UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended April 1, 2017

OR

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

For the transition period from

to

Commission File Number 001-36861

Lumentum Holdings Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**47-3108385**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

400 North McCarthy Boulevard, Milpitas, California 95035
(Address of principal executive offices including Zip code)

(408) 546-5483
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer	☐	Accelerated filer	☐	Non-accelerated filer (Do not check if a smaller reporting company)	☐	Smaller reporting company	☐
						Emerging growth company	☒

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

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

As of April 28, 2017, the Registrant had 61,149,950 shares of common stock outstanding.

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PART I - FINANCIAL INFORMATION

Item1. Financial Statements (Unaudited)

LUMENTUM HOLDINGS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data)
(unaudited)

	Three Months Ended		Nine Months Ended	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
Net revenue	$ 255.8	$ 230.4	$ 778.9	$ 661.3
Cost of sales	172.0	165.9	523.0	458.4
Amortization of acquired technologies	1.7	1.7	5.1	5.1
Gross profit	82.1	62.8	250.8	197.8
Operating expenses:				
Research and development	37.3	35.3	112.9	104.7
Selling, general and administrative	28.1	28.0	84.2	87.8
Restructuring and related charges	3.1	1.8	10.0	3.9
Total operating expenses	68.5	65.1	207.1	196.4
Income (loss) from operations	13.6	(2.3)	43.7	1.4
Unrealized loss on derivative liabilities	(56.6)	(4.8)	(74.5)	(5.0)
Interest and other expenses, net	(1.4)	(0.4)	(1.4)	(1.1)
Loss before income taxes	(44.4)	(7.5)	(32.2)	(4.7)
Provision for income taxes	11.6	0.1	15.4	0.3
Net loss	$ (56.0)	$ (7.6)	$ (47.6)	$ (5.0)
Cumulative dividends on Series A Preferred Stock	(0.2)	(0.3)	(0.6)	(0.6)
Accretion of Series A Preferred Stock	—	—	—	(11.7)
Net loss attributable to common stockholders	$ (56.2)	$ (7.9)	$ (48.2)	$ (17.3)
Net loss per share attributable to common stockholders				
Basic	$ (0.92)	$ (0.13)	$ (0.80)	$ (0.29)
Diluted	$ (0.92)	$ (0.13)	$ (0.80)	$ (0.29)
Shares used in per share calculation attributable to common stockholders				
Basic	61.0	59.2	60.4	59.0
Diluted	61.0	59.2	60.4	59.0

See accompanying notes to unaudited consolidated financial statements.

LUMENTUM HOLDINGS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in millions)
(unaudited)

	Three Months Ended		Nine Months Ended	
	April 1, 2017	**April 2, 2016**	**April 1, 2017**	**April 2, 2016**
Net loss	$ (56.0)	$ (7.6)	$ (47.6)	$ (5.0)
Other comprehensive income (loss):				
Net change in cumulative translation adjustment	1.9	3.8	(2.7)	(3.2)
Comprehensive loss	$ (54.1)	$ (3.8)	$ (50.3)	$ (8.2)

See accompanying notes to unaudited consolidated financial statements.

LUMENTUM HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
(in millions, except share and per share data)
(unaudited)

	April 1, 2017	July 2, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 577.9	$ 157.1
Accounts receivable, net of allowance for doubtful accounts of $1.5 and $0.9 as of April 1, 2017 and July 2, 2016, respectively	185.4	170.5
Inventories	116.9	100.6
Prepayments and other current assets	61.4	61.3
Total current assets	941.6	489.5
Property, plant and equipment, net	246.6	183.4
Goodwill and intangibles, net	22.3	19.9
Deferred income taxes, net	31.1	31.9
Other non-current assets	2.9	1.6
Total assets	$ 1,244.5	$ 726.3
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK, AND EQUITY		
Current liabilities:		
Accounts payable	$ 118.4	$ 118.3
Accrued payroll and related expenses	31.1	26.5
Income taxes payable	0.4	1.9
Accrued expenses	23.0	14.9
Other current liabilities	19.2	12.1
Total current liabilities	192.1	173.7
Convertible note	313.4	—
Derivative liabilities	214.7	10.3
Other non-current liabilities	19.9	9.1
Total liabilities	740.1	193.1
Commitments and contingencies (Note 15)		
Redeemable convertible preferred stock:		
Non-controlling interest redeemable convertible Series A preferred stock, $0.001 par value, 10,000,000 authorized shares; 35,805 shares issued and outstanding as of April 1, 2017, and July 2, 2016	35.8	35.8
Total redeemable convertible preferred stock	35.8	35.8
Stockholders' equity:		
Common stock, $0.001 par value, 990,000,000 shares authorized, 61,105,106 and 59,580,596 shares issued and outstanding as of April 1, 2017, and July 2, 2016, respectively	0.1	0.1
Additional paid-in capital	489.8	467.7
Retained earnings (deficit)	(28.0)	20.2
Accumulated other comprehensive income	6.7	9.4
Total stockholders' equity	468.6	497.4
Total liabilities and stockholders' equity	$ 1,244.5	$ 726.3

See accompanying notes to unaudited consolidated financial statements.

LUMENTUM HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(unaudited)

	Nine Months Ended	
	April 1, 2017	**April 2, 2016**
OPERATING ACTIVITIES:		
Net loss	$ (47.6)	$ (5.0)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation expense	39.1	35.1
Stock-based compensation	24.7	20.5
Unrealized loss on derivative liabilities	74.5	5.0
Amortization of acquired technologies and other intangibles	5.4	5.4
Loss on disposal of property, plant and equipment	—	0.6
Excess tax benefit associated with stock-based compensation	(5.2)	—
Amortization of discount and issuance costs on 0.25% Convertible Senior Notes due 2024	1.0	—
Changes in operating assets and liabilities:		
Accounts receivable	(14.9)	(11.6)
Inventories	(14.0)	(9.6)
Prepayments and other current and non-current assets	(7.9)	(11.0)
Deferred taxes, net	0.4	(0.2)
Accounts payable	(18.2)	32.7
Accrued payroll and related expenses	4.5	9.7
Income taxes payable	15.0	(1.6)
Accrued expenses and other current and non-current liabilities	15.1	3.5
Net cash provided by operating activities	71.9	73.5
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(100.0)	(63.4)
Acquisition of businesses, net of cash acquired	(5.1)	—
Net cash used in investing activities	(105.1)	(63.4)
FINANCING ACTIVITIES:		
Net transfers from Viavi	—	132.2
Proceeds from the issuance of 0.25% Convertible Senior Notes due 2024, net of issuance costs	443.2	—
Excess tax benefit associated with stock-based compensation	5.2	—
Payment of dividends - preferred stock	(0.6)	(0.3)
Payment of financing obligation related to acquisition	—	(2.3)
Proceeds from employee stock plans	3.7	—
Proceeds from the exercise of stock options	3.2	1.8
Net cash provided by financing activities	454.7	131.4
Effect of exchange rates on cash and cash equivalents	(0.7)	1.2
Increase in cash and cash equivalents	420.8	142.7
Cash and cash equivalents at beginning of period	157.1	14.5
Cash and cash equivalents at end of period	$ 577.9	$ 157.2
Supplemental disclosure of cash flow information:		
Cash paid for taxes	$ 8.3	$ 1.3
Accretion of preferred series stock to redemption value	—	11.7
Unpaid property, plant and equipment in accounts payable	15.0	—
Issuance costs in current liabilities	0.9	—

LUMENTUM HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(unaudited)

See accompanying notes to unaudited consolidated financial statements.

LUMENTUM HOLDINGS INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

Description of Business

Lumentum Holdings Inc. ("we", "our", "Lumentum" or the "Company") is an industry leading provider of optical and photonic products defined by revenue and market share addressing a range of end market applications including data communications ("Datacom") and telecommunications ("Telecom") networking and commercial lasers ("Commercial Lasers") for manufacturing, inspection and life-science applications. We are using our core optical and photonic technology and our volume manufacturing capability to expand into attractive emerging markets that benefit from advantages that optical or photonics-based solutions provide, including 3-D sensing for consumer electronics and diode light sources for a variety of consumer and industrial applications. The majority of our customers tend to be original equipment manufacturers ("OEMs") that incorporate our products into their products which then address end-market applications. For example, we sell fiber optic components that our network equipment manufacturer ("NEM") customers assemble into communications networking systems, which they sell to network service providers or enterprises with their own networks. Similarly, many of our customers for our Commercial Lasers products incorporate our products into tools they produce, which are used for manufacturing processes by their customers.

Basis of Presentation

Lumentum was incorporated in Delaware as a wholly owned subsidiary of JDS Uniphase Corporation ("JDSU") on February 10, 2015 and is comprised of the former communications and commercial optical products (“CCOP”) segment and WaveReady product lines of JDSU.

On July 31, 2015, prior to the Separation (as described below), JDSU transferred substantially all of the assets and liabilities and operations of the CCOP segment and WaveReady product lines to Lumentum. Financial statements for periods prior to the Separation were prepared on a stand-alone basis and were derived from JDSU’s consolidated financial statements and accounting records. The Company prepared consolidated financial statements for the period from June 28, 2015 to August 1, 2015 where expenses were allocated to the Company using estimates that it considers to be a reasonable reflection of the utilization of services provided to, or benefits received by, the Company. Since August 1, 2015, the Company has prepared consolidated financial statements as an independent stand-alone basis pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC) and are in conformity with generally accepted accounting principles in the United States (GAAP). In the opinion of management, these consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for a fair statement of the consolidated financial statements for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for the full year or for any future periods.

On August 1, 2015, Lumentum became an independent publicly-traded company through the distribution by JDSU to its stockholders of 80.1% of our outstanding common stock (the “Separation”). Each JDSU stockholder of record as of the close of business on July 27, 2015 received one share of Lumentum common stock for every five shares of JDSU common stock held on the record date. JDSU was renamed Viavi Solutions Inc. ("Viavi") and at the time of the distribution retained ownership of 19.9% of Lumentum’s outstanding shares. Lumentum’s Registration Statement on Form 10 was declared effective by the SEC on July 16, 2015. Lumentum’s common stock began trading “regular-way” under the ticker “LITE” on the NASDAQ stock market on August 4, 2015.

As of April 1, 2017, Viavi held a total of 0.4 million shares of our common stock, which is under 1% of our total shares outstanding.

See "Note 3. Related Party Transactions" in the Notes to Unaudited Consolidated Financial Statements regarding the relationships we have with Viavi.

Fiscal Years

We utilize a 52-53 week fiscal year ending on the Saturday closest to June 30th. Our fiscal 2017 is a 52-week year ending on July 1, 2017, while fiscal 2016 was a 53-week year and ended on July 2, 2016.

Principles of Consolidation

These unaudited interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intra-company transactions and balances within our business were eliminated. All material transactions between us and other businesses of Viavi prior to Separation were reflected as net transfers to and from Viavi as a component of financing activities in the consolidated statements of cash flows.

Use of Estimates

The preparation of our consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, the reported amount of net revenue and expenses and the disclosure of commitments and contingencies during the reporting periods. We base estimates on historical experience and on various assumptions about the future believed to be reasonable based on available information. On an ongoing basis, the Company evaluates its estimates, including those related to revenue recognition, inventory valuation, allocation methods and allocated expenses from Viavi, valuation of goodwill and other intangible assets, stock-based compensation, retirement and post-retirement plan assumptions, restructuring, warranty, valuation of derivative liabilities, and accounting for income taxes. Our reported financial position or results of operations may be materially different under changed conditions or when using different estimates and assumptions, particularly with respect to significant accounting policies. If estimates or assumptions differ from actual results, subsequent periods are adjusted to reflect more current information.

Accounting Policies

Our critical accounting policies are those that affect our financial statements materially and involve difficult, subjective or complex judgments by management. Those policies are revenue recognition, inventory valuation, allocation methods and allocated expenses from Viavi, valuation of goodwill and other intangible assets, stock-based compensation, retirement and post-retirement plan assumptions, restructuring, warranty, valuation of derivative liabilities, and accounting for income taxes.

There have been no material changes in our significant accounting policies during the nine months ended April 1, 2017 compared to the significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended July 2, 2016. The accompanying unaudited interim consolidated financial statements and accompanying related notes should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended July 2, 2016.

Note 2. Recently Issued Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-04, *Intangibles -Goodwill and Other (Topic 350)*, which simplifies the subsequent measurement of goodwill by eliminating the quantitative test ("Step 2") for impairment for any reporting unit with a zero or negative carrying amount based on a qualitative assessment ("Step1"). The provisions of ASU 2017-04 are effective for impairment tests beginning after December 15, 2019, which would be our second quarter of fiscal 2020, and may be early adopted on a prospective basis for impairment tests performed at January 1, 2017. The Company does not expect ASU 2017-04 to have a material impact on its financial position, operational results, or cash flows.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805)*, which clarifies the definition of a business. For accounting and financial reporting purposes, businesses are generally comprised of three elements; inputs, processes, and outputs. Integrated sets of assets and activities capable of providing these three elements may not always be considered a business, and the lack of one of the three elements does not always disqualify the set from being a business. The issuance of ASU No. 2017-01 provides a clarifying screen to determine when a set of assets and activities is not a business. Primarily, the screen requires that when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the set is not a business. The amendments contained in ASU No. 2017-01 are effective for annual periods beginning after December 15, 2017 and may be early adopted for certain transactions that have occurred before the effective, but only when the underlying transaction has not been reported in the financial statements that have been issued or made available for issuance. The Company does not believe the implementation of ASU 2017-01 will have a material effect on its financial position, operational results, or cash flows.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Subtopic 230)* ("ASU 2016-18"). The new guidance requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The standard will be effective for the first interim period within annual reporting periods beginning after December 15, 2017 and early adoption is permitted. The Company is currently evaluating the impact of the adoption of ASU 2016-18 on its consolidated financial statements.

In October 2016, FASB issued ASU 2016-16, *Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets other than Inventory*. The new guidance removes the prohibition in ASC 740 against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. The new guidance will be effective for us in our first quarter of fiscal 2019. We are currently evaluating the impact of our pending adoption of ASU 2016-16 on our consolidated financial statements.

In August 2016, FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which clarifies how companies present and classify certain cash receipts and cash payments in the statement of cash flows. ASU 2016-15 is effective for us in our first quarter of fiscal 2019 and earlier adoption is permitted. We are currently evaluating the impact of our pending adoption of ASU 2016-15 on our consolidated financial statements.

In March 2016, FASB issued ASU 2016-09, *Stock Compensation ASU 718 - Improvements to Employee Share-Based Payment Accounting*. This guidance simplifies various aspects related to how share-based payments are accounted for and presented in the financial statements. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. The Company will adopt this standard in fiscal year 2018. The Company has not yet determined the effect that the adoption of this standard will have on its consolidated financial statements or results of operations.

In February 2016, FASB issued ASU 2016-02, *Leases.* The new guidance generally requires an entity to recognize on its balance sheet operating and financing lease liabilities and corresponding right-of-use assets. The standard is effective for us in our first quarter of fiscal 2020 and early adoption is permitted. The Company is currently evaluating the impact of the adoption of ASU 2016-02 on its consolidated financial statements.

In January 2016, FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10)* ("ASU 2016-01"). The new standard provides guidance for the recognition, measurement, presentation and disclosure of financial instruments. This guidance is effective for annual and interim periods beginning after December 15, 2017 and early adoption is not permitted. The Company is currently evaluating the impact of the adoption of ASU 2016-01 on its consolidated financial statements.

In April 2015, FASB issued ASU 2015-04 *Compensation-Retirement Benefits* to provide a practical expedient that permits the entity to measure defined benefit plan assets and obligations using the month-end that is closest to the entity's fiscal year-end and apply that practical expedient consistently from year to year. The Company adopted this guidance effective first quarter of fiscal 2017 on a prospective basis. No prior periods were retrospectively adjusted. The Company does not believe this standard will have a material impact on its consolidated financial statements or the related footnote disclosures. The change will not have a material impact on its consolidated financial position, results of operations and cash flows.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which amended the existing accounting standards for revenue recognition. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the consideration expected to be received in exchange for those goods or services. The new standard requires that reporting companies disclose the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. On July 9, 2015, FASB agreed to delay the effective date by one year and, accordingly, the new standard is effective for the Company beginning in the first quarter of fiscal 2018. Early adoption is permitted, but not before the original effective date of the standard. The new standard is required to be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application. The standard is effective for us for our first quarter of fiscal 2019. The Company is currently evaluating the impact of the adoption of ASU 2014-09 on its consolidated financial statements.

From time to time, new accounting pronouncements are issued by the FASB, or other standards setting bodies, that are adopted by the Company as of the specified effective date. The Company is currently evaluating the impact of recently issued standards that are not yet effective, whether they will have a material impact on its consolidated financial position, results of operations and cash flows upon adoption.

Note 3. Related Party Transactions

Transactions with Viavi

During the three and nine months ended April 1, 2017, the Company recognized revenue of $1.0 million and $2.5 million, respectively, from products sold to Viavi. During the three and nine months ended April 2, 2016, the Company recognized revenue of $0.9 million and $2.4 million, respectively, for products sold to Viavi.

During the three and nine months ended April 1, 2017, the Company recorded $0.1 million and $0.5 million, respectively, in research and development cost reimbursement from Viavi. For the three and nine months ended April 2, 2016, the Company recorded $0.5 million and $1.7 million, respectively, in research and development cost reimbursement.

During the three and nine months ended April 1, 2017, the Company recorded $0.2 million and $0.6 million, respectively, in sublease rental income from Viavi. For the three and nine months ended April 2, 2016, the Company recorded and $0.2 million and $0.5 million, respectively, in sublease rental income from Viavi.

As of April 1, 2017 and July 2, 2016, the Company had $0.5 million and $1.1 million, respectively, in trade accounts receivable due from Viavi. The Company did not have any trade payables due to Viavi as of April 1, 2017 or July 2, 2016.

As of April 1, 2017, the Company had $0.1 million in other payables due to Viavi. As of July 2, 2016, the Company had $2.0 million in other receivables from Viavi. The Company had no other receivables from Viavi as of April 1, 2017 or other payables due to Viavi as of July 2, 2016.

On July 31, 2015, the Company also entered into the following agreements with Viavi:

a) Contribution Agreement which identified the assets transferred, the liabilities assumed and the contracts assigned and which provided for when and how these transfers, assumptions and assignments would occur.

b) Separation and Distribution Agreement which governs the Separation of the Lumentum business and other matters related to Lumentum's relationship with Viavi.

c) Tax Matters Agreement which governs the respective rights, responsibilities and obligations of Lumentum and Viavi with respect to tax liabilities and benefits, attributes, proceedings, returns and certain other tax matters.

d) Employee Matters Agreement which governs the compensation and employee benefit obligations with respect to the current and former employees of Lumentum and Viavi, the treatment of equity based compensation and generally allocates liabilities and responsibilities relating to employee compensation, benefit plans and programs. The Employee Matters Agreement provides that employees of Lumentum will participate in benefit plans sponsored or maintained by Lumentum.

e) Securities Purchase Agreement, which also includes Amada Holdings Co., Ltd. ("Amada") as a party, which sets forth the terms for the sale by Viavi to Amada of shares of Series A Preferred Stock (the "Series A Preferred Stock") of Lumentum Inc., our wholly-owned subsidiary, following the Separation.

f) Intellectual Property Matters Agreement which outlines the intellectual property rights of Lumentum and Viavi following the Separation, as well as non-compete restrictions between Viavi and Lumentum.

Allocated Costs

From June 28, 2015 to August 1, 2015, the effective date of the Separation, the consolidated statements of operations included the Company's direct expenses for cost of sales, research and development, sales and marketing, and administration as well as allocations of expenses arising from shared services and infrastructure provided by Viavi to the Company. These allocated expenses include costs of information technology, human resources, accounting, legal, real estate and facilities, corporate marketing, insurance, treasury and other corporate and infrastructure services. In addition, other costs allocated to the Company include restructuring and stock-based compensation related to Viavi's corporate and shared services employees and are included in the table below. These expenses were allocated to the Company using estimates that we consider to be a reasonable reflection of the utilization of services or benefits received by our business. The allocation methods include revenue, headcount, square footage, actual consumption and usage of services and others.

There were no allocations of expenses from Viavi for the three and nine months ended April 1, 2017, and the three months ended April 2, 2016. During the nine months ended April 2, 2016, allocated costs from Viavi included in the accompanying consolidated statements of operations were as follows *(in millions):*

	Nine Months Ended
	April 2, 2016
Selling, general and administrative expenses	$ 11.7
Interest and other (income) expenses, net	(0.1)
Interest expense	0.1
Total allocated expenses	$ 11.7

Note 4. Earnings Per Share

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

	Three Months Ended		Nine Months Ended	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
Numerator:				
Net loss	$ (56.0)	$ (7.6)	$ (47.6)	$ (5.0)
Less: Cumulative dividends on Series A Preferred Stock	(0.2)	(0.3)	(0.6)	(0.6)
Less: Accretion of Series A Preferred Stock	—	—	—	(11.7)
Net loss attributable to common stockholders	$ (56.2)	$ (7.9)	$ (48.2)	$ (17.3)
Denominator:				
Weighted-average number of common shares outstanding				
Basic	61.0	59.2	60.4	59.0
Diluted	61.0	59.2	60.4	59.0
Net loss per share attributable to common stockholders:				
Basic	$ (0.92)	$ (0.13)	$ (0.80)	$ (0.29)
Diluted	$ (0.92)	$ (0.13)	$ (0.80)	$ (0.29)

On August 1, 2015, JDSU distributed 47.1 million shares, or 80.1% of the outstanding shares of the Company's common stock to existing holders of JDSU common stock. The weighted average number of common stock outstanding is calculated as the number of shares of common stock outstanding immediately following the Separation through April 2, 2016, and the weighted average number of shares outstanding following the Separation through April 1, 2017. Diluted earnings per share is calculated by dividing net income attributable to common stockholders for the period by the weighted average number of shares of common stock and potentially dilutive common stock outstanding for the period beginning after the Separation.

The dilutive effect of stock-based awards is reflected in diluted earnings per share by application of the treasury stock method, which includes consideration of unamortized share-based compensation expense, the tax benefits or shortfalls recorded to additional paid-in capital and the dilutive effect of in-the-money options and non-vested restricted stock units. Under the treasury stock method, the amount the employee must pay for exercising stock options and unamortized share-based compensation expense and tax benefits or shortfalls collectively are assumed proceeds to be used to repurchase hypothetical shares. An increase in the fair value of the Company's common stock can result in a greater dilutive effect from potentially dilutive awards.

The dilutive effect of the redeemable convertible preferred stock is reflected in diluted earnings per share by the application of the if-converted method. The number of shares is increased for the assumed conversion of the instrument. Additionally, cumulative dividends and accretion from measuring the instrument at its redemption value are added back to net income (loss).

The Senior Convertible Notes have no impact to diluted earnings per share during the three and nine months ended April 1, 2017, as the Company has to settle the Notes in cash until the Tax Matters Agreement settlement condition is met. If the TMA settlement condition is met, we intend to apply the treasury stock method to determine the potential dilutive effect of the Notes as a result of the Company's intent and ability to settle the principle amount of the Notes in Cash. Refer to "Note 9. Convertible Senior Notes" for further discussion.

Note 5. Accumulated Other Comprehensive Income (Loss)

Our accumulated other comprehensive income (loss) consists of the accumulated net unrealized gains or losses on foreign currency translation adjustments and defined benefit obligation.

As of April 1, 2017 and July 2, 2016, balances for the components of accumulated other comprehensive income were as follows (*in millions*):

	Foreign currency translation adjustments		Defined benefit obligation, net of tax		Total	
Beginning balance as of July 2, 2016	$	11.7	$	(2.3)	$	9.4
Other comprehensive loss		(2.7)		—		(2.7)
Ending balance as of April 1, 2017	$	9.0	$	(2.3)	$	6.7

The Company evaluates the assumptions over fair value of defined benefit obligation annually and makes changes as necessary.

Note 6. Mergers and Acquisitions

In February 2017, we completed the acquisition of a privately held company to enhance our manufacturing and vertical integration capabilities. We acquired all of the outstanding shares of the company. In connection with the acquisition, we paid upfront cash consideration of $5.1 million, incurred liabilities of $2.7 million contingent upon the achievement of certain production targets being achieved within 36 months following the acquisition date, and retained $0.9 million of the purchase price as security for the seller's indemnification obligations under the purchase agreement. This resulted in total purchase consideration of $8.7 million.

The Company estimated the acquisition date fair value of the contingent consideration as the present value of the expected contingent payments, determined using a probabilistic approach. The Company is required to reassess the fair value of contingent payments on a periodic basis. The Company estimated the likelihood of meeting the production targets at 90 percent and recorded the fair value of such contingent consideration in accrued liabilities on the interim consolidated balance sheet as of April 1, 2017. This contingent consideration will result in a cash payment of $3.0 million, if and when the production targets are achieved.

The amount retained to cover any potential liabilities is payable at the 15 month anniversary of the close date. The Company is currently unaware of any claims that would be made against this amount and anticipates that it will be paid in full on the due date.

We recorded the assets acquired and liabilities assumed at their estimated fair values, with the difference between the fair value of the net assets acquired and the purchase consideration reflected in goodwill. The following table reflects the preliminary fair values of assets acquired and liabilities assumed (*in millions*):

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Cash and cash equivalents	$	—
Accounts receivable, net		0.1
Inventories		1.9
Prepayments and other current assets		0.2
Property, plant and equipment, net		0.8
Developed technology		2.4
Goodwill		5.6
Accounts payable		(0.4)
Accrued expenses and payroll		(0.2)
Deferred revenue		(1.1)
Deferred tax liability		(0.6)
Total value of assets acquired and liabilities assumed	$	8.7

As of the acquisition date, developed technology of the target business had an estimated useful life of six years. The goodwill is primarily attributed to the synergies expected to be realized following the acquisition and the assembled workforce. Goodwill has been assigned to the Optical Communications segment and is not deductible for tax purposes.

Results of operations of the business acquired have been included in our consolidated financial statements subsequent to the date of acquisition. Pro forma statements have not been presented because they are not material to our consolidated results of operations.

Note 7. Balance Sheet and Other Details

Inventories

The components of inventories were as follows (*in millions*):

	April 1, 2017		July 2, 2016	
Finished goods	$	58.2	$	46.1
Work in process		35.6		25.5
Raw materials and purchased parts		23.1		29.0
Inventories	$	116.9	$	100.6

Prepayments and other current assets

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

	April 1, 2017		July 2, 2016	
Capitalized manufacturing overhead	$	33.1	$	27.3
Prepayments		8.6		6.4
Advances to contract manufacturers		10.3		10.3
Due from (to) Viavi, net		—		2.0
Other current assets		9.4		15.3
Prepayments and other current assets	$	61.4	$	61.3

Amount due from (to) Viavi, net represents certain obligations to be reimbursed from Viavi, net of payables, pursuant to the Separation and Distribution Agreement and Contribution Agreement.

Property, plant and equipment, net

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

	April 1, 2017	July 2, 2016
Land	$ 10.5	$ 5.9
Buildings and improvement	35.7	28.9
Machinery and equipment	443.2	378.5
Furniture and fixtures and software	33.0	32.2
Leasehold improvements	29.8	28.6
Construction in progress	65.1	44.1
	617.3	518.2
Less: Accumulated depreciation	(370.7)	(334.8)
Property, plant and equipment, net	$ 246.6	$ 183.4

During the three and nine months ended April 1, 2017, we recorded depreciation expense of $14.1 million and $39.1 million, respectively. During the three and nine months ended April 2, 2016, we recorded depreciation expense of $11.3 million and $35.1 million, respectively. Our construction in progress includes primarily machinery and equipment that was purchased to increase our manufacturing capacity. We expect to place these assets in service in next 12 months.

Other current liabilities

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

	April 1, 2017	July 2, 2016
Warranty accrual (Note 15)	$ 8.1	$ 2.8
Restructuring accrual and related charges (Note 12)	5.3	5.5
Deferred revenue	4.6	2.7
Others	1.2	1.1
Other current liabilities	$ 19.2	$ 12.1

Other non-current liabilities

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

	April 1, 2017	July 2, 2016
Asset retirement obligation	$ 2.1	$ 2.3
Pension and related accrual	3.4	3.5
Deferred rent	3.2	1.6
Restructuring accrual and related charges	—	0.2
Unrecognized tax benefit	6.2	0.1
Other non-current liabilities	5.0	1.4
Other non-current liabilities	$ 19.9	$ 9.1

Note 8. Non-Controlling Interest Redeemable Convertible Preferred Stock

On July 31, 2015, our wholly-owned subsidiary, Lumentum Inc., issued 40,000 shares of its Series A Preferred Stock to Viavi. Pursuant to a securities purchase agreement between the Company, Viavi and Amada, 35,805 shares of Series A Preferred Stock were sold by Viavi to Amada in August 2015. The remaining 4,195 shares of the Series A Preferred Stock were canceled.

The Series A Preferred Stock is referred to as our Non-Controlling Interest Redeemable Convertible Preferred Stock within these consolidated financial statements.

The Series A Preferred Stock is redeemable at the option of Amada after five years and classified as non-controlling interest redeemable convertible preferred stock in our consolidated balance sheet. The Series A Preferred Stock is measured at its redemption value. The Series A Preferred Stock value of $35.8 million as of December 26, 2015 has not changed from prior periods. The Series A Preferred Stock conversion feature is bifurcated from the Series A Preferred Stock and accounted for separately as a derivative liability. The derivative liability is measured at fair value each reporting period with the change in fair value recorded in the consolidated statements of operations. See "Note 10. Derivative Liabilities" in the Notes to Unaudited Consolidated Financial Statements regarding the derivative liability for the Series A Preferred Stock.

The following paragraphs describe the terms and conditions of the Series A Preferred Stock:

Conversion

The Series A Preferred Stock is convertible, at the option of the holder, into shares of our common stock commencing on the second anniversary of the closing of the securities purchase (absent a change of control of us or similar event) using a conversion price of $24.63, which is equal to 125% of the volume weighted average price per share of our common stock in the five “regular-way” trading days following the Separation.

Liquidation

Upon any liquidation, dissolution, or winding up of our business, whether voluntary or involuntary, holders of Series A Preferred Stock will be entitled to receive, in preference to holders of common stock or any other class or series of our outstanding capital stock ranking in any such event junior to the Series A Preferred Stock, an amount per share equal to the greater of (i) the Issuance Value of $1,000 per share for Series A Preferred Stock plus all accrued and unpaid dividends thereon (whether or not authorized or declared) through the date of payment and (ii) the amount as would have been payable had all Series A Preferred Stock been converted into common stock immediately prior to such liquidation event.

If upon occurrence of any such event, our assets legally available for distribution are insufficient to permit payment of the aforementioned preferential amounts, then all of our assets legally available for distribution will be distributed ratably to the holders of the Series A Preferred Stock and to the holders of any other class or series of our capital stock ranking on parity with the Series A Preferred Stock.

Voting Rights

- The Series A Preferred Stock has no voting rights except as follows:
- Authorize, approve, or make any change to the powers, preferences, privileges or rights of the Series A Preferred Stock;
- Authorize or issue any additional shares of Series A Preferred Stock or reduce the number of shares of Series A Preferred Stock; or
- Create, or hold capital stock in, any subsidiary that is not wholly-owned by the Company.

Dividends

Holders of Series A Preferred Stock, in preference to holders of common stock or any other class or series of our outstanding capital stock ranking in any such event junior to the Series A Preferred Stock, are entitled to receive, when and as declared by the board of directors, quarterly cumulative cash dividends at the annual rate of 2.5% of the Issuance Value per share on each outstanding share of Series A Preferred Stock. The accrued dividends are payable on March 31, June 30, September 30 and December 31 of each year commencing on September 30, 2015.

The accrued dividends as of April 1, 2017 and July 2, 2016 are $0.2 million and $0.2 million, respectively. Dividends paid were $0.6 million and $0.3 million for the nine months ended April 1, 2017 and April 2, 2016, respectively.

Redemption

Optional redemption by the Company

On or after the third anniversary, we will have the option to redeem for cash all (but not less than all) of the shares of Series A Preferred Stock at a redemption price equal to the Issuance Value plus the accrued and unpaid dividends on each share and any past due dividends, whether or not authorized or declared.

Optional redemption by holders

Commencing on the fifth anniversary of the Issuance Date, each holder of Series A Preferred Stock may cause the Company to redeem for cash any number of shares of Series A Preferred Stock on any date at a redemption price for share redeemed equal to the Issuance Value plus the accrued and unpaid dividends on each share and any past due dividends, whether or not authorized or declared.

Note 9. Convertible Senior Notes

On March 8, 2017, the Company issued $450.0 million aggregate principal amount of 0.25% Convertible Senior Notes due 2024 (the “Notes”), in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”). The Notes are governed by an indenture between the Company, as the issuer, and U.S. Bank National Association, as trustee (the “Indenture”). The Notes are unsecured and do not contain any financial covenants, restrictions on dividends, incurrence of senior debt or other indebtedness, or the issuance or repurchase of securities by the Company.

The Notes will bear interest at a rate of 0.25% per year. Interest on the Notes is payable semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2017. The Notes will mature on March 15, 2024, unless earlier repurchased by the Company or converted pursuant to their terms.

The initial conversion rate of the Notes is 16.4965 shares of common stock per $1,000 principal amount of Notes, which is equivalent to an initial conversion price of approximately $60.62 per share, a 132.5% premium to the fair market value at the date of issuance. Prior to the close of business on the business day immediately preceding December 15, 2023, the Notes will be convertible only under the following circumstances: (1) during any fiscal quarter commencing after July 1, 2017 (and only during such fiscal quarter), if the last reported sale price of the Company’s common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day; (2) during the five consecutive business day period after any five consecutive trading day period (the “measurement period”) in which the trading price per $1,000 principal amount of notes for each trading day of such measurement period was less than 98% of the product of the last reported sale price of the Company’s common stock and the applicable conversion rate on each such trading day; or (3) upon the occurrence of specified corporate events. On or after December 15, 2023 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time. In addition, upon the occurrence of a make-whole fundamental change, the Company will, in certain circumstances, increase the conversion rate by a number of additional shares for a holder that elects to convert its Notes in connection with such make-whole fundamental change.

Until such time as the Company satisfies the Tax Matters Agreement settlement condition (“TMA settlement condition”, as described below), the Company is required to satisfy its conversion obligation solely in cash. However, if the Company has satisfied the TMA share settlement condition, the Company may satisfy its conversion obligation in cash, shares of the Company’s common stock or a combination of cash and shares of the Company’s common stock, at the Company’s election.

The TMA settlement condition can be met by the Company either receiving (i) an opinion of a nationally recognized accounting firm selected by the Company and Viavi by mutual consent to the effect that the issuance of the Notes and the shares of Common Stock upon conversion of the Notes (assuming for each such purpose that Physical Settlement applies and the maximum number of Additional Shares have been added to the Conversion Rate) does not result in the imposition or incurrence of certain taxes upon Viavi, the Company, their respective Affiliates or any third party to which any of Viavi, the Company or their respective Affiliates is or may become liable in connection with the failure of the Separation to qualify as a transaction in which no income, gain or loss is recognized under Section 355 and Section 368(A)(1)(D) of the Internal Revenue Code of 1986, as amended (the “Code”) (including any tax resulting from the application of Section 355(d) or Section 355(e) of the Code to the Separation but only to the extent such tax is not reduced by a tax asset) or (ii) the consent of Viavi to the issuance of the Notes and the shares of Common Stock upon conversion of the Notes (assuming for each such purpose that Physical Settlement applies and the maximum number of Additional Shares have been added to the Conversion Rate), in each case, in a manner that the Company has determined satisfies the requirements of the Tax Matters Agreement with Viavi. All capitalized terms not previously defined have the definitions set forth in the Indenture.

The Company may not redeem the Notes prior to their maturity date and no sinking fund is provided for the Notes. Upon the occurrence of a fundamental change, holders may require the Company to repurchase all or a portion of their Notes for cash at a price equal to 100% of the principal amount of the Notes to be repurchased, plus any accrued and unpaid interest.

The Company considered the features embedded in the notes other than the conversion feature, including the holders' put feature, the Company's call feature, and the make-whole feature, and concluded that they are not required to be bifurcated and accounted for separately from the host debt instrument.

Because the Company can only settle the notes in cash until the TMA settlement condition is met, the Company determined that the conversion feature meets the definition of a derivative liability. The Company separated the derivative liability from the host debt instrument based on the fair value of the derivative liability. As of the issuance date, March 8, 2017, the derivative liability fair value of $129.9 million was calculated using the binomial valuation approach. The residual principal amount of the notes of $320.1 million before issuance costs was allocated to the debt component. The Company incurred approximately $7.7 million in transaction costs in connection with the issuance of the notes. These costs were allocated to the debt component and recognized as a debt discount. The Company amortizes the debt discount, including both the initial value of the derivative liability and the transaction costs, over the term of the Notes using the effective interest method. The effective interest rate of the Notes is 5.4% per year. As of April 1, 2017, the remaining debt discount amortization period was 83 months.

As of April 1, 2017, the Notes consisted of the following (in millions):

Liability component:		April 1, 2017
Principal	$	450.0
Unamortized debt discount		(136.6)
Net carrying amount of the liability component	$	313.4
Carrying amount of the embedded derivative liability	$	168.6

The carrying value of the derivative liability related to the Notes as of April 1, 2017 was $168.6 million. Refer to "Note 10. Derivative Liabilities".

The following table sets forth interest expense information related to the 2024 Notes:

	Three Months Ended		Nine Months Ended	
(in millions, except percentages)	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
Contractual interest expense	$ 0.1	—	$ 0.1	—
Amortization of the debt discount	1.0	—	1.0	—
Total interest cost	$ 1.1	—	$ 1.1	—
Effective interest rate on the liability component	5.4%	—%	5.4%	—%

The Notes have no impact to diluted earnings per share during the three and nine months ended April 1, 2017, as the Company has to settle the Notes in cash until the TMA settlement condition is met. If the TMA settlement condition is met, we intend to apply the treasury stock method to determine the potential dilutive effect of the Notes as a result of the Company’s intent and ability to settle the principal amount of the Notes in cash.

Note 10. Derivative Liabilities

We estimate the fair value of the embedded derivatives for the Series A Preferred Stock and Notes using the binomial lattice model. We applied the lattice model to value the embedded derivatives using a "with-and-without method," where the value of the Series A Preferred Stock or Notes, including the embedded derivative, is defined as the "with", and the value of the Series A Preferred Stock or Notes, excluding the embedded derivative, is defined as the "without". The lattice model requires the following inputs: (i) the Company's common stock price; (ii) conversion price; (iii) term; (iv) yield; (v) recovery rate for the Series A Preferred Stock; (vi) estimated stock volatility; and (vii) risk-free rate. The fair value of the embedded derivative was determined using level 3 inputs under the fair value hierarchy (unobservable inputs). Changes in the inputs into this valuation model have a material impact in the estimated fair value of the embedded derivative. For example, a decrease (increase) in the stock price and the volatility results in a decrease (increase) in the estimated fair value of the embedded derivative. The changes in the fair value of the bifurcated embedded derivatives for the Series A Preferred Stock and Notes are primarily related to the change in the price of the Company's underlying common stock and are reflected in the consolidated statements of operations as "Unrealized loss on derivative liabilities".

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Unrealized loss on derivative liabilities amounted to $56.6 million and $74.5 million for the three and nine months ended April 1, 2017, respectively, and $4.8 million and $5.0 million for the three and nine months ended April 2, 2016, respectively.

The Company is required to reassess the fair value of contingent payments on a quarterly basis. The following table provides a reconciliation of the fair value of the embedded derivatives for the Series A Preferred Stock and Notes measured by significant unobservable inputs (Level 3) for the three and nine months ended April 1, 2017:

	Three Months Ended		Nine Months Ended	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
(in millions)				
Balance as of beginning of period	$ 28.2	$ 9.9	$ 10.3	$ —
Fair value of the embedded derivative for the Series A Preferred Stock at issuance	—	—	—	9.7
Fair value of the embedded derivative for the Notes at issuance	129.9	—	129.9	—
Unrealized loss on the Notes derivative liability	38.7	—	38.7	—
Unrealized loss on the Series A Preferred Stock derivative liability	17.9	4.8	35.8	5.0
Balance as of end of period	$ 214.7	$ 14.7	$ 214.7	$ 14.7

The following table summarizes the assumptions used to determine the fair value of the embedded derivative for the Notes at the issuance date and as of April 1, 2017:

	April 1, 2017	March 8, 2017
Stock price	$ 53.35	$ 45.50
Conversion price	$ 60.60	$ 60.60
Expected term (years)	7	7
Expected annual volatility	45.0%	45.0%
Risk-free rate	2.22%	2.40%

The following table summarizes the assumptions used to determine the fair value of the embedded derivative for Series A Preferred Stock:

	April 1, 2017	July 2, 2016
Stock price	$ 53.35	$ 23.65
Conversion price	$ 24.63	$ 24.63
Expected term (years)	3.36	4.11
Expected annual volatility	45.0%	40.0%
Risk-free rate	1.58%	0.96%
Preferred yield	8.13%	8.84%

Note 11. Goodwill and Other Intangible Assets

Goodwill

The following table presents the changes in goodwill by operating segments during the nine months ended April 1, 2017 (*in millions)*:

	Optical Communications	Commercial Lasers	Total
Balance as of July 2, 2016	$ —	$ 5.4	$ 5.4
Addition	5.6	—	5.6
Currency translation	—	(0.2)	(0.2)
Balance as of April 1, 2017	$ 5.6	$ 5.2	$ 10.8

Impairment of Goodwill

We review goodwill for impairment during the fourth quarter of each fiscal year or more frequently if events or circumstances indicate that an impairment loss may have occurred. In the fourth quarter of fiscal 2016, we completed the annual impairment test of goodwill, which indicated there was no goodwill impairment. During the three and nine months ended April 1, 2017, there have been no events or circumstances that have required us to perform an interim assessment of goodwill for impairment.

Acquired Developed Technology and Other Intangibles

We allocated acquired developed technology and other intangibles resulting from past acquisitions to our Commercial Lasers operating segment.

In the fiscal third quarter of 2017, we completed the acquisition with $2.4 million acquired developed technology which was allocated to Optical Communications operating segment. The following tables present details of our acquired developed technology and other intangibles (*in millions*):

As of April 1, 2017	Gross Carrying Amount	Accumulated Amortization	Net
Acquired developed technology	$ 105.2	$ (93.9)	$ 11.3
Other	9.4	(9.2)	0.2
Total Intangibles	$ 114.6	$ (103.1)	$ 11.5

As of July 2, 2016	Gross Carrying Amount	Accumulated Amortization	Net
Acquired developed technology	$ 103.0	$ (88.9)	$ 14.1
Other	9.4	(9.0)	0.4
Total Intangibles	$ 112.4	$ (97.9)	$ 14.5

During the three and nine months ended April 1, 2017, the Company recorded $1.8 million and $5.4 million, respectively, of amortization related to acquired developed technology and other intangibles.

During the three and nine months ended April 2, 2016, the Company recorded $1.8 million and $5.4 million, respectively, of amortization expense relating to acquired developed technology and other intangibles.

The following table presents details of our amortization *(in millions)*:

	Three Months Ended		Nine Months Ended	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
Cost of sales	$ 1.7	$ 1.7	$ 5.1	$ 5.1
Operating expense	0.1	0.1	0.3	0.3
Total	$ 1.8	$ 1.8	$ 5.4	$ 5.4

Based on the carrying amount of acquired developed technology and other intangibles as of April 1, 2017, and assuming no future impairment of the underlying assets, the estimated future amortization is as follows *(in millions):*

Remainder of 2017	$ 1.8
2018	3.2
2019	3.0
2020	2.5
Thereafter	1.0
Total amortization	$ 11.5

Note 12. Restructuring and Related Charges

We have initiated various strategic restructuring events primarily intended to reduce costs, consolidate our operations, optimize the manufacturing of our products and align our business in response to the market conditions. As of April 1, 2017 and July 2, 2016, our total restructuring accrual was $5.3 million and $5.7 million, respectively.

During the three and nine months ended April 1, 2017, we recorded $3.1 million and $10.0 million, respectively, in restructuring and related charges in the consolidated statements of operations. Of the $3.1 million and $10.0 million charge recorded during the three months and nine months ended April 1, 2017, $0.4 million and $2.0 million, respectively, was related to severance, retention, lease termination costs, and employee benefits; and $2.7 million and $7.8 million, respectively, was related to other restructuring related charges which include relocation costs, equipment set-up costs, product qualification costs, facilities, and equipment costs to vacate facilities and consolidate operations. The timing of cash payments associated with these restructuring related charges and exit costs is dependent upon the type of restructuring charge and can extend over multiple periods.

As of April 2, 2016, our total restructuring accrual was $3.8 million. During the three and nine months ended April 2, 2016, we recorded $1.8 million and $3.9 million, respectively, in restructuring and related charges in the consolidated statements of operations. Of the $1.8 million and $3.9 million charge recorded during the three months and nine months ended April 1, 2017, $0.4 million and $1.7 million, respectively, was related to severance, retention, lease termination costs, and employee benefits; and $1.4 million and $2.2 million, respectively, was related to other restructuring related charges which include relocation costs, equipment set-up costs, product qualification costs, facilities, and equipment costs to vacate facilities and consolidate operations. The timing of cash payments associated with these restructuring related charges and exit costs is dependent upon the type of restructuring charge and can extend over multiple periods.

Summary of Restructuring Plans

The adjustments to the restructuring accrual related to all of our restructuring plans described below as of April 1, 2017, were as follows (*in millions*):

	Fiscal 2015 & earlier Restructuring Plan			Fiscal 2016 Restructuring Plan	
	Restructuring Charges	Exit Costs	Other Charges	Restructuring Charges	Total
Liability as of July 2, 2016	$ 4.5	$ 0.5	$ —	$ 0.7	$ 5.7
Charges	2.2	—	7.8	—	10.0
Payments	(1.8)	(0.1)	(7.8)	(0.7)	(10.4)
Liability as of April 1, 2017	$ 4.9	$ 0.4	$ —	$ —	$ 5.3

As of April 1, 2017, our restructuring liability includes $5.3 million in short-term other current liabilities. Our consolidated balance sheets do not have any non-current restructuring liabilities as of April 1, 2017.

As of July 2, 2016, our restructuring liability includes $5.5 million in short-term other current liabilities and $0.2 million in other non-current liabilities on the consolidated balance sheets.

Note 13. Income Taxes

The effective tax rate was (26.1)% and (47.8)% for the three and nine months ended April 1, 2017, respectively. The amounts differ from the statutory rate of 35.0% primarily due to the non-deductible unrealized loss from the embedded derivatives for the Series A Preferred Stock and the Notes, non-deductible stock-based compensation and partially offset by foreign rate differential, R&D tax credits and the utilization of U.S. deferred tax assets that were subject to a full valuation allowance.

The Company recorded a tax provision of $11.6 million and $15.4 million for the three and nine months ended April 1, 2017, respectively. The Company recorded a tax provision of $0.1 million and $0.3 million for the three and nine months ended April 2, 2016, respectively. The quarterly provision for income taxes is based on the estimated annual effective tax rate, plus any discrete items for the respective year. The Company updates its estimated annual effective tax rate at the end of each quarterly period and which takes into account estimates of annual pre-tax income, the geographical mix of pre-tax income, and permanent book-to-tax differences.

The Company's tax provision for both the three and nine months ended April 1, 2017, was primarily due to the discrete impact of the non-deductible unrealized loss from the embedded derivatives for the Series A Preferred Stock and the Notes, non-deductible stock-based compensation and partially offset by foreign rate differential, R&D tax credits and the utilization of U.S. deferred tax assets that were subject to a full valuation allowance.

The Company's tax provision for both the three and nine months ended April 2, 2016 was primarily attributable to the utilization of U.S. tax attributes that were subject to a full valuation allowance, and certain Canadian tax incentives.

The Company's net deferred tax assets relate predominantly to the Canadian tax jurisdiction for which it has recognized a partial valuation allowance against such deferred tax assets. The Company weighed all available positive and negative evidence and determined that due to the limited carryover period of certain tax attributes in Canada, there is a continued need for a partial valuation allowance against these deferred tax assets as of April 1, 2017. The change in the Company's valuation allowance position in the future may have a material impact to net income in the period such adjustment is made.

The Company also evaluates the ability to realize its U.S. net deferred tax assets based upon all available evidence, both positive and negative, on a quarterly basis. The realization of net deferred tax assets is dependent on the Company's ability to generate sufficient future taxable income during periods prior to the expiration of tax attributes to fully utilize these assets. The Company weighed all available positive and negative evidence and determined that due to cumulative losses in the United States, there is a continued need for a full valuation allowance against the U.S. deferred tax assets as of April 1, 2017.

As of April 1, 2017 and April 2, 2016, the Company has $6.2 million and $0.1 million, respectively, in its liability for unrecognized tax benefits, which, if recognized, would affect the effective tax rate. The Company is routinely subject to various federal, state and foreign audits by taxing authorities. The timing for the resolution and closure of tax audits is highly unpredictable. Given the uncertainty, it is reasonably possible that certain tax audits may be concluded within the next 12 months that could materially impact the balance of our gross unrecognized tax benefits. The estimated impact to tax expense and net income from the resolution and closure of tax exams is not expected to be significant within the next 12 months.

Note 14. Stock-Based Compensation and Stock Plans

Description of Lumentum Stock-Based Benefit Plans

Stock Option Plans

On June 23, 2015, the board of directors of JDSU approved, and subsequently, our sole stockholder adopted, the 2015 Equity Incentive Plan (the "2015 Plan") under which 8.5 million shares of our Common Stock were authorized for issuance. The 2015 Plan was ratified by the Company's board of directors on July 31, 2015. In connection with our Separation from JDSU on August 1, 2015, outstanding JDSU equity-based awards, held by employees continuing employment with the Company after the Separation, were converted into equity-based awards under the 2015 Plan, reducing the number of shares remaining available for grant under the 2015 Plan. As of immediately following our Separation from JDSU, 2.1 million shares of our Common Stock were subject to outstanding equity-based awards under the 2015 Plan that were converted from JDSU equity-based awards.

On November 4, 2016, the Company's stockholders approved an amendment to increase the number of shares that may be issued under the 2015 Plan by 3.0 million shares and to approve the material terms of the 2015 Plan.

As of April 1, 2017, the Company had 2.6 million stock options, performance stock units, restricted stock awards, and restricted stock units outstanding under the 2015 Plan. Performance stock units, restricted stock awards, and restricted stock units are performance-based, time-based or a combination of both and are expected to vest over one to four years. The fair value of the time-based performance stock units, restricted stock awards, or restricted stock units is based on the closing market price of the Company's common stock on the date of award.

The exercise price for stock options is equal to the fair value of the underlying stock at the date of grant. The Company issues new shares of common stock upon exercise of stock options. Options generally become exercisable over a three-year or four-year period and, if not exercised, expire from five to ten years after the date of grant. As of April 1, 2017, 6.6 million shares of common stock under the 2015 Plan were available for grant.

Employee Stock Purchase Plan

On June 23, 2015, the board of directors of JDSU approved, and subsequently, our sole stockholder adopted, the 2015 Employee Stock Purchase Plan (the "2015 Purchase Plan") under which 3.0 million shares of our Common Stock were authorized for issuance. The 2015 Purchase Plan was ratified by our board of directors on July 31, 2015. The 2015 Purchase Plan provides eligible employees with the opportunity to acquire an ownership interest in the Company through periodic payroll deductions and provides a 15% purchase price discount as well as a six-month look-back period. The 2015 Purchase Plan is structured as a qualified employee stock purchase plan under Section 423 of the Code. However, the 2015 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 2015 Purchase Plan will terminate upon the date on which all shares available for issuance have been sold. Of the 3.0 million shares authorized under the 2015 Purchase Plan, 2.6 million shares remained available for issuance as of April 1, 2017.

Restricted Stock Units

Each restricted stock unit ("RSU") granted under the 2015 Plan is a bookkeeping entry representing an amount equal to the fair market value of one share. RSUs result in a payment to a holders if any performance goals or other vesting criteria are achieved or the awards otherwise vest. The administrator determines in its sole discretion whether an award will be settled in stock, cash, or a combination of both.

Generally, our RSUs have service conditions, performance conditions, or a combination of both and are expected to vest over one to four years. The fair value of the time-based RSUs is based on the closing market price of the common stock on the date of award.

Restricted Stock Awards

Restricted stock awards ("RSAs") under the 2015 Plan are grants of shares of our common stock that are subject to various restrictions, including restrictions on transferability and forfeiture provisions. Restricted stock awards are expected to vest over one to four years, and the shares acquired may not be transferred by the holder until the vesting conditions (if any) are satisfied.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock-Based Compensation

The impact on our results of operations of recording stock-based compensation by function for the three and nine months ended April 1, 2017 and April 2, 2016 was as follows *(in millions)*:

	Three Months Ended		Nine Months Ended	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
Cost of sales	$ 1.9	$ 2.2	$ 6.0	$ 4.9
Research and development	3.0	2.5	8.8	6.7
Selling, general and administrative	3.2	3.5	10.2	9.4
	$ 8.1	$ 8.2	$ 25.0	$ 21.0

Approximately $1.2 million and $1.2 million of stock-based compensation was capitalized to inventory as of April 1, 2017 and July 2, 2016, respectively. The table above includes allocated stock-based compensation from Viavi of $0.5 million for the nine months ended April 2, 2016. There were no allocations to stock-based compensation from Viavi during the nine months ended April 1, 2017. Refer to "Note 3. Related Party Transactions" in the Notes to Unaudited Consolidated Financial Statements.

Stock Option, Restricted Stock Awards, and Restricted Stock Units Activity

We granted no stock options during the three and nine months ended April 1, 2017. The total intrinsic value of options exercised by our employees during the three and nine months ended April 1, 2017 was $1.0 million and $4.6 million, respectively. The total intrinsic value of options exercised by our employees during the three and nine months ended April 2, 2016 was $0.6 million and $0.7 million, respectively.

In connection with these exercises, the tax benefit realized during the three and nine months ended April 1, 2017 was $2.3 million and $5.2 million, respectively. For the three and nine months ended April 2, 2016 there was no tax benefit related to options exercised.

As of April 1, 2017, $50.2 million of stock-based compensation cost related to RSUs, performance stock units (“PSUs”), and RSAs granted to our employees remains to be amortized. That cost is expected to be recognized over an estimated amortization period of 2 years.

The following table summarizes our stock option, RSA, and RSU activities during the three and nine months ended April 1, 2017 *(amount in millions except per share amounts)*:

		Options Outstanding		Restricted Stock Units/Awards Outstanding		
	Available for Grant	Number of Shares	Weighted-Average Exercise Price	Number of Shares (PSU)	Number of Shares (RSU/RSA)	Weighted-Average Grant Date Fair Value
Balances as of July 2, 2016	4.7	0.3	$ 17.83	0.1	2.5	$ 21.04
Authorized	3.0					
Granted	(1.3)	—	—	—	1.3	34.09
Exercised / Vested	—	(0.2)	14.61	(0.1)	(1.1)	21.30
Canceled	0.2	—	—	—	(0.2)	23.10
Balances as of April 1, 2017	6.6	0.1	28.33	—	2.5	27.70
Vested and expected to vest		0.1	$ 28.33	—	2.3	$ 27.62

Employee Stock Purchase Plan (“ESPP”) Activity

The ESPP expense we recorded for the three and nine months ended April 1, 2017 was $0.7 million and $2.0 million, respectively. The expense related to the plan is recorded on a straight-line basis over the relevant subscription period. During the three and nine months ended April 1, 2017, there were 188,864 shares issued to employees through the ESPP program in one offering period from May 16, 2016 to November 15, 2016.

The first offering period for 2015 Purchase Plan was from November 17, 2015 to May 15, 2016. The ESPP expense recorded for the three and nine months ended April 2, 2016 amounted to $0.6 million and $0.8 million, respectively.

Note 15. Commitments and Contingencies

Operating Leases

We lease certain real and personal property from unrelated third parties under non-cancellable operating leases that expire at various dates through fiscal 2026. Certain leases require us to pay property taxes, insurance and routine maintenance, and include escalation clauses. As of April 1, 2017, the future minimum annual lease payments under non-cancellable operating leases were as follows (*in millions*):

Remainder of 2017	$	1.7
2018		6.5
2019		6.0
2020		4.6
2021		3.6
Thereafter		6.9
Total minimum operating lease payments	$	29.3

Included in the future minimum lease payments table above is $0.5 million related to lease commitments in connection with our restructuring and related activities. Refer to "Note 12. Restructuring and Related Charges" in the Notes to Unaudited Consolidated Financial Statements.

Acquisition Contingencies

The Company incurred contingent liabilities in the amount of $3.6 million in connection with the February 2017 acquisition. The amount of $2.7 million is payable in 36 months following the acquisition date contingent upon meeting certain production targets. The Company retained $0.9 million of the purchase price to cover any potential liabilities under the representations, warranties and indemnifications included in the purchase agreement, the amount is payable at the 15 month anniversary of the close date. Refer to "Note 6. Mergers and Acquisitions".

0.25% Convertible Senior Notes due 2024

The future interest and principal payments related to the Notes are as follows as of April 1, 2017:

Remainder of 2017	$	—
2018		1.2
2019		1.1
2020		1.1
2021		1.1
Thereafter		452.8
Total Notes payments	$	457.3

Purchase Obligations

Purchase obligations of $110.5 million as of April 1, 2017, 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 the option to cancel, reschedule and adjust the 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.

We depend on a limited number of contract manufacturers, subcontractors and suppliers for raw materials, packages and standard components. We generally purchase these single or limited source products through standard purchase orders or one-year supply agreements and have no significant long-term guaranteed supply agreements with such vendors. While we seek to maintain a sufficient safety stock of such products and maintain on-going communications with our suppliers to guard against interruptions or cessation of supply, our 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 our inability to obtain reduced pricing from our suppliers in response to competitive pressures.

Product Warranties

We provide reserves for the estimated costs of product warranties at the time revenue is recognized. We typically offer a twelve month warranty for most of our products. However, in some instances depending upon the product, product component or application of our products by the end customer, our warranties can vary and generally range from six months to five years. We estimate the costs of our warranty obligations on an annualized basis 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 with specific products. We assess the adequacy of our recorded warranty liabilities and adjust the amounts as necessary.

The following table presents the changes in our warranty reserve during the three and nine months ended April 1, 2017 and April 2, 2016 (*in millions*):

	Three Months Ended		Nine Months Ended	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
Balance as of beginning of period	$ 8.7	$ 3.1	$ 2.8	$ 2.8
Provision for warranty	0.6	0.8	9.3	2.5
Utilization of reserve	(1.2)	(0.8)	(4.0)	(2.3)
Adjustments related to pre-existing warranties (including changes in estimates)	—	(1.3)	—	(1.2)
Balance as of period end	$ 8.1	$ 1.8	$ 8.1	$ 1.8

Environmental Liabilities

Our research and development ("R&D"), manufacturing and distribution operations involve the use of hazardous substances and are regulated under international, federal, state and local laws governing health and safety and the environment. We apply strict standards for protection of the environment and occupational health and safety to sites inside and outside the United States, even if not subject to regulations imposed by foreign governments. We believe that our properties and operations at our facilities comply in all material respects with applicable environmental laws and occupational health and safety laws. However, the risk of environmental liabilities cannot be completely eliminated and there can be no assurance that the application of environmental and health and safety laws will not require us to incur significant expenditures. We are also regulated under a number of international, federal, state and local laws regarding recycling, product packaging and product content requirements. The environmental, product content/disposal and recycling laws are gradually becoming more stringent and may cause us to incur significant expenditures in the future.

Legal Proceedings

We are subject to a variety of claims and suits that arise from time to time in the ordinary course of our business. While management currently believes that resolving claims against us, individually or in the aggregate, will not have a material adverse impact on our financial position, results of operations or statements 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 our financial position, results of operations or cash flows for the period in which the effect becomes reasonably estimable.

Note 16. Operating Segments and Geographic Information

Our chief executive officer is our Chief Operating Decision Maker ("CODM"). The CODM allocates resources to the segments based on their business prospects, competitive factors, net revenue and gross margin.

We are an industry leading provider of optical and photonic products defined by revenue and market share addressing a range of end-market applications including optical communications and commercial lasers. We have two operating segments, Optical Communications, which we refer to as OpComms, and Commercial Lasers, which we refer to as Lasers. The two operating segments were primarily determined based on how the CODM views and evaluates our operations. Operating results are regularly reviewed by the CODM to make decisions about resources to be allocated to the segments and to assess their performance. Other factors, including market separation and customer specific applications, go-to-market channels, products and manufacturing, are considered in determining the formation of these operating segments.

OpComms

Our OpComms products address the following markets: telecommunications (Telecom), data communications (Datacom) and Consumer and Industrial.

Our OpComms products include a wide range of components, modules and subsystems to support and maintain customers in our two primary markets: Telecom and Datacom. The Telecom market includes carrier networks for access (local), metro (intracity), long-haul (city-to-city and worldwide) and submarine (undersea) networks. The Datacom market addresses enterprise, cloud and data center applications, including storage-access networks (“SANs”), local-area networks (“LANs”) and wide-area networks (“WANs”). These products enable the transmission and transport of video, audio and text data over high-capacity fiber-optic cables. We maintain leading positions in the fastest-growing OpComms markets, including reconfigurable optical add/drop multiplexers (“ROADMs”), 100G coherent components, tunable 10-gigabit small form-factor pluggable transceivers and tunable small form-factor pluggables. Our 10G, 40G legacy transceivers and a growing portfolio of 100G pluggable transceivers support LAN/SAN/WAN needs and the cloud for customers building enterprise and hyperscale data center networks.

In the Consumer and Industrial markets, our OpComms products include our light source products, which are integrated into 3-D sensing platforms being used in applications for gaming, computing, virtual and augmented reality, mobile and industrial segments. These systems simplify the way people interact with technology by enabling the use of natural body gestures, like the wave of a hand, to control a product or application. Systems can also be used for human identification, safety, and process efficiency, among numerous other application spaces. Emerging applications for this technology include various mobile device applications, autonomous vehicles, self-navigating robotics and drones in industrial applications and 3-D capture of objects coupled with 3-D printing. Our light sources are also used in a variety of other industrial laser and processing applications.

Lasers

Our Lasers products serve our customers in markets and applications such as manufacturing, biotechnology, graphics and imaging, remote sensing, and precision machining such as drilling in printed circuit boards, wafer singulation and solar cell scribing.

Our Laser products include diode-pumped solid-state, fiber, diode, direct-diode and gas lasers such as argon-ion and helium-neon lasers. Diode-pumped solid-state and fiber lasers provide excellent beam quality, low noise and exceptional reliability and are used in biotechnology, graphics and imaging, remote sensing, materials processing and precision machining applications. Diode and direct-diode lasers address a wide variety of applications, including laser pumping, thermal exposure, illumination, ophthalmology, image recording, printing, plastic welding and selective soldering. Gas lasers such as 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.

We also provide high-powered and ultrafast lasers for the industrial and scientific markets. Manufacturers use high-power, ultrafast lasers to create micro parts for consumer electronics and to process glass, semiconductor, LED, and other types of materials. Use of ultrafast lasers for micromachining applications is being driven primarily by the increasing use of consumer electronics and connected devices globally.

We do not allocate research and development, sales and marketing, or general and administrative expenses to our segments because management does not include the information in its measurement of the performance of the operating segments. In addition,

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

we do not allocate amortization and impairment of acquisition-related intangible assets, stock-based compensation, and other charges impacting the gross margin of each segment because management does not include this information in its measurement of the performance of the operating segments. Other charges are primarily warranty expenses that were accrued and which are expected to be reimbursed by the manufacturer.

Information on reportable segments utilized by our CODM is as follows (*in millions)*:

	Three Months Ended		Nine Months Ended	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
Net revenue:				
OpComms	$ 216.1	$ 197.2	$ 671.0	$ 560.1
Lasers	39.7	33.2	107.9	101.2
Net revenue	$ 255.8	$ 230.4	$ 778.9	$ 661.3
Gross profit:				
OpComms	71.5	58.7	229.2	171.4
Lasers	16.4	15.5	44.8	43.9
Total segment gross profit	87.9	74.2	274.0	215.3
Unallocated amounts:				
Stock-based compensation	(1.9)	(2.2)	(6.0)	(4.9)
Amortization of intangibles	(1.7)	(1.7)	(5.1)	(5.1)
Other charges	(2.2)	(7.5)	(12.1)	(7.5)
Gross profit	$ 82.1	$ 62.8	$ 250.8	$ 197.8

The table below discloses the percentage of our total net revenue attributable to each of our two reportable segments. In addition, it discloses the percentage of our total net revenue attributable to our product offerings which serve the Telecom, Datacom and Consumer and Industrial markets which accounted for more than 10% or more of our total net revenue during the last three fiscal years:

	Three Months Ended		Nine Months Ended	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
OpComms:	84.5%	85.6%	86.1%	84.7%
Telecom	64.5%	60.7%	63.0%	62.0%
Datacom	15.2%	19.8%	19.4%	17.6%
Consumer and Industrial	4.8%	5.1%	3.7%	5.1%
Lasers	15.5%	14.4%	13.9%	15.3%

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We operate in three geographic regions: Americas, Asia-Pacific, and EMEA (Europe, Middle East and Africa). Net revenue is assigned to the geographic region and country where our product is initially shipped. For example, certain customers may request shipment of our product to a contract manufacturer in one country, which may differ from the location of their end customers. The following table presents net revenue by the three geographic regions we operate in and net revenue from countries that exceeded 10% of our total net revenue *(in millions, except percentage data)*:

	Three Months Ended				Nine Months Ended			
	April 1, 2017		April 2, 2016		April 1, 2017		April 2, 2016	
Net revenue:								
Americas:								
United States	$ 34.7	13.6%	$ 28.8	12.5%	$ 106.2	13.6%	$ 91.3	13.8%
Mexico	70.0	27.4	34.4	14.9	158.5	20.3	112.7	17.0
Other Americas	1.5	0.6	5.1	2.2	7.4	1.0	17.9	2.7
Total Americas	$ 106.2	41.6%	$ 68.3	29.6%	$ 272.1	34.9%	$ 221.9	33.5%
Asia-Pacific:								
Hong Kong	$ 47.2	18.5%	$ 67.9	29.5%	$ 181.2	23.3%	$ 150.5	22.7%
Japan	25.9	10.1	19.8	8.6	78.5	10.1	65.8	10.0
Thailand	21.3	8.3	20.5	8.9	66.8	8.6	64.5	9.8
Other Asia-Pacific	25.1	9.8	27.0	11.7	98.0	12.6	69.3	10.5
Total Asia-Pacific	$ 119.5	46.7%	$ 135.2	58.7%	$ 424.5	54.6%	$ 350.1	53.0%
EMEA	$ 30.1	11.8%	$ 26.9	11.7%	$ 82.3	10.6%	$ 89.3	13.5%
Total net revenue	$ 255.8		$ 230.4		$ 778.9		$ 661.3	

Our net revenue is primarily denominated in U.S. dollars, including our net revenue from customers outside the United States as presented above.

Long-lived assets, namely net property, plant and equipment were identified based on the operations in the corresponding geographic areas *(in millions)*:

	April 1, 2017	July 2, 2016
Property, Plant and Equipment, net		
United States	$ 85.2	$ 69.0
Canada	14.8	21.4
China	71.6	46.6
Thailand	70.9	43.8
Other Asia-Pacific	1.6	0.2
EMEA	2.5	2.4
Total Property, Plant and Equipment, net	$ 246.6	$ 183.4

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion in conjunction with the unaudited interim consolidated financial statements and the corresponding notes included elsewhere in this Quarterly Report on Form 10-Q (this "Quarterly Report"). This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. The matters discussed in these forward-looking statements are subject to risk, uncertainties and other factors that could cause actual results to differ materially from those made, projected or implied in the forward-looking statements. Please see "Risk Factors" and "Forward-Looking Statements" for a discussion of the uncertainties, risks and assumptions associated with these statements.

FORWARD-LOOKING STATEMENTS

This Quarterly Report contains forward-looking statements that involve risks, uncertainties and assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The statements contained in this Quarterly Report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements relate to, among other things, trends in the markets in which we sell our products, our expectations and strategies with respect to market development, business combinations and growth opportunities, factors affecting our sales, gross margins, operating expenses, including selling, general and administrative expense for non-core expenses, capital expenditures and requirements, liquidity, product development and research and development efforts and expense, anticipated cost savings from restructuring transactions, manufacturing plans, litigation, effective tax rates and tax reserves, our corporate and financial reporting structure, and our plans for growth and innovation. Forward-looking statements are often identified by the use of words such as, but not limited to, "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "project," "seek," "should," "target," "will," "would" and similar expressions or variations intended to identify forward-looking statements. These statements are based on the beliefs and assumptions of our management, which are in turn based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section entitled "*Risk Factors*" included under Part II, Item 1A of this Quarterly Report. Furthermore, such forward-looking statements are based on our assessment of information available to us as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Overview

We are an industry leading provider of optical and photonic products, defined by revenue and market share addressing a range of end-market applications including optical communications and commercial lasers. We have two operating segments, Optical Communications, which we refer to as OpComms, and Commercial Lasers, which we refer to as Lasers. The two operating segments were primarily determined based on how the Chief Operating Decision Maker (“CODM”) views and evaluates our operations. Operating results are regularly reviewed by the CODM to make decisions about resources to be allocated to the segments and to assess their performance. Other factors, including market separation and customer specific applications, go-to-market channels, products and manufacturing, are considered in determining the formation of these operating segments.

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In the Consumer and Industrial markets, our OpComms products include our light source products, which are integrated into 3-D sensing platforms being used in applications for gaming, computing, virtual and augmented reality, mobile and industrial segments. These systems simplify the way people interact with technology by enabling the use of natural body gestures, like the wave of a hand, to control a product or application. Systems can also be used for human identification, safety, and process efficiency, among numerous other application spaces. Emerging applications for this technology include various mobile device applications, autonomous vehicles, self-navigating robotics and drones in industrial applications and 3-D capture of objects coupled with 3-D printing. Our light sources are also used in a variety of other industrial laser and processing applications.

Our OpComms customers include Alphabet Inc. (formerly Google), Ciena Corporation, Cisco Systems, Inc., Coriant GmbH, Fujitsu, Huawei Technologies Co. Ltd., Microsoft Corporation and Nokia Networks (including Alcatel-Lucent International).

Lasers

Our Lasers products serve our customers in markets and applications such as manufacturing, biotechnology, graphics and imaging, remote sensing, and precision machining, such as drilling of printed circuit boards, wafer singulation and solar cell scribing.

Our Laser products include diode-pumped solid-state with short and ultrafast pulses, fiber, diode, direct-diode and gas lasers such as argon-ion and helium-neon lasers. Diode-pumped solid-state and fiber lasers provide excellent beam quality, low noise and exceptional reliability and are used in biotechnology, graphics and imaging, remote sensing, materials processing and precision machining applications. Diode and direct-diode lasers address a wide variety of applications, including laser pumping, thermal exposure, illumination, ophthalmology, image recording, printing, plastic welding and selective soldering. Gas lasers such as 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.

We also provide high-powered and ultrafast lasers for the industrial and scientific markets. Manufacturers use high-power, ultrafast lasers to create micro parts for consumer electronics and for medical devises, and to process semiconductor, LED, and other types of materials. Use of ultrafast lasers for micromachining applications is being driven primarily by the increasing use of consumer electronics and connected devices globally.

Our Lasers customers include Amada Holdings, Ltd., ASML Holding N.V., Beckman Coulter, Inc., Becton, Dickinson and Company, DISCO Corporation, Electro Scientific Industries, Inc., EO Technics Co., Ltd. and KLA-Tencor Corporation.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP") as set forth in the Financial Accounting Standards Board's Accounting Standards Codification ("ASC"), and we consider the various staff accounting bulletins and other applicable guidance issued by the United States Securities and Exchange Commission. GAAP, as set forth within the ASC, requires us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. To the extent there are differences between these estimates, judgments or assumptions and actual results, our financial statements will be affected. The accounting policies that reflect our more significant estimates, judgments and assumptions and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

- Revenue Recognition
- Inventory Valuation
- Stock-based Compensation
- Goodwill and Intangibles
- Long-lived Asset Valuation
- Restructuring
- Derivative Liabilities
- Income Taxes

Except as set forth below, during the third quarter of fiscal 2017, there were no significant changes to our critical accounting policies and estimates. Management's Discussion and Analysis of Financial Condition and Results of Operations contained in Part II, Item 7 of our Annual Report on Form 10-K for our fiscal year ended July 2, 2016 provides a more complete discussion of our critical accounting policies and estimates.

Derivative Liabilities

We have determined derivative liabilities to be one of our critical accounting policies. The Series A Preferred Stock is redeemable at the option of the holder after five years and classified as non-controlling interest redeemable convertible preferred stock in our combined and consolidated balance sheet and is measured at its redemption value. The Series A Preferred Stock conversion feature is bifurcated from the Series A Preferred Stock and accounted for separately as a derivative liability. In March 2017, we issued $450.0 million in aggregate principal amount of 0.25% Convertible Senior Notes due in March 2024 (the "Notes"), unless earlier repurchased by us or converted pursuant to their terms. We separated the derivative liability from the host debt instrument based on the fair value of the derivative liability.

On a quarterly basis, the derivative liabilities are marked to market based on the fair value of the conversion features, with the resulting income or loss recorded as unrealized loss on derivative liabilities on our consolidated statements of operations. The determination of fair value includes various inputs, including volatility and interest rate assumptions. However, the change in the fair value of our common stock has the largest impact to the fair value of the derivatives.

Business Combinations

We allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair values of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to intangible assets. Critical estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from customer relationships and acquired developed technology and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ materially from estimates. Other estimates associated with the accounting for acquisitions may change as additional information becomes available regarding the assets acquired and liabilities assumed.

In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application. There are also areas in which management's judgment in selecting among available alternatives would not produce a materially different result. Our senior management has reviewed our critical accounting policies and related disclosures with the Audit Committee of our board of directors.

Recently Issued Accounting Pronouncements

Refer to "Note 2. Recently Issued Accounting Pronouncements" in the Notes to Unaudited Consolidated Financial Statements.

RESULTS OF OPERATIONS

The results of operations for the periods presented are not necessarily indicative of results to be expected for future periods. The following table summarizes selected Consolidated Statements of Operations items as a percentage of net revenue:

	Three Months Ended		Nine Months Ended	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
Segment net revenue:				
OpComms	84.5 %	85.6 %	86.1 %	84.7 %
Lasers	15.5	14.4	13.9	15.3
Net revenue	100.0	100.0	100.0	100.0
Cost of sales	67.2	72.0	67.1	69.3
Amortization of acquired technologies	0.7	0.7	0.7	0.8
Gross profit	32.1	27.3	32.2	29.9
Operating expenses:				
Research and development	14.6	15.3	14.5	15.8
Selling, general and administrative	11.0	12.2	10.8	13.3
Restructuring and related charges	1.2	0.8	1.3	0.6
Total operating expenses	26.8	28.3	26.6	29.7
Income (loss) from operations	5.3	(1.0)	5.6	0.2
Unrealized loss on derivative liabilities	(22.1)	(2.1)	(9.6)	(0.8)
Interest and other expenses, net	(0.5)	(0.2)	(0.2)	(0.2)
Loss before income taxes	(17.3)	(3.3)	(4.2)	(0.8)
Provision for income taxes	4.5	—	2.0	—
Net loss	(21.8)%	(3.3)%	(6.2)%	(0.8)%

Financial Data for the three and nine months ended April 1, 2017 and April 2, 2016

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

	Three Months Ended				Nine Months Ended			
	April 1, 2017	April 2, 2016	Change	Percentage Change	April 1, 2017	April 2, 2016	Change	Percentage Change
Segment net revenue:								
OpComms	$ 216.1	$ 197.2	$ 18.9	9.6%	$ 671.0	$ 560.1	$ 110.9	19.8 %
Lasers	39.7	33.2	6.5	19.6	107.9	101.2	6.7	6.6
Net revenue	$ 255.8	$ 230.4	$ 25.4	11.0%	$ 778.9	$ 661.3	$ 117.6	17.8 %
Gross profit	$ 82.1	$ 62.8	$ 19.3	30.7%	$ 250.8	$ 197.8	$ 53.0	26.8 %
Gross margin	32.1%	27.3%			32.2%	29.9%		
Research and development	37.3	35.3	2.0	5.7%	112.9	104.7	8.2	7.8 %
Percentage of net revenue	14.6%	15.3%			14.5%	15.8%		
Selling, general and administrative	28.1	28.0	0.1	0.4%	84.2	87.8	(3.6)	(4.1)%
Percentage of net revenue	11.0%	12.2%			10.8%	13.3%		
Restructuring and related charges	3.1	1.8	1.3	72.2%	10.0	3.9	6.1	156.4 %
Percentage of net revenue	1.2%	0.8%			1.3%	0.6%		

Net Revenue

Net revenue increased by $25.4 million, or 11.0%, during the three months ended April 1, 2017 compared to the three months ended April 2, 2016, driven by an increase in net revenue from our OpComms segment. Also, the three and nine months ended April 2, 2016 included revenue for one additional week.

OpComms net revenue increased by $18.9 million, or 9.6%, during the three months ended April 1, 2017 compared to the three months ended April 2, 2016, driven by an increase in demand for our super-transport blade and modulator products. In addition, the Company shipped significant amounts of next generation 100G transceivers during the three months ended April 1, 2017.

Lasers net revenue increased by $6.5 million, or 19.6%, during the three months ended April 1, 2017 compared to the three months ended April 2, 2016, driven by an increase in demand for our fiber laser products.

Net revenue increased by $117.6 million, or 17.8%, during the nine months ended April 1, 2017 compared to the nine months ended April 2, 2016, driven by an increase in net revenue from our OpComms segment.

OpComms net revenue increased by $110.9 million, or 19.8%, during the nine months ended April 1, 2017 compared to the nine months ended April 2, 2016, driven by an increase in demand for our 100G datacom and super-transport blade products.

Lasers net revenue increased by $6.7 million, or 6.6%, during the nine months ended April 1, 2017 compared to the nine months ended April 2, 2016, driven by an increase in demand for our fiber lasers products.

Revenue by Region

We operate in three geographic regions: Americas, Asia-Pacific and EMEA. Net revenue is assigned to the geographic region and country where our product is initially shipped. For example, certain customers may request shipment of our product to a contract manufacturer in one country, but the location of the end customers may differ. The following table presents net revenue and percentage of total revenue by the three geographic regions we operate in and net revenue from countries that represented 10% or more of our total net revenue (*in millions, except for percentages*):

	Three Months Ended				Nine Months Ended			
	April 1, 2017		April 2, 2016		April 1, 2017		April 2, 2016	
Net revenue:								
Americas:								
United States	$ 34.7	13.6%	$ 28.8	12.5%	$ 106.2	13.6%	$ 91.3	13.8%
Mexico	70.0	27.4	34.4	14.9	158.5	20.3	112.7	17.0
Other Americas	1.5	0.6	5.1	2.2	7.4	1.0	17.9	2.7
Total Americas	$ 106.2	41.6%	$ 68.3	29.6%	$ 272.1	34.9%	$ 221.9	33.5%
Asia-Pacific:								
Hong Kong	$ 47.2	18.5%	$ 67.9	29.5%	$ 181.2	23.3	$ 150.5	22.7%
Japan	25.9	10.1	19.8	8.6	78.5	10.1	65.8	10.0
Thailand	21.3	8.3	20.5	8.9	66.8	8.6	64.5	9.8
Other Asia-Pacific	25.1	9.8	27.0	11.7	98.0	12.6	69.3	10.5
Total Asia-Pacific	$ 119.5	46.7%	$ 135.2	58.7%	$ 424.5	54.6%	$ 350.1	53.0%
EMEA	$ 30.1	11.8%	$ 26.9	11.7%	$ 82.3	10.6%	$ 89.3	13.5%
Total net revenue	$ 255.8		$ 230.4		$ 778.9		$ 661.3	

Our net revenue is primarily denominated in U.S. dollars, including our net revenue from customers outside the United States as presented above. We expect revenue from customers outside of the United States to continue to be an important part of our overall net revenue and an increasing focus for net revenue growth opportunities.

Gross Margin and Segment Gross Margin

The following table summarizes segment gross margin for the three and nine months ended April 1, 2017 and April 2, 2016 (*in millions, except for percentages*):

	Three Months Ended		Gross Margin Three Months Ended		Nine Months Ended		Gross Margin Nine Months Ended	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
OpComms	$ 71.5	$ 58.7	33.1%	29.8%	$ 229.2	$ 171.4	34.2%	30.6%
Lasers	16.4	15.5	41.3%	46.7%	44.8	43.9	41.5%	43.4%
Segment total	$ 87.9	$ 74.2	34.4%	32.2%	$ 274.0	$ 215.3	35.2%	32.6%
Unallocated corporate items (1)	(5.8)	(11.4)			(23.2)	(17.5)		
Total	$ 82.1	$ 62.8	32.1%	27.3%	$ 250.8	$ 197.8	32.2%	29.9%

(1) The unallocated corporate items for the three month periods presented include the effects of amortization of acquired developed technology intangible assets, share-based compensation, warranty charges, and certain other charges. We do not allocate these items to the gross margin for each segment because management does not include such information in measuring the performance of the operating segments.

Gross Margin

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-Pacific-based competition), are price sensitive and/or are affected by customer seasonal and mix variant buying patterns. There is also variation in product margin among our products, therefore small variations in product mix, which can be difficult to predict, can have a significant effect on our gross margins. We expect these factors to continue to result in variability of our gross margin.

Segment Gross Margin

OpComms

OpComms gross margin during the three months ended April 1, 2017 increased by 3.3% to 33.1% from 29.8% in the three months ended April 2, 2016. The improvement was primarily due to higher volume and improved product mix.

OpComms gross margin during the nine months ended April 1, 2017 increased by 3.6% to 34.2% from 30.6% in the nine months ended April 2, 2016. The improvement was primarily due to higher volume and improved product mix.

Lasers

Lasers gross margin during the three months ended April 1, 2017 compared to the three months ended April 2, 2016 decreased by 5.4% to 41.3% from 46.7% mainly due to higher manufacturing costs.

Lasers gross margin during the nine months ended April 1, 2017 compared to the nine months ended April 2, 2016 decreased by 1.9% to 41.5% from 43.4% mainly due to higher manufacturing and warranty costs.

Research and Development ("R&D")

R&D expense increased by $2.0 million, or 5.7%, for the three months ended April 1, 2017 compared to the three months ended April 2, 2016. The increase in R&D expense was primarily due to the payroll related expense of $1.6 million during the three months ended April 1, 2017, which includes an increase of stock-based compensation of $0.5 million.

R&D expense increased by $8.2 million, or 7.8%, for the nine months ended April 1, 2017 compared to the nine months ended April 2, 2016. The increase in R&D expense was primarily due to an increase in payroll related expenses of $7.6 million during the nine months ended April 1, 2017, which includes an increase of stock-based compensation of $2.1 million .

We believe that continuing our investments in R&D is critical to attaining our strategic objectives. We plan to continue to invest in R&D and new products that we believe will further differentiate us in the marketplace and expect our investment to increase in absolute dollars in future quarters.

Selling, General and Administrative ("SG&A")

SG&A expense was relatively flat during the three months ended April 1, 2017 compared to the three months ended April 2, 2016. An increase in payroll related expenses of $1.5 million during the three months ended April 1, 2017, was mostly offset by lower outside consultant expenses.

SG&A expense decreased by $3.6 million, or 4.1%, during the nine months ended April 1, 2017 compared to the nine months ended April 2, 2016. The decrease was a result of reduced utilization of outside consultants and separation related expenses of $10.0 million, partially offset by an increase in payroll related expense of $7.0 million, which includes an increase of stock-based compensation of $0.8 million.

We may experience in the future, certain non-core expenses, such as mergers and acquisitions-related expenses and litigation expenses, which could increase our SG&A expenses and potentially impact our profitability expectations in any particular quarter.

Restructuring and Related Charges

We have reduced costs through targeted restructuring efforts intended to consolidate our operations, optimize the manufacturing of our products and align our business in response to market conditions. As of April 1, 2017, we estimate annualized cost savings of $13.7 million from our restructuring actions to date, excluding any one-time charge as a result of the restructuring activities described below. Refer to "Note 12. Restructuring and Related Charges" in the Notes to Unaudited Consolidated Financial Statements.

As of April 1, 2017, our total restructuring accrual was $5.3 million. During the three and nine months ended April 1, 2017, we recorded $3.1 million and $10.0 million, respectively, in restructuring and related charges. Of the $3.1 million and $10.0 million charge recorded during the three months and nine months ended April 1, 2017, $0.4 million and $2.2 million, respectively, was related to severance, retention, lease termination costs, and employee benefits, and $2.7 million and $7.8 million, respectively, was related to other restructuring related charges which include relocation costs, equipment set-up costs, product qualification costs, facilities, and equipment costs to vacate facilities and consolidate operations. The timing of cash payments associated with these restructuring related charges and exit costs is dependent upon the type of restructuring charge and can extend over multiple periods.

As of April 2, 2016, our total restructuring accrual was $3.8 million. During the three and nine months ended April 2, 2016, we recorded $1.8 million and $3.9 million, respectively, in restructuring charges. These charges are primarily due to a previously announced restructuring plan for our Bloomfield, Connecticut site for severance and benefits. Refer to “Note 12. Restructuring and Related Charges” in the Notes to Unaudited Consolidated Financial Statements.

Interest and Other Income (Expense), Net

Interest and other income (expense), net is comprised substantially of gains and losses associated with the re-measurement of non-functional currency denominated monetary assets and liabilities, as well as amortization of the debt discount on the Notes.

Interest and other income (expense), net was $(1.4) million during each of the three and nine months ended April 1, 2017 as compared to $(0.4) million and $(1.1) million, respectively, for the three and nine months ended April 2, 2016. The change was primarily due to amortization of the debt discount on the Notes in the amount of $1.1 million for the three and nine months ended April 1, 2017.

Unrealized gain (loss) on derivative liabilities

Unrealized loss on Series A Preferred Stock derivative liability amounted to $17.9 million and $35.8 million for the three and nine months ended April 1, 2017, respectively, and $4.8 million and $5.0 million for the three and nine months ended April 2, 2016, respectively. Unrealized loss on the Notes derivative liability for the three and nine months ended April 1, 2017 was $38.7 million. The change is primarily related to the change in the price of the Company's underlying common stock and is reflected in the consolidated statements of operations as "Unrealized gain (loss) on derivative liabilities".

For further discussion of our derivative liabilities, see "Note 10. Derivative Liabilities" in the Notes to Unaudited Consolidated Financial Statements.

Provision for Income Taxes

The effective tax rate was (26.1)% and (47.8)% for the three and nine months ended April 1, 2017, respectively. The amounts differ from the statutory rate of 35.0% primarily due to the non-deductible unrealized loss from the embedded derivatives for the Series A Preferred Stock and the Notes, non-deductible stock-based compensation and partially offset by foreign rate differential, R&D tax credits and the utilization of U.S. deferred tax assets that were subject to a full valuation allowance.

The Company recorded a tax provision of $11.6 million and $15.4 million for the three and nine months ended April 1, 2017, respectively. The Company recorded a tax provision of $0.1 million and $0.3 million for the three and nine months ended April 2, 2016, respectively.

The Company’s tax provision for both the three and nine months ended April 1, 2017 was primarily due to the discrete impact of the non-deductible unrealized loss from the embedded derivatives for the Series A Preferred Stock and the Notes, non-deductible stock-based compensation and partially offset by foreign rate differential, R&D tax credits and the utilization of U.S. deferred tax assets that were subject to a full valuation allowance.

The Company's tax provision for both the three and nine months ended April 2, 2016 was primarily attributable to the utilization of U.S. tax attributes that were subject to a full valuation allowance, and certain Canadian tax incentives.

For further discussion of our income tax provision, see "Note 13. Income Taxes" in the Notes to Unaudited Consolidated Financial Statements.

Contractual Obligations

The following table summarizes our contractual obligations at April 1, 2017, 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				
Contractual Obligations	**Total**	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
Asset retirement obligations—expected cash payments	$ 2.4	$ 0.4	$ 0.4	$ 0.2	$ 1.4
Purchase obligations (1)	110.5	105.9	4.5	0.1	—
Operating lease obligations (1)	29.3	6.6	11.0	7.0	4.7
Pension and post-retirement benefit payments	3.4	—	—	0.2	3.2
0.25% Convertible Senior Notes due 2024	450.0	—	—	—	450.0
Interest on 2024 Notes (2)	7.3	1.2	2.2	2.3	1.6
Acquisition contingencies	3.6	—	3.6	—	—
Total	$ 606.5	$ 114.1	$ 21.7	$ 9.8	$ 460.9

(1) Refer to "Note 15. Commitments and Contingencies" in the Notes to Unaudited Consolidated Financial Statements.

(2) Includes interest on our 0.25% Convertible Senior Notes due 2024 through September 2023 as we have the right to redeem the notes in whole or in part at any time on or after March 15, 2024.

As of April 1, 2017, other current liabilities on the consolidated balance sheet include $0.5 million for restructuring and related activities in connection with our operating lease obligations disclosed above.

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 April 1, 2017, our other non-current liabilities primarily relate to asset retirement obligations and pension which are presented in various lines in the preceding table.

The table above does not include potential redemption of our redeemable convertible preferred stock with a $35.8 million face value, plus any accrued and unpaid interest, as there is no set maturity date. If the holder of our redeemable convertible preferred stock does not execute its conversion option, or if it is unable to do so before the third anniversary of the date of issuance, we may choose to redeem the preferred stock for $35.8 million. In addition, on the fifth anniversary date of the issuance, the holder of our redeemable convertible preferred stock may elect to redeem the preferred stock for $35.8 million.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, as such term is defined in rules promulgated by the SEC, 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.

Financial Condition

Liquidity and Capital Resources

As of April 1, 2017 and July 2, 2016, our cash and cash equivalents of $577.9 million and $157.1 million, respectively, held predominantly in the United States. The total amount of cash outside the United States as of April 1, 2017 is $70.8 million, which is held in Cayman Islands, Canada, China and Japan. Although the cash currently held in the United States as well as the cash generated in the United States from future operations is expected to cover our normal operating requirements, a substantial amount of additional cash could be required for other purposes, such as capital expenditures to support our business and growth, including costs associated with increasing internal manufacturing capabilities, strategic transactions and partnerships, acquisitions, dividends that may be declared, and future stock repurchase programs. Our intent is to indefinitely reinvest funds held outside the United States and our current plans do not demonstrate a need to repatriate them to fund our domestic operations. However, if in the future, we encounter a significant need for liquidity domestically or at a particular location that we cannot fulfill through borrowings, equity offerings, or other internal or external sources, we may determine that cash repatriations are necessary. Repatriation could result in additional material U.S. federal and state income tax payments in future years. Such adverse consequences would occur, for example, if the transfer of cash into the United States is taxed and no foreign tax credit is available to offset the U.S. tax liability, resulting in higher taxes. These factors may cause us to have an overall tax rate higher than other companies or higher than our tax rates have been in the past. If conditions warrant, we may seek to obtain additional financing through debt or equity sources. To the extent we issue additional shares, our existing stockholders may be diluted. However, any such financing may not be available on terms favorable to us, or may not be available at all.

As of April 1, 2017, our consolidated balance of cash and cash equivalents increased by $420.8 million, to $577.9 million from $157.1 million as of July 2, 2016. The increase in cash and cash equivalents was mainly due to proceeds from the issuance of the Notes during the nine months ended April 1, 2017. Refer to "Note 9. Convertible Senior Notes" in the Notes to the Consolidated Financial Statements.

Operating Cash Flow

Cash provided by operating activities was $71.9 million during the nine months ended April 1, 2017, primarily resulting from $47.6 million of net loss and $143.7 million of non-cash items such as depreciation, stock-based compensation, amortization of intangibles, unrealized loss on derivative liabilities, offset by changes in excess tax benefit associated with stock-based compensation and changes in operating assets and liabilities of $24.2 million. Changes in our operating assets and liabilities related primarily to an increase in accounts receivable of $14.9 million due to the timing of collections, an increase in inventories of $14.0 million, an increase in accounts payable of $18.2 million related to such non-cash items as $15 million unpaid property, plant and equipment and $0.9 million issuance costs in accounts payable, offset by an increase in accrued expenses and other current and non-current liabilities of $15.1 million and an increase in income taxes payable of $15.0 million.

Cash provided by operating activities was $73.5 million during the nine months ended April 2, 2016, primarily resulting from $5.0 million of net loss and $66.6 million of non-cash items such as depreciation, stock-based compensation, amortization of intangibles and unrealized loss on derivative liabilities, and changes in operating assets and liabilities of $11.9 million. Changes in our operating assets and liabilities related primarily to an increase in accounts payable of $32.7 million, an increase in accrued payroll and related expenses of $9.7 million, an increase in accrued expenses and other current and non-current liabilities of $3.5 million, an increase in accounts receivable of $11.6 million, an increase in inventories of $9.6 million, and an increase in other current and non-current assets of $11.0 million.

Investing Cash Flow

Cash used in investing activities was mainly for capital expenditures of $100.0 million and $63.4 million during the nine months ended April 1, 2017 and April 2, 2016, respectively. During the nine months ended April 1, 2017, changes in investing cash flow also related to the acquisition of a business, $5.1 million of the purchase price for such business was paid during the nine months ended April 1, 2017.

Financing Cash Flow

Cash provided by financing activities was $454.7 million during the nine months ended April 1, 2017, consisting primarily from proceeds of $443.2 million from the issuance of the Notes.

Cash provided by financing activities was $131.4 million during the nine months ended April 2, 2016 resulting primarily from net transfers from Viavi.

Liquidity and Capital Resources Requirements

We expect our primary liquidity and capital spending requirements over at least the next 12 months to be the funding of our operating activities and capital expenditures. We believe that our cash and cash equivalents as of April 1, 2017, and cash flows from our operating activities will be sufficient to meet our liquidity and capital spending requirements for at least the next 12 months. However, if market conditions are favorable, we may evaluate alternatives to opportunistically pursue additional financing.

There are a number of factors that could positively or negatively impact our liquidity position, including:

- global economic conditions which affect demand for our products and services and impact the financial stability of our suppliers and customers;
- changes in accounts receivable, inventory or other operating assets and liabilities which affect our working capital;
- increase in capital expenditures to support our business and growth;
- the tendency of customers to delay payments or to negotiate favorable payment terms to manage their own liquidity positions;
- timing of payments to our suppliers;

- factoring or sale of accounts receivable;
- volatility in fixed income and credit which impact the liquidity and valuation of our investment portfolios;
- volatility in foreign exchange markets which impacts our financial results;
- possible investments or acquisitions of complementary businesses, products or technologies, or other strategic transactions or partnerships;
- issuance of debt or equity securities, or other financing transactions, including bank debt;
- potential funding of pension liabilities either voluntarily or as required by law or regulation; and
- the settlement of any conversion or redemption of the Notes in cash.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Exchange Risk

We conduct our business and sell our products to customers primarily in Asia, Europe, and North America. In the normal course of business, our financial position is routinely subject to market risks associated with foreign currency rate fluctuations due to balance sheet positions in foreign currencies which is mainly due to cash held in banks. As of April 1, 2017, our foreign denominated cash was principally in the following currencies: Japanese Yen, Chinese Yuan, Swiss Francs, and Canadian Dollar. Due to the impact of changes in foreign currency exchange rates between the U.S. Dollar and these other currencies, for the three months ended April 1, 2017 and April 2, 2016, we recorded unrealized gain (loss) of $(0.2) million and $0.6 million, respectively, and for the nine months ended April 1, 2017 and April 2, 2016, we recorded unrealized gain (loss) of $0.3 million and $0.5 million, respectively, in the interest and other income (expense), net in the Consolidated Statements of Operations included in this Form 10-Q. If the exchange rate between the U.S. Dollar and Japanese Yen, Chinese Yuan and Canadian Dollar had increased or decreased by 10%, our local currency expenses would have increased or decreased by $2.8 million during the nine months ended months ended April 1, 2017.

Equity Price Risk

We are exposed to equity price risk related to the conversion options embedded in our Series A Preferred Stock and the Notes. Our Series A Preferred Stock is convertible, at the option of the holder, into shares of our common stock commencing on the second anniversary of the closing of the securities purchase (absent a change of control of us or similar event) using a conversion price of $24.63. The Notes will mature on March 15, 2024, unless earlier repurchased by the Company or converted pursuant to their terms, at a conversion price of approximately $60.62 per share.

The conversion features are bifurcated from the Series A Preferred Stock or the Notes and accounted for separately as derivative liabilities. On a quarterly basis, the derivative liabilities are marked to market based on the fair values of the conversion feature, with the resulting income or loss recorded as unrealized (gain) loss on derivative liabilities on our consolidated statements of operations. The determination of fair values includes various inputs, including volatility and interest rate assumptions (see "Note 10. Derivative Liabilities"). However, the change in the fair value of our common stock has the largest impact to the fair value of the derivatives. Based on a hypothetical $10.00 per share increase or decrease in the fair value of our common stock, our net income would be reduced or increased by approximately ($13.7) million or $13.4 million, respectively for the Preferred Stock derivative and ($55.6) million or $49.0 million, respectively, for the Notes.

Market Risk and Market Interest Risk

On March 2, 2017, we issued $450 million aggregate principal amount of 0.25% Convertible Senior Notes (the “Notes”). Holders may convert their notes prior to maturity under certain circumstances. Until the TMA settlement condition (as described in "Note 9. Convertible Senior Notes") is satisfied, we will satisfy our conversion obligations under the Notes in cash. Following the satisfaction of the TMA settlement condition, upon conversion, we may satisfy our conversion obligation in cash, shares of our common stock, or a combination of cash and shares of our common stock, at our election.

We do not have economic interest rate exposure related to the Notes, as they have a fixed annual interest rate of 0.25%. We do, however, have interest rate risk because the fair value of our Notes will generally increase when interest rates fall and decrease when interest rates rise. Additionally, the fair value of our Notes may be impacted by price of our common stock. As of April 1, 2017, the estimated fair value of our Notes was $482.0 million based on the closing trading price of the Notes as of the last day of trading for the period. See "Note 9. Convertible Senior Notes" in the Notes to the Consolidated Financial Statements for additional information on the Notes, including the carrying value of the Notes.

ITEM 4. CONTROLS AND PROCEDURES

(a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Our management (with the participation of our Principal Executive Officer and Principal Financial Officer), as of the end of the period covered by this Quarterly Report, evaluated the effectiveness of our disclosure controls and procedures. Based on this evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) were effective to provide reasonable assurance that the information required to be disclosed by us in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms and is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure.

(b) 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) and 15d-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.

(c) INHERENT LIMITATIONS ON EFFECTIVENESS OF CONTROLS

Our management, including the CEO and CFO, recognizes that our disclosure controls and procedures or our internal control over financial reporting cannot prevent or detect all possible instances of errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to a variety of claims and suits that arise from time to time in the ordinary course of our business. While management currently believes that resolving claims against us, individually or in the aggregate, will not have a material adverse impact on our financial position, results of operations or 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 our financial position, results of operations or cash flows for the period in which the effect becomes reasonably estimable.

ITEM 1A. RISK FACTORS

Investors in our securities should carefully consider all of the relevant factors disclosed by us, including the following factors that could affect our results of operations, financial condition or stock price. The risk factors generally have been separated into three groups: risks related to our business, risks related to the Separation and risks related to our common stock.

Risks Related to Our Business

Changing technology and intense competition require us to continuously innovate while controlling product costs, and our failure to do so may result in decreased revenues and profitability.

The markets in which we operate are dynamic and complex, and our success depends upon our ability to deliver both our current product offerings and new products and technologies on time and at acceptable prices to our customers. The markets for our products are characterized by rapid technological change, frequent new product introductions, substantial capital investment, changes in customer requirements, continued price pressures and a constantly evolving industry. The development of new, technologically advanced products is a complex and uncertain process requiring high levels of innovation and the accurate prediction of technological and market trends. The introduction of new products also requires significant investment to ramp up production capacity, for which benefit may not be realized if we are not successful in the production of such products or if customer demand does not develop as expected. Ramping of production capacity also entails risks of delays which can limit our ability to realize the full benefit of new product introductions. We cannot assure you that we will be able to identify, develop, manufacture, market or support new or enhanced products successfully, if at all, or on a timely basis. We also cannot assure you that potential markets for our new products will materialize on the timelines we anticipate, or at all, or that our technology will meet our customers' specifications. Our future performance will depend on the successful development, introduction, deployment and market acceptance of new and enhanced features and products that meet our customers' current and future needs.

The market for optical communications products in particular has matured over time and these products have increasingly become subject to commoditization. Both legacy competitors as well as new entrants, predominantly Asia-based competitors, have intensified market competition in recent years leading to pricing pressure. To preserve our revenues and product margin structures, we remain reliant on an integrated customer and market approach that anticipates end customer needs as Telecom and Datacom requirements evolve. We also must continue to develop more advanced, differentiated products that command a premium with customers, while conversely continuing to focus on streamlining product costs for established legacy products. If we fail to continue to develop enhanced or new products, or over time are unable to adjust our cost structure to continue to competitively price more mature technologies, our financial condition and results of operations could be materially and adversely affected.

Continued competition in our markets may lead to an accelerated reduction in our prices, revenues and market share.

The end markets for optical products have experienced significant industry consolidation during the past few years. As a result, the markets for optical subsystems and components are highly competitive. Our current competitors include a number of domestic and international companies, many of which may have substantially greater financial, technical, marketing and distribution resources and brand name recognition than we have. These competitors include II-VI Incorporated, Acacia Communications, Inc., Applied Optoelectronics, Inc., Coherent, Inc. (including Rofin-Sinar Technologies Inc.), Finisar Corporation, Fujitsu Optical Components, Furukawa Electric Co., Ltd., InnoLight Technology Corporation, IPG Photonics Corporation, Neophotonics Corporation, Newport Corporation acquired by MKS Instruments, Oclaro, Inc., and Sumitomo Electric Industries, Ltd. We may not be able to compete successfully against either current or future competitors. Our competitors may continue to enter markets or gain or retain market share through introduction of new or improved products or with aggressive low pricing strategies that may impact the efficacy of our approach. Additionally, if significant competitors were to merge or consolidate, they may be able to offer a lower cost structure through economies of scale that we may be unable to match. For example, in November 2016, Coherent acquired Rofin-Sinar. This and other acquisitions may intensify competition in the Lasers market. Increased competition could result in significant price erosion, reduced revenue, lower margins or loss of market share, any of which would significantly harm our business.

The manufacture of our products may be adversely affected if our contract manufacturers and suppliers fail to meet our production requirements or if we are unable to manufacture certain products in our manufacturing facilities.

We rely on several independent contract manufacturers to supply us with certain products. For many products, a particular contract manufacturer may be the sole source of the finished-good products. We depend on these manufacturers to meet our production and capacity requirements and to provide quality products to our customers. Despite rigorous testing for quality, both by us and our contract manufacturers, we may receive and ship defective products. We may incur significant costs to correct defective products which could result in the loss of future sales, indemnification costs or costs to replace or repair the defective products, litigation and damage to our reputation and customer relations. Defective products may also cause diversion of management attention from our business and product development efforts. Additionally, the ability of our contract manufacturers to fulfill their obligations may be affected by natural disasters or economic, political or other forces that are beyond our control. Any such failure could have a material impact on our ability to meet our customers' expectations and may materially impact our operating results. In addition, some of our purchase commitments with contract manufacturers are not cancellable which may impact our earnings if customer forecasts driving these purchase commitments do not materialize and we are unable to sell the products to other customers. Alternatively, our contract manufacturers may not be able to meet our demand which would inhibit our ability to meet customer demand and maintain or grow our revenues. Furthermore, it could be costly and require a long period of time to move products from one contract manufacturer to another which could result in interruptions in supply and adversely impact our financial condition and results of operations.

We manufacture some of the components that we provide to our contract manufacturers, along with our own finished goods, in our Bloomfield, Connecticut (which we have announced will be closing) and San Jose, California manufacturing facilities. For some of the components and finished good products we are the sole manufacturer. Our manufacturing processes are highly complex and issues are often difficult to detect and correct. From time to time we have experienced problems achieving acceptable yields in our manufacturing facilities, resulting in delays in the availability of our products. In addition, if we experience problems with our manufacturing facilities, it would be costly and require a long period of time to move the manufacture of these components and finished good products to a different facility or contract manufacturer which could then result in interruptions in supply, and would likely materially impact our financial condition and results of operations.

In addition, the closing of our Bloomfield, Connecticut manufacturing facility will require the transfer to other manufacturing sites of complex technologies and processes. If we are unable to transfer the technology and processes for the products we currently manufacture in the Bloomfield facility successfully, it could result in interruptions in supply and would likely impact our financial condition and results of operations.

Changes in manufacturing processes are often required due to changes in product specifications, changing customer needs and the introduction of new products. These changes may reduce manufacturing yields at our contract manufacturers and at our own manufacturing facilities resulting in reduced margins on those products.

We depend on a limited number of suppliers for raw materials, packages and components, and any failure or delay by these suppliers in meeting our requirements could have an adverse effect on our business and results of operations.

We purchase raw materials, packages and components from a limited number of suppliers, who are often small and specialized. We depend on the continued supply and quality of the materials, packages and components that they supply to us. 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 receipt of defective parts or contaminated materials, stoppages or delays of supply, insufficient resources to supply our requirements, substitution of more expensive or less reliable materials, increases in the price of supplies, and an inability to obtain reduced pricing from our suppliers in response to competitive pressures. Any disruption in the supply of the raw materials, packaging or components used in the manufacture and delivery of our products could have a material adverse impact on our business, financial condition and results of operations.

We rely on a limited number of customers for a significant portion of our sales; and the majority of our customers do not have contractual purchase commitments.

We have consistently relied on a small number of customers for a significant portion of our sales (please refer to "Note 16. Operating Segments and Geographic Information" in the Notes to Unaudited Consolidated Financial Statements) and we expect that this customer concentration will continue in the future. The majority of our customers purchase products under purchase orders or under contracts that do not contain volume purchase commitments. Changes in the business requirements, vendor selection, project prioritization, financial prospects, capital resources, and expenditures, or purchasing behavior (including product mix purchased) of our key customers, or any real or perceived quality issues related to the products that we sell to such customers, could significantly decrease our sales to such customers or could lead to delays or cancellations of planned purchases of our products or services, which increases the risk of quarterly fluctuations in our revenues and operating results. If forecasted orders do not materialize, we may need to reduce investment in R&D activities, we may fail to optimize our manufacturing capacity, or we may have excess inventory. Any of these factors could adversely affect our business, financial condition and results of operations.

We contract with a number of large OEM and end-user service providers that have considerable bargaining power, which may require us to agree to terms and conditions that could have an adverse effect on our business or ability to recognize revenues.

Large OEM and end-user service providers comprise a significant portion of our customer base. These customers generally have greater purchasing power than smaller entities and, accordingly, often request and receive more favorable terms from suppliers. As we seek to expand our sales to existing customers and acquire new customers, we may be required to agree to terms and conditions that are favorable to our customers and that may affect the timing of our ability to recognize revenue, increase our costs and have an adverse effect on our business, financial condition, and results of operations. Furthermore, large customers have increased buying power and ability to require onerous terms in our contracts with them. If we are unable to satisfy the terms of these contracts, it could result in liabilities of a material nature, including litigation, damages, additional costs, loss of market share and loss of reputation. Additionally, the terms these large customers require, such as most-favored nation or exclusivity provisions, may impact our ability to do business with other customers and generate revenues from such customers.

Our products may contain defects that may cause us to incur significant costs, divert our attention from product development efforts and result in a loss of customers.

Our products are complex and defects may be found from time to time. Networking products in particular frequently contain undetected software or hardware defects when first introduced or as new versions are released. In addition, our products are often embedded in or deployed in conjunction with our customers' products which incorporate a variety of components produced by third parties. As a result, when problems occur, it may be difficult to identify the source of the problem. These problems may cause us to incur significant damages or warranty and repair costs, divert the attention of our engineering personnel from our product development efforts and cause significant customer relation problems or loss of customers, all of which would harm our business.

We expect to change our international corporate structure in the near future in order to minimize our effective tax rate; however, if we are unable to adopt this structure or if it is challenged by U.S. or foreign tax authorities, we may be unable to realize such tax savings which could materially and adversely affect our operating results.

We have taken certain preliminary steps to implement an international corporate structure more closely aligned with our international operations. This potential corporate structure is intended to reduce our overall effective tax rate through changes among our wholly-owned subsidiaries in how we use our intellectual property, and how we structure our international procurement and sales operations. The contemplated structure includes legal entities located in jurisdictions with income tax rates lower than the U.S. statutory tax rate. Such intercompany arrangements would be designed to result in income earned by such entities in accordance with arm's-length principles and commensurate with functions performed, risks assumed and ownership of valuable corporate assets. We believe that income taxed in certain foreign jurisdictions at a lower rate relative to the U.S. statutory rate will have a beneficial impact on our worldwide effective tax rate over the medium to long term.

We have agreed to reimburse Viavi for certain tax liabilities and related costs that may be incurred by Viavi, following application of net operating losses by Viavi, in the event that we implement this revised corporate structure. In addition, the implementation of such a structure has required us to incur expenses, and may require that we incur additional expenses, for which we may not realize related benefits, and in any event, we do not expect to materially realize such benefits for several years .

If we put the intended structure into effect and it is not accepted by the applicable taxing authorities, if changes in domestic and international tax laws negatively impact the proposed structure, including proposed legislation to reform U.S. taxation of international business activities, or if we do not operate our business consistent with the proposed structure and applicable tax provisions, we may fail to achieve the financial and operational efficiencies that we anticipate as a result of the proposed structure, and our business, financial condition and operating results may be materially and adversely affected.

We are subject to risks arising from our international operations, which may adversely affect our business, financial condition, and results of operations.

We derive a majority of our revenue from our international operations, and we plan to continue expanding our business in international markets in the future. In addition, we have extensive international manufacturing capabilities through third-party contract manufacturers, as well as through our own international facilities, with employees engaged in R&D, administration, manufacturing, support and sales and marketing activities.

As a result of our international operations, we are affected by economic, business regulatory, social, and political conditions in foreign countries, including the following:

- changes in general IT spending;
- the imposition of government controls, inclusive of critical infrastructure protection;
- changes or limitations in trade protection laws or other regulatory requirements, which may affect our ability to import or export our products from various countries;
- varying and potentially conflicting laws and regulations;
- fluctuations in local economies;
- wage inflation or a tightening of the labor market;
- political developments of foreign nations;
- the impact of the following on service provider and government spending patterns: political considerations, unfavorable changes in tax treaties or laws, unfavorable events that affect foreign currencies, natural disasters, epidemic disease, labor unrest, earnings expatriation restrictions, misappropriation of intellectual property, military actions, acts of terrorism, political and social unrest and difficulties in staffing and managing international operations.

Any or all of these factors could have a material adverse impact on our business, financial condition, and results of operations.

Moreover, local laws and customs in many countries differ significantly from or conflict with those in the United States or other countries in which we operate. In many foreign countries, particularly in those with developing economies, it is common for others to engage in business practices that are prohibited by our internal policies and procedures or U.S. regulations applicable to us. There can be no assurance that our employees, contractors, channel partners, and agents will not take actions in violation of our policies and procedures, which are designed to ensure compliance with U.S. and foreign laws and policies. Violations of laws or key control policies by our employees, contractors, channel partners, or agents could result in termination of our relationship, financial reporting problems, fines and/or penalties for us, or prohibition on the importation or exportation of our products, and could have a material adverse effect on our business, financial condition and results of operations.

Our operating results may be subject to volatility due to fluctuations in foreign currency.

We are exposed to foreign exchange risks with regard to our operating expenses which may affect our operating results. Although we price our products primarily in U.S. dollars, a portion of our operating expenses are incurred in foreign currencies. If the value of the U.S. dollar depreciates relative to certain other foreign currencies, it would increase our costs as expressed in U.S. dollars. Conversely, if the U.S. dollar strengthens relative to other currencies, such strengthening could raise the relative cost of our products to non-U.S. customers, especially as compared to foreign competitors, and could reduce demand.

We intend to engage in currency hedging transactions to reduce our foreign exchange exposure. However, these transactions may not fully eliminate our risk and could have an adverse effect on our financial condition.

We are subject to continued changes in tax laws; the possible fluctuation of our effective tax rate over time could materially and adversely affect our operating results.

We are subject to taxes in the United States and numerous international jurisdictions. We record tax expense based on current tax payments and our estimates of future tax payments, which may include reserves for estimates of probable settlements of international and domestic tax audits. At any one time, multiple tax years and jurisdictions are subject to audit by various taxing authorities. The results of these audits and negotiations with taxing authorities may affect the ultimate settlement of these issues. As a result, there could be ongoing variability in our tax rates as taxable events occur and uncertain tax positions are re-evaluated or resolved.

Tax policy reform continues to be a topic of discussion in the United States and in the foreign jurisdictions in which we may conduct business. A significant change to the tax system in the United States or other foreign jurisdictions, including changes to the taxation of international income, could have a material adverse effect on our results of operations. Our effective tax rate in a given financial statements period may be materially impacted by changes in tax laws, changes in the mix and level of earnings by taxing jurisdiction, changes to existing accounting rules or regulations or by changes to our ownership or capital structures. Fluctuations in our tax obligations and effective tax rate could materially and adversely affect our results of business, financial condition and operating results.

Our ability to develop, market, and sell products could be harmed if we are unable to retain or hire key personnel.

Our future success depends upon our ability to recruit and retain the services of executive, engineering, sales and marketing, and support personnel. The supply of highly qualified individuals, in particular engineers in very specialized technical areas, or sales people specializing in the service provider, enterprise and commercial laser markets, is limited and competition for such individuals is intense. None of our officers or key employees is bound by an employment agreement for any specific term. The loss of the services of any of our key employees, the inability to attract or retain personnel in the future or delays in hiring required personnel and the complexity and time involved in replacing or training new employees, could delay the development and introduction of new products, and negatively impact our ability to market, sell, or support our products.

Our ability to hire and retain employees may be negatively impacted by changes in immigration laws, regulations and procedures.

Foreign nationals who are not U.S. citizens or permanent residents constitute an important part of our U.S. workforce, particularly in the areas of engineering and product development. Our ability to hire and retain these workers and their ability to remain and work in the United States are impacted by laws and regulations, as well as by procedures and enforcement practices of various government agencies. Changes in immigration laws, regulations or procedures, including those that may be enacted by the new U.S. presidential administration, may adversely affect our ability to hire or retain such workers, increase our operating expenses and negatively impact our ability to deliver our products and services.

We face a number of risks related to our strategic transactions.

We have made acquisitions of other businesses or technologies in the past and we will continue to review acquisition and other strategic opportunities. Such strategic transactions involve numerous risks, including the following:

- diversion of management's attention from normal daily operations of the business;
- unforeseen expenses, delays or conditions imposed upon the acquisition or transaction, including due to required regulatory approvals or consents;
- unanticipated changes in the combined business due to potential divestitures or other requirements imposed by antitrust regulators;
- the ability to retain and obtain required regulatory approvals, licenses and permits;
- difficulties and costs in integrating the operations, technologies, products, IT and other systems, facilities and personnel of the purchased businesses;
- potential difficulties in completing projects associated with in-process R&D;
- an acquisition or strategic transaction may not further our business strategy as we expected or we may overpay for, or otherwise not realize the expected return on, our investments;
- insufficient net revenue to offset increased expenses associated with acquisitions;
- potential loss of key employees of the acquired companies;
- difficulty forecasting revenues and margins;
- dilution of our current stockholders as a result of any issuance of equity securities as acquisition consideration;
- expenditure of cash that would otherwise be available to operate our business; and
- incurrence of indebtedness on terms that are unfavorable to us or that we are unable to repay.

If we are unable to successfully manage any of these risks in relation to any future acquisitions, our business, financial condition and results of operations could be adversely impacted.

We may require additional capital to support business growth, and this capital might not be available on acceptable terms, if at all.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including to support product development and introduce new products, address new markets, engage in strategic transactions and partnerships, improve or expand our operating infrastructure or acquire complementary businesses and technologies. In March 2017, we issued and sold a total of $450 million in aggregate principal amount of Convertible Senior Notes due 2024, which we refer to as our convertible notes, and we may in the future engage in additional equity or debt financings to secure additional funds. If we raise additional funds through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing we secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business may be harmed.

Any failure, disruption or security breach of our information technology infrastructure or information management systems could have an adverse impact on our business and operations.

Our business depends significantly on effective and efficient information management systems, and the reliability and security of our information technology infrastructure are essential to the health and expansion of our business. For example, the information gathered and processed by our information management systems assists us in managing our supply chain and monitoring customer accounts, among other things. We must continue to expand and update this infrastructure in response to our changing requirements.

In some cases, we may rely upon third-party providers of hosting, support and other services to meet our information technology requirements. Any failure to manage, expand and update our information technology infrastructure, including our Enterprise Resource Planning ("ERP") system and other applications, any failure in the extension implementation or operation of this infrastructure, or any failure by our hosting and support partners or other third-party service providers in the performance of their services could materially harm our business. In addition, we have partnered with third parties to support our information technology systems and to help design, build, test, implement and maintain our information management systems. Our merger, acquisition and divestiture activity may also require transitions to or from, and the integration of, various information management systems within our overall enterprise architecture.

Despite our implementation of security measures, our systems and those of our third-party service providers are vulnerable to damage from computer viruses, natural disasters, unauthorized access and other similar disruptions. Any system failure, accident or security breach affecting us or our third-party providers could result in disruptions to our operations and loss of or unauthorized access or damage to our data or in inappropriate disclosure of confidential information. Any actual or alleged disruption to, or security breach affecting, our systems or those of our third-party partners could cause significant damage to our reputation, result in legal obligations or liability, affect our relationships with our customers, and ultimately harm our business. In addition, we may be required to incur significant costs to protect against or mitigate damage caused by these disruptions or security breaches in the future.

Our operating results may be adversely affected by unfavorable economic and market conditions.

The uncertain state of the global economy has contributed and continues to contribute to decreases in demand and spending in the technology industry at large, as well as to the specific markets in which we operate. The slow pace of global economic recovery and the resulting effects on global credit markets has created uncertainty in the timing and overall demand from our customers. This uncertainty may lead to decreased demand for our products and revenue fluctuations, increased price competition for our products, and may increase the risk of excess and obsolete inventories and higher overhead costs as a percentage of revenue. The impact of continued economic challenges on the global financial markets could further negatively impact our operations by affecting the solvency of our customers, the solvency of our key suppliers or the ability of our customers to obtain credit to finance purchases of our products. If economic conditions do not improve or if they deteriorate, our financial condition and results of operations would likely be materially and adversely impacted.

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

We seek to protect our products and 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 we take 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 technologies that are similar to our own. It is possible that patents may not be issued from any of our pending applications or those we may file in the future and, if patents are issued, the claims allowed may not be sufficiently broad to deter or prohibit others from making, using or selling products that are similar to ours, or such patents could be invalidated or ruled unenforceable. 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 where we do not have intellectual property protections. 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. Additionally, we are currently a licensee for a number of third-party technologies including software and intellectual property rights from academic institutions, our competitors and others, and we are required to pay royalties to these licensors for the use thereof. In the future, if such licenses are unavailable or if we are unable to obtain such licenses on commercially reasonable terms, we may not be able to rely on such third-party technologies which 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.

We also seek to protect our important trademarks by endeavoring to register them in certain countries. We have not registered our trademarks in every country in which we sell or distribute our products, and thus others may be able to use the same or confusingly similar marks in countries where we do not have trademark registrations. We have adopted Lumentum as a house trademark and trade name for our company, and are in the process of establishing rights in this name and brand. We have also adopted the Lumentum logo as a house trademark for our company, and are in the process of establishing rights in this brand. The Lumentum brand is the subject of trademark applications in the United States or other jurisdictions, but the trademarks have not yet proceeded to registration. The efforts we take to register and protect trademarks, including the Lumentum brand, may not be sufficient or effective. Although we will seek to obtain trademark registrations for the Lumentum brand, it is possible we may not be able to protect our brand through registration in one or more jurisdictions, for example, the applicable governmental authorities may not approve the registration. Furthermore, even if the applications are approved, third parties may seek to oppose or otherwise challenge registration. There is the possibility that, despite efforts, the scope of the protection obtained for our trademarks, including the Lumentum brand, will be insufficient or that a registration may be deemed invalid or unenforceable in one or more jurisdictions throughout the world.

Our products may be subject to claims that they infringe the intellectual property rights of others, the resolution of which may be time-consuming and expensive, as well as require a significant amount of resources to prosecute, defend, or make our products non-infringing.

Lawsuits and allegations of patent infringement and violation of other intellectual property rights occur regularly in our industry. We have in the past received, and anticipate that we will receive in the future, notices from third parties claiming that our products infringe upon their proprietary rights, with two distinct sources of such claims becoming increasingly prevalent. 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 may approach us with demands to enter into license agreements. Second, patent-holding companies that do not make or sell products (often referred to as “patent trolls”) may claim that our products infringe upon their proprietary rights. We respond to these claims in the course of our business operations. The litigation or settlement of these matters, regardless of the merit of the claims, could result in significant expense and divert the efforts of our technical and management personnel, regardless of 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 commercially reasonable terms, or at all. Without such a license, or if we are the subject of an exclusionary order, our ability to make our products could be limited and we could be enjoined from future sales of the infringing product or products, which could adversely affect our revenues and operating results. Additionally, we often indemnify our customers against claims of infringement related to our products and may incur significant expenses to defend against such claims. If we are unsuccessful defending against such claims, we may be required to indemnify our customers against any damages awarded.

We also face risks that third parties may assert trademark infringement claims against us in one or more jurisdictions throughout the world related to our Lumentum brand and/or other trademarks. The litigation or settlement of these matters, regardless of the merit of the claims, could result in significant expense and divert the efforts of our technical and management personnel, regardless of whether or not we are successful. If we are unsuccessful, trademark infringement claims against us could result in significant monetary liability or prevent us from selling some or all of our products or services under the challenged trademark. In addition, resolution of claims may require us to alter our products, labels or packaging, license rights from third parties, or cease using the challenged trademark altogether, which could adversely affect our revenues and operating results.

We face certain litigation risks that could harm our business.

From time to time we have been, and in the future we may become, subject to various legal proceedings and claims that arise in or outside the ordinary course of business. The results of legal proceedings are difficult to predict. Moreover, many of the complaints filed against us may not specify the amount of damages that plaintiffs seek, and we therefore may be unable to estimate the possible range of damages that might be incurred should these lawsuits be resolved against us. While we may be 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 generally costly, time-consuming and disruptive to normal business operations. The costs of defending these lawsuits have been significant in the past, 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 discussion regarding litigation, see "Part II, Item 1. Legal Proceedings."

Our products incorporate and rely upon licensed third-party technology, and if licenses of third-party technology do not continue to be available to us or are not available on terms acceptable to us, our revenues and ability to develop and introduce new products could be adversely affected.

We integrate licensed third-party technology into certain of our products. From time to time, we may be required to license additional technology from third-parties to develop new products or product enhancements. Third-party licenses may not be available or continue to be available to us on commercially reasonable terms. The failure to comply with the terms of any license, including free open source software, may result in our inability to continue to use such license. Our inability to maintain or re-license any third-party licenses required in our products or our inability to obtain third-party licenses necessary to develop new products and product enhancements, could potentially require us to develop substitute technology or obtain substitute technology of lower quality or performance standards or at a greater cost, any of which could delay or prevent product shipment and harm our business, financial condition, and results of operations.

We are subject to laws and other regulations worldwide including with respect to environmental matters, securities laws, privacy and personal data collection compliance with which could increase our expenses and harm our operating results.

Our operations and our products are subject to various federal, state and foreign laws and regulations, including those governing pollution and protection of human health and the environment in the jurisdictions in which we operate or sell our products. These laws and regulations govern, among other things, wastewater discharges and the handling and disposal of hazardous materials in our products. Our failure to comply with current and future environmental or health or safety requirements could cause us to incur substantial costs, including significant capital expenditures, to comply with such environmental laws and regulations and to clean up contaminated properties that we own or operate. Such clean-up or compliance obligations could result in disruptions to our operations. Additionally, if we are found to be in violation of these laws, we could be subject to governmental fines or civil liability for damages resulting from such violations. These costs could have a material adverse impact on our financial condition or operating results.

From time to time new regulations are enacted, and it is difficult to anticipate how such regulations will be implemented and enforced. We continue to evaluate the necessary steps for compliance with regulations as they are enacted. These regulations include, for example, the Registration, Evaluation, Authorization and Restriction of Chemicals ("REACH"), the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Directive ("RoHS") and the Waste Electrical and Electronic Equipment Directive ("WEEE") enacted in the European Union which regulate the use of certain hazardous substances in, and require the collection, reuse and recycling of waste from, certain products we manufacture. These regulations and similar legislation may require us to re-design our products to ensure compliance with the applicable standards, for example by requiring the use of different types of materials, which could have an adverse impact on the performance of our products, add greater testing lead-times for product introductions or other similar effects. We believe we comply with all such legislation where our products are sold and we continuously monitor these laws and the regulations being adopted under them to determine our responsibilities.

In addition, pursuant to Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC has promulgated rules requiring disclosure regarding the use of certain "conflict minerals" that are mined from the Democratic Republic of Congo and adjoining countries and procedures regarding a manufacturer's efforts to prevent the sourcing of such minerals. Complying with these disclosure requirements involves substantial diligence efforts to determine the source of any conflict minerals used in our products and may require third-party auditing of our diligence process. These efforts may demand internal resources that would otherwise be directed towards operations activities.

Since our supply chain is complex, we may face reputational challenges if we are unable to sufficiently verify the origins of the conflict minerals used in our products. Additionally, if we are unable to satisfy those customers who require that all of the components of our products are determined to be conflict free, they may choose a competitor's products which could materially impact our financial condition and operating results.

Additionally, we are subject to laws and regulations with respect to personal data we collect from our employees, customers, and others. These laws and regulations are subject to frequent modifications and updates and require ongoing supervision. For example, the European Union recently adopted a General Data Protection Regulation, effective in May 2018, that will establish new, and in some cases more stringent, requirements for data protection in Europe. We may be required to modify our practices in order to comply with these or other requirements, which may require us to incur costs and expenses, and we may face difficulties in complying with all privacy and data protection legal requirements that apply to us now or in the future.

Our failure to comply with any of the foregoing legal and regulatory requirements could result in increased costs for our products, monetary penalties, damages to our reputation, government inquiries and investigations, and legal action. Furthermore, the legal and regulatory requirements that are applicable to our business are subject to change from time to time, which increases our monitoring and compliance costs and the risk that we may fall out of compliance. Additionally, we may be required to ensure that our suppliers comply with such laws and regulations. If we or our suppliers fail to comply with such laws or regulations, we could face sanctions for such noncompliance, and our customers may refuse to purchase our products, which would have a material adverse effect on our business, financial condition and results of operations.

Our sales may decline if we are unable to obtain government authorization to export certain of our products, and we may be subject to legal and regulatory consequences if we do not comply with applicable export control laws and regulations.

Exports of certain of our products are subject to export controls imposed by the U.S. government and administered by the U.S. Departments of State and Commerce. In certain instances, these regulations may require pre-shipment authorization from the administering department. For products subject to the Export Administration Regulations ("EAR") administered by the Department of Commerce's Bureau of Industry and Security, the requirement for a license is dependent on the type and end use of the product, the final destination, the identity of the end user and whether a license exception might apply. Virtually all exports of products subject to the International Traffic in Arms Regulations ("ITAR") administered by the Department of State's Directorate of Defense Trade Controls, require a license. Certain of our fiber optics products are subject to EAR and certain of our RF-over-fiber products, as well as certain products and technical data, are developed with government funding, and are currently subject to ITAR. Products and the associated technical data developed and manufactured in our foreign locations are subject to export controls of the applicable foreign nation.

Given the current global political climate, obtaining export licenses can be difficult and time-consuming. Failure to obtain export licenses for these shipments could significantly reduce our revenue and materially adversely affect our business, financial condition and results of operations. Compliance with U.S. government regulations also subjects us to additional fees and costs. The absence of comparable restrictions on competitors in other countries may adversely affect our competitive position.

In addition, certain of our significant customers and suppliers have products that are subject to U.S. export controls, and therefore these customers and suppliers may also be subject to legal and regulatory consequences if they do not comply with applicable export control laws and regulations. Such regulatory consequences could disrupt our ability to obtain components from our suppliers, or to sell our products to major customers, which could significantly increase our costs, reduce our revenue and materially adversely affect our business, financial condition and results of operations.

Our revenues, operating results, and cash flows may fluctuate from period to period due to a number of factors, which makes predicting financial results difficult.

Spending on optical communication and laser products is subject to cyclical and uneven fluctuations, which could cause our financial results to fluctuate unevenly and unpredictably. It can be difficult to predict the degree to which end-customer demand and the seasonality and uneven sales patterns of our OEM partners or other customers will affect our business in the future, particularly as we release new or enhanced products. While our fourth fiscal quarters are typically strongest, future buying patterns may differ from historical seasonality. If the mix of revenue changes, it may also cause results to differ from historical seasonality. Accordingly, our quarterly and annual revenues, operating results, cash flows, and other financial and operating metrics may vary significantly in the future, and the results of any prior periods should not be relied upon as an indication of future performance.

Risks Related to the Separation and Our Operation as an Independent Public Company

Potential indemnification liabilities to Viavi pursuant to the Separation agreement could materially and adversely affect our business, financial condition, results of operations and cash flows.

The Separation Agreement provides for, among other things, indemnification obligations designed to make us financially responsible for:

- any Lumentum Liability (as defined in the Separation Agreement);
- our failure to pay, perform or otherwise promptly discharge any Lumentum Liability or contracts, in accordance with their respective terms, whether prior to, at or after the distribution;
- any guarantee, indemnification obligation, surety bond or other credit support agreement, arrangement, commitment or understanding by Viavi for our benefit, except to the extent it relates to an Excluded Liability (as defined in the Separation Agreement);
- any breach by us of the Separation agreement or certain of its ancillary agreements or any action by us in contravention of our amended and restated certificate of incorporation or amended and restated bylaws; and
- any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in the Registration Statement on Form 10 (the "Registration Statement") and information statement filed in connection with the Separation or any other disclosure document that describes the Separation or the distribution, or us and our subsidiaries, or primarily relates to the transactions contemplated by the Separation agreement, subject to certain exceptions.

Our indemnification obligations are not subject to maximum loss clauses. If we are required to indemnify Viavi under the circumstances set forth in the Separation Agreement, we may be subject to substantial liabilities.

In connection with the Separation, Viavi has agreed to indemnify us for certain liabilities. However, there can be no assurance that the indemnity will be sufficient to insure us against the full amount of such liabilities, or that Viavi's ability to satisfy its indemnification obligation will not be impaired in the future.

Pursuant to the Separation agreement, Viavi will indemnify us for certain liabilities relating to, arising out of or resulting from:

- any Excluded Liability (as defined in the Separation Agreement);
- the failure of Viavi or any of its subsidiaries, other than us, to pay, perform or otherwise promptly discharge any of the Excluded Liabilities, in accordance with their respective terms, whether prior to or after the effective time of the distribution;
- any guarantee, indemnification obligation, surety bond or other credit support agreement, arrangement, commitment or understanding by us for the benefit of Viavi, except to the extent it relates to a Lumentum Liability;
- any breach by Viavi or any of its subsidiaries, other than us, of the Separation Agreement or certain of its ancillary agreements; and
- any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to information contained in the registration statement or information statement filed in connection with the Separation or any other disclosure document that describes the Separation or the distribution or primarily relates to the transactions contemplated by the Separation Agreement, subject to certain exceptions.

However, third parties could seek to hold us responsible for any of the liabilities that Viavi agrees to retain, and there can be no assurance that the indemnity from Viavi will be sufficient to protect us against the full amount of such liabilities, or that Viavi will be able to fully satisfy its indemnification obligations. Moreover, even if we ultimately succeed in recovering from Viavi any amounts for which we are held liable, we may be temporarily required to bear these losses.

We have sought to characterize Viavi's contribution of the CCOP segment and WaveReady product lines to us as a taxable transaction. If tax authorities were to take the position that this contribution is not a taxable transaction, then we may face greater than expected income tax liabilities, which would negatively impact our operating results.

In connection with the Separation, Viavi's assets related to the CCOP segment and WaveReady product lines were transferred to us in a transaction or transactions intended to be characterized as taxable, which will result in our receiving a fair market value or substantially stepped-up tax basis in the assets. We expect to reduce our cash taxes by depreciation and amortization deductions related to the stepped-up tax basis in the assets. If the IRS or foreign tax authorities disagree with our characterization of the transactions pursuant to which the CCOP business assets were transferred to us or disallow the depreciation and amortization deductions, and the position were sustained, our financial results would be materially and adversely affected.

We could have an indemnification obligation to Viavi if the distribution were determined not to qualify for non-recognition treatment, which could materially and adversely affect our financial condition.

We have received a private letter ruling from the IRS (the "IRS Ruling"), to the effect that the retention by Viavi of 19.9% of our common stock will not be deemed to be pursuant to a plan having as one of its principal purposes the avoidance of U.S. federal income tax within the meaning of Section 355(a)(1)(D)(ii) of the Internal Revenue Code of 1986, as amended (the "Code"). Notwithstanding the IRS Ruling, the IRS could determine on audit that the retention of our common stock was pursuant to a plan having as one of its principal purposes the avoidance of U.S. federal income tax if it determines that any of the facts, assumptions, representations or undertakings that we or Viavi have made or provided to the IRS are not correct. If the retention is deemed to be pursuant to a plan having as one of its principal purposes the avoidance of U.S. federal income tax, then the distribution could ultimately be determined to be taxable. In addition, Viavi also received a written opinion of PwC, its tax advisor, to the effect that the distribution, together with certain related transactions necessary to effectuate the distribution, should qualify for non-recognition of gain or loss under Sections 368(a)(1)(D) and 355 of the Code. The opinion is not binding on the IRS or the courts, and there can be no assurance that the IRS or any court will not take a contrary position. If the distribution were determined not to qualify for non-recognition of gain and loss, then Viavi would recognize gain in an amount up to the fair market value of our common stock held by it immediately before the distribution, over its tax basis in our stock immediately before the distribution.

If, due to any of our representations being untrue or our covenants being breached, it were determined that the distribution did not qualify for non-recognition of gain or loss under Section 355 of the Code, we could be required to indemnify Viavi for the resulting taxes and related expenses. The indemnification obligation is not expected to be material because Viavi is expected to have a fair market value or substantially stepped-up tax basis in our shares immediately prior to the Separation. If, contrary to our expectation, it were determined that Viavi did not have a fair market value or substantially stepped-up tax basis in our shares, any such indemnification obligation could materially and adversely affect our financial condition.

In addition, Section 355(e) of the Code generally creates a presumption that the distribution would be taxable to Viavi, but not to stockholders, if we or our stockholders were to engage in transactions that result in a 50% or greater change by vote or value in the ownership of our stock during the four-year period beginning on the date that begins two years before the date of the distribution, unless it were established that such transactions and the distribution were not part of a plan or series of related transactions giving effect to such a change in ownership. If the distribution were taxable to Viavi due to such a 50% or greater change in ownership of our stock, Viavi would recognize gain in an amount equal to the excess of the fair market value of our common stock held by it immediately before the distribution over its tax basis in such stock, and we generally would be required to indemnify Viavi for the tax on such gain and related expenses. The indemnification obligation is not expected to be material because Viavi is expected to have a fair market value or substantially stepped-up tax basis in our shares immediately prior to the Separation. If, contrary to our expectation, it were determined that Viavi did not have a fair market value or substantially stepped-up tax basis in our shares, any such indemnification obligation could materially adversely affect our financial condition.

We have agreed to restrictions to preserve the non-recognition treatment of the distribution, which may reduce our strategic and operating flexibility.

We have entered into a tax matters agreement under which we will be subject to certain covenants and indemnification obligations that address compliance with Section 355(e) of the Code. These covenants and indemnification obligations may limit our ability to pursue strategic transactions or engage in new businesses or other transactions that may maximize the value of our business. In particular, subject to the satisfaction of certain conditions, for two years following the Separation we are prohibited from issuing common stock or securities convertible into our common stock (other than equity compensation awards). As a result, our convertible notes are not convertible into shares of our common stock, and we will satisfy our conversion obligations under notes solely in cash, unless we satisfy certain requirements under the tax matters agreement (the "TMA share settlement conditions);, specifically, that we deliver an opinion of a nationally recognized accounting firm to Viavi regarding certain tax matters in relation to the convertible notes and the issuance of shares upon conversion of the notes, or obtain Viavi's consent. Our obligations to comply with covenants of this type may discourage or delay a strategic transaction that our stockholders may consider favorable.

We are an "emerging growth company" and cannot be certain if the reduced disclosure requirements applicable to "emerging growth companies" will make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act. For as long as we continue to be an "emerging growth company," we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies. Among other things, we will not be required to:

- provide an auditor's attestation report on our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act;

- comply with any new rules that may be adopted by the PCAOB requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer;
- comply with any new audit rules adopted by the PCAOB after April 5, 2012 unless the SEC determines otherwise;
- provide certain disclosure regarding executive compensation required of larger public companies; or
- hold a nonbinding advisory vote on executive compensation and obtain stockholder approval of any golden parachute payments not previously approved.

Accordingly, the information that we provide stockholders in this Quarterly Report and in our other filings with the SEC may be different than what is available with respect to other public companies. We cannot predict if investors will find our common stock less attractive because we rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile and adversely affected.

As of the last business day of our second quarter of fiscal 2017, our market capitalization held by non-affiliates exceeded $700 million. On this basis, we anticipate that we will qualify as a "large accelerated filer" as of the end of our fiscal year 2017, at which time we will cease to qualify as an emerging growth company and for the various reporting requirement exemptions described above. Among other things, our independent registered public accounting firm will be required to formally attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act. If we are unable to comply with the requirements of Section 404 in a timely manner, the market price of our stock could decline and we could be subject to sanctions or investigations by the NASDAQ Stock Market, the SEC or other regulatory authorities, which could require additional financial and management resources. We anticipate incurring additional professional service fees and other operating expenses as a result of this and other public company reporting requirements that will apply to us in future fiscal periods.

If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act, and Nasdaq listing requirements. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight.

Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could cause us to delay reporting of our financial results, be subject to one or more investigations or enforcement actions by state or federal regulatory agencies, stockholder lawsuits or other adverse actions requiring us to incur defense costs, pay fines, settlements or judgments. Any such failures could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the NASDAQ stock market.

Risks Related to Our Common Stock

Our stock price may be volatile and may decline regardless of our operating performance.

Our common stock is listed on NASDAQ under the symbol "LITE." Since shares of our common stock commenced trading on the NASDAQ stock market in August 2015, the reported high and low sales prices of our common stock has ranged from $13.97 to $55.9, through April 1, 2017. The market price of our common stock may fluctuate significantly due to a number of factors, some of which may be beyond our control, including:

- actual or anticipated fluctuations in our quarterly or annual operating results;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- the operating and stock price performance of other comparable companies;
- a shift in our investor base;
- the financial performance of other companies in our industry;
- success or failure of our business strategy;

- credit market fluctuations which could negatively impact our ability to obtain financing as needed;
- changes to the regulatory and legal environment in which we operate;
- announcements by us, competitors, customers, or our contract manufacturers of significant acquisitions or dispositions;
- investor perception of us and our industry;
- changes in accounting standards, policies, guidance, interpretations or principles;
- litigation or disputes in which we may become involved;
- overall market fluctuations; sales of our shares by our officers, directors, or significant stockholders;
- the timing and amount of dividends and share repurchases, if any; and
- general economic and market conditions and other external factors.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. Stock prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and adversely affect our business, results of operations, financial condition and cash flows.

Sales of a substantial amount of shares by our stockholders, including the sale by Viavi of the shares of our common stock that it retained after the distribution, could materially increase the volatility of our stock price and may cause our stock price to decline.

Any sales of substantial amounts of our common stock in the public market or the perception that such sales might occur may cause the market price of our common stock to decline. Our issued and outstanding shares of common stock can be freely tradable without restriction or registration under the Securities Act, unless the shares are owned by one of our “affiliates,” as that term is defined in Rule 405 under the Securities Act. We are unable to predict whether large amounts of our common stock will be sold in the open market.

Following the Separation, Viavi retained 11.7 million shares of our common stock, representing an ownership interest of 19.9% of our total shares outstanding. As of April 1, 2017, Viavi held a total of 0.4 million shares of our common stock, which was less than 1% of our total shares outstanding. Pursuant to a stockholder’s and registration rights agreement with Viavi, Viavi will be required to vote such shares in proportion to the votes cast by our other stockholders. In order to not jeopardize the tax-free status of the distribution, Viavi is required to dispose of such retained shares of our common stock that it owns as soon as practicable and consistent with its reasons for retaining such shares, but in no event later than three years after the distribution. Pursuant to the stockholder’s and registration rights agreement, upon the request of Viavi, we will effect the registration under applicable securities laws of the shares of common stock retained by Viavi. Subject to limited exceptions, we do not have the right to prevent or delay the sale of our shares by Viavi pursuant to the stockholder’s and registration right agreement. Any disposition by Viavi, or any significant stockholder, of our common stock in the public market, or the perception that such dispositions could occur, could materially increase the volatility of our stock price and adversely affect prevailing market prices for our common stock.

We do not expect to pay dividends on our common stock.

We do not currently expect to pay dividends on our common stock. The payment of any dividends to our stockholders in the future, and the timing and amount thereof, if any, is within the discretion of our board of directors. Our board of directors’ decisions regarding the payment of dividends will depend on many factors, such as our financial condition, earnings, capital requirements, potential debt service obligations or restrictive covenants, industry practice, legal requirements, regulatory constraints and other factors that our board of directors deems relevant.

In addition, because we are a holding company with no material direct operations, we are dependent on loans, dividends and other payments from our operating subsidiaries to generate the funds necessary to pay dividends on our common stock. However, our operating subsidiaries’ ability to make such distributions will be subject to their operating results, cash requirements and financial condition and the applicable provisions of Delaware law that may limit the amount of funds available for distribution. Our ability to pay cash dividends may also be subject to covenants and financial ratios related to existing or future indebtedness, and other agreements with third parties.

The obligations of Lumentum Inc. to holders of its Series A Preferred Stock could have a negative impact on holders of our common stock.

Our subsidiary, Lumentum Inc., issued $35.8 million in Series A Preferred Stock to Viavi, which were sold to Amada following the Separation. The Series A Preferred Stock may be converted by Amada into shares of our common stock beginning on the second anniversary of the closing of the stock purchase (absent a change of control of us or similar event) using a conversion price of $24.63, which is equal to 125% of the volume weighted average price per share of our common stock in the five "regular-way" trading days following the Separation. The Series A Preferred Stock may be redeemed by us upon the third anniversary of the date of issuance or the preferred stockholders may cause us to redeem the Series A Preferred Stock upon the fifth anniversary of the date of issuance.

Cumulative senior dividends on the Series A Preferred Stock will accrue at the annual rate of 2.5%, but will be paid only when and if declared by the board of directors of Lumentum Inc. Our ability to make payments to holders of the Series A Preferred Stock ("Series A Holders") will depend on Lumentum Inc.'s ability to generate cash in the future from operations, financings or asset sales. Lumentum Inc.'s ability to generate cash is subject to general economic, financial, competitive, legislative, regulatory and other factors that we cannot control. The payment of this dividend will reduce the amount of cash otherwise available for distribution by Lumentum Inc. to us for further distribution to our common stockholders or for other corporate purposes. If Lumentum Inc. is in arrears on the payment of dividends to the Series A Holders, (i) Lumentum Inc. will not be able to pay any dividends to us, subject to certain exceptions, and (ii) we will not be able to make any distribution on or repurchase of our common stock.

Certain provisions in our charter and Delaware corporate law could hinder a takeover attempt.

We are subject to the provisions of Section 203 of the DGCL which prohibits us, under some circumstances, 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 our 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 providing for the limitations of liability and indemnification of our directors and officers, allowing vacancies on our board of directors to be filled by the vote of a majority of the remaining directors, granting our board of directors the authority to establish additional series of preferred stock and to designate the rights, preferences and privileges of such shares (commonly known as "blank check preferred") and providing that our stockholders can take action only at a duly called annual or special meeting of stockholders, which may only be called by the chairman of the board of directors, the chief executive officer or the board of directors. These provisions may also have the effect of deterring hostile takeovers or delaying changes in control or changes in our management.

Our bylaws designate Delaware courts as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could discourage lawsuits against us or our directors and officers.

Our bylaws provide that, unless we consent in writing to an alternative forum, the state or federal courts of Delaware are the sole and exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting breach of fiduciary duty, or other wrongdoing, by our directors, officers or other employees to us or our stockholders; any action asserting a claim against Lumentum pursuant to the Delaware General Corporation Law or our certificate of incorporation or bylaws; any action asserting a claim against Lumentum governed by the internal affairs doctrine; or any action to interpret, apply, enforce or determine the validity of our certificate of incorporation or bylaws. This exclusive forum provision may limit the ability of our stockholders to bring a claim in a judicial forum that such stockholders find favorable for disputes with us or our directors or officers, which may discourage such lawsuits against us or our directors and officers.

Alternatively, if a court outside of Delaware were to find this exclusive forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings described above, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

Servicing our convertible notes may require a significant amount of cash, and we may not have sufficient cash flow or the ability to raise the funds necessary to satisfy our obligations under the convertible notes, and our current and future indebtedness may limit our operating flexibility or otherwise affect our business.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the convertible notes, or to make cash payments in connection with any conversion of convertible notes or upon any fundamental change if note holders require us to repurchase their notes for cash, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to service our indebtedness and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring indebtedness or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations. In addition, our existing and future indebtedness could have important consequences to our stockholders and significant effects on our business. For example, it could:

make it more difficult for us to satisfy our debt obligations, including the convertible notes;

increase our vulnerability to general adverse economic and industry conditions;

require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital and other general corporate purposes;

limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

restrict us from exploiting business opportunities;

place us at a competitive disadvantage compared to our competitors that have less indebtedness; and

limit our availability to borrow additional funds for working capital, capital expenditures, acquisitions, debt service requirements, execution of our business strategy or other general purposes.

Transactions relating to our convertible notes may dilute the ownership interest of existing stockholders, or may otherwise depress the price of our common stock.

The conversion of some or all of our convertible notes would dilute the ownership interests of existing stockholders to the extent we deliver shares upon conversion of such convertible notes. These convertible notes are not convertible into shares of our common stock, and we will satisfy our conversion obligations under notes solely in cash, unless we satisfy the TMA share settlement condition. If following the satisfaction of the TMA share settlement condition, holders elect to convert their convertible notes, we could be required to deliver to them a significant number of shares of our common stock. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the convertible notes may encourage short selling by market participants because the conversion of such convertible notes could be used to satisfy short positions, or anticipated conversion of such convertible notes into shares of our common stock could depress the price of our common stock.

The accounting method for convertible debt securities that may be settled in cash could have a material effect on our reported financial results. Prior to satisfying the TMA share settlement conditions, we expect the conversion option that is part of the convertible notes will be accounted for as a derivative.

Under U.S. Generally Accepted Accounting Principles ("GAAP"), this derivative will be marked to market based on changes in our stock price. These fluctuations could be material and could impact our GAAP earnings. At such time that we satisfy the TMA share settlement conditions, we will evaluate the conversion option under ASC 815 and ASC 470, and if we meet the requirements to account for the conversion option as equity, the value of the conversion option will no longer be marked to market, and will be reclassified to equity. The value of the conversion option derivative at the time of issuance would be treated as an original issue discount for purposes of accounting for the debt component of such instruments, and that original issue discount is accredited as interest expense over the expected term of such instruments using the effective interest method. As a result, we will initially be required to record a greater amount of non-cash interest expense as a result of the accretion of the original issue discount, and the portion of the debt issuance costs allocated to the debt component of the instruments, to the face amount of such instruments over their expected term. Accordingly, we will report lower GAAP net income (or higher net loss) in our financial results because of the recognition of the current period interest charges from the debt discount and the debt component-related issuance costs and from the accrual of the coupon interest for such instruments, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the notes.

In addition, if the conditional conversion feature of the convertible notes, as the case may be, is triggered, even if the applicable holders do not elect to convert such instruments, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of such instruments as a current rather than a long-term liability, which would result in a material reduction of our net working capital.

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ITEM 6. EXHIBITS

The following exhibits are filed herewith or are incorporated by reference to exhibits previously filed with the Securities and Exchange Commission.

Exhibit No.	Exhibit Description	Incorporated by Reference Form	Exhibit	Filing Date	Filed Herewith
4.1	Indenture, dated March 8, 2017, between Lumentum Holdings Inc. and U.S. Bank National Association	8-K	4.1	3/8/2017	
4.2	Form of 0.250% Convertible Senior Note due 2024 (included in Exhibit 4.1)	8-K	4.2	3/8/2017	
10.1	Purchase Agreement, dated as of March 2, 2017, between Lumentum Holdings Inc. and Goldman, Sachs & Co., as representative of the Initial Purchasers listed in Schedule 1 thereto.	8-K	10.1	3/8/2017	
31.1	Certification of the Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of the Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1†	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2†	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
101.INS	XBRL Instance				X
101.SCH	XBRL Taxonomy Extension Schema				X
101.CAL	XBRL Taxonomy Extension Calculation				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	XBRL Taxonomy Extension Label Linkbase				X
101.PRE	XBRL Taxonomy Extension Presentation				X

† The certifications furnished in Exhibits 32.1 and 32.2 that accompany this Form 10-Q, are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		LUMENTUM HOLDINGS INC.
Date:	May 4, 2017	By: /s/ Aaron Tachibana
		By: Aaron Tachibana
		Chief Financial Officer

Exhibit 31.1

LUMENTUM HOLDINGS INC.
CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Alan Lowe, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lumentum Holdings Inc.;

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: May 4, 2017

/s/ ALAN LOWE

Alan Lowe
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

LUMENTUM HOLDINGS INC.
CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Aaron Tachibana, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lumentum Holdings Inc.;

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: May 4, 2017

/s/ AARON TACHIBANA

Aaron Tachibana
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

LUMENTUM HOLDINGS INC.
CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with Quarterly Report on Form 10-Q of Lumentum Holdings Inc. (the “Company”) for the quarter ended April 1, 2017 as filed with the Securities and Exchange Commission (the “Report”), I, Alan Lowe, President and 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) 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.

This Certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

Dated: May 4, 2017

/s/ ALAN LOWE

Alan Lowe
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

LUMENTUM HOLDINGS INC.
CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with Quarterly Report on Form 10-Q of Lumentum Holdings Inc. (the "Company") for the quarter ended April 1, 2017 as filed with the Securities and Exchange Commission (the "Report"), I, Aaron Tachibana, Chief Financial 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) 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.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Dated: May 4, 2017

/s/ AARON TACHIBANA

Aaron Tachibana
Chief Financial Officer
(Principal Financial and Accounting Officer)