of comparable public companies. The fair market value of the Company's Senior Convertible Notes fluctuates with interest rates and with the market price of the stock, but does not affect the carrying value of the debt on the balance sheet, which remains at the par value of \$1,000 per bond. See "Note 10. Convertible Debt and Letters of Credit" for more detail.

Inventories

Inventory is valued at standard cost, which approximates actual cost computed on a first-in, first-out basis, not in excess of net realizable market value. The Company assesses the valuation on a quarterly basis and writes down the value for estimated excess and obsolete inventory based upon estimates of future demand, including warranty requirements.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed by the straight-line method over the following estimated useful lives of the assets: 5 to 40 years for building and improvements, 2 to 10 years for machinery and equipment, and 2 to 5 years for furniture, fixtures and office equipment. Leasehold improvements are amortized by the straight-line method over the shorter of the estimated useful lives of the assets or the term of the lease.

Costs related to software acquired, developed or modified solely to meet the Company's internal requirements and for which there are no substantive plans to market are capitalized in accordance with the provisions of AICPA Statement of Position 98-1, "*Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*" ("SOP 98-1"). Costs incurred after the preliminary planning stage of the project and after management has authorized and committed funds to the project are capitalized. Costs capitalized for computer software developed or obtained for internal use are included in Property, Plant and Equipment on the Consolidated Balance Sheets.

Goodwill

Goodwill represents the excess of the purchase price of an acquired enterprise or assets over the fair value of the identifiable assets acquired and liabilities assumed. The Company tests for impairment of goodwill on an annual basis in the fourth quarter and at any other time if events occur or circumstances indicate that the carrying amount of goodwill may not be recoverable. See "Note 7. Goodwill" for more detail.

Circumstances that could trigger an impairment test include, but are not limited to: a significant adverse change in the business climate or legal factors; an adverse action or assessment by a regulator; unanticipated competition; loss of key personnel; the likelihood that a reporting unit or significant portion of a reporting unit will be sold or otherwise disposed; results of testing for recoverability of a significant asset group within a reporting unit; or recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of a reporting unit.

If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recorded in the Statement of Operations as "Impairment of goodwill". Measurement of the fair value of a reporting unit is based on one or more of the following fair value measures including: amounts at which the unit as a whole could be bought or sold in a current transaction between willing parties; using present value techniques of estimated future cash flows; or using valuation techniques based on multiples of earnings or revenue, or a similar performance measure.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Other Intangible Assets

Other intangible assets consist primarily of intellectual property acquired and purchased intangible assets. Purchased intangible assets primarily include acquired developed technologies (developed and core technology), proprietary know-how, trade secrets, trademarks and trade names, and customer base. Other intangible assets are amortized using the straight-line method over estimated useful lives ranging from 1 to 16 years.

Impairment or disposal of long-lived assets (plant and equipment and other intangible assets)

Long-lived assets held and used

The Company tests long-lived assets or asset groups for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant decreases in the market price of the asset; significant adverse changes in the business climate or legal factors; accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the asset; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; or current expectation that the asset will more likely than not be sold or disposed significantly before the end of its estimated useful life. See “Note 9. Impairment of Other Long-Lived Assets” for more detail.

Recoverability is assessed based on the carrying amount of the asset and its fair value which is generally determined based on the sum of the undiscounted cash flows expected to result from the use and the eventual disposal of the asset, as well as specific appraisal in certain instances. An impairment loss is recognized in the Statement of Operations as “Impairment of intangibles and loss on long-lived assets” when the carrying amount is not recoverable and exceeds fair value.

Long-lived assets held for sale

Long-lived assets are classified as held for sale when certain criteria are met, which include: management commitment to a plan to sell the assets; the availability of the assets for immediate sale in their present condition; an active program to locate buyers and other actions to sell the assets has been initiated; whether the sale of the assets is probable and their transfer is expected to qualify for recognition as a completed sale within one year; whether the assets are being marketed at reasonable prices in relation to their fair value; and how unlikely it is that significant changes will be made to the plan to sell the assets. See “Note 9. Impairment of Other Long-Lived Assets” for more detail.

The Company measures long-lived assets to be disposed of by sale at the lower of carrying amount or fair value less cost to sell. Fair value is determined using quoted market prices or the anticipated cash flows discounted at a rate commensurate with the risk involved.

Pension and Other Postretirement Benefits

The funded status of the Company’s retirement-related benefit plans is recognized in the Consolidated Balance Sheets. The funded status is measured as the difference between the fair value of plan assets and the benefit obligation at fiscal year end, the measurement date. For defined benefit pension plans, the benefit obligation is the projected benefit obligation (PBO) and for the nonpension postretirement benefit plan the benefit obligation is the accumulated postretirement benefit obligation (APBO). The PBO represents the actuarial present value of benefits expected to be paid upon retirement. The APBO represents the actuarial present value of postretirement benefits attributed to employee services already rendered. The fair value of plan assets represents the current market value of cumulative company contributions made to an irrevocable trust fund, held for the sole benefit of participants, which are invested by the trust fund. Underfunded plans, with the benefit obligation exceeding the fair value of plan assets, are aggregated and recorded as a retirement and nonpension

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

postretirement benefit obligation equal to this excess. The current portion of the retirement-related benefit obligation represents the actuarial present value of benefits payable in the next 12 months in excess of the fair value of plan assets, measured on a plan-by-plan basis. This liability is recorded in other current liabilities in the Consolidated Balance Sheets.

(Gains)/losses and prior service cost/(credit) not recognized as a component of net periodic pension cost/(income) in the Consolidated Statement of Operations as they arise are recognized as a component of accumulated other comprehensive income in the Consolidated Balance Sheets, net of tax. Those (gains)/losses and prior service cost/(credit) are subsequently recognized as a component of net periodic pension cost/(income) pursuant to the recognition and amortization provisions of applicable accounting standards. (Gains)/losses arise as a result of differences between actual experience and assumptions or as a result of changes in actuarial assumptions. Prior service cost/(credit) represents the cost of benefit improvements attributable to prior service granted in plan amendments.

Net periodic pension cost/(income) is recorded in the Consolidated Statement of Operations and includes service cost, interest cost, expected return on plan assets, amortization of prior service cost and (gains)/losses previously recognized as a component of accumulated other comprehensive income. Service cost represents the actuarial present value of participant benefits earned in the current year. Interest cost represents the time value of money cost associated with the passage of time. Certain events, such as changes in employee base, plan amendments and changes in actuarial assumptions, result in a change in the benefit obligation and the corresponding change in other comprehensive income. The result of these events is amortized as a component of net periodic cost/(income) over the service lives of the participants, provided such amounts exceed thresholds which are based upon the benefit obligation or the value of plan assets.

The measurement of the benefit obligation and net periodic pension cost/(income) is based on the Company's estimates and actuarial valuations provided by third-party actuaries which are approved by management. These valuations reflect the terms of the plans and use participant-specific information such as compensation, age and years of service, as well as certain assumptions, including estimates of discount rates, expected return on plan assets, rate of compensation increases, and mortality rates. While the Company believes that the assumptions are appropriate, significant differences in the actual experience or significant changes in the assumptions that may be required under new legislation, or accounting pronouncements, or otherwise may materially affect the Company's pension and other post-retirement obligations and future expense.

Concentration of Credit and Other Risks and Allowance for Doubtful Accounts

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash equivalents, investments and trade receivables. The Company's cash equivalents and short-term investments are held in safekeeping by large, creditworthy financial institutions. The Company invests its excess cash primarily in U.S. government and agency bonds, corporate obligations, money market funds, asset-backed securities, and other investment-grade securities. In general, the Company's investment policy requires that securities purchased and held be rated A-1/P-1, A/A2 or better. The Company has established guidelines relative to credit ratings, diversification and maturities that seek to maintain safety and liquidity.

The Company performs credit evaluations of its customers' financial condition and generally does not require collateral from its customers. These evaluations require significant judgment and are based on a variety of factors including, but not limited to, current economic trends, historical payment, bad debt write-off experience, and financial review of the customer.

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. When the Company becomes aware that a specific customer is

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

unable to meet its financial obligations, the Company records a specific allowance to reflect the level of credit risk in the customer's outstanding receivable balance. In addition, the Company records additional allowances based on certain percentages of aged receivable balances. The Company classifies bad debt expenses as selling, general and administrative expenses.

The Company is not able to predict changes in the financial stability of its customers. Any material change in the financial status of any one or a group of customers could have a material adverse effect on the Company's results of operations and financial condition. Although such losses have been within management's expectations to date, there can be no assurance that such allowances will continue to be adequate. The Company has significant trade receivables concentrated in the telecommunications industry. While the Company's allowance for doubtful accounts balance is based on historical loss experience along with anticipated economic trends, unanticipated financial instability in the telecommunication's industry could lead to higher than anticipated losses. No one customer accounted for greater than 10% of accounts receivables or revenue for the periods presented.

The Company depends on a limited number of contract manufacturers, subcontractors, and suppliers for raw materials, packages and standard components. The Company generally purchases these single or limited source products through standard purchase orders or one-year supply agreements and has no long-term guaranteed supply agreements with such vendors. While the Company seeks to maintain a sufficient safety stock of such products and maintains ongoing communications with its suppliers to guard against interruptions or cessation of supply, the Company's business and results of operations could be adversely affected by a stoppage or delay of supply, substitution of more expensive or less reliable products, receipt of defective parts or contaminated materials, increases in the price of such supplies, or the Company's inability to obtain reduced pricing from its suppliers in response to competitive pressures.

The Company generally uses a rolling twelve month forecast based on anticipated product orders, customer forecasts, product order history and backlog to determine its material requirements. Lead times for the parts and components that the Company orders vary significantly and depend on factors such as the specific supplier, contract terms and demand for a component at a given time. If the forecast does not meet actual demand, the Company may have excess or shortfalls of some materials and components, as well as excess inventory purchase commitments. The Company could experience reduced or delayed product shipments or incur additional inventory write-downs and cancellation charges or penalties, which would increase costs and could have a material adverse impact on the Company's results of operations.

Derivatives

The Company recognizes all derivatives on the Consolidated Balance Sheets at fair value. Derivatives that are not designated for hedge accounting are adjusted to fair value through the Statement of Operations. If the derivative is accounted for as a hedge, depending on the nature of the hedge, changes in the fair value of the derivatives will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through the Statement of Operations, or recognized in other accumulated comprehensive income (loss) until the hedged item is recognized in earnings. The change in a derivative's fair value related to the ineffective portion of a hedge, if any, will be immediately recognized in the Statement of Operations.

The Company's objective for holding derivatives is to minimize the material risks associated with non-functional currency transactions. The Company does not use derivatives for trading purposes.

The Company conducts its business and sells its products directly to customers primarily in North America, Europe and Asia. In the normal course of business, the Company's financial position is routinely subject to market risks associated with foreign currency rate fluctuations due to balance sheet positions in foreign

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currencies. The Company evaluates foreign exchange risks and may employ foreign currency forward contracts to reduce such risks. The foreign currency forward contracts generally expire within 120 days. The change in fair value of these foreign currency forward contracts is recorded as income or loss in the Company's Consolidated Statements of Operations as a component of interest and other income (loss).

Foreign Currency Translation

Assets and liabilities of non-U.S. subsidiaries that operate in a local currency environment, where that local currency is the functional currency, are translated into U.S. dollars at exchange rates in effect at the balance sheet date, with the resulting translation adjustments directly recorded to a separate component of accumulated other comprehensive income. Income and expense accounts are translated at the prior month balance sheet exchange rates. Translation adjustments are recorded in interest and other income (loss), where the U.S. dollar is the functional currency.

Revenue Recognition

The Company recognizes revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when it has persuasive evidence of an arrangement, delivery has occurred, the sales price is fixed or determinable, and collectibility is reasonably assured. Delivery does not occur until products have been shipped or services have been provided to the client, risk of loss has transferred to the client and client acceptance has been obtained, client acceptance provisions have lapsed, or the Company has objective evidence that the criteria specified in the client acceptance provisions have been satisfied. In situations where a formal acceptance is required but the acceptance only relates to whether the product meets its published specifications, revenue is generally recognized upon shipment provided all other revenue recognition criteria are met. The sales price is not considered to be fixed or determinable until all contingencies related to the sale have been resolved.

The Company reduces revenue for rebates and other similar allowances. Revenue is recognized only if these estimates can be reasonably and reliably determined. The Company bases its estimates on historical results taking into consideration the type of client, the type of transaction and the specifics of each arrangement.

In addition to the aforementioned general policies, the following are the specific revenue recognition policies for multiple-element arrangements and for each major category of revenue.

Hardware

Revenue from hardware sales is generally recognized when the product is shipped to the customer and when there are no unfulfilled company obligations that affect the customer's final acceptance of the arrangement. Any cost of warranties and remaining obligations that are inconsequential or perfunctory are accrued when the corresponding revenue is recognized. Revenue from rentals and operating leases is recognized on a straight-line basis over the term of the rental or lease.

Multiple-Element Arrangements

The Company enters into multiple-element revenue arrangements, which may include any combination of hardware, software and services. Certain of the Company's networking and communications products are integrated with software that is not considered more than incidental to the functionality of the equipment. The Company believes that this equipment is not considered software related and would therefore be excluded from the scope of American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) No. 97-2, "*Software Revenue Recognition*" ("SOP 97-2"). Accordingly, the Company allocates the fair value of the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

equipment when sold with software according to the FASB Emerging Issues Task Force Abstracts No. 00-21, “*Revenue Arrangements with Multiple Deliverables*” (“EITF 00-21”). The value of the arrangement, less the allocated hardware is then considered within the scope of SOP 97-2.

To the extent that a deliverable(s) in a multiple-element arrangement is subject to specific guidance (for example, software that is subject to SOP 97-2 on whether and/or how to separate multiple-deliverable arrangements into separate units of accounting (separability) and how to allocate value among those separate units of accounting (allocation), that deliverable(s) is accounted for in accordance with such specific guidance. A multiple-element arrangement is separated into more than one unit of accounting if all of the following criteria are met:

- The delivered item(s) has value to the client on a standalone basis.
- There is objective and reliable evidence of the fair value of the undelivered item(s).
- If the arrangement includes a general right of return relative to the delivered item(s), delivery or performance of the undelivered item(s) is considered probable and substantially in the control of the Company.

If these criteria are not met, revenue is deferred until the earlier of when such criteria are met or when the last undelivered element is delivered. If there is objective and reliable evidence of fair value for all units of accounting in an arrangement, the arrangement consideration is allocated to the separate units of accounting based on each unit’s relative fair value. There may be cases, however, in which there is objective and reliable evidence of fair value of the undelivered item(s) but no such evidence for the delivered item(s). In those cases, the residual method is used to allocate the arrangement consideration. Under the residual method, the amount of consideration allocated to the delivered item(s) equals the total arrangement consideration less the aggregate fair value of the undelivered item(s). The revenue policies described below are then applied to each unit of accounting, as applicable.

Services

Revenue from services and system maintenance is typically recognized on a straight-line basis over the term of the contract. Revenue from time and material contracts is recognized at the contractual rates as labor hours are delivered and direct expenses are incurred. Revenue related to extended warranty and product maintenance contracts is deferred and recognized on a straight-line basis over the delivery period. The Company also generates service revenue from hardware repairs and calibrations which is recognized as revenue upon completion of the service.

Software

Revenue from perpetually licensed software is recognized at the inception of the license term. Revenue from maintenance, unspecified upgrades and technical support is recognized over the period such items are delivered. In multiple-element revenue arrangements that include software that is more than incidental to the products or services as a whole (software multiple-element arrangements), software and software-related elements are accounted for in accordance with the following policies. Software-related elements include software products and services as well as any non-software deliverable(s) for which a software deliverable is essential to its functionality.

A software multiple-element arrangement is separated into more than one unit of accounting if all of the following criteria are met:

- The functionality of the delivered element(s) is not dependent on the undelivered element(s).
- There is vendor-specific objective evidence (VSOE) of fair value of the undelivered element(s).

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

- Delivery of the delivered element(s) represents the culmination of the earnings process for that element(s).

If these criteria are not met, the revenue is deferred until the earlier of when such criteria are met or when the last undelivered element is delivered. If there is VSOE for all units of accounting in an arrangement, the arrangement consideration is allocated to the separate units of accounting based on each unit's relative VSOE. There may be cases, however, in which there is VSOE of the undelivered item(s) but no such evidence for the delivered item(s). In these cases, the residual method is used to allocate the arrangement consideration. Under the residual method, the amount of consideration allocated to the delivered item(s) equals the total arrangement consideration less the aggregate VSOE of the undelivered elements. The Company limits its assessment of VSOE for each undelivered element is primarily determined via contract specific substantive renewal rates. Changes to the elements in an arrangement and the Company's ability to establish vendor-specific objective evidence for those elements could affect the timing of the revenue recognition.

Warranty

The Company provides reserves for the estimated costs of product warranties at the time revenue is recognized. It estimates the costs of its warranty obligations based on its historical experience of known product failure rates, use of materials to repair or replace defective products and service delivery costs incurred in correcting product failures. In addition, from time to time, specific warranty accruals may be made if unforeseen technical problems arise. Should the actual experience relative to these factors differ from the estimates, the Company may be required to record additional warranty reserves. Alternatively, if the Company provides more reserves than it needs, it may reverse a portion of such provisions in future periods.

Shipping and Handling Costs

The Company records costs related to shipping and handling of revenue in cost of sales for all periods presented.

Advertising Expense

The Company expenses advertising costs as incurred. Advertising costs totalled \$2.4 million, \$1.3 million, and \$2.0 million in fiscal 2008, 2007, and 2006, respectively.

Research and Development ("R&D") Expense

Costs related to research and development are charged to expense as incurred, except as follows: capitalization of material software development costs begins when a product's technological feasibility has been established in accordance with the provisions of SFAS No. 86, "*Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed*" ("SFAS 86"). To date, the period between achieving technological feasibility, which the Company has defined as the establishment of a working model, and which typically occurs when beta testing commences, and the general availability of such software has been very short. Accordingly, software development costs have been expensed as incurred.

Stock-Based Compensation

The Company estimates the fair value of equity awards granted using the Black-Scholes-Merton option-pricing formula and a single option award approach. This option-pricing model requires the input of highly subjective assumptions, including the option's expected life and the price volatility of the underlying stock. The expected stock price volatility assumption is determined using a combination of historical and implied volatility of our common stock. The Company believes that using a combination of historical and market-based implied

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volatility from traded options on JDSU common stock is a better indicator of expected volatility and future stock price trends than relying solely on historical volatility. In addition, the Company is required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. When estimating forfeitures, the Company considers voluntary termination behavior as well as future workforce reduction programs. Estimated forfeiture rates are true-up to actual forfeiture as the stock-based awards vest. The total fair value of the equity awards, net of forfeiture, is recorded on a straight-line basis (except for performance based Full Value Awards which are amortized based upon graded vesting method) over the requisite service periods of the awards, which is generally the vesting period.

Comprehensive Income (Loss)

The Company's accumulated other comprehensive income (loss) consists of the accumulated net unrealized gains or losses on available-for-sale investments, foreign currency translation adjustments, and pension liability. At June 28, 2008 and June 30, 2007, the Company had a balance of net unrealized loss of \$3.8 million and \$3.2 million, respectively, on available-for-sale investments. At June 28, 2008 and June 30, 2007, the Company had \$65.3 million and \$36.8 million, respectively, of foreign currency translation gains.

The components of comprehensive income (loss), net of tax, were as follows (*in millions*):

	Years Ended		
	June 28, 2008	June 30, 2007	July 1, 2006
Net loss	\$ (21.7)	\$ (26.3)	\$ (151.2)
Other comprehensive income:			
Net change in unrealized gains (losses) on investments	(0.6)	5.8	0.8
Net change in cumulative translation adjustment	28.5	15.2	2.7
Net change in defined benefit obligation, net of tax	7.5	—	—
Net change in other comprehensive income	35.4	21.0	3.5
Comprehensive income (loss)	<u>\$ 13.7</u>	<u>\$ (5.3)</u>	<u>\$ (147.7)</u>

At June 28, 2008 and June 30, 2007, balances for the components of accumulated other comprehensive income were as follows (*in millions*):

	Years Ended	
	June 28, 2008	June 30, 2007
Unrealized losses on investments	\$ (3.8)	\$ (3.2)
Foreign currency translation gains	65.3	36.8
Defined benefit obligation, net of tax	16.4	8.9
Accumulated other comprehensive income	<u>\$ 77.9</u>	<u>\$ 42.5</u>

The change between fiscal 2008 and 2007 for unrealized gains (losses) on investments was mainly related to debt securities.

The change between fiscal 2008 and 2007 for foreign currency translation was mainly related to exchange gains on translation of the results of foreign subsidiaries.

JDS UNIPHASE CORPORATION
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Income Taxes

In accordance with Statement of Financial Accounting Standards No. 109, “Accounting for Income Taxes” (“SFAS 109”), the Company recognizes income taxes using an asset and liability approach. This approach requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our consolidated financial statements or tax returns. The measurement of current and deferred taxes is based on provisions of the enacted tax law and the effects of future changes in tax laws or rates are not anticipated.

SFAS 109 provides for recognition of deferred tax assets if the realization of such deferred tax assets is more likely than not to occur. With the exception of certain international jurisdictions, the Company has determined that at this time it is more likely than not that deferred tax assets attributable to the remaining jurisdictions will not be realized, primarily due to uncertainties related to its ability to utilize the net operating loss carryforwards before they expire based on its recent years history of losses. Accordingly, the Company has established a valuation allowance for such deferred tax assets. If there is a change in the Company’s ability to realize its deferred tax assets, then its tax provision may decrease in the period in which it determines that realization is more likely than not.

On July 13, 2006, the FASB issued Interpretation No. 48 “Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement 109” (“FIN 48”). The Company adopted FIN 48 on July 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity’s financial statements in accordance with FASB Statement 109, “Accounting for Income Taxes”, and prescribes a recognition threshold and measurement attributes for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Additionally, FIN 48 provides guidance on recognition, classification, and disclosure of tax positions.

The Company is subject to income tax audits by the respective tax authorities in all of the jurisdictions in which it operates. The determination of tax liabilities in each of these jurisdictions requires the interpretation and application of complex and sometimes uncertain tax laws and regulations. The Company recognizes liabilities based on its estimate of whether, and the extent to which, additional tax liabilities are more likely than not. If the Company ultimately determines that the payment of such a liability is not necessary, then it reverses the liability and recognizes a tax benefit during the period in which the determination is made that the liability is no longer necessary.

The recognition and measurement of current taxes payable or refundable and deferred tax assets and liabilities requires that the Company makes certain estimates and judgments. Changes to these estimates or a change in judgment may have a material impact on the Company’s tax provision in a future period.

Restructuring Accrual

In accordance with Statement of Financial Accounting Standard No. 146, “*Accounting for Costs Associated with Exit or Disposal Activities*” (“SFAS 146”), generally costs associated with restructuring activities initiated after December 31, 2002 have been recognized when they are incurred rather than at the date of a commitment to an exit or disposal plan. However, in the case of leases, the expense is estimated and accrued when the property is vacated. Given the significance of, and the timing of the execution of such activities, this process is complex and involves periodic reassessments of estimates made at the time the original decisions were made, including evaluating real estate market conditions for expected vacancy periods and sub-lease rents. In addition, post-employment benefits accrued for workforce reductions related to restructuring activities initiated after December 31, 2002 are accounted for under Statement of Financial Accounting Standards No. 112, “*Employer’s Accounting for Post-employment Benefits*” (“SFAS 112”). A liability for post-employment benefits is recorded

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when payment is probable, the amount is reasonably estimable, and the obligation relates to rights that have vested or accumulated. The Company continually evaluates the adequacy of the remaining liabilities under its restructuring initiatives. Although the Company believes that these estimates accurately reflect the costs of its restructuring plans, actual results may differ, thereby requiring the Company to record additional provisions or reverse a portion of such provisions.

Loss Contingencies

The Company is subject to the possibility of various loss contingencies arising in the ordinary course of business. The Company considers the likelihood of loss or impairment of an asset or the incurrence of a liability, as well as its ability to reasonably estimate the amount of loss in determining loss contingencies. An estimated loss is accrued when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The Company regularly evaluates current information available to determine whether such accruals should be adjusted and whether new accruals are required.

Net Loss Per Share

The following table sets forth the computation of basic and diluted net loss per share (*in millions*, except per share data):

	Years Ended		
	June 28, 2008	June 30, 2007	July 1, 2006
Numerator:			
Net loss	\$ (21.7)	\$ (26.3)	\$ (151.2)
Denominator:			
Weighted-average number of common shares outstanding	223.8	211.7	206.2
Net loss per share—basic and diluted	\$ (0.10)	\$ (0.12)	\$ (0.73)

As the Company incurred net losses for the years ended 2008, 2007, and 2006, potential dilutive securities from stock options, employee stock purchase plan (“ESPP”), Full Value Awards, and Zero Coupon Senior Convertible Notes have been excluded from the diluted net loss per share computations as their effect was deemed anti-dilutive.

As of June 28, 2008, contingently issuable shares relating to the 1% Senior Convertible Notes were also excluded in accordance with Emerging Issues Task Force Abstract No. 04-8, “*The Effect of Contingently Convertible Debt on Diluted Earnings Per Share*” (“EITF 04-8”). These shares, which are represented below as potentially dilutive securities, would be included in the computation of diluted net income per share in periods when the closing price of the Company’s common stock is at least \$30.30. Depending on the stock price on the conversion date, up to a maximum of approximately 14.0 million shares, subject to certain adjustments, may be issued upon conversion of the 1% Senior Convertible Notes. During fiscal 2008, the Company repurchased \$300.0 million aggregate principal amount of the Zero Coupon Senior Convertible Notes for \$287.4 million in cash. The repurchase and retirement of the notes reduced the number of conversion shares potentially issuable from approximately 9.7 million to approximately 2.1 million. For additional information regarding these two notes, see “Note 10. Convertible Debt and Letters of Credit”.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table sets forth the weighted average potentially dilutive securities excluded from the computation because their effect would have been anti-dilutive (*in millions*):

	Years Ended		
	June 28, 2008	June 30, 2007	July 1, 2006
Stock options and ESPP	16.7	18.6	15.3
Restricted shares and stock units	3.0	0.8	0.4
Zero coupon senior convertible notes	5.5	11.7	12.0
1% senior convertible notes	14.0	14.0	14.0
Total potentially dilutive securities	39.2	45.1	41.7

Asset Retirement Obligations

Asset retirement obligations (“ARO”) are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the Company records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The Company de-recognizes ARO liabilities when the related obligations are settled. At June 28, 2008 and June 30, 2007, \$1.2 million and \$0.9 million of ARO was included in the Consolidated Balance Sheets in “Other current liabilities” and the remainder of \$11.9 million and \$9.5 million was included in “Other non-current liabilities”.

(in millions)	Balance at Beginning of Period	Liabilities Incurred	Liabilities Settled	Accretion Expense	Revisions to Estimates	Balance at End of Period
Asset Retirement Obligations:						
Year ended June 28, 2008	\$ 10.4	1.3	(0.2)	1.0	0.6	\$ 13.1
Year ended June 30, 2007	\$ 9.2	0.5	—	0.7	—	\$ 10.4

Note 2. Recent Accounting Pronouncements

FASB Staff Positions APB 14-1

In May 2008, the FASB issued FASB Staff Position (FSP) No. APB 14-1, “*Accounting for Convertible Debt Instruments That May be Settled in Cash Upon Conversion (Including Partial Cash Settlement)*”. FSP No. APB 14-1 applies to convertible debt securities that, upon conversion, may be settled by the issuer fully or partially in cash. The FSP is effective for fiscal years (and interim periods within those fiscal years) beginning after December 15, 2008 and is to be applied retrospectively to all past periods presented—even if the instrument has matured, converted, or otherwise been extinguished as of the FSP’s effective date. The Company has not completed its assessment of the impact of FSP 14-1. However, management expects this will have a significant impact on its consolidated financial statements.

FASB Staff Positions FAS 142-3

In April 2008, the FASB issued FASB Staff Position (FSP) No. FAS 142-3, “*Determination of the Useful Life of Intangible Assets*”. The final FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS 142, “Goodwill and Other Intangible Assets”. The FSP is intended to improve the consistency between the useful life of an intangible asset determined under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141 (revised 2007), “Business Combinations”, and other US generally accepted

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accounting principles. The FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The Company believes there is no impact FSP 142-3 will have on its consolidated financial statements.

FASB Staff Positions FAS 157-1 and 2

In February 2008, the FASB issued the following two final FASB Staff Positions (FSP) amending FASB Statement No. 157, Fair Value Measurements (FAS 157):

- FSP FAS 157-2 delays the effective date of FAS 157 by one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The delay gives the FASB and constituents additional time to consider the effect of various implementation issues that have arisen, or that may arise, from the application of FAS 157 to these assets and liabilities. For items covered by the FSP, FAS 157 will now go into effect in fiscal years beginning after November 15, 2008 and in interim periods within those fiscal years.
- FSP FAS 157-1 amends FAS 157 to exclude FASB Statement No. 13, Accounting for Leases (FAS 13), and its related interpretive accounting pronouncements that address leasing transactions. The FASB decided to exclude leasing transactions covered by FAS 13 in order to allow it to more broadly consider the use of fair value measurements for these transactions as part of its project to comprehensively reconsider the accounting for leasing transactions.

The Company is currently evaluating the impact these FSPs will have on its consolidated financial statements.

FASB Statement No. 141(R)

In December, 2007, the Financial Accounting Standards Board (“FASB”) issued FASB Statement No. 141(R), *Business Combinations* (SFAS 141(R)). SFAS 141(R) introduces significant changes in the accounting for and reporting of business. SFAS 141(R) continues the movement toward the greater use of fair values in financial reporting and increased transparency through expanded disclosures. It changes how business acquisitions are accounted for and will impact financial statements at the acquisition date and in subsequent periods. Further, certain of the changes will introduce more volatility into earnings and thus may impact a company’s acquisition strategy. In addition, SFAS 141(R) will impact the annual goodwill impairment test associated with acquisitions that close both before and after the effective date of the Standard. The Company is currently evaluating the impact SFAS 141(R) will have on its consolidated financial statements. SFAS 141(R) is effective for the Company beginning in fiscal year 2010.

FASB Statement No. 159

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115” (“SFAS 159”). SFAS 159 expands the use of fair value accounting but does not affect existing standards which require assets or liabilities to be carried at fair value. Under SFAS 159, a company may elect to use fair value to measure accounts and loans receivable, available-for-sale and held-to-maturity securities, equity method investments, accounts payable, guarantees and issued debt. Other eligible items include firm commitments for financial instruments that otherwise would not be recognized at inception and non-cash warranty obligations where a warrantor is permitted to pay a third party to provide the warranty goods or services. If the use of fair value is elected, any upfront costs and fees related to the item must be recognized in earnings and cannot be deferred, e.g., debt issue costs. The fair value election is irrevocable and generally made on an instrument-by-instrument basis, even if a company has similar instruments that it elects not to measure based on fair value. At the adoption date, unrealized gains and losses on existing items for which fair value has been elected are reported as a cumulative adjustment to

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beginning retained earnings. Subsequent to the adoption of SFAS 159, changes in fair value are recognized in earnings. The Company is currently evaluating the impact SFAS 159 will have on its consolidated financial statements. SFAS 159 is effective for the Company beginning in fiscal year 2009.

FASB Statement No. 157

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, “*Fair Value Measurements*” (“SFAS 157”), to provide enhanced guidance when using fair value to measure assets and liabilities. SFAS 157 defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. SFAS 157 applies whenever other pronouncements require or permit assets or liabilities to be measured at fair value and, while not requiring new fair value measurements, may change current practices. The Company is currently evaluating the impact SFAS 157 will have on its consolidated financial statements. SFAS 157 is effective for the Company beginning in fiscal year 2009 for financial assets and financial liabilities.

Note 3. Mergers and Acquisitions

Fiscal 2008 Acquisitions

American Bank Note Holographics, Inc. (“ABNH”)

In February 2008, the Company purchased ABNH, a public company, for approximately 8.7 million shares of the Company’s common stock with a market value of \$110.3 million at the measurement date and \$19.5 million in cash, including \$1.2 million of direct transaction costs incurred in connection with the acquisition. JDSU also assumed ABNH’s employee outstanding stock options at close, valued at \$11.4 million at the measurement date.

ABNH is a market leader in the origination, production and marketing of holograms for security applications and the leading supplier of optical security devices for the transaction card market and is included in JDSU’s Advanced Optical Technologies segment.

The transaction was accounted for as a purchase in accordance with Statement of Financial Accounting Standards No. 141, “*Business Combinations*” (“SFAS 141”); therefore, the tangible assets acquired were recorded at fair value on the acquisition date. The preliminary allocation of the purchase price was based, in part, upon a valuation, and the estimates and assumptions used therein are subject to changes.

The purchase price was allocated on a preliminary basis as follows (*in millions*):

Net tangible assets acquired	\$ 23.5
Intangible assets acquired:	
Transaction card customer relationships	35.5
Secure Government relationships	1.8
Proprietary know-how and trade secret	15.4
Trademark/tradename	0.3
Goodwill	65.9
Total purchase price	<u>\$ 142.4</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes the components of the tangible assets acquired at fair value (*in millions*):

Cash	\$ 17.0
Account receivable	4.1
Inventories	7.3
Property and equipment	5.3
Other assets and liabilities, net	(10.2)
Net tangible assets acquired	<u>\$ 23.5</u>

The acquired intangible assets are being amortized over their estimated useful lives, which are presented in the table below:

Transaction card customer relationships	11-16 years
Secure Government relationships	9 years
Proprietary know-how and trade secret	4 years
Trademark/tradename	9 years

Goodwill, which represents the excess of the purchase price over the fair value of tangible and identified intangible assets acquired, is not being amortized but will be reviewed annually for impairment, or more frequently if impairment indicators arise, in accordance with Statement of Financial Accounting Standard No. 142, “*Goodwill and Other Intangible Assets*” (“SFAS 142”). In part, goodwill reflects the competitive advantages the Company expects to realize from ABNH’s standing in the optical security industry. Goodwill has been assigned to the Advanced Optical Technologies segment and is not expected to be deductible for tax purposes. See “Note 7. Goodwill” for more details related to ABNH impairment in fiscal 2008.

ABNH’s results of operations have been included in the Company’s consolidated financial statements subsequent to the date of acquisition. The financial information in the table below summarizes the combined results of operations of the Company and ABNH, on a pro forma basis, as though the companies had been combined as of the beginning of each of the periods presented:

	Years Ended	
	June 28, 2008	June 30, 2007
<i>(in millions, except per share data)</i>		
Pro forma net revenue	\$ 1,555.5	\$ 1,426.2
Reported net revenue	1,530.1	1,396.8
Pro forma net loss	(26.2)	(22.5)
Pro forma net loss per share		
Basic	(0.12)	(0.11)
Diluted	(0.12)	(0.11)
Reported net loss	(21.7)	(26.3)
Reported net loss per share		
Basic	(0.10)	(0.12)
Diluted	(0.10)	(0.12)

The unaudited, pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the merger had taken place at the beginning of each of the periods presented.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Westover Scientific Inc. (“Westover”)

In January 2008, the Company purchased Westover’s Fiber Optic Division for approximately \$51.5 million in cash, including \$0.8 million of direct transaction costs incurred in connection with the acquisition. The Company also agreed to acquire the tangible assets of Westover’s related party contract manufacturer Fuzhou Chenpo Optical Instrument Co. Ltd.

The fiber division of Westover is a leading provider of fiber optic inspection and cleaning solutions. Westover’s products complement JDSU’s existing fiber field and lab and production test portfolio and is included in the Communications Test and Measurement segment.

The transaction was accounted for as a purchase in accordance with FAS 141, therefore, the tangible assets acquired were recorded at fair value on the acquisition date. The preliminary allocation of the purchase price was based, in part, upon a valuation, and the estimates and assumptions used therein are subject to changes.

The purchase price was allocated on a preliminary basis as follows (*in millions*):

Net tangible assets acquired	\$ 15
Intangible assets acquired:	
Developed technology	21.7
Customer relationships	2.0
Other	0.5
Goodwill	<u>25.8</u>
Total purchase price	<u>\$51.5</u>

The following table summarizes the components of the tangible assets acquired at fair value (*in millions*):

Inventories	\$ 1.6
Property and equipment	0.1
Other assets and liabilities, net	<u>(0.2)</u>
Net tangible assets acquired	<u>\$ 1.5</u>

The acquired intangible assets are being amortized over their estimated useful lives, which are presented in the table below:

Developed technology	6-12 years
Customer relationships	1-3 years
Trademark	5 years
Customer backlog	0.5 years

Goodwill, which represents the excess of the purchase price over the fair value of tangible and identified intangible assets acquired, is not being amortized but will be reviewed annually for impairment, or more frequently if impairment indicators arise, in accordance with SFAS 142. In part, goodwill reflects the competitive advantages the Company expects to realize from Westover’s standing in the fiber optic inspection and cleaning solution industry. Goodwill has been assigned to the Communications Test and Measurement segment and is not expected to be deductible for tax purposes.

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Westover's results of operations have been included in the Company's consolidated financial statements subsequent to the date of acquisition. Pro forma results of operations have not been presented because the effect of the acquisition was not material to prior period financial statements.

The former shareholders of Westover made certain representations and warranties to the Company and agreed to indemnify the Company against damages which might arise from a breach of those undertakings. As security for this indemnification obligation of the former Westover shareholders, JDSU retained approximately \$5.2 million of the cash consideration, which is scheduled to be released on the twelve month anniversary of the acquisition date. This cash consideration has been included in the purchase consideration in the preliminary purchase price allocation.

Fiscal 2007 Acquisitions

Innocor Ltd.

In May 2007, the Company purchased Innocor Ltd. ("Innocor") for \$19.4 million in cash, including \$0.3 million of direct transaction costs incurred in connection with the acquisition. In addition, JDSU was obligated to pay contingent cash consideration of up to approximately \$4.0 million if certain revenue targets were achieved during the thirteen months from acquisition date through fiscal year end 2008. As the revenue targets were met within the time frame specified, the additional consideration of \$4.0 million was accrued for during fiscal 2008 and increased the recorded value of goodwill.

Innocor is a provider of broadband test solutions for network equipment manufacturers. The merger strengthened JDSU's position in the North American lab and production markets and helped grow the Company's business in the Europe-Middle East-Africa and Asia and Pacific regions. Innocor is included in JDSU's Communications Test and Measurement segment.

The transaction was accounted for as a purchase in accordance with Statement of Financial Accounting Standards No. 141, "*Business Combinations*" ("SFAS 141"); therefore, the net tangible assets acquired were recorded at fair value on the acquisition date. The preliminary allocation of the purchase price was based, in part, upon a valuation, and the estimates and assumptions used therein are subject to changes.

The purchase price was allocated as follows (*in millions*):

Net tangible assets acquired	\$ 2.8
Intangible assets acquired:	
Developed technology	9.1
In-process research & development	2.1
Customer relationships	1.5
Customer backlog	1.0
Goodwill	2.9
Total purchase price	<u>\$19.4</u>

The following table summarizes the components of the net tangible assets acquired at fair value (*in millions*):

Cash	\$ 0.8
Accounts receivable	1.3
Inventories	0.9
Other assets and liabilities, net	(0.2)
Net tangible assets acquired	<u>\$ 2.8</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

A portion of the purchase price was allocated to developed product technology and in-process research and development (“IPR&D”). These intangible assets were identified and valued through an analysis of data provided by Innocor concerning developmental products, their stage of development, the time and resources needed to complete them, target markets, their expected income generating ability and associated risks. The Income Approach, which is based on the premise that the value of an asset is the present value of its future earning capacity, was the primary valuation technique employed. Discount rates of 16.7% and 22.7% were applied to developed product technology and IPR&D, respectively.

Innocor’s developed product technology, which includes products that are already technologically feasible, provides multiprotocol and bit error rate production testing for network equipment manufacturers.

Developmental projects that had not reached technological feasibility and had no future alternative uses were classified as IPR&D and expensed on the acquisition date. Efforts required to develop IPR&D into commercially viable products include the planning, designing, prototyping, verification and testing activities that are necessary to establish that the products can be produced to meet their design specifications, including functions, features and technical performance requirements.

The acquired intangible assets are being amortized over their estimated useful lives, which are presented in the table below:

Developed technology	6 years
Customer relationships	2 years
Customer backlog	1 year

Goodwill, which represents the excess of the purchase price over the fair value of tangible and identified intangible assets acquired, reflects the competitive advantages the Company expects to realize from Innocor’s standing in the wireless industry. Goodwill has been assigned to the Communications Test and Measurement segment and is not expected to be deductible for tax purposes.

Subsequent to the date of acquisition, Innocor’s results of operations have been included in the Company’s consolidated financial statements. Pro forma results of operations have not been presented because the effect of the acquisition was not material to prior period financial statements.

The former shareholders of Innocor made certain representations and warranties to the Company and agreed to indemnify the Company against damages which might arise from a breach of those undertakings. The cash consideration retained as security for their indemnification obligation of approximately \$2.1 million was released in May 2008.

Picolight, Inc.

In May 2007, the Company acquired Picolight Inc. (“Picolight”) for approximately 8.1 million shares of the Company’s common stock with a market value of \$104.7 million at the measurement date and \$5.3 million in cash, including \$0.5 million of direct transaction costs incurred in connection with the acquisition. In addition, JDSU was obligated to pay contingent cash consideration of up to \$10 million if certain revenue targets were achieved during the period from April 1 through December 31, 2007. As none of the revenue targets were met within the timeframe specified, no additional consideration is due or payable.

Picolight is a designer and manufacturer of optical pluggable transceivers. The acquisition of Picolight strengthened the Company’s position in high-growth pluggable optics for the enterprise market and added an established, vertically integrated manufacturing model. Picolight is included in JDSU’s Optical Communications segment.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The transaction was accounted for as a purchase in accordance with Statement of SFAS 141; therefore, the net tangible assets acquired were recorded at fair value on the acquisition date. The preliminary allocation of the purchase price was based, in part, upon a valuation, and the estimates and assumptions used therein are subject to changes.

The purchase price was allocated as follows (*in millions*):

Net tangible assets acquired	\$ 6.1
Intangible assets acquired:	
Developed technology	47.5
Core technology leveraged	20.9
Customer relationships	1.8
In-process research & development	3.0
Customer backlog	1.1
Internally developed software	1.5
Other	0.5
Goodwill	<u>27.6</u>
Total purchase price	<u>\$ 110.0</u>

The following table summarizes the components of the net tangible assets acquired at fair value (*in millions*):

Accounts receivable	\$ 2.5
Inventories	3.7
Property and equipment	9.1
Other assets and liabilities, net	<u>(9.2)</u>
Net tangible assets acquired	<u>\$ 6.1</u>

A portion of the purchase price was allocated to developed product technology, core technology leveraged and IPR&D. They were identified and valued through an analysis of data provided by Picolight concerning developmental products, their stage of development, the time and resources needed to complete them, target markets, their expected income generating ability and associated risks. The Income Approach, which is based on the premise that the value of an asset is the present value of its future earning capacity, was the primary valuation technique employed. Discount rates of 11%, 13% and 15% were applied to developed product technology, core technology leveraged and IPR&D, respectively.

Developed product technology represents proprietary know-how that is technologically feasible, is primarily comprised of a portfolio of transceivers and components.

Similar to developed technology, core technology leveraged represents proprietary know-how that is technologically feasible, is primary comprised of existing core platform technology that is expected to be leveraged by future products, which are not currently under development.

Developmental projects that had not reached technological feasibility and had no future alternative uses were classified as IPR&D and expensed on the acquisition date. Efforts required to develop IPR&D into commercially viable products include the planning, designing, prototyping, verification and testing activities that are necessary to establish that the products can be produced to meet their design specifications, including functions, features and technical performance requirements.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The acquired intangible assets are being amortized over their estimated useful lives, which are presented in the table below:

Developed technology	9-10 years
Core technology leveraged	12 years
Customer relationships	2 years
Non-competition agreements	2 years
Internal-use software	10 years
Customer backlog	1 year

Goodwill, which represents the excess of the purchase price over the fair value of tangible and identified intangible assets acquired, reflects the competitive advantages the Company expects to realize from Picolight's standing in the data communication industry. Goodwill has been assigned to the Optical Communications segment and is not expected to be deductible for tax purposes.

Picolight's results of operations have been included in the Company's consolidated financial statements subsequent to the date of acquisition. The financial information in the table below summarizes the combined results of operations of the Company and Picolight, on a pro forma basis, as though the companies had been combined as of the beginning of each of the periods presented:

	Years Ended	
	June 28, 2008	June 30, 2007
<i>(in millions, except per share data)</i>		
Pro forma net revenue	\$ 1,570.5	\$ 1,437.2
Reported net revenue	1,530.1	1,396.8
Pro forma net loss	(33.6)	(38.2)
Pro forma net loss per share—basic and diluted	(0.15)	(0.18)
Reported net loss	(21.7)	(26.3)
Reported net loss per share—basic and diluted	(0.10)	(0.12)

The unaudited, pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the merger had taken place at the beginning of each of the periods presented.

The former shareholders of Picolight made certain representations and warranties to the Company and agreed to indemnify the Company against damages which might arise from a breach of those undertakings. The share consideration retained as security for their indemnification obligation of approximately 1.0 million shares was released in June 2008.

Casabyte Inc.

In January 2007, the Company acquired Casabyte Inc. ("Casabyte") for \$34.5 million in cash, including \$0.5 million of direct transaction costs incurred in connection with the acquisition.

Casabyte is a provider of service quality monitoring solutions for mobile network operations. The acquisition of Casabyte accelerated the Company's service assurance growth by capitalizing on a number of key assets, including Casabyte's wireless service quality solutions expertise, technology and established customer relationships. JDSU also plans to leverage its global direct sales organization and other distribution channels to increase Casabyte's penetration into international markets. Casabyte is included in JDSU's Communications Test and Measurement business.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The transaction was accounted for as a purchase in accordance with SFAS 141; therefore, the net tangible assets acquired were recorded at fair value on the acquisition date. The preliminary allocation of the purchase price was based, in part, upon a valuation, and the estimates and assumptions used therein are subject to changes.

The purchase price was allocated as follows (*in millions*):

Net tangible assets acquired	\$ 5.5
Intangible assets acquired:	
Developed technology	8.5
Customer relationships	8.0
Other	1.3
Goodwill	<u>11.2</u>
Total purchase price	<u>\$34.5</u>

The following table summarizes the components of the net tangible assets acquired at fair value (*in millions*):

Cash	\$ 1.8
Accounts receivable	2.5
Inventories	0.6
Property and equipment	0.3
Deferred revenue	(0.5)
Other assets and liabilities, net	<u>0.8</u>
Net tangible assets acquired	<u>\$ 5.5</u>

The acquired intangible assets are being amortized over their estimated useful lives, which are presented in the table below:

Developed technology	7 years
Customer relationships	4-9 years
Non-competition agreements	4 years
Tradename	7 years
Customer backlog	1 year

A portion of the purchase price was allocated to developed product technology, which included products that were already technologically feasible. Casabyte's developed product technology enables mobile service providers to actively monitor and improve the quality of service delivered to customers. The Income Approach, which is based on the premise that the value of an asset is the present value of its future earning capacity, was the primary valuation technique employed. A discount rate of 13.5% was applied to developed product technology.

Goodwill, which represents the excess of the purchase price over the fair value of tangible and identified intangible assets acquired, reflects the competitive advantages the Company expects to realize from Casabyte's standing in the wireless industry. Goodwill has been assigned to the Communications Test and Measurement segment and is not expected to be deductible for tax purposes.

Casabyte's results of operations have been included in the Company's consolidated financial statements subsequent to the date of acquisition. Pro forma results of operations have not been presented because the effect of the acquisition was not material to prior period financial statements.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The former shareholders of Casabyte made certain representations and warranties to the Company and agreed to indemnify the Company against damages which might arise from a breach of those undertakings. The cash consideration retained as security for this indemnification obligation of approximately \$2.8 million was released on April 1, 2008.

Fiscal 2006 Acquisitions

Test-Um Inc.

In May 2006, the Company purchased Test-Um Inc. (“Test-Um”) for \$17.2 million in cash, including \$0.2 million of direct transaction costs incurred in connection with the acquisition. Test-Um’s results of operations have been included in the Company’s consolidated financial statements subsequent to the date of acquisition. In addition, JDSU was obligated to pay contingent cash consideration of up to \$5.5 million if certain revenue targets were achieved during the twelve months following the acquisition date. During the three months ended September 29, 2007, the recorded value of goodwill was increased by \$1.5 million because certain revenue targets were met.

Test-Um is a provider of portable test, talk and trace products for datacom and communications networks. The acquisition establishes JDSU as a leader in the growing market for home and enterprise network testing. Test-Um is a provider of high-quality, low cost instruments which are used in the field to troubleshoot, test, map and certify various types of networks. Test-Um is included in JDSU’s Communications Test and Measurement segment.

The purchase price was allocated as follows (*in millions*):

Net tangible assets acquired	\$ 2.9
Intangible assets acquired:	
Developed technology	3.8
Customer relationships	0.6
Other	0.1
Goodwill	9.8
Total purchase price	<u>\$17.2</u>

The following table summarizes the components of the net tangible assets acquired at fair value (*in millions*):

Inventories	\$2.3
Other assets and liabilities, net	<u>0.6</u>
Net tangible assets acquired	<u>\$2.9</u>

The acquired intangible assets are being amortized over their estimated useful lives, which are presented in the table below:

Developed technology	3-7 years
Customer relationships	2 years
Non-competition agreements	2 years
Tradename	1 year
Customer backlog	1 year

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Goodwill, which represents the excess of the purchase price over the fair value of tangible and identified intangible assets acquired, reflects the competitive advantages the Company expects to realize from Test-Um's existing product lines. Goodwill has been assigned to the Communications Test and Measurement segment and is not expected to be deductible for tax purposes.

Test-Um's results of operations have been included in the Company's consolidated financial statements subsequent to the date of acquisition. Pro forma results of operations have not been presented because the effect of the acquisition was not material to prior period financial statements.

The former shareholders of Test-Um made certain representations and warranties to the Company and agreed to indemnify JDSU against damages which might arise from a breach of those undertakings. The cash consideration retained as security for their indemnification obligation of approximately \$1.7 million was released in May 2007.

Agility Communications, Inc.

In November 2005, the Company purchased Agility Communications, Inc. ("Agility") for approximately 2.8 million shares of the Company's common stock with a market value of \$54.1 million at the measurement date and \$10.7 million in cash, including \$0.5 million of direct transaction costs incurred in connection with the acquisition. Prior to the acquisition, the Company had invested \$3.0 million in Agility's convertible preferred stock.

Agility is a leading provider of widely tunable laser solutions for optical networks. Tunable lasers simplify the deployment of high-speed metro and long-haul networks and help enable the delivery of next-generation services. The acquisition further expanded the Company's product offerings to service providers for their agile networks. The transaction was accounted for as a purchase in accordance with SFAS 141; therefore, the net tangible assets acquired were recorded at fair value on the acquisition date.

The purchase price was allocated as follows (*in millions*):

Net tangible assets acquired	\$ 3.6
Intangible assets acquired:	
Developed technology	7.9
Customer relationships	3.8
In-process research & development	0.4
Customer backlog	0.2
Non-competition agreements	0.1
Goodwill	<u>51.8</u>
Total purchase price	<u>\$67.8</u>

The following table summarizes the components of the net tangible assets acquired at fair value (*in millions*):

Inventories	\$ 2.6
Property and equipment	4.5
Other assets and liabilities, net	<u>(3.5)</u>
Net tangible assets acquired	<u>\$ 3.6</u>

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Net tangible assets acquired include charges of \$1.3 million to eliminate duplicative positions at Agility. Under Emerging Issues Task Force Abstracts No. 95-3 “*Recognition of Liabilities in Connection with a Purchase Business Combination*” (“EITF 95-3”), this charge was included in the allocation of acquisition cost rather than period expenses. During fiscal 2006, the Company reduced the value of certain inventories by \$0.5 million, property and equipment by \$1.4 million, and increased other liabilities by \$0.1 million to better reflect the estimated fair market value at acquisition date. As a result, goodwill increased \$1.7 million and identified intangible assets increased by a total of \$0.3 million.

A portion of the purchase price was allocated to developed product technology and in-process research and development (“IPR&D”). They were identified and valued through an analysis of data provided by Agility concerning developmental products, their stage of development, the time and resources needed to complete them, target markets, their expected income generating ability and associated risks. The Income Approach, which is based on the premise that the value of an asset is the present value of its future earning capacity, was the primary valuation technique employed. Discount rates of 12% and 16% were applied to developed product technology and IPR&D, respectively.

Developed product technology, which includes products that were already technologically feasible, was primarily comprised of a portfolio of tunable lasers, transmitters and transponders.

Developmental projects that had not reached technological feasibility and had no future alternative uses were classified as IPR&D and expensed on the acquisition date. Efforts required to develop IPR&D into commercially viable products include the planning, designing, prototyping, verification and testing activities that are necessary to establish that the products can be produced to meet their design specifications, including functions, features and technical performance requirements.

The acquired intangible assets are being amortized over their estimated useful lives, which are presented in the table below:

Developed technology	5.5 years
Customer relationships	1.5 years
Customer backlog	1.5 years
Non-competition agreements	2.5 years

Goodwill, which represents the excess of the purchase price over the fair value of tangible and identified intangible assets acquired reflects the competitive advantages the Company expected to realize from incorporating Agility’s technologies into existing product lines and developing new markets. Goodwill has been assigned to the Optical Communications segment and is not expected to be deductible for tax purposes.

Agility’s results of operations have been included in the Company’s consolidated financial statements subsequent to the date of acquisition. Pro forma results of operations have not been presented because the effect of the acquisition was not material to prior period financial statements.

The former shareholders of Agility made certain representations and warranties to the Company and agreed to indemnify the Company against damages which might arise from a breach of those undertakings. The cash consideration held in escrow as security for this indemnification obligation of approximately \$10.0 million was released in December 2006.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Acterna Inc.

In August 2005, the Company purchased Acterna Inc. (“Acterna”) for approximately 25.1 million shares of the Company’s common stock with a market value of \$304.7 million at the measurement date and \$459.3 million in cash, including \$10.0 million of direct transaction costs incurred in connection with the acquisition.

Acterna is a worldwide provider of broadband and optical test and measurement solutions for telecommunications and cable service providers and network equipment manufacturers. The acquisition expanded the Company’s portfolio of IP-based data, voice and video products and services over long haul, metro, fiber-to-the-home, DSL and cable networks. The transaction was accounted for as a purchase in accordance with SFAS 141; therefore, the net tangible assets acquired were recorded at fair value on acquisition date.

The purchase price was allocated as follows (*in millions*):

Net tangible assets acquired	\$ (24.2)
Intangible assets acquired:	
Developed technology	210.9
Customer relationships	95.0
In-process research & development	19.9
Trademark/trade name	12.7
Customer backlog	2.0
Non-competition agreements	1.8
Goodwill	445.9
Total purchase price	<u>\$764.0</u>

The following table summarizes the components of the net tangible assets acquired at fair value (*in millions*):

Inventories	\$ 84.2
Property and equipment	43.7
Deferred revenue	(6.1)
Deferred compensation	(89.6)
Deferred income tax	(27.7)
Other assets and liabilities, net	(28.7)
Net tangible assets acquired	<u>\$(24.2)</u>

The above purchase price allocation includes net adjustments to acquired intangible assets and goodwill since the acquisition date. Acquired intangible assets were adjusted to record the effect of currency translation adjustments and the completion of the final valuation report. Goodwill was adjusted to reflect adjustments to pension obligations, inventory and trade receivable reserves, tax accruals, fixed assets, other assets and liabilities, currency translation adjustments and the completion of the final valuation report.

A portion of the purchase price was allocated to developed product technology and IPR&D. They were identified and valued through an analysis of data provided by Acterna concerning developmental products, their stage of development, the time and resources needed to complete them, target markets, their expected income generating ability and associated risks. The Income Approach, which is based on the premise that the value of an asset is the present value of its future earning capacity, was the primary valuation technique employed. Discount rates of 10% and 14% were applied to developed product technology and IPR&D, respectively.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Developed product technology, which includes products that are already technologically feasible, is primarily comprised of a portfolio of testing, analysis, maintenance and optimization tools.

Developmental projects that had not reached technological feasibility and had no future alternative uses were classified as IPR&D and expensed on the acquisition date. Efforts required to develop IPR&D into commercially viable products include the planning, designing, prototyping, verification and testing activities that are necessary to establish that the products can be produced to meet their design specifications, including functions, features and technical performance requirements. The principal projects at merger date were extensions of existing technologies for tools used to install, maintain and test optical and other communications networks. The Company incurred post-acquisition cost of approximately \$22.2 million during fiscal 2006 for these projects. Additional investments of \$8.0 million were made during fiscal 2007 to complete the projects.

The acquired intangible assets are being amortized over their estimated useful lives, which are presented in the table below:

Developed technology	8 years
Customer relationships	7 years
Trademark/trade name	10 years
Customer backlog	1 year
Non-competition agreements	3 years

Goodwill, which represents the excess of the purchase price over the fair value of tangible and identified intangible assets acquired, has been assigned to the Communications Test and Measurement segment and is not expected to be deductible for tax purposes.

In connection with the merger, Acterna made certain representations and warranties to the Company, and Acterna's former security holders agreed to indemnify the Company against damages which might arise from a breach of those representation and warranties. Under the terms of the acquisition, the former Acterna security holders set aside approximately \$50.4 million of the cash consideration for payment of indemnification claims made by the Company prior to the earlier of August 31, 2006 or filing of the Company's annual report on Form 10-K for the fiscal year ending July 1, 2006.

During fiscal 2006, the Company determined that a liability was probable for certain material pre-merger income tax contingencies, of which the principal claim related to an income tax audit in Germany that was initiated during fiscal 2005. In March and April 2007, the Company received tax assessments, including interest, of approximately \$61.7 million and, in March 2007, the Company received refunds, including interest, of approximately \$18.1 million. The Company has adjusted goodwill by \$3.5 million, the amount not recovered under the indemnification claims from the former Acterna security holders.

The results of operations of Acterna have been included in the Company's consolidated financial statements subsequent to the date of acquisition. The financial information in the table below summarizes the combined results of operations of the Company and Acterna, on a pro forma basis, as though the companies had been combined as of the beginning of the year ended:

<i>(in millions, except per share data)</i>	July 1, 2006
Pro forma net revenue	\$ 1,230.3
Reported net revenue	1,204.3
Pro forma net loss	(189.6)
Pro forma net loss per share—basic and diluted	(0.88)
Reported net loss	(151.2)
Reported net loss per share—basic and diluted	(0.73)

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The unaudited pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the merger had taken place at the beginning of the period presented.

Note 4. Balance Sheet and Other Details

Accounts Receivable Reserves and Allowances

The components of account receivable reserves and allowances were as follows (*in millions*):

	Years Ended	
	June 28, 2008	June 30, 2007
Allowance for doubtful accounts	\$ 4.7	\$ 4.8
Allowance for sales returns and other	0.3	0.6
Total accounts receivable reserves and allowances	<u>\$ 5.0</u>	<u>\$ 5.4</u>

The activities and balances for allowance for doubtful accounts are as follows (*in millions*):

	Balance at Beginning of Period	Charged to Costs and Expenses	Deduction(1)	Balance at End of Period
Allowance for doubtful accounts:				
Year ended June 28, 2008	\$ 4.8	\$ 0.3	\$ (0.4)	\$ 4.7
Year ended June 30, 2007	5.2	0.8	(1.2)	4.8
Year ended July 1, 2006	3.0	3.0	(0.8)	5.2

(1) Write-offs of uncollectible accounts, net of recoveries.

Inventories

Inventories are stated at the lower of cost or market, and include material, labor, and manufacturing overhead costs. The components of inventories were as follows (*in millions*):

	Years Ended	
	June 28, 2008	June 30, 2007
Deferred cost of sales	\$ 14.5	\$ 8.3
Finished goods	51.6	51.7
Work in process	56.3	67.8
Raw materials and purchased parts	66.5	76.5
Total inventories	<u>\$ 188.9</u>	<u>\$ 204.3</u>

During fiscal 2008, 2007, and 2006, the Company recorded write-downs of inventories of \$24.6 million, \$40.0 million, and \$35.9 million, respectively.

The Company also sold previously written-down inventories of \$17.2 million, \$17.5 million, and \$27.6 million during fiscal 2008, 2007, and 2006, respectively. In addition, the Company has an active scrap program and typically disposes of inventory that has been written down through the use of scrap dealers or physical disposal/destruction. During fiscal 2008, 2007, and 2006, the Company scrapped \$31.2 million, \$33.9 million, and \$47.7 million of fully reserved inventory, respectively.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The inventory write-downs were predominantly the result of changes in forecasted customer demand and technological changes in the Company's products. The majority of the inventory written down consisted of raw material and finished goods. The major elements of the written down raw material consists of components and items that had not entered into production. The finished goods inventory includes the cost of raw material inputs, labor, and overhead.

The Company operates in markets with relatively few customers and has historically experienced variability in product demand driven by the buying behavior of these customers. In addition, the Company's products utilize long-lead time parts which are available from a limited set of vendors. The combined effects of a limited customer base, variability of demand among the customer base and significant long-lead time or single sourced materials has historically contributed to significant inventory write-downs. The Company routinely reviews inventory for usage potential, including fulfillment of customer warranty obligations and spare part requirements. The Company writes down to zero the value of excess and obsolete ("E&O") inventory that is not expected to be consumed through operations generally within 12 months. Excess is written down to zero value in large part due to the Company's history of changes in customer demand and inherent product obsolescence concerns.

For any written down inventory items retained, the Company evaluates the future realizable value of inventories and impact on gross margins, taking into consideration product life cycles, technological and product changes, demand visibility and other market conditions. The Company believes its current process for writing down inventory appropriately balances the risk in the marketplace with a fair representation of the realizable value of the Company's inventory.

Property, Plant and Equipment, Net

The components of property, plant and equipment, net were as follows (*in millions*):

	Years Ended	
	June 28, 2008	June 30, 2007
Land	\$ 17.3	\$ 17.0
Buildings and improvements	42.5	37.5
Machinery and equipment	298.6	277.0
Furniture, fixtures, software and office equipment	118.1	99.9
Leasehold improvements	61.8	51.1
Construction in progress	32.0	19.9
	<u>570.3</u>	<u>502.4</u>
Less: Accumulated depreciation	(357.1)	(291.9)
Property, plant and equipment, net	<u>\$ 213.2</u>	<u>\$ 210.5</u>

At June 28, 2008, property, plant and equipment, net included \$25.4 million in land and buildings related to the Santa Rosa sale and leaseback transactions accounted for under the financing method. See "Note 5. Financing Obligation" for more detail. At June 28, 2008, the Company had capitalized approximately \$9.0 million of costs incurred for the Oracle software upgrade, in accordance with SOP 98-1.

During fiscal 2008, 2007, and 2006, the Company recorded \$65.2 million, \$61.4 million, and \$57.4 million, respectively, of depreciation expense.

During fiscal 2008, 2007, and 2006, the Company recorded \$3.6 million, \$5.3 million, and \$3.1 million, respectively, of impairments in the carrying value of property, plant and equipment primarily as a result of impairment analyses or the write-off of disposed fixed assets, excluding asset write-downs associated with restructuring activities. See "Note 9. Impairment of Other Long-Lived Assets" for more detail.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Other Current Assets

The components of other current assets were as follows (*in millions*):

	Years Ended	
	June 28, 2008	June 30, 2007
Prepaid assets	\$ 18.4	\$ 15.9
Deferred income tax	1.0	1.1
Receivables from Fabrinet	2.3	2.5
Other receivables	21.0	18.1
Other current assets	<u>7.3</u>	<u>7.2</u>
Total other current assets	<u>\$ 50.0</u>	<u>\$ 44.8</u>

Other Non-Current Assets

The components of other non-current assets were as follows (*in millions*):

	Years Ended	
	June 28, 2008	June 30, 2007
Deposits	\$ 4.6	\$ 4.8
Deferred financing costs	5.1	6.8
Other	<u>12.6</u>	<u>10.8</u>
Total other non-current assets	<u>\$ 22.3</u>	<u>\$ 22.4</u>

Other Current Liabilities

The components of other current liabilities were as follows (*in millions*):

	Years Ended	
	June 28, 2008	June 30, 2007
Deferred revenue	\$ 35.7	\$ 29.0
Acquisition holdbacks and other related liabilities	6.0	7.7
Deferred compensation plan	6.8	8.2
VAT liabilities	6.8	4.0
Accrued expenses	85.4	53.8
Current portion of pension accrual	5.3	4.9
Other	<u>5.0</u>	<u>4.7</u>
Total other current liabilities	<u>\$ 151.0</u>	<u>\$ 112.3</u>

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Other Non-Current Liabilities

The components of other non-current liabilities were as follows (*in millions*):

	Years Ended	
	June 28, 2008	June 30, 2007
Pension accrual and post retirement benefits	\$ 81.4	\$ 82.6
Deferred taxes	22.3	19.9
Restructuring accrual	5.8	6.6
Financing Obligation	31.4	—
Non-current income taxes payable	35.5	—
Asset retirement obligations	11.9	9.5
Other	30.0	15.3
Total other non-current liabilities	<u>\$ 218.3</u>	<u>\$ 133.9</u>

Interest and other income (loss)

The components of interest and other income were as follows (*in millions*):

	Years Ended		
	June 28, 2008	June 30, 2007	July 1, 2006
Interest income	\$ 48.1	\$ 57.6	\$ 30.9
Foreign exchange gains (losses), net	2.7	6.9	(2.6)
Proceeds from settlement of held-to-maturity debt security	—	5.1	—
Proceeds from Nortel class action settlement (1)	61.6	—	—
Gains on repurchase of Convertible Notes	11.1	6.3	—
Gain (loss) on equity investments	1.2	—	(0.3)
Reduction in fair value of investments	—	(0.2)	(4.2)
Other income (expense)	(4.6)	(2.7)	3.2
Total interest and other income	<u>\$ 120.1</u>	<u>\$ 73.0</u>	<u>\$ 27.0</u>

- (1) In February 2001, the Company received approximately 65.7 million shares of Nortel Networks Corporation (“Nortel”) common stock in connection with the sale of its Zurich, Switzerland subsidiary to Nortel. Beginning in February 2001 Nortel has been involved with two class action lawsuits on behalf of persons who purchased Common Shares or call options on Common Shares or wrote (sold) put options on Common Shares during the period from October 24, 2000 through February 15, 2001 (“Nortel I Action”) in which the Company was an eligible class member, and on behalf of persons who purchased Common Shares or call options on Common Shares or wrote (sold) put options on Common Shares during the period from April 24, 2003 through April 27, 2004 (“Nortel II Action”). The Company began selling its Nortel common stock in 2001 and had sold all of its holdings by July 2005.

In December 2007, the Company was notified by the settlement administrator that its Proof of Claim and Release submitted in relation to the case had been accepted. The distribution of cash and common shares to participants in the settlement was approved by the U.S. District Court for the Southern District of New York, the Ontario Superior Court, the Quebec Superior Court and the British Columbia Supreme Court in March and April of 2008. As a result, the Company received approximately \$37.6 million in cash and 2,901,372 shares of Nortel common stock with a market value of approximately \$24.6 million during the fourth quarter of fiscal year 2008. The shares were sold on the open market in the same quarter for approximately \$24.0 million (net of commission) in cash.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 5. Financing Obligation

On August 21, 2007, the Company entered into a sale and lease back of certain buildings and land in Santa Rosa, California. The Company sold approximately 45 acres of land, 13 buildings with approximately 492,000 rentable square feet, a building pad, and parking areas. The Company leased back 7 buildings with approximately 286,000 rentable square feet. The net cash proceeds received from the transaction were \$32.2 million. The lease terms range from a five year lease with a one year renewal option to a ten year lease with two five year renewal options.

The Company has an ongoing obligation to remediate the environmental matter required by the North Coast Regional Water Quality Control Board which existed at the time of sale. Concurrent with the sale and lease back, the Company has issued an irrevocable letter of credit for \$3.8 million as security for the remediation of the environmental matter that remains in effect until the issuance of a notice of no further action letter from the North Coast Regional Water Quality Control Board. In addition, the lease agreement for one building included an option to purchase at fair market value, at the end of the lease term. Due to these various forms of continuing involvement the transaction was recorded under the financing method in accordance with Statement of Financial Accounting Standards No. 98 “*Accounting for Leases*” (“SFAS 98”) and Statement of Financial Accounting Standards No. 66 “*Accounting for Sales of Real Estate*” (“SFAS 66”).

Accordingly, the value of the buildings and land will remain on the Company’s books and the buildings will continue to be depreciated over their remaining useful lives. The proceeds received have been recorded as a financing obligation and a portion of the lease payments are recorded as a decrease to the financing obligation and a portion is recognized as interest expense. Imputed rental income from the buildings sold but not leased back is recorded as a reduction in the financing obligation.

The guarantee of up to \$3.8 million was accounted for in accordance with FASB Interpretation No. 45 “*Guarantor’s Accounting and Disclosure Requirement for Guarantees, Including Indirect Guarantees of Indebtedness of Others*” (“FIN 45”). The present value of the guarantee approximates the liability of \$1.3 million which was included in Other non-current liabilities as of June 28, 2008.

As of June 28, 2008, \$0.5 million was included in Other current liabilities, and \$31.4 million was included in Other non-current liabilities.

As of June 28, 2008, future minimum financing payments during the initial term of the various leases are as follows (in millions):

Fiscal Years	
2009	\$ 2.6
2010	2.6
2011	2.7
2012	2.8
2013	2.6
Thereafter	11.4
Total	<u>\$24.7</u>

The lease payments due under the agreement reset to fair market rental rates upon the Company’s execution of the renewal options.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 6. Investments
Available-For-Sale Investments

The Company's investments in marketable debt and equity securities were primarily classified as available-for-sale investments.

At June 28, 2008, the Company's available-for-sale investments were as follows (*in millions*):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt investments:				
U.S. Treasuries & agencies	\$ 178.6	\$ 0.5	\$ (0.3)	\$ 178.8
Municipal bonds & sovereign debt instruments	4.8	—	—	4.8
Asset-backed securities	163.7	1.0	(2.3)	162.4
Corporate securities	309.6	0.8	(0.7)	309.7
Total debt investments	656.7	2.3	(3.3)	655.7
Money market instruments and funds	189.5	—	—	189.5
Marketable equity investments	0.1	—	—	0.1
Total available-for-sale investments	\$ 846.3	\$ 2.3	\$ (3.3)	\$ 845.3

The Company considers the impairments to its available-for-sale debt investments to not be other-than-temporary because the declines in fair value of the securities have been caused primarily by changes in credit spreads and market interest rates. Virtually all of the debt securities held are investment grade and the Company believes they will recover in value while they are held to maturity. When evaluating investments for other-than-temporary impairment, the Company reviews factors such as the length of time the fair value has been below amortized cost, the cause and extent of the decline in fair value, the financial condition of the issuer and the Company's ability and intent to hold the investment to maturity or for a period of time sufficient for anticipated recovery in market value. Of the total estimated fair value, \$224.7 million was classified as cash and cash equivalents and restricted cash, \$601.2 million was classified as short-term investment and \$12.5 million was classified as long-term investments. An additional \$6.8 million of short-term investments representing assets of a deferred compensation plan were classified as trading securities.

At June 28, 2008, the Company's gross unrealized losses on available-for-sale investments, aggregated by type of investment instrument were as follows (*in millions*):

	Less than 12 Months	Greater than 12 Months	Total
U.S. Treasuries & agencies	\$ 0.3	\$ —	\$ 0.3
Asset-backed securities	0.6	1.7	2.3
Corporate securities	0.5	0.2	0.7
Total gross unrealized losses	\$ 1.4	\$ 1.9	\$ 3.3

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

At June 28, 2008, the Company's short-term investments classified as trading assets were as follows (*in millions*):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt investments	\$ 0.8	\$ —	\$ (0.2)	\$ 0.6
Money market instruments and funds	0.6	—	—	0.6
Marketable equity investments	4.8	0.8	—	5.6
Total trading assets classified as short-term investments	<u>\$ 6.2</u>	<u>\$ 0.8</u>	<u>\$ (0.2)</u>	<u>\$ 6.8</u>

At June 28, 2008, contractual maturities of the Company's debt investments from available-for-sale investments and trading assets were as follows (*in millions*):

	Amortized Cost	Estimated Fair Value
Amounts maturing in less than 1 year	\$ 343.3	\$ 343.1
Amounts maturing in 1 – 5 years	293.3	293.7
Amounts maturing more than 5 years	21.1	19.4
Total debt investments	<u>\$ 657.7</u>	<u>\$ 656.2</u>

At June 30, 2007, the Company's available-for-sale investments were as follows (*in millions*):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt investments:				
U.S. Treasuries & agencies	\$ 125.3	\$ —	\$ (0.3)	\$ 125.0
Asset-backed securities	215.1	0.1	(0.2)	215.0
Corporate securities	523.2	—	(0.6)	522.6
Total debt investments	863.6	0.1	(1.1)	862.6
Money market instruments and funds	271.3	—	—	271.3
Marketable equity investments	0.3	0.3	—	0.6
Total available-for-sale investments	<u>\$ 1,135.2</u>	<u>\$ 0.4</u>	<u>\$ (1.1)</u>	<u>\$ 1,134.5</u>

Of the total estimated fair value, \$372.8 million was classified as cash and cash equivalents and restricted cash and \$761.7 million was classified as short-term investments. An additional \$8.2 million of short-term investments representing assets of a deferred compensation plan were classified as trading securities.

At June 30, 2007, the Company's gross unrealized losses on short-term investments, aggregated by type of investment instrument were as follows (*in millions*):

	Less than 12 Months	Greater than 12 Months	Total
U.S. Treasuries & agencies	\$ 0.1	\$ 0.2	\$ 0.3
Asset-backed securities	0.2	—	0.2
Corporate securities	0.5	0.1	0.6
Total gross unrealized losses	<u>\$ 0.8</u>	<u>\$ 0.3</u>	<u>\$ 1.1</u>

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

At June 30, 2007, the Company's short-term investments classified as trading assets were as follows (*in millions*):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt investments	\$ 0.5	\$ —	\$ —	\$ 0.5
Money market instruments and funds	0.8	—	—	0.8
Marketable equity investments	4.9	2.0	—	6.9
Total trading assets classified as short-term investments	<u>\$ 6.2</u>	<u>\$ 2.0</u>	<u>\$ —</u>	<u>\$ 8.2</u>

At June 30, 2007, contractual maturities of the Company's debt investments from available for sale investments and trading assets were as follows (*in millions*):

	Amortized Cost	Estimated Fair Value
Amounts maturing in less than 1 year	\$ 434.3	\$ 434.1
Amounts maturing in 1 – 5 years	401.8	401.2
Amounts maturing more than 5 years	28.0	28.0
Total debt investments	<u>\$ 864.1</u>	<u>\$ 863.3</u>

Marketable Equity Investments

During fiscal 2008, we recorded net gains on sale of investments of \$2.4 million primarily due to the sale of fixed income securities for a net gain of \$1.0 million and the sale of equity investments in BaySpec, Inc. ("BaySpec") and Nufern, Inc. ("Nufern") for net gains of \$0.5 million and \$0.5 million, respectively. These equity investments had a combined carrying value of zero at June 30, 2007. The fair value of our marketable equity securities at June 28, 2008 was approximately \$0.1 million.

Long-Term Investments

The components of the Company's long-term investment were as follows (*in millions*):

	Years Ended	
	June 28, 2008	June 30, 2007
Available-for-sale debt securities	\$ 12.5	\$ —
Non-marketable cost method investments	11.5	2.5
Non-marketable equity method investments	1.6	0.6
Total long-term investments	<u>\$ 25.6</u>	<u>\$ 3.1</u>

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 7. Goodwill
Goodwill

The following table presents the changes in goodwill allocated to the reportable segments (*in millions*):

	Optical Communications	Communications Test & Measurement	Advanced Optical Technologies	All Other, Commercial Lasers	Total
Balance as of July 1, 2006	\$ 175.8	\$ 420.2	\$ 28.9	\$ 31.8	\$ 656.7
Acquisitions (*):					
Picolight	27.6	—	—	—	27.6
Casabyte	—	11.2	—	—	11.2
Innocor	—	2.9	—	—	2.9
Translation adjustment	—	13.9	—	—	13.9
Other purchase price adjustment (*)	(1.5)	(0.8)	—	—	(2.3)
Balance as of June 30, 2007	201.9	447.4	28.9	31.8	710.0
Acquisitions (*):					
ABNH	—	—	65.9	—	65.9
Westover	—	25.8	—	—	25.8
SFAS No. 142 impairment charges	—	(12.5)	(24.5)	—	(37.0)
Purchase price adjustment related to the achievement of milestones (*)	—	4.0	—	—	4.0
Translation adjustment	—	28.3	—	—	28.3
Other purchase price adjustment	—	1.2	(2.0)	—	(0.8)
Balance as of June 28, 2008	\$ 201.9	\$ 494.2	\$ 68.3	\$ 31.8	\$ 796.2

* See “Note 3. Mergers and Acquisitions” of the Notes to Consolidated Financial Statements for detail.

Impairment of Goodwill
Fiscal 2008:

Under the first step of the SFAS 142 analysis, the fair value of the reporting units was determined based on the income approach, which estimates the fair value based on the future discounted cash flows. Under the income approach, the Company assumed a cash flow period of 10 years, long-term annual growth rates of 5% to 19%, a discount rate of 12.9% to 16.1% and terminal value growth rates of 4% to 6%. Based on the first step of the analysis, the Company determined that the carrying amount of its da Vinci and Authentication Solutions reporting units within the Communications Test and Measurement and AOT segments, respectively, were in excess of their fair value. As such, the Company was required to perform the second step analysis on those reporting units to determine the amount of the impairment loss.

As the result of the annual impairment test, the Company recorded a \$12.5 million goodwill impairment related to the da Vinci reporting unit within the Communications Test and Measurement segment. The impairment for da Vinci was the result of delayed product introduction and acceptance of next generation color and image enhancement products. See “Note 8 Other Intangibles” for details regarding the impairment of intangibles for da Vinci.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company also recorded a \$24.5 million goodwill impairment related to the Authentication Solution Group (“ASG”) (formerly ABNH, the business we acquired in February 2008) reporting unit within the Advanced Optical Technologies segment. The ASG impairment was the result of a significant decrease in the short term expected demand for transaction card products due to trouble in the U.S. Banking industry, combined with the expectation that long term revenue generated from the sale of holograms, especially for use in credit cards, would not be as high as expected at the time of the ABNH acquisition.

Fiscal 2007:

Under the first step of the SFAS 142 analysis, the fair value of the reporting units was determined based on the income approach, which estimates the fair value based on the future discounted cash flows. Under the income approach, the Company assumed a cash flow period of 10 years, long-term annual growth rates of -12% to 16%, a discount rate of 12% to 16% and terminal value growth rates of 4% to 6%. Based on the first step of the analysis, the Company determined that the fair value of each reporting unit is above its carrying amount. As such, the Company was not required to perform the second step analysis on any reporting unit to determine the amount of the impairment loss. The Company recorded no impairment charge in accordance with its annual impairment test.

Fiscal 2006:

Under the first step of the SFAS 142 analysis, the fair value of the reporting units was determined based on the income approach, which estimates the fair value based on the future discounted cash flows. Under the income approach, the Company assumed a cash flow period of 10 years, long-term annual growth rates of -17% to 12%, a discount rate of 13% to 15% and terminal value growth rates of 4% to 6%. Based on the first step of the analysis, the Company determined that the carrying amount of its da Vinci reporting unit within the Communications Test and Measurement segment was in excess of its fair value. As such, the Company was required to perform the second step analysis on that reporting unit to determine the amount of the impairment loss. The Company recorded a \$22.4 million impairment charge related to the da Vinci reporting unit in accordance with SFAS 142 in accordance with its annual impairment test. The impairment was the result of delayed product introduction and acceptance of next generation color and image enhancement products.

Note 8. Other Intangibles

The following tables present details of the Company’s other intangibles (*in millions*):

<u>As of June 28, 2008:</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Acquired technology	\$ 460.3	\$ (190.5)	\$ 269.8
Other	265.8	(119.5)	146.3
Total intangibles	<u>\$ 726.1</u>	<u>\$ (310.0)</u>	<u>\$ 416.1</u>

<u>As of June 30, 2007:</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Acquired technology	\$ 442.6	\$ (143.0)	\$ 299.6
Other	193.0	(81.1)	111.9
Total intangibles	<u>\$ 635.6</u>	<u>\$ (224.1)</u>	<u>\$ 411.5</u>

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Other intangibles consists of patents, trademarks, trade names, proprietary know-how and trade secrets, assembled workforce, customer and secure government relationships, customer backlog, and non-competition agreements.

During fiscal 2008, 2007, and 2006, the Company recorded \$83.3 million, \$67.0 million, and \$60.8 million, respectively, of amortization of other intangibles. The following table presents details of the Company's amortization of other intangibles (*in millions*):

	Years Ended		
	June 28, 2008	June 30, 2007	July 1, 2006
Cost of sales	\$ 53.3	\$ 40.2	\$ 36.4
Operating expense	30.0	26.8	24.4
Total	<u>\$ 83.3</u>	<u>\$ 67.0</u>	<u>\$ 60.8</u>

During fiscal 2008, the Company recorded \$8.4 million of impairments in the carrying value of other intangibles as a result of impairment analyses performed in accordance with SFAS 144. During fiscal 2007 and 2006 there were no impairments in the carrying value of other intangibles. See "Note 9. Impairment of Other Long-Lived Assets" for more detail.

Based on the carrying amount of other intangibles as of June 28, 2008, and assuming no future impairment of the underlying assets, the estimated future amortization is as follows (*in millions*):

Years Ended June 28,	
2009	\$ 74.6
2010	70.0
2011	66.9
2012	64.8
2013	48.9
Thereafter	90.9
Total amortization	<u>\$416.1</u>

Note 9. Impairment of Other Long-Lived Assets

During fiscal 2008, 2007 and 2006, the Company recorded \$10.7 million, \$7.8 million and \$5.6 million, respectively, of impairments in the carrying value of its long-lived assets in accordance with SFAS 144. The carrying values of assets held for sale at June 28, 2008 and June 30, 2007 were zero and zero, respectively. The following table summarizes the components of the impairments of other long-lived assets (*in millions*):

	Years Ended		
	June 28, 2008	June 30, 2007	July 1, 2006
Impairments of other long-lived assets:			
Assets held and used	\$ 8.8	\$ 0.8	\$ 3.0
Assets held for sale	—	0.7	0.1
(Gain)/loss on the sale of assets	(1.4)	1.7	2.5
Long-lived assets to be disposed of other than sale	<u>3.3</u>	<u>4.6</u>	<u>—</u>
Total impairments of other long-lived assets	<u>\$ 10.7</u>	<u>\$ 7.8</u>	<u>\$ 5.6</u>

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Fiscal 2008

Assets Held and Used

During fiscal year 2008, the Company recorded an impairment charge of \$0.4 million for certain assets related to the Company's Santa Rosa, California facility and \$8.4 million for certain intangible assets related to its da Vinci business. The \$8.4 million consists of \$4.0 million and \$4.4 million recorded in cost of sales and operating expenses, respectively.

Sale of Assets

During fiscal year 2008, the Company recorded a gain of \$1.4 million for the sale and disposal of assets.

Assets to be Disposed of Other Than Sale

During fiscal year 2008, the Company recorded a loss of \$3.3 million for the disposal of assets related to Singapore and Ottawa facilities.

Fiscal 2007

Assets Held and Used

In the second quarter of fiscal year 2007, the Company recorded impairment charges of \$0.8 million for certain assets related to its Santa Rosa, California facility.

Assets Held for Sale

In the first quarter of fiscal year 2007, the Company recorded impairment charges of \$0.7 million related to the sale of its Rochester, Minnesota facility.

Sale of Assets

During fiscal year 2007, the Company recorded losses of \$1.7 million on the sale of assets primarily relating to the transfer of assets to Fabrinet.

Assets to be Disposed of Other Than Sale

During fiscal year 2007, the Company recorded losses of \$4.6 million on assets to be disposed of other than sale primarily relating to a \$3.7 million impairment charge for the cancellation of a software program implementation at our Eningen, Germany facility, and write-offs resulting from a physical count of fixed assets.

Fiscal 2006

Assets Held and Used

The Company noticed indicators during fiscal 2006 that the carrying value of its long-lived assets may not be recoverable and performed an impairment review in accordance with SFAS 144. The Company evaluated the recoverability of its long-lived assets and recorded impairment charges based on the amounts by which the carrying amounts of these assets exceeded their fair value. As a result of the review, the Company recorded losses of \$2.7 million for write-off of certain assets formerly utilized in its Santa Rosa, California manufacturing facility, \$0.2 million in connection with the closure of the Melbourne, Florida facility, and \$0.5 million in connection with the closure of the Rochester, Minnesota facility, partially offset by \$0.4 million gain on other adjustments.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Assets Held for Sale

In the fourth quarter of fiscal year 2006, the Company entered into a contract to sell its Milan, Italy sales office facility for net proceeds of approximately \$2.8 million. In accordance with SFAS 144, the Company recorded an impairment charge of \$0.1 million. The sale closed in the second quarter of fiscal year 2007.

Sale of Assets

During fiscal year 2006, the Company recorded losses of \$6.9 million on the sale of assets primarily relating to the sale of its front surface mirror business and the sale of one of its Santa Rosa manufacturing facilities, offset by gains of \$3.8 million on the sale of its Melbourne, Florida manufacturing facility, \$0.3 million on the sale of its Cotia, Brazil sales and warehouse facility, and \$0.3 million on the sale of 55 acres of land in Raleigh, North Carolina.

Note 10. Convertible Debt and Letters of Credit

The following table presents details of the Company's long-term debt as of June 28, 2008 and June 30, 2007 (*in millions*):

	Years Ended	
	June 28, 2008	June 30, 2007
1% senior convertible notes	\$ 425.0	\$ 425.0
Zero coupon senior convertible notes	83.0	383.0
Total convertible debt	508.0	808.0
Less: current portion	(83.0)	—
Total long-term debt	\$ 425.0	\$ 808.0

Based on quoted market prices, as of June 28, 2008 and June 30, 2007, the fair market value of the 1% Senior Convertible Notes was approximately \$334.9 million and \$347.8 million, respectively, and the fair market value of the Zero Coupon Senior Convertible Notes was approximately \$80.8 million and \$354.6 million, respectively. Changes in fair market value reflect both the change in the market price of the notes and the impact of the partial repurchase of the Zero Coupon Senior Convertible Notes during fiscal year 2008.

The Company was in compliance with all debt covenants as of June 28, 2008.

1% Senior Convertible Notes

On May 17, 2006, the Company completed an offering of \$375 million aggregate principal amount of 1% Senior Convertible Notes due 2026. On June 5, 2006, the Company sold an additional \$50 million aggregate principal amount of the notes which were issued upon the exercise by the initial purchasers of an over-allotment option granted by the Company. The sale of the additional notes brought the total aggregate principal amount of 1% Senior Convertible Notes outstanding to \$425 million. The notes were issued for cash consideration to the initial purchasers, J.P. Morgan Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated. The initial purchasers resold the notes to qualified institutional investors in accordance with Rule 144A under the Securities Act of 1933, as amended. Proceeds from the notes amounted to \$415.9 million after issuance costs. The Company filed a registration statement with the SEC on December 7, 2006 with respect to the resale of the notes and the common stock issuable upon the conversion of the notes.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The notes were issued pursuant to an Indenture, dated as of May 17, 2006, between the Company and The Bank of New York Trust Company, N.A., as trustee. The notes bear interest at a rate of 1.00% per year and are convertible into a combination of cash and shares of the Company's common stock at a conversion price of \$30.30 per share. Interest on the notes is payable semi-annually in arrears on May 15 and November 15 of each year, beginning on November 15, 2006. The notes mature on May 15, 2026. The notes are senior unsecured obligations of the Company and will rank equal in right of payment with its other senior unsecured debt and senior to all of its future subordinated debt.

The indenture includes a "net share settlement" provision that requires the Company, upon redemption or conversion, to settle the principal amount of the notes in cash and the additional conversion value, if any, in shares of the Company's common stock. Holders of the notes may convert the notes into cash and shares of common stock based on a conversion rate of 33.003 shares of common stock per \$1,000 principal amount of notes, subject to adjustment, prior to stated maturity under the following circumstances:

- during any fiscal quarter (and only during that fiscal quarter) commencing after June 30, 2006, if the last reported sale price of the Company's common stock is greater than or equal to 130% of the conversion price for at least 20 trading days in the period of 30 consecutive trading days ending on, and including, the last trading day of the preceding fiscal quarter;
- prior to April 15, 2026, during the five business day period after any five consecutive trading day period, or the measurement period, in which the trading price per \$1,000 principal amount of notes for each day of such measurement period was less than 98% of the product of the closing price of the Company's common stock and the applicable conversion rate for the notes;
- if the notes have been called for redemption;
- upon the occurrence of specified corporate transactions; or
- during the ten trading days prior to, but not on, the maturity date.

Pursuant to the indenture, holders of the notes may require the Company to purchase all or a portion of the notes on each of May 15, 2013, May 15, 2016 and May 15, 2021 at a price equal to 100% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the purchase date. In addition, upon certain fundamental changes, holders may require the Company to purchase for cash the notes at a price equal to 100% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the purchase date. The Company may not redeem the notes before May 20, 2013. On or after that date, the Company may redeem all or part of the notes for cash at 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

The indenture, which does not contain any financial covenants, provides for customary events of default, including payment defaults, breaches of covenants, failure to pay certain judgments and certain events of bankruptcy, insolvency and reorganization. If an event of default occurs and is continuing, the principal amount of the notes, plus accrued and unpaid interest, if any, may be declared immediately due and payable. These amounts automatically become due and payable if an event of default relating to certain events of bankruptcy, insolvency or reorganization occurs.

The Company has considered the guidance in Emerging Issues Task Force ("EITF") Abstract No. 98-5, "*Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios*" ("EITF 98-5"), and has determined that the notes do not contain a beneficial conversion feature as the fair value of the Company's common stock on the date of issuance was less than the initial conversion price. The notes contain two embedded derivatives; a contingent interest provision, which expired

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

upon the filing of a registration statement on December 7, 2006, and a bond parity clause. The remaining embedded derivative, the bond parity clause, had a zero fair value as of June 28, 2008. The Company will be re-measuring the embedded derivatives each reporting period, as applicable and changes in fair value will be reported in the Consolidated Statements of Operations.

The \$9.1 million of costs incurred in connection with the issuance of the notes were capitalized and are being amortized to interest expense on a straight-line basis for seven years which approximates the charge using the effective interest method. As of June 28, 2008, the unamortized portion of the issuance costs related to the notes was \$6.4 million and is included in "Other current assets" and "Other non-current assets" on the Consolidated Balance Sheets.

Zero Coupon Senior Convertible Notes

On October 31, 2003, the Company completed the sale of \$475.0 million aggregate principal amount of Zero Coupon Senior Convertible Notes due in 2010. The notes were issued for cash consideration in a private placement to the initial purchasers, Morgan Stanley & Co. Incorporated, Goldman Sachs & Co., and CIBC World Markets Corp. The initial purchasers resold the notes to qualified institutional investors in accordance with Rule 144A under the Securities Act of 1933, as amended. Proceeds from the notes amounted to \$462.3 million after issuance costs. The notes do not bear interest and are convertible into the Company's common stock at a conversion price of \$39.52 per share. Each \$1,000 principal amount is initially convertible into 25.3036 shares of the Company's common stock upon the satisfaction of certain conditions. Therefore, at issuance the notes were convertible in the aggregate into approximately 12.0 million shares of common stock. The Company has the right to redeem the notes beginning November 15, 2008. Holders of the notes may require the Company to repurchase the notes on November 15, 2008. In addition, under certain circumstances holders may require the Company to convert the notes into shares of the Company's common stock, if the closing sale price of its common stock exceeds 110% of the conversion price for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter. Conditions required to trigger this conversion right have not occurred. As of June 28, 2008, the zero coupon convertible notes are classified as current based on the Company's expectation that they will be retired within one year.

During fiscal 2008, the Company repurchased \$300.0 million aggregate principal amount of the Notes for \$287.4 million in cash. In connection with the repurchase, a gain of \$12.6 million was recognized in interest and other income (loss), offset by the write-off of \$0.8 million of debt issuance costs. After giving effect to the repurchase, the total amount of Zero Coupon Senior Convertible Notes outstanding as of June 28, 2008 was \$83.0 million. The repurchase effectively reduced the number of conversion shares potentially issuable in relation to the Zero Coupon Notes by approximately 7.6 million from 9.7 million to 2.1 million.

The \$12.7 million of costs incurred in connection with issuance of the notes were capitalized and are being amortized to interest expense on a straight-line basis over five years. As of June 28, 2008, the remaining unamortized issuance costs related to the outstanding notes was \$0.1 million, which is included in "Other current assets" on the Consolidated Balance Sheets.

During fiscal 2007, the Company repurchased \$92.0 million aggregate principal amount of the Notes for \$85.0 million in cash. In connection with the repurchase, a gain of \$7.0 million was recognized in the interest and other income (loss), offset by the write-off of \$0.7 million of debt issuance costs. After giving effect to the repurchase, the total amount of Zero Coupon Senior Convertible Notes outstanding as of June 30, 2007 was \$383.0 million. The repurchase effectively reduced the number of conversion shares potentially issuable in relation to the Zero Coupon Notes by approximately 2.3 million from 12.0 million to 9.7 million.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Outstanding Letters of Credit

As of June 28, 2008, the Company had 13 standby letters of credit totalling \$16.2 million.

Note 11. Restructuring

The Company continues to take advantage of opportunities to further reduce costs through targeted, customer-driven restructuring events intended to consolidate the Company and rationalize the manufacture of its products based on core competencies and cost efficiencies. As of June 28, 2008 the Company's total restructuring accrual was \$11.5 million.

During fiscal 2008, the Company recorded \$6.7 million in restructuring charges which included \$6.2 million for severance and benefits, \$0.2 million for manufacturing transfer cost and \$0.3 million for lease costs for additional restructured space. These charges were primarily related to the further consolidation of the Company's manufacturing operations. This further consolidation will account for the termination of 159 employees—114 in North America, 29 in Asia, 15 in Europe and 1 in Latin America. Of these reductions to headcount, 95 were in manufacturing, 25 in research and development and 39 in sales, general and administration functions. As of June 28, 2008, 141 of these employees have been terminated. Payments related to severance and benefits are expected to be paid off by the third quarter of fiscal 2013 and payments related to lease costs are expected to be paid by the fourth quarter of fiscal 2012. In addition during fiscal 2008, the Company also recorded a lease exit charge, net of assumed sub-lease income, of \$5.4 million related to the Ottawa facility that was included in selling, general and administrative expenses. The payments related to these lease costs are expected to be paid by the third quarter of fiscal 2018.

During fiscal 2007, the Company recorded \$14.7 million in restructuring charges which included \$5.6 million for severance and benefits, \$11.2 million for manufacturing transfer cost, and \$(2.1) million for lease costs which include \$(2.5) million gain on the settlement of lease obligations, \$0.6 million for additional restructured space, and \$(0.2) million to adjust accruals on previously restructured leases. These charges were primarily related to the further consolidation of the Company's manufacturing operations. This further consolidation will account for the termination of 241 employees—237 in North America and 4 in Asia. Of these reductions to headcount, 182 were in manufacturing, 41 in research and development and 18 in sales, general and administration functions. As of June 28, 2008, 185 of these employees have been terminated. In the third quarter of fiscal 2008, the Company decided that 52 employees located in North America would not be terminated, and as a result, a restructuring accrual of \$0.1 million was reversed. Payments related to severance and benefits are expected to be paid off by the second quarter of fiscal 2009 and payments related to lease costs are expected to be paid by the first quarter of fiscal 2014.

During fiscal 2006, the Company recorded \$35.0 million in restructuring charges which included \$15.2 million for severance and benefits, \$9.0 million for manufacturing transfer costs, \$5.8 million in lease termination costs and \$5.0 million to adjust accruals on previously restructured leases. These charges were primarily related to the further consolidation of the Company's manufacturing operations and the transfer of such operations to other Company facilities and to the facilities of contract manufacturing partners and the relocation of the Company's executive offices to accommodate the future needs of the organization. These events will account for the termination of 921 employees: 894 in North America and 27 in Europe. Of these reductions to headcount, 770 were in manufacturing, 84 in research and development and 67 in sales, general and administration functions. As of June 28, 2008, 905 of these employees have been terminated. Payments related to severance and benefits are expected to be paid off by the first quarter of fiscal 2009.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes the various restructuring plans (*in millions*):

	Workforce Reduction	Facilities and Equipment	Lease Costs	Total	Other Lease Exit Costs
Accrual balance as of July 2, 2005	\$ 6.8	\$ —	\$ 39.4	\$ 46.2	\$ —
Restructuring charges	15.2	9.0	10.8	35.0	—
Cash payments	(13.1)	(9.0)	(24.5)	(46.6)	—
Amount charged to goodwill	1.3	—	—	1.3	—
Accrual balance as of July 1, 2006	10.2	—	25.7	35.9	—
Restructuring charges	5.6	11.2	(2.1)	14.7	—
Adjustment from non-restructuring accounts	0.3	—	0.1	0.4	—
Cash payments	(12.0)	(11.2)	(14.6)	(37.8)	—
Amount charged to goodwill	0.3	—	—	0.3	—
Accrual balance as of June 30, 2007	4.4	—	9.1	13.5	—
Restructuring charges	6.2	0.2	0.3	6.7	—
Adjustment from non-restructuring accounts	—	—	—	—	5.4
Cash payments	(6.5)	(0.2)	(2.3)	(9.0)	—
Amount charged to goodwill	0.3	—	—	0.3	0.6
Accrual balance as of June 28, 2008	\$ 4.4	\$ —	\$ 7.1	\$ 11.5	\$ 6.0

The total restructuring accrual is disclosed in the Company's Consolidated Balance Sheets as follows (*in millions*):

	Years Ended	
	June 28, 2008	June 30, 2007
Current	\$ 5.7	\$ 6.9
Non-current	5.8	6.6
Total	\$ 11.5	\$ 13.5

The non-current portion of the restructuring accrual is included as a component of "Other non-current liabilities" in the Company's Consolidated Balance Sheets. In addition, restructuring expenses are not allocated to the reporting segments level.

Other lease exit costs are included in other liabilities as follows (*in millions*):

	Years Ended	
	June 28, 2008	June 30, 2007
Current	\$ 0.3	\$ —
Non-current	5.7	—
Total	\$ 6.0	\$ —

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 12. Income Taxes

The Company's income (loss) before income taxes consisted of the following (*in millions*):

	Years Ended		
	June 28, 2008	June 30, 2007	July 1, 2006
Domestic	\$ (13.8)	\$ (22.7)	\$ (121.9)
Foreign	(5.5)	(1.6)	(29.7)
Loss before income taxes	<u>\$ (19.3)</u>	<u>\$ (24.3)</u>	<u>\$ (151.6)</u>

The Company's income tax expense (benefit) consisted of the following (*in millions*):

	Years Ended		
	June 28, 2008	June 30, 2007	July 1, 2006
Federal:			
Current	\$ —	\$ (0.4)	\$ (9.8)
Deferred	0.8	0.6	3.7
	<u>0.8</u>	<u>0.2</u>	<u>(6.1)</u>
State:			
Current	1.0	1.2	0.5
Deferred	(0.9)	(1.2)	0.7
	<u>0.1</u>	<u>—</u>	<u>1.2</u>
Foreign:			
Current	0.4	7.7	6.4
Deferred	1.1	(5.9)	(1.9)
	<u>1.5</u>	<u>1.8</u>	<u>4.5</u>
Total income tax expense (benefit)	<u>\$ 2.4</u>	<u>\$ 2.0</u>	<u>\$ (0.4)</u>

The federal deferred tax expense primarily relates to the tax amortization of goodwill for which no financial statement amortization has occurred in accordance with SFAS 142. The state deferred tax benefit primarily relates to a favorable IRS ruling to treat one of the Company's subsidiaries as a disregarded entity. The foreign current expense primarily relates to the Company's profitable operations in certain foreign jurisdictions offset by the recognition of \$8.7 million of uncertain tax benefits relating to the expiration of a statute of limitations in a non-U.S. jurisdiction and the recognition of a net \$1.0 million of foreign jurisdiction research tax credits. The foreign deferred tax expense primarily relates to the establishment of a \$2.7 million valuation allowance against foreign deferred tax assets, which is offset by a deferred tax benefit resulting from the amortization of foreign intangibles under SFAS 142.

During fiscal year 2008, China adopted transitional rules regarding the 2007 Unified Enterprise Income Tax Law which took effect on January 1, 2008. Pursuant to these transitional rules of the new law, an 18% statutory tax rate applies for the 2008 calendar year and adjusts up each year until calendar year 2012 when it hits a 25% statutory rate. The measurement of the Company's deferred taxes in China has been calculated taking into account the new transition rules.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

There was no material tax benefit associated with exercise of stock options for the fiscal years ended June 28, 2008, June 30, 2007 and July 1, 2006.

A reconciliation of the Company's income tax expense (benefit) at the federal statutory rate to the income tax expense (benefit) at the effective tax rate is as follows (*in millions*):

	Years Ended		
	June 28, 2008	June 30, 2007	July 1, 2006
Income tax benefit computed at federal statutory rate	\$ (6.7)	\$ (8.5)	\$ (53.0)
Foreign rate differential	(1.1)	(5.4)	5.5
Reduction of goodwill	—	—	7.8
Valuation allowance	12.3	19.9	47.0
Non-cash tax expense on marketable securities	—	—	3.6
Reversal of previously accrued taxes	(4.1)	(2.8)	(10.3)
China tax rate change	—	(2.7)	—
Withholding tax	2.7	—	—
Tax credits	(1.0)	—	—
Other	0.3	1.5	(1.0)
Income tax expense (benefit)	<u>\$ 2.4</u>	<u>\$ 2.0</u>	<u>\$ (0.4)</u>

The components of the Company's net deferred taxes consisted of the following (*in millions*):

	Years Ended		
	June 28, 2008	June 30, 2007	July 1, 2006
Gross deferred tax assets:			
Tax credit carryforwards	\$ 156.6	\$ 105.0	\$ 93.1
Net operating loss carryforwards	2,311.2	2,393.0	2,223.6
Inventories	13.7	27.0	31.1
Accruals and reserves	26.5	21.9	17.3
Other	87.9	74.0	56.2
Acquisition-related items	205.8	227.0	288.0
Gross deferred tax assets	2,801.7	2,847.9	2,709.3
Valuation allowance	(2,652.5)	(2,677.9)	(2,587.7)
Deferred tax assets	<u>149.2</u>	<u>170.0</u>	<u>121.6</u>
Gross deferred tax liabilities:			
Acquisition-related items	(145.7)	(165.9)	(134.2)
Undistributed foreign earnings	(19.6)	(17.9)	(11.7)
Other	(2.0)	(0.3)	—
Deferred tax liabilities	<u>(167.3)</u>	<u>(184.1)</u>	<u>(145.9)</u>
Total net deferred tax liabilities	<u>\$ (18.1)</u>	<u>\$ (14.1)</u>	<u>\$ (24.3)</u>

As of June 28, 2008, the Company had federal, state and foreign tax net operating loss carryforwards of \$5,621.2 million, \$137.4 million and \$976.0 million, respectively, and federal, state and foreign research and other tax credit carryforwards of \$61.9 million, \$31.2 million and \$65.6 million, respectively. Of this amount,

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approximately \$11.7 million when realized will get credited to additional paid-in-capital. The tax net operating loss and tax credit carryforwards will expire at various dates through 2028, if not utilized. Utilization of the tax net operating losses may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code and similar state and foreign provisions. Loss carryforward limitations may result in the expiration or reduced utilization of a portion of the Company's net operating losses.

In fiscal 2005, the Company initiated a dividend plan to repatriate certain earnings from one of its subsidiaries in China. As of June 28, 2008, \$19.5 million is expected to be repatriated with no additional tax expense. The remaining foreign earnings are considered to be indefinitely reinvested in non-U.S. operations. Cumulative undistributed earnings of the Company's foreign subsidiaries for which no U.S. income taxes have been provided aggregated approximately \$46.5 million at June 28, 2008 and \$24.7 million at June 30, 2007. The Company estimates that no additional U.S. taxes would have to be provided if these earnings were repatriated back to the U.S.

The valuation allowance decreased by \$25.4 million in fiscal 2008, increased by \$90.2 million in fiscal 2007, and increased by \$48.9 million in fiscal 2006. The decrease was primarily due to increase to deferred tax liabilities resulting from acquired intangibles which was partially offset by an increase in domestic and foreign tax net operating losses sustained during the fiscal year. Increases in the valuation allowance in fiscal 2007 were primarily due to increases as a result of domestic and foreign tax net operating losses sustained during the fiscal year, valuation allowances on acquired companies, which were partially offset by increases in acquisition related deferred tax liabilities, and changes to loss carryforwards resulting from tax audits. Increases in the valuation allowance in fiscal 2006 were primarily due to the increase in domestic and foreign tax net operating losses sustained during the fiscal year, and valuation allowances on acquired companies, which were partially offset by increases in acquisition related deferred tax liabilities.

Approximately \$514.7 million of the valuation allowance as of June 28, 2008 was attributable to pre-fiscal 2006 windfall stock option deductions, the benefit of which will be credited to paid-in-capital if and when realized through a reduction in income tax payable. Beginning with fiscal year 2006, we began to track the windfall stock option deductions off balance sheet, as required by SFAS 123(R). If and when realized, the tax benefit associated with those deductions will be credited to additional paid-in-capital. Approximately \$106.9 million of the valuation allowance as of June 28, 2008 and approximately \$113.0 million of the valuation allowance as of June 30, 2007 was attributable to deferred tax assets that when realized, will first reduce unamortized goodwill, then other non-current intangible assets of acquired subsidiaries, and then income tax expense.

During fiscal 2007, China adopted a new Unified Enterprise Income Tax Law which took effect on January 1, 2008. Pursuant to the law, a new 25% statutory tax rate applies to most companies beginning January 1, 2008, subject to certain transitional rules and other potential special incentives. During fiscal year 2007, there were the uncertainties as to how the final transitional rules may impact phase-in of the new tax rate, the Company measured the increase in its deferred taxes assuming a prorated introduction of the new tax rate over a five year period which resulted in a \$2.7 million net tax benefit.

During fiscal 2006, the Company recorded \$9.6 million of income tax benefit recognized for refunds attributable to the successful conclusion of an IRS audit related to tax losses carried back to taxable periods, net of reductions to related goodwill. In addition, the Company recognized a tax benefit of \$2.3 million attributable to the release of valuation allowance for jurisdictions which the Company believes are more likely than not to have future income, and a tax expense of \$3.6 million as a result of a non cash charge associated with the reversal of tax benefits recognized in prior periods relating to the sale of certain marketable securities. The \$3.6 million

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

income tax expense was recorded in accordance with Statement of Financial Accounting Standard No. 115, “*Accounting for Certain Investments in Debt and Equity Securities*” (“SFAS 115”) and Statement of Financial Accounting Standard No. 109, “*Accounting for Income Taxes*” (“SFAS 109”). The Company also provided \$6.9 million of current tax expense for certain foreign and state jurisdictions.

The Company adopted FASB issued Interpretation No. 48 “*Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement 109*” (“FIN 48”) on July 1, 2007. As a result of the adoption of FIN 48, the Company had \$76.4 million of liabilities for unrecognized tax benefits. The adoption resulted in a reclassification of certain tax liabilities in the amount of \$40.6 million from current to non-current and no significant cumulative impact to the accumulated deficit.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (*in millions*):

Balance at July 1, 2007	\$76.4
Additions based on tax positions related to the current year	3.0
Additions based on tax positions related to the prior year	0.5
Reduction for lapse of statute of limitations	(8.0)
Balance at June 28, 2008	<u>\$71.9</u>

The liabilities for unrecognized tax benefits relate primarily to the allocations of revenue and costs among the Company’s global operations. In addition, utilization of the Company’s tax net operating losses may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code and similar state and foreign provisions. As a result, loss carryforward limitations may result in the expiration or reduced utilization of a portion of the Company’s net operating losses.

Included in the balance of unrecognized tax benefits at June 28, 2008 are \$3.1 million of tax benefits that, if recognized, would impact the effective tax rate. Also included in the balance of unrecognized tax benefits at June 28, 2008 are \$9.7 million of tax benefits that, if recognized prior to July 1, 2009, would result in a decrease to goodwill recorded in purchase business combinations, and \$59.0 million of tax benefits that, if recognized, would result in adjustments to the valuation allowance. During the year ended June 28, 2008, due to a statute of limitation expiration in a foreign jurisdiction, the Company recognized \$8.0 million of unrecognized tax benefits and a corresponding adjustment to the valuation allowance. The impact on net loss reflects the liabilities for unrecognized tax benefits net of certain deferred tax assets and the federal tax benefit of state income tax items. One or more of the unrecognized tax benefits could be subject to a valuation allowance if and when recognized in a future period, which could impact the timing of any related effective tax rate benefit.

Upon adoption of FIN 48, the Company’s policy to recognize accrued interest and penalties related to unrecognized tax benefits within the income tax provision did not change. The amount of penalty and interest accrued as of July 1, 2007 and June 30, 2008 was approximately, \$34.5 million and \$30.1 million respectively. During fiscal 2008 the Company reduced accrued interest and penalties by \$4.3 million primarily relating to a statute of limitation expiration in a non-US jurisdiction. Due to the uncertainties related to current examinations in various jurisdictions, other changes could occur in the amount of unrecognized tax benefits during the next twelve months which the Company is unable to estimate at this time.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes the Company's major tax jurisdictions and the tax years that remain subject to examination by such jurisdictions as of June 28, 2008:

<u>Tax Jurisdictions</u>	<u>Tax Years</u>
United States	2005 and onward
Canada	2001 and onward
China	2003 and onward
France	2005 and onward
Germany	2004 and onward

Note 13. Stockholders' Equity

Preferred Stock

In February 2003, the Company amended and restated its Stockholder Rights Agreement and currently each share of the Company's outstanding common stock is associated with one right. Each right entitles stockholders to purchase 1/100,000 share of the Company's Series B Preferred Stock at an exercise price of \$21.00. The rights only become exercisable in certain limited circumstances following the tenth day after a person or group announces an acquisition of or tender offers for 15% or more of the Company's common stock. For a limited period of time following the announcement of any such acquisition or offer, the rights are redeemable by the Company at a price of \$0.01 per right. If the rights are not redeemed, each right will then entitle the holder to purchase common stock having the value of twice the then-current exercise price. For a limited period of time after the exercisability of the rights, each right, at the discretion of the Company's Board of Directors, may be exchanged for either 1/100,000 share of Series B Preferred Stock or one share of common stock per right. The rights expire on June 22, 2013.

The Company's Board of Directors has the authority to issue up to 499,999 shares of undesignated preferred stock and to determine the powers, preferences and rights and the qualifications, limitations or restrictions granted to or imposed upon any wholly unissued shares of undesignated preferred stock and to fix the number of shares constituting any series and the designation of such series, without the consent of the Company's stockholders. The preferred stock could be issued with voting, liquidation, dividend and other rights superior to those of the holders of common stock. The issuance of Series B Preferred Stock or any preferred stock subsequently issued by the Company's Board of Directors, under some circumstances, could have the effect of delaying, deferring or preventing a change in control.

Exchangeable Shares of JDS Uniphase Canada Ltd.

On June 30, 1999, in connection with the merger with JDS FITEL, JDS Uniphase Canada Ltd., a subsidiary of the Company, adopted an Exchangeable Share Rights Plan (the "Exchangeable Rights Plan") substantially equivalent to the Company's Rights Agreement. Under the Exchangeable Rights Plan, each exchangeable share issued has an associated right (an "Exchangeable Share Right") entitling the holder of such Exchangeable Share Right to acquire additional exchangeable shares on terms and conditions substantially the same as the terms and conditions upon which a holder of shares of common stock is entitled to acquire either 1/1000 share of the Company's Series B Preferred Stock or, in certain circumstances, shares of common stock under the Company's Rights Agreement. The definitions of beneficial ownership, the calculation of percentage ownership and the number of shares outstanding and related provisions of the Company's Rights Agreement and the Exchangeable Rights Plan apply, as appropriate, to shares of common stock and exchangeable shares as though they were the same security. The Exchangeable Share Rights are intended to have characteristics essentially equivalent in economic effect to the Rights granted under the Company's Rights Agreement. The Company has the right to force conversion of the exchangeable shares in fiscal 2014.

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Stock Repurchase Program

On May 15, 2008, the Company's Board of Directors authorized the Company to repurchase up to \$200 million of its common stock through open market or private transactions during a two year period ending May 14, 2010. During the three months ended June 28, 2008, the Company repurchased approximately 9.6 million shares of common stock in open market purchases at an average price of \$11.76 per share. The total purchase price of \$113.2 million was reflected as a decrease to common stock based on the stated par value per share with the remainder to accumulated deficit. All common shares repurchased under this program have been cancelled and retired. See "Note 21. Subsequent Events" for more details.

Note 14. Stock-Based Compensation

Stock-Based Benefit Plans

Stock Option Plans

As of June 28, 2008, the Company had 22.1 million shares of stock options and full value awards issued and outstanding to employees and directors under the Company's 2005 Acquisition Equity Incentive Plan (the "2005 Plan"), Amended and Restated 2003 Equity Incentive Plan (the "2003 Plan"), and various other plans the Company assumed through acquisitions. During the second quarter of fiscal 2007, the 1996 Non-qualified Stock Option Plan ("1996 Plan") expired and there were no outstanding options from the 1996 Plan. The exercise price for stock options is equal to the fair value of the underlying stock at the date of grant. Options generally become exercisable over a four-year period and, if not exercised, expire from five to ten years after the date of grant.

On November 14, 2006, the Company's stockholders approved an amendment and restatement of the 2003 Plan, under which (1) 12,500,000 shares of Common Stock were added to the pool of shares reserved for issuance under the 2003 Plan and (2) all future grants of "Full Value Awards" (as defined below) will reduce the share reserve by one and one-half shares for each share subject to such Awards. As of June 28, 2008, 8.2 million shares of common stock, primarily under the 2003 Plan, were available for grant.

On August 17, 2005, the Company's Board of Directors adopted and approved the Flexible Stock Incentive—2005 Plan (the "2005 Plan"). Pursuant to Section 3(a) of the 2005 Plan, and in accordance with the registration requirements of the Securities Act of 1933, the Company registered 16.0 million shares, which have been reserved for issuance under the 2005 Plan. The adoption and approval of the 2005 Plan did not affect any of the options granted under the Amended and Restated 1993 Plan, as amended, and currently outstanding, all of which remain exercisable in accordance with their terms.

Employee Stock Purchase Plans

In June 1998, the Company adopted the JDS Uniphase Corporation 1998 Employee Stock Purchase Plan, as amended (the "1998 Purchase Plan"). The 1998 Purchase Plan, which became effective August 1, 1998, provides eligible employees with the opportunity to acquire an ownership interest in the Company through periodic payroll deductions and provides a discounted purchase price as well as a look-back period. The 1998 Purchase Plan is structured as a qualified employee stock purchase plan under Section 423 of the Internal Revenue Code of 1986. However, the 1998 Purchase Plan is not intended to be a qualified pension, profit sharing or stock bonus plan under Section 401(a) of the Internal Revenue Code of 1986 and is not subject to the provisions of the Employee Retirement Income Security Act of 1974. The 1998 Purchase Plan will terminate upon the earlier of August 1, 2018 or the date on which all shares available for issuance have been sold. Of the 50.0 million shares authorized to be issued under the 1998 Purchase Plan, 1.7 million shares remained available for issuance as of June 28, 2008.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Effective with the purchase period that began on February 1, 2006, the 1998 Purchase Plan was modified to provide a 5% discount and a six month look-back period. Previously, the 1998 Purchase Plan had provided a 15% discount and up to a two year look-back period.

Full Value Awards

“Full Value Awards” are Restricted Stock, Restricted Stock Units, Deferred Stock Units, Performance Units, and Performance Shares that are granted with a per share or unit purchase price below 100% of fair market value on the date of grant. They are exercised immediately upon vesting. Prior to the fourth quarter of fiscal 2007, they were granted under the 2005 Plan and 2003 Plan to a limited number of employees. Beginning in the fourth quarter of fiscal 2007, the intent is to use Full Value Awards as the Company’s predominant equity compensation vehicle. These Full Value Awards are performance based, time based, or a combination of performance and time based and are expected to vest over one to four years. The fair market value of the Full Value Awards is based on the closing market price of the Company’s common stock on the date of award.

SFAS 123(R) Overview

Effective July 3, 2005 the Company adopted SFAS 123(R) using the modified prospective application transition method, which establishes accounting for stock-based awards exchanged for employee services. Accordingly, stock-based compensation cost is measured at grant date, based on the fair value of the award, and recognized in expense over the requisite service period. On November 10, 2005, the Financial Accounting Standards Board issued FASB Staff Position No. FAS 123(R)-3 “*Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards*.” The Company has elected to adopt the alternative transition method provided in the FASB Staff Position for calculating the tax effects of stock-based compensation pursuant to SFAS 123(R). The alternative transition method includes simplified methods to establish the beginning balance of the additional paid-in capital pool (APIC pool) related to the tax effects of employee stock-based compensation, and to determine the subsequent impact on the APIC pool and Consolidated Statements of Cash Flows of the tax effects of employee stock-based compensation awards that are outstanding upon adoption of SFAS 123(R).

As required by SFAS 123(R), management has made an estimate of expected forfeitures and is recognizing compensation costs only for those equity awards expected to vest. The impact on the Company’s results of operations of recording stock-based compensation by function for fiscal years 2008, 2007, and 2006 was as follows (*in millions*):

	Years Ended		
	June 28, 2008	June 30, 2007	July 1, 2006
Cost of sales	\$ 5.3	\$ 4.1	\$ 3.3
Research and development	10.2	7.4	3.7
Selling, general and administrative	33.8	18.2	8.0
	<u>\$ 49.3</u>	<u>\$ 29.7</u>	<u>\$ 15.0</u>

Approximately \$1.6 million, \$1.0 million, and \$0.6 million of stock-based compensation was capitalized to inventory at June 28, 2008, June 30, 2007, and July 1, 2006, respectively.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Stock Option Activity

The weighted average exercise price of options granted during the year ended June 28, 2008 was \$5.80 per share, and the weighted average fair value of options granted during fiscal 2008 was \$0.97 per share, including options assumed in the acquisition of ABNH. See “Note 3. Mergers and Acquisitions” of the Notes to Consolidated Financial Statements for details of this acquisition. The total intrinsic value of options exercised during the year ended June 28, 2008 was \$11.2 million. In connection with these exercises, there was no tax benefit realized by the Company due to the fact that the Company has no material benefit in foreign jurisdictions and a full valuation allowance on its domestic deferred tax assets.

The Company issues new shares of common stock upon exercise of stock options. All new hire or focal stock option grants vest over four years with 25% vesting on the first anniversary of the date of grant and 6.25% vesting every quarter thereafter.

As of June 28, 2008, \$30.3 million of unrecognized stock-based compensation cost related to stock options remains to be amortized. That cost is expected to be recognized over an estimated amortization period of 2.9 years.

The following is a summary of options activities (*amount in millions except per share amounts*):

	Options Outstanding	
	Number of Shares	Weighted-Average Exercise Price
Balance as of July 2, 2005	19.1	\$ 99.30
Granted	7.4	20.47
Forfeited	(1.0)	20.39
Exercised	(1.1)	13.76
Canceled	(2.9)	116.39
Balance as of July 1, 2006	21.5	77.74
Granted	2.1	15.19
Forfeited	(0.5)	11.75
Exercised	(1.4)	18.43
Canceled	(2.1)	109.15
Balance as of June 30, 2007	19.6	73.65
Granted	1.6	5.80
Forfeited	(1.1)	17.74
Exercised	(1.6)	6.30
Canceled	(3.4)	167.41
Balance as of June 28, 2008	<u>15.1</u>	<u>56.71</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes significant ranges of outstanding and exercisable options as of June 28, 2008:

Range of Exercise Prices	Options Outstanding				Options Exercisable			
	Number of Shares	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Aggregate Intrinsic Value ('000)	Number of Shares	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Aggregate Intrinsic Value ('000)
\$ 0.00 — 10.00	250,681	6.3	\$ 5.16	\$ 1,606	176,361	5.2	\$ 4.68	\$ 1,215
10.01 — 20.00	5,117,117	5.4	13.94	50	2,996,683	5.0	13.76	39
20.01 — 30.00	5,645,616	4.8	23.39	—	3,878,747	4.3	23.61	—
30.01 — 100.00	2,685,476	2.6	41.78	—	2,655,583	2.6	41.85	—
100.01 — 200.00	460,268	0.8	122.60	—	457,385	0.8	122.64	—
200.01 — 700.00	760,307	1.6	408.38	—	760,077	1.6	408.33	—
700.01 — 1,200.00	198,871	0.9	872.61	—	198,853	0.9	872.59	—
	<u>15,118,336</u>	4.3	56.71	<u>\$ 1,656</u>	<u>11,123,689</u>	3.7	70.55	<u>\$ 1,254</u>

The aggregate intrinsic value in the table above represents the total pretax intrinsic value, based on the Company's closing stock price of \$11.57 as of June 28, 2008, which would have been received by the option holders had all option holders exercised their options as of that date. The total number of in-the-money options exercisable as of June 28, 2008 was 0.2 million. As Full Value Awards are exercised immediately upon vesting, there were none exercisable as of June 28, 2008.

Employee Stock Purchase Plan ("ESPP") Activity

The compensation expense in connection with the Company's employee stock purchase plan for the year ended June 28, 2008 was \$1.1 million. The expense related to the plan is recorded on a straight-line basis over the relevant subscription period.

The following table shows the shares issued, and the fair market value at purchase date, pursuant to the Company's employee stock purchase plan during the year ended June 28, 2008:

Purchase date	January 31, 2008	July 31, 2007
Shares Issued	279,786	211,445
Fair market value at purchase date	\$ 10.41	\$ 14.33

As of June 28, 2008, \$0.1 million of unrecognized stock-based compensation cost related to ESPP remains to be amortized. That cost is expected to be recognized through the first quarter of fiscal 2009.

Full Value Awards

During the year ended June 28, 2008, the Compensation Committee of the Company's Board of Directors approved the grant of 4.7 million Full Value Awards to the Company's Board of Directors and employees. The difference between the exercise price of the awards and the fair market value of the Company's common shares on the dates the awards were granted, net of expected forfeitures represents unrecognized stock compensation cost which is being amortized on a straight-line basis over the probable vesting periods of the underlying stock rewards (except for performance based Full Value Awards which are amortized based upon the graded vesting method). During fiscal years 2008, 2007 and 2006, the Company recorded \$29.9 million, \$7.6 million and \$2.9 million of such compensation expenses, respectively.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of June 28, 2008, \$69.5 million of unrecognized stock-based compensation cost related to Full Value Awards remains to be amortized. That cost is expected to be recognized over an estimated amortization period of 2.5 years.

A summary of the status of the Company's nonvested Full Value Awards as of June 28, 2008 and changes during the same period is presented below (amount in millions, except per share amounts):

	Full Value Awards			Weighted-average grant-dated fair value
	Performance shares	Non-performance shares	Total number of shares	
Nonvested at July 2, 2005	0.1	0.2	0.3	\$ 15.26
Awards granted	0.2	0.6	0.8	21.19
Awards vested	—	(0.1)	(0.1)	17.14
Awards forfeited	—	—	—	—
Nonvested at July 1, 2006	0.3	0.7	1.0	19.94
Awards granted	0.8	3.0	3.8	13.71
Awards vested	—	(0.2)	(0.2)	20.09
Awards forfeited	(0.1)	(0.1)	(0.2)	19.19
Nonvested at June 30, 2007	1.0	3.4	4.4	14.53
Awards granted	0.2	4.5	4.7	12.87
Awards vested	—	(1.4)	(1.4)	15.27
Awards forfeited	(0.2)	(0.5)	(0.7)	15.72
Nonvested at June 28, 2008	1.0	6.0	7.0	13.14

Full Value Awards are converted into shares upon vesting. Shares equivalent in value to the minimum withholding taxes liability on the vested shares are withheld by the Company for the payment.

Valuation Assumptions

The Company estimates the fair value of stock options using a Black-Scholes-Merton (BSM) valuation model. The fair value of each option grant is estimated on the date of grant using the BSM option valuation model and the straight-line attribution approach with the following weighted-average assumptions:

	Employee Stock Option Plans			Employee Stock Purchase Plans		
	2008	2007	2006	2008	2007	2006
Expected term (in years)	4.30	4.35	4.37	0.50	0.50	0.50
Expected volatility	45%	47%	54%	46%	50%	57%
Risk-free interest rate	4.49%	4.75%	4.71%	3.36%	5.17%	4.14%
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Expected Term: The Company's expected term represents the period that the Company's stock-based awards are expected to be outstanding and was determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior.

Expected Volatility: The Company determined that a combination of the implied volatility of its traded options and historical volatility of its stock price based on the expected term of the equity instrument most appropriately reflects market expectation of future volatility. Implied volatility is based on traded options of the Company's common stock observed with a period of up to two years into the future.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Risk-Free Interest Rate: The Company bases the risk-free interest rate used in the BSM valuation method on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent remaining term. Where the expected term of the Company's stock-based awards do not correspond with the terms for which interest rates are quoted, the Company performed a straight-line interpolation to determine the rate from the available maturities.

Expected Dividend: The BSM valuation model calls for a single expected dividend yield as an input. The Company has not paid and does not anticipate paying any dividends in the near future.

Estimated Pre-vesting Forfeitures: When estimating forfeitures, the Company considers voluntary termination behavior as well as future workforce reduction programs. Estimated forfeiture rates are trued-up to actual forfeiture results as the stock-based awards vest.

Note 15. Employee Benefit Plans

Employee 401(k) Plans

The Company sponsors the JDS Uniphase Corporation Employee 401(k) Retirement Plan (the "401(k) Plan"), a Defined Contribution Plan under ERISA, which provides retirement benefits for its eligible employees through tax deferred salary deductions. The 401(k) Plan allows employees to contribute up to 50% of their annual compensation, with such contributions limited to \$15,500 in calendar year 2008 as set by the Internal Revenue Service.

Effective January 1, 2004, the Plan provided for employer matching contributions to all participants who made elective contributions in an amount equal to 25% of the employee's elective contribution for the first 6.0% of eligible compensation contributed, up to a maximum of \$1,500 per year. Effective January 1, 2006, the Plan provided for a 100% match of employees' contributions up to the first 3% of annual compensation and 50% match on the next 2% of compensation, subject to a maximum matching contribution of \$3,800 per employee in calendar year 2006. In August 2005, JDSU acquired Acterna where the Acterna 401(k) plan provided for 50% match of employee's contributions up to the first 6% of annual compensation with no maximum. Effective January 1, 2006, Acterna's 401(k) Plan merged into the JDSU 401(k) Plan. Effective January 1, 2007, the Plan provides for a 100% match of employees' contributions up to the first 3% of annual compensation and 50% match on the next 2% of compensation. All matching contributions are made in cash and vest immediately. The Company's matching contributions to the 401(k) Plan were \$6.6 million, \$6.8 million, and \$4.8 million in fiscal 2008, 2007, and 2006, respectively.

The Company also provides a non-qualified retirement plan for the benefit of certain eligible employees in the U.S. This plan is designed to permit employee deferral of a portion of salaries in excess of certain tax limits and deferral of bonuses. This plan's assets are designated as trading assets in the Company's Consolidated Balance Sheets. See "Note 6. Investments" for more detail.

Employee Defined Benefit Plans

As a result of acquiring Acterna in August 2005, the Company sponsors qualified and non-qualified pension plans for certain past and present employees in the UK and Germany. The Company also is responsible for the nonpension postretirement benefit obligation of a previously acquired subsidiary. The plans have been closed to new participants and no additional service costs are being accrued. Benefits are generally based upon years of service and compensation or stated amounts for each year of service. As of June 28, 2008 the UK plan was

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

partially funded while the other plans were unfunded. The Company's policy for funded plans is to make contributions equal to or greater than the requirements prescribed by law or regulation. For unfunded plans, the Company pays the postretirement benefits when due. Future estimated benefit payments are summarized below. No other required contributions to defined benefit plans are expected in fiscal 2009. The funded plan assets consist primarily of managed investments.

The Company accounts for its obligations under these pension plans in accordance with Statement of Financial Accounting Standards No. 87, "Employer's Accounting for Pensions" ("SFAS 87"), which requires the Company to record its obligation to the participants, as well as the corresponding net periodic cost. The Company determines its obligation to the participants and its net periodic cost principally using actuarial valuations provided by third-party actuaries. The obligation the Company records in its Consolidated Balance Sheets is reflective of the total projected benefit obligation (PBO) and the fair value of plan assets.

Effective June 30, 2007, the Company adopted Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)" ("SFAS 158"), which requires recognition of the funded status of each defined benefit pension plan and nonpension postretirement benefit plan on the Company's balance sheet. The impact of SFAS 158 due to previously unrecognized actuarial gains and losses and prior service costs or credits is recognized as a component of Accumulated other comprehensive income (net of tax) in Stockholders' equity.

The following table presents the components of the net periodic cost for the pension and benefits plans (*in millions*):

	Pension Benefits			Other Post Retirement Benefit Plans		
	2008	2007	2006	2008	2007	2006
Service cost	\$ —	\$ —	\$ —	\$ —	\$ 0.1	\$ 0.1
Interest cost	6.2	5.4	4.2	0.1	0.3	0.3
Expected return on plan assets	(1.5)	(1.4)	(1.1)	—	—	—
Recognized actuarial gains	(0.1)	—	—	(0.1)	—	—
Net periodic benefit cost	<u>\$ 4.6</u>	<u>\$ 4.0</u>	<u>\$ 3.1</u>	<u>\$ —</u>	<u>\$ 0.4</u>	<u>\$ 0.4</u>

The Company's accumulated other comprehensive income includes unrealized net actuarial gains. The amount expected to be recognized in net periodic benefit cost during fiscal 2009 is \$0.6 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The changes in the benefit obligations and plan assets of the pension and benefits plans were *(in millions)*:

	Pension Benefits		Other Post Retirement Benefit Plans	
	2008	2007	2008	2007
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 110.8	\$ 106.9	\$ 0.8	\$ 4.3
Service cost	—	—	—	0.1
Interest cost	6.2	5.4	0.1	0.2
Actuarial (gains)/losses	(9.4)	(4.9)	(0.1)	0.4
Benefits paid	(5.4)	(5.0)	—	(0.2)
Plan amendment and curtailment	—	—	—	(4.0)
Foreign exchange impact	11.5	8.4	—	—
Benefit obligation at end of year	<u>\$ 113.7</u>	<u>\$ 110.8</u>	<u>\$ 0.8</u>	<u>\$ 0.8</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	\$ 24.4	\$ 22.3	\$ —	\$ —
Actual return on plan assets	—	0.9	—	—
Employer contributions	9.6	4.0	0.2	0.2
Benefits paid	(5.4)	(5.0)	(0.2)	(0.2)
Foreign exchange impact	(0.3)	2.2	—	—
Fair value of plan assets at end of year	<u>\$ 28.3</u>	<u>\$ 24.4</u>	<u>\$ —</u>	<u>\$ —</u>
Funded status	<u>\$ (85.4)</u>	<u>\$ (86.4)</u>	<u>\$ (0.8)</u>	<u>\$ (0.8)</u>
Accumulated benefit obligation	<u>\$ 113.7</u>	<u>\$ 110.8</u>		

In June 2008, the Company contributed GBP 2.5 million or approximately \$4.9 million to the UK pension plan. This contribution allowed the Company to substantially comply with regulatory funding requirements.

From April 8 through May 23, 2008 the UK pension plan offered lump-sum cash payments to deferred pensioners opting to transfer out of the plan. Deferred pensioners are plan beneficiaries not yet drawing pension benefits. Deferred pensioners transferring out of the plan surrendered the right to receive future pension payments. 55 deferred pensioners accepted the transfer out offer and are expected to receive total lump-sum cash payments of approximately GBP 2.2 million or \$4.4 million from pension assets. In each case, payment is required to be made within 3 months after properly completed forms have been received by the plan administrator. The Company accounted for the transfer out offer as a settlement and recorded an immaterial gain in its fiscal 2008 Consolidated Statement of Operations.

Effective July 1, 2007, the Company amended its nonpension postretirement plan to discontinue the subsidy for medical and dental insurance premiums. In connection with this amendment and curtailment of benefits, the Company recorded a gain of \$3.7 million in its fiscal 2007 Consolidated Statement of Operations. This gain recognizes the \$4.0 million reduction to benefit obligation listed in the table above net of fiscal 2007 actuarial losses totaling \$0.3 million. The term life insurance benefit continues in force.

Underlying both the calculation of the PBO and net periodic cost are actuarial valuations. These valuations use participant-specific information such as salary, age, years of service, and assumptions about interest rates, compensation increases and other factors. At a minimum, the Company evaluates these assumptions annually and makes changes as necessary.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Pension Benefits			Other Post Retirement Benefit Plans		
	2008	2007	2006	2008	2007	2006
Weighted-average assumptions used to determine net periodic cost for the year ended June 28:						
Discount rate	6.00%	5.25%	4.75%	5.50%	5.50%	6.00%
Expected long-term return on plan assets	6.50	6.00	5.90	—	—	—
Rate of compensation increase	2.25	1.90	1.75	—	—	—
Health care cost trend rate	N/A	N/A	N/A	—	—	—
Weighted-average assumptions used to determine benefit obligation at June 28:						
Discount rate	6.00%	5.25%	4.75%	5.50%	5.50%	6.00%
Rate of compensation increase	2.25	1.90	1.75	—	—	—

For the Company's funded pension plan, the asset allocation at year end was as follows:

	2008	2007
Equities	25%	33%
Bonds	58	67
Cash and other	17	—
Total	100%	100%

The following table reflects the total expected benefit payments to defined benefit pension plan participants. These payments have been estimated based on the same assumptions used to measure the Company's PBO at year end and include benefits attributable to estimated future compensation increases.

(in millions)	Pension Benefits	Other Post Retirement Benefit Plans
2009	\$ 10.5	\$ —
2010	5.3	0.1
2011	5.3	—
2012	5.8	—
2013	5.9	0.1
2014 and Thereafter	33.5	0.2

Note 16. Related Party Transactions

Fabrinet Co. ("Fabrinet")

During fiscal 2008, Fabrinet, a privately held contract manufacturing company in which the Company has a long-term investment, was both a customer and supplier. The purchases and sales of items between the Company and Fabrinet have been evaluated for accounting under Emerging Issues Task Force Abstract No. 01-09, "Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products" ("EITF 01-09"). Based on this evaluation, the Company determined that there is an identifiable benefit that was sufficiently separable from the customer's purchase of the Company's products and the fair value of that benefit was reasonably estimable in relation to sales to other third parties. As of June 28, 2008 and June 30, 2007, the carrying value of the Company's investment in Fabrinet was \$2.0 million.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Fuzhou, China legal entities and certain assets of the Ewing and Mountain Lakes, New Jersey facilities were sold to Fabrinet in May 2005. The Company received a note of \$10.7 million payable in quarterly installments over four years from Fabrinet and a receivable of \$19.0 million for the inventory at Ewing and Mountain Lakes, New Jersey payable in quarterly installments over one year. At June 28, 2008, the related balance receivable from Fabrinet was \$2.3 million for the note and zero for the inventory.

During the second quarter of fiscal 2006, the Company announced the transition of products manufactured at its Ottawa, Canada site to other Company facilities and to the facilities of its contract manufacturing partners. During the third quarter of fiscal 2006, the Company entered into an agreement with Fabrinet to sell certain inventories to Fabrinet and to transfer the Ottawa manufacturing operations to the Company's facilities in Shenzhen, China and St. Etienne, France and to Fabrinet's facilities in Thailand. The Company agreed to reimburse Fabrinet for the cost associated with on-going production and the wind-down and transfer of production. During the second quarter of fiscal year 2007, the transitions were completed and, as of June 30, 2007, Fabrinet paid off the outstanding balances related to certain production and material transactions. The Company has no obligations to Fabrinet related to severance obligations and arrangement fees. Fabrinet production costs were charged to cost of sales and costs related to the transfer and wind down of production were charged to restructuring. The actual restructuring and non-recurring charges totaled approximately \$19.5 million through completion, which includes \$4.4 million for severance and retention.

As of June 28, 2008, Fabrinet also owed the Company approximately \$6.6 million representing trade accounts receivable relating to product sales.

Harmonic Inc. ("Harmonic")

As of June 28, 2008, the Chairman of JDSU's Audit Committee was also a member of the Board of Directors of Harmonic, a publicly held company which designs, manufactures and sells systems and software that enable network operators to provide a range of interactive and advanced digital services. Harmonic is a customer of the Company.

KLA-Tencor Corporation ("KLA-Tencor")

As of June 28, 2008, the Chief Executive Officer of JDSU was also a member of the Board of Directors of KLA-Tencor, a publicly held company which provides process control and yield management solutions for the semiconductor manufacturing. KLA-Tencor is a customer of the Company.

Micralyne, Inc. ("Micralyne")

Micralyne Inc., a privately held manufacturer of microfabricated and MEMS (Micro-Electro-Mechanical-Systems) based products in which the Company has a long-term investment, is a supplier of the Company. As of June 28, 2008 and June 30, 2007, the carrying value of the Company's investment in Micralyne was \$0.5 million. During the first quarter of fiscal 2007, the Company signed two loan agreements with Micralyne to provide an equipment loan of up to \$1.4 million and a working capital line of up to \$1.6 million. As of June 28, 2008, the balances of these loans are zero and \$0.7 million, respectively.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Transactions and balances with the Company's related parties were as follows (*in millions*):

	Years Ended				Years Ended	
	June 28, 2008	June 30, 2007	July 1, 2006		June 28, 2008	June 30, 2007
Sales:				Accounts Receivable:		
Fabrinet *	\$ 18.4	\$ 18.4	\$ 15.7	Fabrinet	\$ 9.0	\$ 8.9
Harmonic	1.0	—	—	Harmonic	—	—
KLA-Tencor	5.3	7.0	8.1	KLA-Tencor	1.8	0.8
Micralyne	—	—	—	Micralyne	—	—
	<u>\$ 24.7</u>	<u>\$ 25.4</u>	<u>\$ 23.8</u>		<u>\$ 10.8</u>	<u>\$ 9.7</u>
Purchases:				Accounts Payable:		
Fabrinet	\$ 96.5	\$ 138.7	\$ 111.2	Fabrinet	\$ 19.5	\$ 9.3
Harmonic	—	—	—	Harmonic	—	—
KLA-Tencor	—	—	—	KLA-Tencor	—	—
Micralyne	1.3	1.4	3.7	Micralyne	—	—
	<u>\$ 97.8</u>	<u>\$ 140.1</u>	<u>\$ 114.9</u>		<u>\$ 19.5</u>	<u>\$ 9.3</u>

* Sales are related to sale of inventory

Note 17. Commitments and Contingencies

Operating Leases

The Company leases facilities under operating lease agreements that expire at various dates through fiscal 2017. As of June 28, 2008, future minimum annual lease payments under non-cancellable operating leases were as follows (*in millions*):

2009	\$ 30.0
2010	25.7
2011	17.0
2012	15.0
2013	12.5
Thereafter	28.6
Total minimum operating lease payments	\$ 128.8

Included in the future minimum lease payments table above is \$7.1 million related to lease commitments in connection with the Company's restructuring activities. See "Note 11. Restructuring" for more detail.

The aggregate future minimum rentals to be received under non-cancellable subleases totalled \$2.4 million as of June 28, 2008. Rental expense relating to building and equipment was \$26.3 million, \$20.4 million, and \$17.8 million in fiscal 2008, 2007, and 2006, respectively.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Capital Leases

As of June 28, 2008, the Company had one building lease in Beijing, China that was classified as a capital lease in accordance with Statement of Financial Accounting Standards No. 13, “*Accounting for Leases*” (“SFAS 13”). As of June 28, 2008, the gross carrying amount of the building was \$8.2 million and total accumulated amortization expense was \$5.8 million. Amortization expense related to the building was included as part of the Company’s total depreciation expense. The building lease bears an interest rate of 5.2%.

The following table presents the future minimum lease payments under the capital leases together with the present value of the minimum lease payments as of June 28, 2008 (*in millions*):

2009	\$ 1.0
2010	1.0
2011	<u>0.8</u>
Total minimum capital lease payments	2.8
Less: Amount representing interest	<u>(0.2)</u>
Present value of minimum capital lease payments	<u>\$ 2.6</u>

Purchase Obligations

Purchase obligations of \$167.3 million as of June 28, 2008, represent legally-binding commitments to purchase inventory and other commitments made in the normal course of business to meet operational requirements. Although open purchase orders are considered enforceable and legally binding, the terms generally allow us the option to cancel, reschedule and adjust our requirements based on our business needs prior to the delivery of goods or performance of services. Obligations to purchase inventory and other commitments are generally expected to be fulfilled within one year.

Tax Matters

The Company has been subject to a Dutch wage tax audit for calendar years 1999, 2000, and 2001, and a Texas franchise tax audit related to allocated taxable surplus capital for Texas report years 2001, 2002, and 2003. While the Company believes that it is reasonably possible that one or both of these audits may result in additional tax liabilities, based on currently available information, the Company believes the ultimate outcome of these audits will not have a material adverse effect on the Company’s financial position, cash flows or overall trends in results of operations. There is the possibility of a material adverse effect on the Company’s financial position, cash flows or overall trends in results of operations for the period in which these matters are ultimately resolved, if they are resolved unfavorably, or in the period in which an unfavorable outcome becomes probable. The range of the potential total tax liability related to these matters is estimated to be from \$0.8 million to \$46.2 million, plus applicable interest and penalties.

Note 18. Operating Segments and Geographic Information

The Company evaluates its reportable segments in accordance with Statement of Financial Accounting Standards No. 131, “*Disclosures about Segments of an Enterprise and Related Information*” (“SFAS 131”) and the FASB’s Emerging Issues Task Force Abstracts No. 04-10, “*Determining Whether to Aggregate Segments That Do Not Meet the Quantitative Thresholds*” (“EITF No. 04-10”). The Company’s Chief Executive Officer, Kevin J. Kennedy, is the Company’s Chief Operating Decision Maker (“CODM”) pursuant to SFAS 131. The CODM allocates resources to the segments based on their business prospects, competitive factors, net revenue

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

and operating results. During the second quarter of fiscal 2008, the Company moved the Network System product line from the Optical Communications Business Segment to the Communication Test and Measurement Business Segment and revised prior periods for comparability.

The Company is the leading provider of communications test and measurement solutions and optical products for telecommunications service providers, cable operators, and network equipment manufacturers. JDSU technologies also enable broadband and optical innovation in many essential industries such as biomedical and environmental instrumentation, semiconductor processing, aerospace and defense, and brand protection. In addition, optical coatings are used in visual display and decorative product differentiation applications. The major segments the Company serves are:

(i) **Optical Communications Business Segment:**

The Optical Communications business segment provides components, modules, subsystems and solutions used by communications equipment providers for telecommunications and enterprise data communications. These products enable the transmission of video, audio and text data over high-capacity fiber optic cables. These products include transmitters, receivers, amplifiers, ROADMS, optical transceivers, multiplexers and demultiplexers, switches, optical performance monitors and couplers, splitters and circulators.

(ii) **Communications Test and Measurement Business Segment:**

The Communications Test and Measurement business segment provides instruments, service assurance systems and services to enable the design, deployment, and maintenance of communication equipment and networks, as well as ensure the quality of services delivered to the end customer. These products and services provide solutions that accelerate the deployment of new services and lower operating expenses while improving performance and reliability. Included in the product portfolio are test tools and platforms for optical transport networks, DSL services, data networks, cable networks, digital video broadcast, and fiber characterization services.

(iii) **Advanced Optical Technologies Business Segment:**

The Advanced Optical Technologies business segment provides inventive optical solutions for security and decorative applications and thin-film coatings for a range of public and private sector markets. These products enhance and modify the behavior of light utilizing its reflection, absorption and transmission properties to achieve specific effects such as high reflectivity, anti-glare and spectral filtering. Specific product applications include computer-driven projectors, intelligent lighting systems, photocopiers, facsimile machines, scanners, security products and decorative surface treatments.

(iv) **Commercial Lasers Business Segment:**

The Commercial Lasers business segment provides components and subsystems used in a wide variety of OEM applications. This broad portfolio addresses the needs of laser clients in markets and applications such as biotechnology, materials processing, semiconductor processing, graphics and imaging, remote sensing, and marking. These products include diode-pumped solid-state lasers, industrial diode lasers, gas lasers, fiber-based lasers, and photonic power delivery systems.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. The Company evaluates segment performance based on operating income (loss) excluding infrequent or unusual items.

The amounts shown as Corporate consist of certain unallocated corporate-level operating expenses. In addition, the Company does not allocate restructuring charges, income taxes, or non-operating income and expenses to its segments.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Information on reportable segments is as follows (*in millions*):

	Years Ended		
	June 28, 2008	June 30, 2007	July 1, 2006
Net revenue:			
Optical Communications	\$ 526.9	\$ 496.1	\$ 470.5
Communications Test and Measurement	710.6	635.2	494.5
Advanced Optical Technologies	206.5	170.0	162.8
All Other, Commercial Lasers	87.2	95.9	80.5
Deferred revenue related to purchase accounting adjustment	(1.1)	(0.4)	(4.0)
Net revenue	<u>\$ 1,530.1</u>	<u>\$ 1,396.8</u>	<u>\$ 1,204.3</u>
Operating income (loss):			
Optical Communications	\$ 20.8	\$ (14.2)	\$ (26.6)
Communications Test and Measurement	117.2	96.7	70.7
Advanced Optical Technologies	76.8	52.6	36.2
All Other, Commercial Lasers	(0.5)	4.2	—
Corporate	(136.6)	(127.8)	(120.5)
Total segment operating income (loss)	77.7	11.5	(40.2)
Unallocated amounts:			
Stock based compensation	(49.3)	(29.7)	(15.0)
Acquisition-related charges and amortization of intangibles	(121.0)	(80.7)	(124.0)
Impairment of intangibles and other long-lived assets	(10.7)	(7.8)	(28.0)
Restructuring charges	(6.7)	(14.7)	(35.0)
Realignment and other charges	(23.0)	2.2	(5.8)
Interest and other income	120.1	73.0	27.0
Interest expense	(8.8)	(7.1)	(3.8)
Gain on sale of investments	2.4	29.0	73.2
Loss before income taxes	<u>\$ (19.3)</u>	<u>\$ (24.3)</u>	<u>\$ (151.6)</u>

Geographic revenue information for the periods presented below is based on the location of the customer.

	Years Ended	
	June 28, 2008	June 30, 2007
Net revenue:		
United States	\$ 647.1	\$ 532.7
Other Americas	156.0	234.1
Germany	137.9	111.0
Other Europe	298.1	265.0
Asia-Pacific	291.0	254.0
Total net revenue	<u>\$ 1,530.1</u>	<u>\$ 1,396.8</u>

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Revenue information by country is not available for our fiscal year ended July 1, 2006. Revenue from the Americas, Europe, and Asia-Pacific were \$736.2 million, \$283.1 million, and \$185.0 million, respectively, for the year ended July 1, 2006.

	Years Ended	
	June 28, 2008	June 30, 2007
Property, plant and equipment, net		
United States	\$ 115.1	\$ 121.9
Other Americas	10.6	5.9
China	42.8	38.2
Other Asia-Pacific	18.2	21.1
Germany	21.2	18.8
Other Europe	5.3	4.6
Total long-lived assets	<u>\$ 213.2</u>	<u>\$ 210.5</u>

Long-lived assets, namely net property, plant and equipment were identified based on the operations in the corresponding geographic areas.

During fiscal 2008, 2007, and 2006, no customer accounted for more than 10% of net revenue.

Note 19. Guarantees

The Company from time to time enters into certain types of contracts that contingently require the Company to indemnify parties against third-party claims. These contracts primarily relate to: (i) divestiture agreements, under which the Company may provide customary indemnifications to purchasers of the Company's businesses or assets; (ii) certain real estate leases, under which the Company may be required to indemnify property owners for environmental and other liabilities, and other claims arising from the Company's use of the applicable premises; and (iii) certain agreements with the Company's officers, directors and employees, under which the Company may be required to indemnify such persons for liabilities arising out of their employment relationship.

The terms of such obligations vary. Generally, a maximum obligation is not explicitly stated. Because the obligated amounts of these types of agreements often are not explicitly stated, the overall maximum amount of the obligations cannot be reasonably estimated. Historically, the Company has not been obligated to make significant payments for these obligations, and no liabilities have been recorded for these obligations on its balance sheet as of June 28, 2008 and June 30, 2007.

Product Warranties

In general, the Company offers a three-month to one-year warranty for most of its products. For certain products, the Company provides a limited three to seven-year warranty. The Company provides reserves for the estimated costs of product warranties at the time revenue is recognized. The Company estimates the costs of its warranty obligations based on its historical experience of known product failure rates, use of materials to repair or replace defective products and service delivery costs incurred in correcting product failures. In addition, from time to time, specific warranty accruals may be made if unforeseen technical problems arise with specific products. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents the changes in the Company's warranty reserve during 2008 and 2007 (*in millions*):

	<u>2008</u>	<u>2007</u>
Balance as of beginning of year	\$ 10.3	\$ 11.5
Provision for warranty	8.5	7.2
Utilization of reserve	(4.6)	(5.0)
Adjustments related to pre-existing warranties (including changes in estimates)	(4.1)	(3.4)
Balance as of end of year	<u>\$ 10.1</u>	<u>\$ 10.3</u>

Note 20. Legal Proceedings

Pending Litigation

The Securities Class Actions:

Litigation under the federal securities laws has been pending against the Company and certain former and current officers and directors since March 27, 2002. On July 26, 2002, the Northern District of California consolidated all the securities actions then filed in or transferred to that court under the title *In re JDS Uniphase Corporation Securities Litigation*, Master File No. C-02-1486 CW, and appointed the Connecticut Retirement Plans and Trust Funds as Lead Plaintiff.

The complaint in *In re JDS Uniphase Corporation Securities Litigation* purported to be brought on behalf of a class consisting of those who acquired the Company's securities from October 28, 1999, through July 26, 2001, as well as on behalf of subclasses consisting of those who acquired the Company's common stock pursuant to its acquisitions of OCLI, E-TEK, and SDL. Plaintiffs alleged that Defendants made material misstatements and omissions concerning demand for the company's products, improperly recognized revenue, overstated the value of inventory, and failed to timely write down goodwill. The complaint alleged various violations of the federal securities laws, specifically Sections 10(b), 14(a), 20(a), and 20A of the Securities Exchange Act of 1934 and Sections 11, 12(a)(2), and 15 of the Securities Act of 1933. On December 21, 2005, the Court granted Plaintiffs' motion for class certification.

A jury trial in *In re JDS Uniphase Corporation Securities Litigation* began on October 23, 2007. At trial, plaintiffs sought more than \$20 billion in alleged damages. On November 27, 2007, the jury returned a unanimous verdict in favor of Defendants on all claims. On March 28, 2008, the Court entered a corrected final judgment in favor of Defendants. Pursuant to that judgment, the Plaintiffs will recover no damages or any other form of relief and the action is dismissed on the merits. No appeal from the judgment has been filed and the period for appeal has expired.

A related securities case, *Zelman v. JDS Uniphase Corp.*, No. C-02-4656 CW (N.D. Cal.), was purportedly brought on behalf of a class of purchasers of debt securities that were allegedly linked to the price of JDSU's common stock. The *Zelman* complaint alleged that the debt securities were issued by an investment bank during the period from March 6, 2001 through July 26, 2001. The complaint named the Company and several of its former officers and directors as Defendants, alleged violations of the federal securities laws, specifically Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5, and sought unspecified damages. On August 26, 2005, Defendants answered the complaint. On November 16, 2005, the Court granted Plaintiffs' motion for class certification, which Defendants had not opposed. On May 13, 2008, the Court approved the parties' stipulated dismissal of the action. No payment was made in connection with the dismissal.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

On January 29, 2007, another securities action was filed in the Northern District of California against the Company, Dr. Straus, and Messrs. Muller, Abbe, and Kalkhoven. That action, *Central States Southeast and Southwest Areas Pension Fund v. JDS Uniphase Corp.*, No. 07-0584 CW, is based on allegations similar to those made in *In re JDS Uniphase Corporation Securities Litigation* and asserts claims under Sections 10(b), 14(a), and 20(a) of the Securities Exchange Act of 1934 and Sections 11, 12(a)(2), and 15 of the Securities Act of 1933. The *Central State* complaint seeks unspecified damages on behalf of a pension fund that purportedly purchased Company securities between October 28, 1999, and July 26, 2001, and elected to opt-out of participation in *In re JDS Uniphase Corporation Securities Litigation*. On February 14, 2007, the *Central States* action was deemed related to *In re JDS Uniphase Corporation Securities Litigation* and was assigned to Judge Claudia Wilken. Pursuant to the Court's order, the parties participated in mediation on August 7, 2008, and reached an agreement in principle to resolve all claims on confidential terms.

The Derivative Actions:

Derivative actions purporting to be brought on the Company's behalf have been filed in state and federal courts against several of the Company's current and former officers and directors based on the same events alleged in the securities litigation. The complaint in *Corwin v. Kaplan*, No. C-02-2020 CW (N.D. Cal.), asserts state law claims for breach of fiduciary duty, misappropriation of confidential information, waste of corporate assets, indemnification, and insider trading. The complaint seeks unspecified damages. In January 2005, the Court stayed the action pending resolution of *In re JDS Uniphase Corporation Securities Litigation*. On May 8, 2008, Plaintiffs filed an amended complaint. Defendants moved to dismiss the amended complaint on June 20, 2008. That motion is scheduled to be heard on September 4, 2008. Pursuant to court order, all discovery will remain stayed unless and until Plaintiffs meet the applicable pleading standards. No trial date has been set.

In the California state derivative action, *In re JDS Uniphase Corporation Derivative Litigation*, Master File No. CV806911 (Santa Clara Super. Ct.), the complaint asserts claims for breach of fiduciary duty, waste of corporate assets, abuse of control, gross mismanagement, unjust enrichment, and constructive fraud purportedly on behalf of the Company and certain of its current and former officers and directors. The complaint also asserts claims for violation of California Corporations Code Sections 25402 and 25502.5 against defendants who sold the Company's stock and asserts claims for breach of contract, professional negligence, and negligent misrepresentation against the Company's former auditor, Ernst & Young LLP. The complaint seeks unspecified damages. On June 30, 2008, Defendants updated their demurrers to the complaint and Defendant Ernst & Young also moved to compel arbitration of Plaintiffs' claims against it. On August 15, 2008, the Court issued a minute order sustaining the demurrers with leave to amend, denying the motion to compel arbitration as moot, and allowing plaintiffs 90 days to file an amended complaint. The next case management conferences in the California state derivative action and the related shareholder inspection demand action are scheduled for November 14, 2008. No trial date has been set in either of those actions.

In *Cromas v. Straus*, Civil Action No. 19580 (Del. Ch. Ct.), the Delaware derivative action, Plaintiffs filed a notice and proposed order of voluntary dismissal without prejudice on April 24, 2008. The Court entered that order on April 25, 2008. No payment was made in connection with the dismissal.

The OCLI and SDL Shareholder Actions:

Plaintiffs purporting to represent the former shareholders of OCLI and SDL have filed suit against the former directors of those companies, asserting that they breached their fiduciary duties in connection with the events alleged in the securities litigation against the Company. Plaintiffs in the OCLI action, *Pang v. Dwight*, No. 02-231989 (Sonoma Super. Ct.), purport to represent a class of former shareholders of OCLI who exchanged

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

their OCLI shares for JDSU shares when JDSU acquired OCLI. The complaint names the former directors of OCLI as Defendants, asserts causes of action for breach of fiduciary duty and breach of the duty of candor, and seeks unspecified damages. On March 4, 2007, the parties signed a memorandum of understanding regarding a settlement of the OCLI action. On February 20, 2008, the Court granted final approval of the settlement. The Court dismissed the action on March 10, 2008. The Plaintiffs in the SDL action, *Cook v. Scifres*, Master File No. CV814824 (Santa Clara Super. Ct.), purport to represent a class of former shareholders of SDL who exchanged their SDL shares for JDSU shares when the Company acquired SDL. Plaintiffs filed an amended complaint on November 20, 2006. The complaint names the former directors of SDL as Defendants, asserts causes of action for breach of fiduciary duty and breach of the duty of disclosure, and seeks unspecified damages. On March 6, 2007, the Court overruled Defendants' demurrer to that complaint. Defendants answered the complaint on April 6, 2007. On May 14, 2008, Plaintiffs filed a request to dismiss the SDL action. The Court dismissed the action the same day. No payment was made in connection with the dismissal.

The ERISA Actions:

A consolidated action entitled *In re JDS Uniphase Corporation ERISA Litigation*, Case No. C-03-4743 WWS (MEJ), is pending in the District Court for the Northern District of California against the Company, certain of its former and current officers and directors, and certain other current and former JDSU employees on behalf of a purported class of participants in the 401(k) Plans of the Company and Optical Coating Laboratory, Inc. and the Plans themselves. On October 31, 2005, Plaintiffs filed an amended complaint. The amended complaint alleges that Defendants violated the Employee Retirement Income Security Act by breaching their fiduciary duties to the Plans and the Plans' participants. The amended complaint alleges a purported class period from February 4, 2000, to the present and seeks an unspecified amount of damages, restitution, a constructive trust, and other equitable remedies. Certain individual Defendants' motion to dismiss portions of the amended complaint was granted with prejudice on June 15, 2006.

Plaintiffs filed a second amended complaint on June 30, 2006. Defendants answered the complaint on July 6, 2006, and JDSU asserted counterclaims for breach of contract. The Court dismissed those counterclaims on September 11, 2006. On December 15, 2006, defendants moved for summary judgment on the ground that the named plaintiffs lacked standing. On the same day, plaintiffs moved for class certification. On April 24, 2007, the Court denied defendants' motion for summary judgment as to plaintiff Douglas Pettit, deferred ruling on the motion for summary judgment as to plaintiff Eric Carey, and deferred ruling on plaintiffs' motion for class certification. Both sides have taken discovery. Following the verdict for defendants in *In re JDS Uniphase Corporation Securities Litigation*, the court in the ERISA action vacated all existing deadlines, set a schedule for briefing a summary judgment motion based on collateral estoppel issues, and stayed discovery pending resolution of that motion. By Order dated April 17, 2008, the Court modified the briefing schedule for JDSU's summary judgment motion and ordered the parties to engage in mediation. Defendants moved for summary judgment on collateral estoppel issues on May 2, 2008. Further briefing on the motion has been stayed pending the conclusion of the mediation, which is scheduled for October 10, 2008.

The Company believes that the factual allegations and circumstances underlying these derivative actions, the OCLI and SDL class actions, and the ERISA class actions are without merit. The expense of defending these lawsuits has been costly, will continue to be costly, and could be quite significant and may not be covered by our insurance policies. The defense of these lawsuits could also result in continued diversion of our management's time and attention away from business operations which could prove to be time consuming and disruptive to normal business operations. An unfavorable outcome of this litigation could lead to a material adverse effect on the Company's financial position, liquidity or results of operations, credit ratings, and ability to access capital markets and comply with existing debt obligations.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company is also subject to a variety of other claims and suits that arise from time to time in the ordinary course of our business. While management currently believes that resolving claims against the Company, individually or in aggregate, will not have a material adverse impact on its financial position, results of operations or statement of cash flows, these matters are subject to inherent uncertainties and management's view of these matters may change in the future. Were an unfavorable final outcome to occur, there exists the possibility of a material adverse impact on the Company's financial position, results of operations or statement of cash flows for the period in which the effect becomes reasonably estimable.

Note 21. Subsequent Events

Stock Repurchase

In July 2008, the Company repurchased approximately 7.6 million shares of common stock in open market purchases at an average price of \$11.40 per share, completing the \$200 million share repurchase program authorized by the Company's Board of Directors on May 15, 2008. The total purchase price of \$86.9 million will be reflected as a decrease to common stock based on the stated par value per share with the remainder to accumulated deficit, in the first quarter of fiscal year 2009.

Debt Repurchase

During July 2008, the Company repurchased an additional \$8.0 million aggregate principal amount of Zero Coupon Senior Convertible Notes for approximately \$7.9 million in cash. This additional repurchase reduced the total amount of Zero Coupon Notes outstanding to \$75.0 million and reduced the number of conversion shares potentially issuable in relation to the Zero Coupon Notes from approximately 2.1 million shares to approximately 1.9 million shares. In connection with the repurchase, the Company will recognize a gain of \$0.1 million, net of the write-off of debt issuance costs, in the first quarter of fiscal year 2009.

Litigation Settlement

On August 18, 2008, JDSU and Northrop Grumman Guidance and Electronics Company (previously named Litton Systems, Inc.) entered into an agreement to settle patent-related litigation between the parties pending in the United States District Court for the Central District of California. Pursuant to the settlement agreement, JDSU will make a one-time payment of \$20.0 million, in full satisfaction of all claims in the lawsuit. The settlement amount was accrued for in the quarter ended June 28, 2008 and will be paid on or before September 1, 2008.

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 22. Quarterly Financial Information (Unaudited)

The following table presents the Company's quarterly consolidated statements of operations for fiscal 2008 and 2007 (*in millions, except per share data*):

	June 28, 2008 (2)(6)	March 29, 2008	December 29, 2007	September 29, 2007	June 30, 2007(3)	March 31, 2007	December 30, 2006	September 30, 2006
Net revenue	\$ 390.3	\$ 383.9	\$ 399.2	\$ 356.7	\$ 350.7	\$ 361.7	\$ 366.3	\$ 318.1
Cost of sales	233.2	225.8	215.5	211.0	228.3	226.9	219.2	210.2
Amortization of acquired developed technologies	12.5	12.5	12.3	12.0	10.5	9.8	10.0	9.9
Impairment of acquired developed technologies	4.0	—	—	—	—	—	—	—
Gross profit	140.6	145.6	171.4	133.7	111.9	125.0	137.1	98.0
Operating expenses:								
Research and development	47.5	47.7	46.3	46.6	42.2	43.4	42.8	40.0
Selling, general and administrative	137.9	112.2	105.5	100.2	95.3	95.7	94.4	83.0
Amortization of other intangibles	8.0	8.0	7.1	6.9	6.9	6.6	6.9	6.4
Acquired in-process research and development	—	—	—	—	5.1	—	—	—
Impairment of goodwill	37.0	—	—	—	—	—	—	—
Impairment of intangibles and loss (gain) on long-lived assets	4.9	1.9	(0.5)	0.4	0.9	3.8	3.0	0.1
Restructuring charges	3.7	1.7	0.2	1.1	4.1	(0.1)	5.5	5.2
Total operating expenses	239.0	171.5	158.6	155.2	154.5	149.4	152.6	134.7
Income (loss) from operations	(98.4)	(25.9)	12.8	(21.5)	(42.6)	(24.4)	(15.5)	(36.7)
Interest and other income (4)	70.0	15.1	15.7	19.3	21.5	16.4	15.3	19.8
Interest expense	(2.1)	(2.2)	(2.3)	(2.2)	(2.0)	(2.1)	(1.1)	(1.9)
Gain (loss) on sale of investments (5)	0.5	1.4	0.5	—	0.6	(0.1)	28.2	0.3
Income (loss) before income taxes	(30.0)	(11.6)	26.7	(4.4)	(22.5)	(10.2)	26.9	(18.5)
Income tax expense (benefit)	(0.2)	(5.4)	5.5	2.5	(4.6)	4.0	3.7	(1.1)
Net income (loss)	\$ (29.8)	\$ (6.2)	\$ 21.2	\$ (6.9)	\$ (17.9)	\$ (14.2)	\$ 23.2	\$ (17.4)
Net income (loss) per share—basic (1)	\$ (0.13)	\$ (0.03)	\$ 0.10	\$ (0.03)	\$ (0.08)	\$ (0.07)	\$ 0.11	\$ (0.08)
Net income (loss) per share—diluted (1)	\$ (0.13)	\$ (0.03)	\$ 0.09	\$ (0.03)	\$ (0.08)	\$ (0.07)	\$ 0.10	\$ (0.08)
Shares used in per share calculation—basic	228.9	225.2	220.5	219.2	213.7	211.3	211.1	210.9
Shares used in per share calculation—diluted	228.9	225.2	228.4	219.2	213.7	211.3	223.5	210.9

JDS UNIPHASE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

- (1) Net income (loss) per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly net loss per share does not equal the annual net loss per share.
- (2) For the quarterly period ended June 28, 2008, the Company recorded \$12.5 million and \$24.5 million of goodwill impairment related to da Vinci and ASG, respectively and also recorded impairment charges of \$8.4 million for intangible assets related to da Vinci.
- (3) For the quarterly period ended June 30, 2007, the Company recorded adjustments to reverse previously recognized foreign currency losses and income tax expenses related to prior periods, recognize the gain from the curtailment of our post retirement benefit plan for certain employees, and the royalty expenses related to prior quarters within the fiscal year ended June 30, 2007. The impact of these adjustments on our fourth quarter loss from operations, net loss and net loss per share was a decrease of \$4.1 million, a decrease of \$5.6 million, and a decrease of \$0.03, respectively. Management and the Audit Committee believe that such amounts are not material to the current and previously reported financial statements.
- (4) For the quarterly period ended June 28, 2008, interest and other income includes the receipt of proceeds from the Nortel class action settlement, offset by a decrease in interest income due to lower cash balances resulting from the repurchase of Zero Coupon Senior Convertible Notes and the repurchase of shares.
- (5) For the quarterly period ended March 29, 2008, Gain on sale of investments consists of gains on the sale of the Company's equity investments in BaySpec & Nufern.
- (6) For the quarterly period ended June 28, 2008, the Company recorded an accrual of \$20.0 million pursuant to the settlement agreement between JDSU and Northrop Grumman Guidance and Electronics Company (previously named Litton Systems, Inc.) in full satisfaction of all claims in the lawsuit.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Based on the evaluation of our disclosure controls and procedures (as defined in the Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, or the Exchange Act) required by Exchange Act Rules 13a-15(b) or 15d-15(b), our chief executive officer and our chief financial officer have concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective.

(b) MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our management, including our chief executive officer and chief financial officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation under the framework in *Internal Control — Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of June 28, 2008. The Company's internal control over financial reporting as of June 28, 2008 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in this Annual Report on Form 10-K under Item 8.

(c) CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting as defined in Exchange Act Rule 13a-15(f) that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding the Company's executive officers and directors required by this Item is incorporated by reference to the section entitled "Proposal One — Elections of Directors" in the Company's Definitive Proxy Statement in connection with the 2008 Annual Meeting of Stockholders (the "Proxy Statement"), which will be filed with the Securities and Exchange Commission within 120 days after the fiscal year ended June 28, 2008. Information required by Item 405 of Regulation S-K is incorporated by reference to the section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement.

The Company has adopted a code of ethics entitled "JDS Uniphase's Code of Business Conduct," which is applicable to all employees, officers and directors of the Company. The full text of the JDS Uniphase Corporate Code of Conduct is included under the Company's Corporate Governance information available at the Company's website at www.jdsu.com.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this Item is incorporated by reference to the section entitled "Executive Compensation," "Compensation Discussion and Analysis," "Director Compensation," and "Compensation Committee Report" in the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding security ownership of certain beneficial owners and management is incorporated by reference to the section entitled "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement.

Information regarding the Company's stockholder approved and non-approved equity compensation plans is incorporated by reference to the section entitled "Equity Compensation Plans" in the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this Item is incorporated by reference to the sections entitled "Certain Relationships and Related Transactions" and "Compensation Committee Interlocks and Insider Participation" under the "Corporate Governance" heading in the Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference to the section entitled "Audit and Non-Audit Fees" in the Proxy Statement.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following items are filed as part of this Annual Report on Form 10-K:

1. Financial Statements:

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Report of Independent Registered Public Accounting Firm	70
Consolidated Statements of Operations — Years Ended June 28, 2008, June 30, 2007, and July 1, 2006	71
Consolidated Balance Sheets — June 28, 2008 and June 30, 2007	72
Consolidated Statements of Cash Flows — Years Ended June 28, 2008, June 30, 2007, and July 1, 2006	73
Consolidated Statements of Stockholders' Equity — Years Ended June 28, 2008, June 30, 2007, and July 1, 2006	74
Notes to Consolidated Financial Statements	75

2. Financial Statement Schedules:

All financial statement schedules have been omitted because the required information is not present in amounts sufficient to require submission of the schedule, not applicable, or because the required information is included in the Consolidated Financial Statements or Notes thereto.

3. Exhibits:

See Item 15(b)

(b) Exhibits:

Exhibit Number	Exhibit Description
3.1(1)	Second Restated Certificate of Incorporation.
3.2(2)	Certificate of Designation of the Series A Preferred Stock.
3.3(3)	Certificate of Designation of the Series B Preferred Stock.
3.4(4)	Certificate of Designation of the Special Voting Stock.
3.5(23)	Amended and Restated Bylaws of JDS Uniphase Corporation.
4.1(5)	Exchangeable Share Provisions attaching to the Exchangeable Shares of JDS Uniphase Canada Ltd. (Formerly 3506967 Canada Inc.).
4.2(6)	Voting and Exchange Trust Agreement between JDS Uniphase, JDS Uniphase Canada Ltd. and CIBC Mellon Trust Company.
4.3(7)	Exchangeable Share Support Agreement between JDS Uniphase, JDS Uniphase Canada Ltd. and JDS Uniphase Nova Scotia Company.
4.4(8)	Registration Rights Agreement between JDS Uniphase, JDS Uniphase Canada Ltd. and The Furukawa Electric Co., Ltd.
4.5(9)	Fifth Amended and Restated Rights Agreement between JDS Uniphase and American Stock Transfer & Trust Company.
4.6(17)	Amended and Restated Rights Agreement between JDS Uniphase Canada Ltd. and CIBC Mellon Trust Company (Amended and Restated as of February 6, 2003).

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4.7(19)	Indenture dated October 31, 2003.
4.8(24)	Registration Rights Agreement between JDS Uniphase, Morgan Stanley & Co., Inc, Goldman Sachs & Co. and CIBC World Markets Corp.
4.9(25)	Indenture dated May 17, 2006.
4.10(26)	Registration Rights Agreement between JDS Uniphase, J. P. Morgan Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated.
10.1(10)	Support Agreement between Uniphase Corporation, 3506967 Canada Inc., The Furukawa Electric Company, Ltd., and JDS FITEL Inc.
10.2(11)	Amended and Restated 1993 Flexible Stock Incentive Plan (Amended and Restated as of November 9, 2001).
10.3(12)	Amended and Restated 1998 Employee Stock Purchase Plan (Amended and Restated as of November 16, 2007).
10.4(13)	Amended and Restated 1999 Canadian Employee Stock Purchase Plan (Amended and Restated as of July 31, 2002).
10.5(14)	2005 Acquisition Equity Incentive Plan.
10.6(20)	2005 Acquisition Equity Incentive Plan Form of Stock Option Award Agreement.
10.7(21)	2005 Acquisition Equity Incentive Plan Form of Restricted Stock Unit Award Agreement.
10.8(15)	Employment Agreement for Helmut Berg.
10.9(16)	Indemnification Agreement for Kevin J. Kennedy.
10.10(18)	Amended and Restated 2003 Equity Incentive Plan.
10.11(27)	Indemnification Agreement for Richard E. Belluzzo.
10.12(28)	Indemnification Agreement for Kevin A. DeNuccio.
10.13(29)	Indemnification Agreement for Harold L. Covert.
10.14(30)	Indemnification Agreement for Masood Jabbar.
10.15(22)	Indemnification Agreement for Penelope A. Herscher.
10.16(31)	Separation Agreement for John Peeler.
10.17(32)	Employment Agreement for Kevin J. Kennedy.
10.18(33)	Form of Deferred Stock Unit Award Agreement.
21.1(1)	Subsidiaries of JDS Uniphase Corporation.
23.1(1)	Consent of Independent Registered Public Accounting Firm (PricewaterhouseCoopers LLP).
31.1(1)	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2(1)	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1(1)	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2(1)	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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- (1) Filed herewith.
- (2) Incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed June 24, 1998.
- (3) Incorporated by reference to Exhibit 3(i)(d) of the Company's Annual Report on Form 10-K filed September 28, 1998.
- (4) Incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-3 filed July 14, 1999.
- (5) Incorporated by reference to the Company's definitive Proxy Statement on Schedule 14A filed June 2, 1999.
- (6) Incorporated by reference to Exhibit 4.2 of the Company's Annual Report on Form 10-K filed September 1, 1999.
- (7) Incorporated by reference to Exhibit 4.3 of the Company's Annual Report on Form 10-K filed September 1, 1999.
- (8) Incorporated by reference to Exhibit 4.5 of the Company's Annual Report on Form 10-K filed September 1, 1999.
- (9) Incorporated by reference to Exhibit 1 of the Company's Registration Statement on Form 8-A12G/A filed February 18, 2003.
- (10) Incorporated by reference to Exhibit 10.23 of the Company's Annual Report on Form 10-K filed September 1, 1999.
- (11) Incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed February 11, 2002.
- (12) Incorporated by reference to Appendix A of the Company's definitive Proxy Statement on Schedule 14A filed September 28, 2007.
- (13) Incorporated by reference to Exhibit 10.4 of the Company's Annual Report on Form 10-K filed September 17, 2002.
- (14) Incorporated by reference to Exhibit 99.1 of the Company's Form 8-K filed August 23, 2005.
- (15) Incorporated by reference to Exhibit 10.17 of the Company's Quarterly Report on Form 10-Q filed November 7, 2007.
- (16) Incorporated by reference to Exhibit 10.11 of the Company's Annual Report on Form 10-K filed September 24, 2003.
- (17) Incorporated by reference to Exhibit 10.7 of the Company's Annual Report on Form 10-K filed September 24, 2003.
- (18) Incorporated by reference to the Company's definitive Proxy Statement on Schedule 14A filed September 29, 2006.
- (19) Incorporated by reference to Exhibit 4.7 of the Company's Registration Statement on Form S-3 filed November 14, 2003.
- (20) Incorporated by reference to Exhibit 10.6 of the Company's Annual Report on Form 10-K filed September 30, 2005.
- (21) Incorporated by reference to Exhibit 10.7 of the Company's Annual Report on Form 10-K filed September 30, 2005.
- (22) Incorporated by reference to Exhibit 10.19 of the Company's Form 8-K filed July 21, 2008.

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- (23) Incorporated by reference to Exhibit 3.5 of the Company's Form 8-K filed July 21, 2008.
- (24) Incorporated by reference to Exhibit 4.8 of the Company's Registration Statement on Form S-3 filed November 14, 2003.
- (25) Incorporated by reference to Exhibit 4.9 of the Company's Form 8-K filed May 19, 2006.
- (26) Incorporated by reference to Exhibit 4.1 of the Company's Form 8-K filed May 19, 2006.
- (27) Incorporated by reference to Exhibit 99.1 of the Company's Form 8-K filed March 2, 2005.
- (28) Incorporated by reference to Exhibit 10.17 of the Company's Form 8-K filed December 21, 2005.
- (29) Incorporated by reference to Exhibit 10.18 of the Company's Form 8-K filed January 20, 2006.
- (30) Incorporated by reference to Exhibit 10.19 of the Company's Form 8-K filed March 2, 2006.
- (31) Incorporated by reference to Exhibit 10.16 of the Company's Annual Report on Form 10-K filed August 29, 2007.
- (32) Incorporated by reference to Exhibit 10.17 of the Company's Form 8-K filed October 9, 2007.
- (33) Incorporated by reference to Exhibit 10.18 of the Company's Form 8-K filed October 9, 2007.
- (c) See Item 15(a) 2.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 26, 2008

JDS UNIPHASE CORPORATION

By: /s/ KEVIN J. KENNEDY
 Kevin J. Kennedy
 Chief Executive Officer
 (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ KEVIN J. KENNEDY</u> Kevin J. Kennedy	Chief Executive Officer (Principal Executive Officer)	August 26, 2008
<u>/s/ DAVID VELLEQUETTE</u> David Vellequette	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	August 26, 2008
<u>/s/ RICHARD BELLUZZO</u> Richard Belluzzo	Director	August 26, 2008
<u>/s/ HAROLD L. COVERT</u> Harold L. Covert	Director	August 26, 2008
<u>/s/ BRUCE D. DAY</u> Bruce D. Day	Director	August 26, 2008
<u>/s/ KEVIN A. DENUCCIO</u> Kevin A. DeNuccio	Director	August 26, 2008
<u>/s/ PENNY HERSCHER</u> Penny Herscher	Director	August 26, 2008
<u>/s/ MASOOD JABBAR</u> Masood Jabbar	Director	August 26, 2008
<u>/s/ MARTIN A. KAPLAN</u> Martin A. Kaplan	Chairman	August 26, 2008
<u>/s/ RICHARD T. LIEBHABER</u> Richard T. Liebhaber	Director	August 26, 2008
<u>/s/ CASIMIR S. SKRZYPCZAK</u> Casimir S. Skrzypczak	Director	August 26, 2008

**SECOND RESTATED
CERTIFICATE OF INCORPORATION
OF
JDS UNIPHASE CORPORATION**

JDS Uniphase Corporation, a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

1. The name of the Corporation is JDS Uniphase Corporation. The Corporation was originally incorporated under the name Uniphase Delaware, Inc., and the original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on June 23, 1993.

2. Pursuant to Section 245 of the General Corporation Law of the State of Delaware, this Restated Certificate of Incorporation restates and integrates the provisions of the Restated Certificate of Incorporation of the Corporation and does not further amend the provisions of the Corporation's Restated Certificate of Incorporation as theretofore amended or supplemented, and there is no discrepancy between those provisions and the provisions of this Restated Certificate.

3. The text of the Restated Certificate of Incorporation is hereby restated to read in its entirety as follows:

ARTICLE 1

The name of the Corporation is JDS Uniphase Corporation.

ARTICLE 2

The address of the Corporation's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle. The name of the registered agent of the Corporation in the State of Delaware at such address is The Corporation Trust Company.

ARTICLE 3

The purpose of the Corporation is to conduct any lawful business, to promote any lawful purpose and to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware. The Corporation is to have perpetual existence.

ARTICLE 4

4.1. **Authorized Capital Stock.** The Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the Corporation is authorized to issue is One Billion One Million (1,001,000,000) shares. One Billion (1,000,000,000) shares shall be Common Stock, each having a par value of one-tenth of one cent (\$.001), and One Million (1,000,000) shares shall be Preferred Stock, each having a par value of one-tenth of one cent (\$.001).

4.2. Preferred Stock. The Preferred Stock may be issued from time to time in one or more series. The Board of Directors is hereby authorized, by filing a certificate (a "Preferred Stock Designation") pursuant to the Delaware General Corporation Law, to fix or alter from time to time the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions of any wholly unissued series of Preferred Stock, and to establish from time to time the number of shares constituting any such series or any of them; and to increase or decrease the number of shares subsequent to the issuance of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be decreased in accordance with the foregoing sentence, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

ARTICLE 5

5.1. Election of Directors. Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide. At each annual meeting of stockholders, directors of the Corporation shall be elected to hold office until the expiration of the term for which they are elected, and until their successors have been duly elected and qualified; except that if any such election shall not be so held, such election shall take place at a stockholders' meeting called and held in accordance with the Delaware General Corporation Law. The directors of the Corporation shall be divided into three classes as nearly equal in size as is practicable, hereby designated Class I, Class II and Class III. The term of office of the initial Class I directors shall expire at the next succeeding annual meeting of stockholders, the term of office of the initial Class II directors shall expire at the second succeeding annual meeting of stockholders and the term of office of the initial Class III directors shall expire at the third succeeding annual meeting of stockholders. At each annual meeting of stockholders, directors to replace those of a class whose terms expire at such annual meeting shall be elected to hold office until the third succeeding annual meeting and until their respective successors shall have been duly elected and qualified. If the number of directors is hereafter changed, any newly created directorships or decrease in directorships shall be so apportioned among the classes as to make all classes as nearly equal in number as is practicable.

5.2. Number of Directors. The number of directors of the Corporation shall be fixed from time to time by a bylaw or amendment thereof duly adopted by the Board of Directors or by the stockholders. Vacancies occurring on the board of directors for any reason may be filled by vote of a majority of the remaining members of the board of directors, although less than a quorum, at any meeting of the board of directors. A person so elected by the board of directors to fill a vacancy shall hold office until the unexpired portion of the term of the director whose place shall be vacant, and until his or her successor shall have been duly elected and qualified.

5.3. Additional Authority. Except as otherwise provided in this Restated Certificate of Incorporation, in furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind any or all of the Bylaws of the Corporation.

ARTICLE 6

Stockholders of the Corporation shall take action by meetings held pursuant to this Restated Certificate of Incorporation and the Bylaws. Stockholders of the Corporation shall have no right to take any action by written consent without a meeting. Subject to the rights of the holders of any stock having a preference over the Common Stock as to the dividends or liquidation, special meetings of the stockholders shall be called only by the Board, the Chairman of the Board or the Chief Executive Officer. Stockholders shall not be permitted to call a special meeting or to require the Board to call a special meeting of stockholders. Meetings of stockholders may be held within or out of the State of Delaware, as the Bylaws may provide. The books of the corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

ARTICLE 7

Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the Corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for the Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for the Corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of the Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation.

ARTICLE 8

8.1. Limitation of Directors' Liability. A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (a) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) under Section 174 of the General Corporation Law of the State of Delaware, or (d) for any transaction from which the director derived any improper personal benefit.

8.2. Indemnification of Corporate Agents. To the fullest extent permitted by applicable law, the Corporation is also authorized to provide indemnification of (and advancement of expenses to) such agents (and any other persons to which Delaware law permits this Corporation to provide indemnification) through Bylaw provisions, agreements with such agents or other persons, vote of stockholders or disinterested directors or otherwise, in excess of the indemnification and advancement otherwise permitted by Section 145 of the General Corporation Law of the State of Delaware law, subject only to limits created by applicable Delaware law (statutory or non-statutory), with respect to actions for breach of duty to the Corporation, its stockholders, and others.

8.3. Repeal or Modification. Any repeal or modification of the foregoing provisions of this Article 8 shall not adversely affect any right of indemnification or limitation of liability of an agent of the Corporation relating to the acts or omissions occurring prior to such repeal or modification.

ARTICLE 9

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

IN WITNESS WHEREOF, JDS Uniphase Corporation has caused this Restated Certificate of Incorporation to be signed by its authorized officer this 23rd day of July, 2008.

JDS UNIPHASE CORPORATION

By: /s/ Christopher S. Dewees
Secretary

	Name of Entity	State or Other Jurisdiction of Incorporation or Organization
	DOMESTIC	
1	Acterna LLC	Delaware
2	Acterna WG International Holdings LLC	Delaware
3	Advanced Digital Optics, Inc.	California
4	American Bank Note Holographics, Inc.	Delaware
5	da Vinci Systems LLC	Delaware
6	E20 Communications Inc.	Delaware
7	ExoGenesis Biomedical Technology	Delaware
8	JDS Uniphase Asia Holdings, Inc.	Delaware
9	JDSU Acterna Holdings LLC	Delaware
10	JDS Uniphase Corporation	Delaware
11	JDSU Communications Corporation	Nevada
12	JDSU Label LLC	California
13	JDSU Norwood LLC	Delaware
14	JDSU Optical Corporation	Massachusetts
15	Lightwave Electronics Corporation	California
16	OPKOR, Inc.	New York
17	Optical Coating Laboratory, Inc.	Delaware
18	Photonic Power Systems, Inc.	California
19	Ramar Corporation	Massachusetts
20	SDL Optics, Inc.	Delaware
21	SDL PIRI, Inc.	Delaware
22	Test-Um, Inc.	California
23	TTC Federal Systems, Inc.	Delaware
24	TTC International Holdings Inc.	Delaware
25	Uniphase FSC	California
	INTERNATIONAL	
26	Acterna France SAS	France
27	Acterna India Pvt. Ltd.	India
28	Acterna Investments Ltd.	Guernsey
29	Acterna Japan K.K.	Japan
30	Acterna OOO	Russian Federation
31	Agility Communications Europe Limited	United Kingdom
32	Casabyte Limited	United Kingdom
33	da Vinci Technologies Pte Ltd.	Singapore
34	Dynatech Hong Kong Limited	Hong Kong
35	Flex Co., Ltd.	Beijing
36	JDS Fitel (Barbados) Inc.	Barbados
37	JDS Uniphase (Israel) Limited	Israel
38	JDS Uniphase (Shenzhen) Limited	China
39	JDS Uniphase Asia K.K.	Japan
40	JDS Uniphase Asia Ltd.	Hong Kong
41	JDS Uniphase Canada Ltd.	Canada
42	JDS Uniphase France, S.A.S.	France
43	JDS Uniphase GmbH	Germany
44	JDS Uniphase Inc.	Canada
45	JDS Uniphase Italia srl	Italy
46	JDS Uniphase Netherlands B.V.	Netherlands
47	JDS Uniphase Nova Scotia Company	Nova Scotia
48	JDS Uniphase Photonics GmbH	Germany
49	JDS Uniphase Singapore Pte Limited	Singapore
50	JDS Uniphase Technology Limited	Cayman
51	JDSU (Greater China) Ltd.	Hong Kong
52	JDSU (Hong Kong) Ltd.	Hong Kong
53	JDSU Australia Pty Ltd.	Australia
54	JDSU Austria GmbH	Austria
55	JDSU Benelux B.V.	Netherlands
56	JDSU de Mexico S.A. de C.V.	Mexico
57	JDSU Deutschland GmbH	Germany
58	JDSU Do Brasil Ltda.	Brazil
59	JDSU Haberlesme Test ve Ölçüm Teknolojileri Tic. Ltd. Sti.	Turkey
60	JDSU Holdings GmbH	Germany
61	JDSU International GmbH	Germany
62	JDSU Italia s.r.l.	Italy
63	JDSU Korea Ltd.	Korea
64	JDSU Malaysia Sdn Bhd	Malaysia
65	JDSU Nordic AB	Sweden
66	JDSU Polska Sp.z.o.o.	Poland
67	JDSU Schweiz AG	Switzerland
68	JDSU Singapore Pte Ltd.	Singapore
69	JDSU Spain S.A.	Spain
70	JDSU T&M Singapore Pte Ltd.	Singapore
71	JDSU UK Ltd.	United Kingdom

72 JDSU World Holdings GmbH & Co. KG
73 Lightwave Electronics GmbH
74 TTC Asia Pacific Ltd.
75 Wandel & Goltermann Investments Pty Ltd.

Germany
Germany
Hong Kong
Australia

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-4 (No. 333-148292), Form S-3 (Nos. 333-27931, 333-70351, 333-91827, 333-39436, 333-48930, 333-70858, 333-75590, 333-110527 and 333-139181) and S-8 (Nos. 33-74716, 33-31722, 333-09937, 333-39423, 333-62465, 333-70339, 333-81911, 333-81909, 333-90301, 333-91313, 333-96481, 333-36114, 333-40696, 333-46846, 333-50176, 333-50502, 333-53642, 333-55182, 333-55560, 333-55796, 333-58718, 333-74226, 333-99745, 333-110497, 333-125647, 333-128737, 333-139182 and 333-149399) of JDS Uniphase Corporation of our report dated August 26, 2008 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Annual Report on Form 10-K.

/s/ PRICEWATERHOUSECOOPERS LLP

San Jose, California
August 26, 2008

**JDS UNIPHASE CORPORATION
CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Kevin J. Kennedy, certify that:

1. I have reviewed this Annual Report on Form 10-K of JDS Uniphase Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 26, 2008

/s/ KEVIN J. KENNEDY
Kevin J. Kennedy
Chief Executive Officer
(Principal Executive Officer)

**JDS UNIPHASE CORPORATION
CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, David Vellequette, certify that:

1. I have reviewed this Annual Report on Form 10-K of JDS Uniphase Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 26, 2008

/s/ DAVID VELLEQUETTE

David Vellequette
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

JDS UNIPHASE CORPORATION
CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of JDS Uniphase Corporation (the "Company") for the year ended June 28, 2008 as filed with the Securities and Exchange Commission (the "Report"), I, Kevin J. Kennedy, Chief Executive Officer (Principal Executive Officer) of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Dated: August 26, 2008

/s/ KEVIN J. KENNEDY

Kevin J. Kennedy
Chief Executive Officer
(Principal Executive Officer)

JDS UNIPHASE CORPORATION
CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of JDS Uniphase Corporation (the "Company") for the year ended June 28, 2008 as filed with the Securities and Exchange Commission (the "Report"), I, David Vellequette, Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer) of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Dated: August 26, 2008

/s/ DAVID VELLEQUETTE

David Vellequette
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

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