

EMCORE CORP  
Form 10-Q  
August 03, 2017  
FORM 10-Q

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

For the quarterly period ended June 30, 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 001-36632

EMCORE Corporation

(Exact name of registrant as specified in its charter)

New Jersey

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

22-2746503

2015 W. Chestnut Street, Alhambra, California, 91803

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (626) 293-3400

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 website, 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, or a smaller reporting company. See the definition of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.  Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

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

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

As of July 31, 2017, the number of shares outstanding of our no par value common stock totaled 26,879,160.

CAUTIONARY STATEMENT  
REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes 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 forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on our current expectations and projections about future events and financial trends affecting the financial condition of our business. Such forward-looking statements include, in particular, projections about our future results included in our Exchange Act reports and statements about our plans, strategies, business prospects, changes and trends in our business and the markets in which we operate. These forward-looking statements may be identified by the use of terms and phrases such as “anticipates,” “believes,” “can,” “could,” “estimates,” “expects,” “forecasts,” “intends,” “may,” “plans,” “projects,” “shall,” “will,” “would,” and similar expressions or variations of these terms and similar phrases. Additionally, statements concerning future matters such as our expected liquidity, development of new products, enhancements or technologies, sales levels, expense levels, expectations regarding the outcome of legal proceedings and other statements regarding matters that are not historical are forward-looking statements. Management cautions that these forward-looking statements relate to future events or our future financial performance and are subject to business, economic, and other risks and uncertainties, both known and unknown, that may cause actual results, levels of activity, performance, or achievements of our business or our industry to be materially different from those expressed or implied by any forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include without limitation the following: (a) the rapidly evolving markets for the Company's products and uncertainty regarding the development of these markets; (b) the Company's historical dependence on sales to a limited number of customers and fluctuations in the mix of products and customers in any period; (c) delays and other difficulties in commercializing new products; (d) the failure of new products: (i) to perform as expected without material defects, (ii) to be manufactured at acceptable volumes, yields, and cost, (iii) to be qualified and accepted by our customers, and (iv) to successfully compete with products offered by our competitors; (e) uncertainties concerning the availability and cost of commodity materials and specialized product components that we do not make internally; (f) actions by competitors; and (g) other risks and uncertainties discussed in Part I, Item 1A, Risk Factors in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016, as updated by our subsequent periodic reports. These cautionary statements apply to all forward-looking statements wherever they appear in this Quarterly Report.

Forward-looking statements are based on certain assumptions and analysis made in light of our experience and perception of historical trends, current conditions and expected future developments as well as other factors that we believe are appropriate under the circumstances. While these statements represent our judgment on what the future may hold, and we believe these judgments are reasonable, these statements are not guarantees of any events or financial results. All forward-looking statements in this Quarterly Report are made as of the date hereof, based on information available to us as of the date hereof, and subsequent facts or circumstances may contradict, obviate, undermine, or otherwise fail to support or substantiate such statements. We caution you not to rely on these statements without also considering the risks and uncertainties associated with these statements and our business that are addressed in this Quarterly Report and our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. Certain information included in this Quarterly Report may supersede or supplement forward-looking statements in our other reports filed with the Securities and Exchange Commission. We assume no obligation to update any forward-looking statement to conform such statements to actual results or to changes in our expectations, except as required by applicable law or regulation.



EMCORE Corporation  
 FORM 10-Q  
 For The Quarterly Period Ended June 30, 2017

TABLE OF CONTENTS

	Page
<u>Part I: Financial Information</u>	
<u>Item 1. Financial Statements</u>	<u>4</u>
<u>Condensed Consolidated Statements of Operations and Comprehensive Income for the three and nine months ended June 30, 2017 and 2016</u>	<u>4</u>
<u>Condensed Consolidated Balance Sheets as of June 30, 2017 and September 30, 2016</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended June 30, 2017 and 2016</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>24</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>37</u>
<u>Item 4. Controls and Procedures</u>	<u>37</u>
<u>Part II. Other Information</u>	
<u>Item 1. Legal Proceedings</u>	<u>38</u>
<u>Item 1A. Risk Factors</u>	<u>38</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>38</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>38</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>38</u>
<u>Item 5. Other Information</u>	<u>38</u>
<u>Item 6. Exhibits</u>	<u>38</u>
<u>SIGNATURES</u>	<u>39</u>

Table of ContentsPART I. Financial InformationITEM 1. Financial Statements

## EMCORE CORPORATION

## Condensed Consolidated Statements of Operations and Comprehensive Income

For the Three and Nine Months Ended June 30, 2017 and 2016

(in thousands, except net income (loss) per share)

(Unaudited)

	For the three months ended June 30,		For the nine months ended June 30,	
	2017	2016	2017	2016
Revenue	\$30,952	\$22,376	\$93,719	\$66,398
Cost of revenue	20,110	14,964	61,796	44,563
Gross profit	10,842	7,412	31,923	21,835
Operating expense (income):				
Selling, general, and administrative	5,815	6,125	17,065	15,771
Research and development	3,340	2,405	8,680	7,529
Impairments	—	—	468	—
Recovery of previously incurred litigation related fees and expenses from arbitration award	—	(2,599 )	—	(2,599 )
Gain on sale of assets	(322 )	(41 )	(322 )	(41 )
Total operating expense	8,833	5,890	25,891	20,660
Operating income	2,009	1,522	6,032	1,175
Other income (expense):				
Interest income, net	77	32	146	40
Foreign exchange gain (loss)	53	(201 )	(306 )	(311 )
Other income	316	—	316	—
Total other income (expense)	446	(169 )	156	(271 )
Income from continuing operations before income tax expense	2,455	1,353	6,188	904
Income tax expense	(19 )	(175 )	(131 )	(22 )
Income from continuing operations	2,436	1,178	6,057	882
(Loss) income from discontinued operations, net of tax	(11 )	123	(27 )	5,388
Net income	\$2,425	\$1,301	\$6,030	\$6,270
Foreign exchange translation adjustment	(1 )	(185 )	15	(230 )
Comprehensive income	\$2,424	\$1,116	\$6,045	\$6,040
Per share data:				
Net income (loss) per basic share:				
Continuing operations	\$0.09	\$0.05	\$0.23	\$0.04
Discontinued operations	(0.00 )	0.00	(0.00 )	0.20
Net income per basic share	\$0.09	\$0.05	\$0.23	\$0.24
Net income (loss) per diluted share:				
Continuing operations	\$0.09	\$0.05	\$0.22	\$0.04
Discontinued operations	(0.00 )	0.00	(0.00 )	0.20
Net income per diluted share	\$0.09	\$0.05	\$0.22	\$0.24
Weighted-average number of basic shares outstanding	26,833	26,103	26,577	25,913
Weighted-average number of diluted shares outstanding	27,816	26,269	27,548	26,186

The accompanying notes are an integral part of these condensed consolidated financial statements.



Table of Contents

## EMCORE CORPORATION

## Condensed Consolidated Balance Sheets

As of June 30, 2017 and September 30, 2016

(in thousands, except per share data)

(unaudited)

	As of June 30, 2017	As of September 30, 2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$66,094	\$ 63,905
Restricted cash	423	965
Accounts receivable, net of allowance of \$7 and \$36, respectively	22,285	18,432
Inventory	26,147	24,150
Prepaid expenses and other current assets	6,633	3,764
Total current assets	121,582	111,216
Property, plant, and equipment, net	15,684	12,213
Non-current inventory	3,115	3,531
Other non-current assets	95	251
Total assets	\$140,476	\$ 127,211
<b>LIABILITIES and SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$12,951	\$ 10,575
Accrued expenses and other current liabilities	8,687	7,684
Total current liabilities	21,638	18,259
Asset retirement obligations	1,620	1,573
Other long-term liabilities	55	62
Total liabilities	23,313	19,894
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Preferred stock, \$0.0001 par value, 5,882 shares authorized; none issued or outstanding	—	—
Common stock, no par value, 50,000 shares authorized; 33,781 shares issued and 26,871 shares outstanding as of June 30, 2017; 33,154 shares issued and 26,244 shares outstanding as of September 30, 2016	729,467	725,666
Treasury stock at cost; 6,910 shares	(47,721 )	(47,721 )
Accumulated other comprehensive income	594	579
Accumulated deficit	(565,177 )	(571,207 )
Total shareholders' equity	117,163	107,317
Total liabilities and shareholders' equity	\$140,476	\$ 127,211

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

## EMCORE CORPORATION

## Condensed Consolidated Statements of Cash Flows

For the nine months ended June 30, 2017 and 2016

(in thousands)

(unaudited)

	For the nine months ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net income	\$6,030	\$6,270
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion expense	2,646	1,696
Stock-based compensation expense	2,672	1,629
Provision adjustments related to doubtful accounts	7	20
Provision adjustments related to product warranty	488	302
Impairments	468	—
Recognition of previously deferred gain on sale of assets from discontinued operations	—	(3,804 )
Net gain on disposal of equipment	(322 )	(41 )
Other	321	(1,422 )
Total non-cash adjustments	6,280	(1,620 )
Changes in operating assets and liabilities:		
Accounts receivable	(3,878 )	(4,358 )
Inventory	(1,782 )	(6,420 )
Other assets	(2,627 )	120
Accounts payable	2,951	2,884
Accrued expenses and other current liabilities	834	(1,118 )
Total change in operating assets and liabilities	(4,502 )	(8,892 )
Net cash provided by (used in) operating activities	7,808	(4,242 )
Cash flows from investing activities:		
Purchase of equipment	(7,262 )	(4,480 )
Receipt of escrow funds from sale of assets	—	1,853
Proceeds from disposal of property, plant and equipment	339	50
Net cash used in investing activities	(6,923 )	(2,577 )
Cash flows from financing activities:		
Proceeds from stock plans	797	614
Net cash provided by financing activities	797	614
Effect of exchange rate changes on foreign currency	(35 )	210
Net increase (decrease) in cash, cash equivalents and restricted cash	1,647	(5,995 )
Cash, cash equivalents and restricted cash at beginning of period	64,870	112,260
Cash, cash equivalents and restricted cash at end of period	\$66,517	\$106,265
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest	\$55	\$65
Cash paid during the period for income taxes	\$79	\$123
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Changes in accounts payable related to purchases of equipment	\$(549 )	\$(432 )
Issuance of common stock to Board of Directors	\$410	\$263
The accompanying notes are an integral part of these condensed consolidated financial statements.		





Table of Contents

EMCORE Corporation  
Notes to our Condensed Consolidated Financial Statements  
For the three and nine months ended June 30, 2017  
(unaudited)

NOTE 1. Description of Business

Business Overview

EMCORE Corporation together with its subsidiaries (referred to herein as the “Company,” “we,” “our,” or “EMCORE”), which was established in 1984 as a New Jersey corporation, designs and manufactures Indium Phosphide (InP) optical chips, components, subsystems and systems for the broadband and specialty fiber optics market. EMCORE is a provider of optical components, as well as complete end-to-end solutions for high-speed communications network infrastructures enabling systems and service providers to meet growing demand for bandwidth and connectivity. EMCORE's advanced optical technologies are designed for cable television (CATV), fiber-to-the-premises (FTTP) networks, telecommunications and data centers, satellite communications, aerospace and defense, wireless networks, and broadcast and professional audio/video systems. With its InP semiconductor wafer fabrication facility, EMCORE has fully vertically-integrated manufacturing capability and also provides contract design, foundry and component packaging services.

We currently have one reporting segment: Fiber Optics.

Sale of Photovoltaics and Digital Products Businesses

In the fiscal year ended September 30, 2015, EMCORE completed the sale of the Company's Photovoltaics Business to SolAero Technologies Corporation (“SolAero”) pursuant to the Asset Purchase Agreement (the “Photovoltaics Agreement”) under which SolAero acquired substantially all of the assets, and assumed substantially all of the liabilities, primarily related to or used in connection with the Company's Photovoltaics Business, including EMCORE's subsidiaries EMCORE Solar Power, Inc. and EMCORE IRB Company, LLC (collectively, the “Photovoltaics Business” and, the sale of the Photovoltaics Business, the “Photovoltaics Asset Sale”), for \$149.9 million in cash.

In the fiscal year ended September 30, 2015, EMCORE completed the sale of the Company's telecommunications business (the “Digital Products Business”) to NeoPhotonics Corporation, a Delaware corporation (“NeoPhotonics”), pursuant to the Asset Purchase Agreement (the “Digital Products Agreement”), under which NeoPhotonics acquired certain assets, and certain liabilities, related to the Company's Digital Products Business for an aggregate purchase price of \$17.5 million.

No Photovoltaics Business or Digital Products Business assets or liabilities that were sold remain on the consolidated balance sheet as of June 30, 2017 or September 30, 2016. The financial results of the Photovoltaics Business and the Digital Products Business are presented as “discontinued operations” on the condensed consolidated statements of operations and comprehensive income for the three and nine months ended June 30, 2017 and 2016. See Note 4 - Discontinued Operations for additional information. The notes to our condensed consolidated financial statements relate to our continuing operations only, unless otherwise indicated.

Interim Financial Statements

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim information, and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and notes required by U.S. GAAP for annual financial statements. In our opinion, the interim financial statements reflect all normal adjustments that are necessary to provide a fair presentation of the financial results for the interim periods presented. Operating results for interim periods are not necessarily indicative of results that may be expected for an entire fiscal year. The condensed consolidated balance sheet as of September 30, 2016 has been derived from the audited consolidated financial statements as of such date as adjusted for discontinued operations. See Note 4 - Discontinued Operations for additional information. For a more complete understanding of our business, financial position, operating results, cash flows, risk factors and other matters, please refer to our Annual Report on Form 10-K for the fiscal year ended September 30, 2016.

Table of Contents

## NOTE 2. Recent Accounting Pronouncements

There have been no recent accounting pronouncements or changes in accounting pronouncements that are of significance, or of potential significance, to us other than those discussed below:

In November 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (ASU 2016-18), which provides amendments to current guidance to address the classification and presentation of changes in restricted cash or restricted cash equivalents. Specifically, there is no guidance to address how to classify and present changes in restricted cash or restricted cash equivalents that occur when there are transfers between cash, cash equivalents and restricted cash or restricted cash equivalents and when there are direct cash receipts into restricted cash or restricted cash equivalents. The new guidance is effective for annual periods beginning after December 15, 2017 and interim periods within those annual periods. Early adoption is permitted. This standard requires the use of the retrospective transition method. The Company early adopted ASU 2016-18 at the beginning of fiscal year 2017. Accordingly, for the nine months ended June 30, 2017 and 2016, the Company reclassified restricted cash to be presented with cash and cash equivalents on the condensed consolidated statements of cash flows in the amount of \$0.4 million and \$1.2 million, respectively.

In August 2016, the 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. This guidance is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The Company early adopted ASU 2016-15 at the beginning of fiscal year 2017, but there was no impact on our Consolidated Financial Statements.

In March 2016, the FASB issued ASU 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. As of September 30, 2016, the Company early adopted ASU 2016-09. ASU 2016-09 introduces targeted amendments intended to simplify the accounting for stock compensation, including the Company's election to eliminate the requirements to estimate the number of awards that are expected to vest, and instead, account for forfeitures when they occur. The new standard requires the change be adopted using the modified retrospective approach. As such, the Company recorded a cumulative-effect adjustment of \$0.2 million to decrease the September 30, 2016 accumulated deficit and common stock balances.

The ASU also requires income tax benefits and deficiencies to be recognized as income tax expense or benefit in the income statement and the tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. The the income tax consequences of the new standard did not have an impact on the consolidated financial statements. Excess tax benefits should be classified along with other income tax cash flows as an operating activity. The new standard also generally requires presentation of cash paid by the employer for employee taxes as a financing activity. The Company has historically not withheld shares from employees for any of their share-based payment awards, and thus, the new standard did not have an impact on the consolidated statement of cash flows.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 introduces a lessee model that requires recognition of assets and liabilities arising from qualified leases on the consolidated balance sheets and disclosure of qualitative and quantitative information about lease transactions. This guidance is effective for fiscal years beginning after December 15, 2018 and interim periods within those years. The new standard will be effective for our fiscal year beginning October 1, 2019 and early adoption is permitted.

This update will be applied using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Company anticipates taking advantage of the practical expedient option. The operating lease obligations at the end of the third quarter of fiscal 2017 were approximately \$1.1 million. Assuming an average discounted rate of 4% applied to these minimum remaining rental payments, we estimate that the impact to our balance sheet upon adoption would be within the range of \$1.2 million to \$2.5 million due to recognition of the right-of-use asset and lease liability related to current operating leases. The Company is continuing to evaluate the effect of this update on its consolidated financial statements and related disclosures.



Table of Contents

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory. This standard requires inventory to be measured at the lower of cost and net realizable value. The guidance clarifies that net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This guidance is effective for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. The new standard will be effective for our fiscal year beginning October 1, 2017 and early adoption is permitted. We are currently evaluating the impact of this accounting standard update on our Consolidated Financial Statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers which will supersede most current U.S. GAAP guidance on this topic. In April 2016, the FASB issued ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing to clarify two aspects of the guidance within ASU No. 2014-09 on identifying performance obligations and the licensing implementation guidance. Under the new standards, recognition of revenue occurs when the seller satisfies a performance obligation by transferring to the customer promised goods or services in an amount that reflects the consideration the entity expects to receive for those goods or services. The new standard, as amended through December 2016, will be effective for our fiscal year beginning October 1, 2018 and early adoption is permitted as of October 1, 2017. The standard permits the use of either the retrospective or cumulative effect transition method. We have established a cross-functional coordinated implementation team to implement ASU 2014-09. We are in the process of identifying and implementing changes to our systems, processes and internal controls to meet the reporting and disclosure requirements.

Upon evaluation, we believe that the key revenue streams will be split between product sales and firm fixed price contracts, which comprise the majority of our business. Based upon the evaluation completed to date, the Company believes that the pattern of revenue recognition for these revenue streams will generally be at a point-in-time for product sales and over a period of time for firm fixed price contracts, consistent with current guidance. The Company does not believe the adoption of ASU 2014-09 will have a material impact on the Company's financial statements and related disclosures. As of June 30, 2017, the Company intends to adopt ASU 2014-09 utilizing a fully retrospective transition approach on October 1, 2018.

## NOTE 3. Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the unaudited condensed consolidated balance sheets that sum to the total of the same amounts shown in the unaudited statements of cash flows:

(in thousands)	As of June 30, 2017	As of September 30, 2016	As of June 30, 2016
Cash and cash equivalents	\$66,094	\$ 63,905	\$105,046
Restricted cash	423	965	1,219
Total cash, cash equivalents and restricted cash	\$66,517	64,870	106,265

The Company's restricted cash includes cash balances which are legally or contractually restricted to use. The Company's restricted cash is included in current assets as of June 30, 2017 and 2016, and September 30, 2016.

## NOTE 4. Discontinued Operations

## Sale of Photovoltaics Business

In the fiscal year ended September 30, 2015, EMCORE completed the sale of the Company's Photovoltaics Business to SolAero pursuant to the Photovoltaics Agreement under which SolAero acquired substantially all of the assets, and assumed substantially all of the liabilities, primarily related to or used in connection with the Company's Photovoltaics Business for \$149.9 million in cash.

Table of Contents

On December 22, 2015, we settled all of the outstanding rights and obligations of a solar power venture in Spain, including outstanding non-current receivables, for a payment of \$0.7 million. The outstanding non-current receivables had a net book value of \$0 at the time of settlement as they were fully allowed for previously. The resulting gain was recorded in the discontinued operations of the Photovoltaics Business for the nine months ended June 30, 2016.

The following table presents the statements of operations for the discontinued operations of the Photovoltaics Business:

(in thousands)	For the three months ended June 30,		For the nine months ended June 30,	
	2017	2016	2017	2016
Revenue	\$—	\$—	\$—	\$—
Cost of revenue	—	—	12	—
Gross loss	—	—	(12 )	—
Operating expense (income)	5	(17 )	13	(838 )
(Loss) income from discontinued operations before income tax expense	(5 )	17	(25 )	838
Income tax benefit (expense)	—	23	—	(5 )
(Loss) income from discontinued operations, net of tax	\$(5)	\$40	\$(25)	\$833

Included in discontinued operations of the Photovoltaics Business during the three and nine months ended June 30, 2016 were \$0 and \$0.1 million, respectively, of New Mexico incentive tax credits received. There were no incentive tax credits received during the three and nine months ended June 30, 2017.

Sale of Digital Products Business

In the fiscal year ended September 30, 2015, EMCORE completed the sale of the Company's Digital Products Business to NeoPhotonics pursuant to the Digital Products Agreement, under which NeoPhotonics acquired certain assets, and certain liabilities, related to the Company's Digital Products Business for an aggregate purchase price of \$17.5 million.

In December 2015, we entered into an agreement to terminate our lease and related obligations associated with a facility in Newark, California which we abandoned effective February 2016 following the sale of the Digital Products Business. As a result of this agreement, we paid \$0.2 million and recorded a gain of \$0.3 million on the lease termination in the discontinued operations of the Digital Products Business during the nine months ended June 30, 2016. Also see Note 9 - Accrued Expenses and Other Current Liabilities.

Included in cost of revenue for the nine months ended June 30, 2016 is \$0.4 million due to a reduction in expected product warranty liabilities from a settlement associated with the Digital Products Business.

During the nine months ended June 30, 2016, we recognized the deferred gain of \$3.4 million and reversal of other liabilities of \$0.4 million, that had been recorded as of September 30, 2015, resulting in a credit of \$3.8 million to deferred gain on sale of assets within discontinued operations of the Digital Products Business as the result of the favorable ruling from the Sumitomo Electric Industries, LTD ("SEI") arbitration. Also see Note 12- Commitments and Contingencies.





Table of Contents

The following table presents the statements of operations for the discontinued operations of the Digital Products Business:

(in thousands)	For the three months ended June 30,		For the nine months ended June 30,	
	2017	2016	2017	2016
Revenue	\$—	\$—	\$—	\$—
Cost of revenue	—	—	—	(494 )
Gross profit	—	—	—	494
Operating expense (income)	6	45	2	(285 )
Recognition of previously deferred gain on sale of assets	—	—	—	3,804
(Loss) income from discontinued operations before income tax expense	(6 )	(45 )	(2 )	4,583
Income tax benefit (expense)	—	128	—	(28 )
(Loss) income from discontinued operations, net of tax	\$(6)	\$83	\$(2)	\$4,555

## NOTE 5. Fair Value Accounting

Accounting Standards Codification Topic 820 (“ASC 820”), Fair Value Measurements, establishes a valuation hierarchy for disclosure of the inputs to valuation techniques used to measure fair value. This standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the assets or liabilities, either directly or indirectly, through market corroboration, for substantially the full term of the financial instrument.

Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets or liabilities at fair value.

Classification of an asset or liability within this hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs.

Cash consists primarily of bank deposits or highly liquid short-term investments with a maturity of three months or less at the time of purchase. Restricted cash represents temporarily restricted deposits held as compensating balances against short-term borrowing arrangements.

The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, other current assets, and accounts payable approximate fair value because of the short maturity of these instruments.



Table of Contents

## NOTE 6. Accounts Receivable

The components of accounts receivable consisted of the following:

(in thousands)	As of June 30, 2017	As of September 30, 2016
Accounts receivable, gross	\$22,292	\$ 18,468
Allowance for doubtful accounts	(7 )	(36 )
Accounts receivable, net	\$22,285	\$ 18,432

The allowance for doubtful accounts is based on the age of receivables and a specific identification of receivables considered at risk of collection.

The following table summarizes changes in the allowance for doubtful accounts for the three and nine months ended June 30, 2017 and 2016.

Allowance for Doubtful Accounts (in thousands)	For the three months ended June 30,		For the nine months ended June 30,	
	2017	2016	2017	2016
Balance at beginning of period	\$13	\$103	\$36	\$462
Provision adjustment - expense, net of recoveries	—	16	7	20
Write-offs and other adjustments - deductions to receivable balances	(6 )	(66 )	(36 )	(429 )
Balance at end of period	\$7	\$53	\$7	\$53

## NOTE 7. Inventory

The components of inventory consisted of the following:

(in thousands)	As of June 30, 2017	As of September 30, 2016
Raw materials	\$16,033	\$ 16,095
Work in-process	6,586	5,687
Finished goods	6,643	5,899
Inventory balance at end of period	\$29,262	\$ 27,681
Current portion	\$26,147	\$ 24,150
Non-Current portion	3,115	3,531

The non-current inventory balance of \$3.1 million and \$3.5 million as of June 30, 2017 and September 30, 2016, respectively, is comprised entirely of raw materials which we acquired as part of a last time purchase as a result of the vendor announcing they would cease manufacturing a part.



Table of Contents

## NOTE 8. Property, Plant, and Equipment, net

The components of property, plant, and equipment, net consisted of the following:

(in thousands)	As of June 30, 2017	As of September 30, 2016
Equipment	\$31,375	\$ 28,247
Furniture and fixtures	1,109	1,109
Computer hardware and software	3,046	2,860
Leasehold improvements	2,006	1,896
Construction in progress	4,216	1,779
Property, plant, and equipment, gross	41,752	35,891
Accumulated depreciation	(26,068 )	(23,678 )
Property, plant, and equipment, net	\$ 15,684	\$ 12,213

In March 2017, in connection with the transition of our manufacturing operations in China to a new manufacturing facility in China, we identified equipment with a net book value of approximately \$0.6 million that would no longer be utilized after the completion of the move later in fiscal year 2017. After taking into consideration the costs of disposal and estimated net funds from the sale of the equipment of approximately \$0.1 million, we recorded a charge to impairments of approximately \$0.5 million in the nine months ended June 30, 2017.

## NOTE 9. Accrued Expenses and Other Current Liabilities

The components of accrued expenses and other current liabilities consisted of the following:

(in thousands)	As of June 30, 2017	As of September 30, 2016
Compensation	\$ 3,976	\$ 3,628
Warranty	798	871
Professional fees	377	761
Customer deposits	18	38
Income and other taxes	1,065	944
Severance and restructuring accruals	889	642
Other	1,564	800
Accrued expenses and other current liabilities	\$ 8,687	\$ 7,684

Compensation: Compensation is primarily comprised of accrued employee salaries, taxes and benefits.

Income and other taxes: For the three months ended June 30, 2017, the Company recorded income tax expense of \$19,000 and \$0 within income from continuing operations and discontinued operations, respectively. For the three months ended June 30, 2016, the Company recorded \$0.2 million of income tax expense from continuing operations income and \$0.2 million of income tax benefit within income from discontinued operations. For the nine months ended June 30, 2017, the Company recorded approximately \$0.1 million of income tax expense from continuing operations and \$0 of income tax benefit within income from discontinued operations. For the nine months ended June 30, 2016, the Company recorded \$22,000 of income tax expense from continuing operations income and \$33,000 of income tax expense within income from discontinued operations. The income tax expense within discontinued

operations includes estimated alternative minimum tax and other adjustments prescribed by ASC 740 in allocating expected annual income tax expense (benefit) between continuing operations and discontinued operations.

Table of Contents

Severance and restructuring accruals: In connection with the abandonment of our Newark, California facility following the closing of the sale of the Digital Products Business, we accrued for the remaining lease costs through the lease termination in May 2016. In December 2015, we entered into an agreement to terminate this lease and related obligations, including Asset Retirement Obligations (“ARO or AROs”), as of February 2016 for a payment of \$0.2 million. As a result of the agreement, we recorded a gain of \$0.3 million on the lease termination. The resulting gain was recorded in the discontinued operations of the Digital Products Business for the nine months ended June 30, 2016. See Note 4 - Discontinued Operations.

On June 7, 2016, the Company's former Chief Financial Officer (“CFO”) notified the Company that he would resign as the Company's CFO, effective as of June 20, 2016 (the “Separation Date”). The Company and the former CFO entered into a separation agreement and general release, dated June 7, 2016 (the “Separation Agreement”), which includes mutual releases by the former CFO and the Company of all claims related to his employment and service relationship with, and termination of employment and service from, the Company. The Separation Agreement provides for, among other things, the continuation of his base salary for 64 weeks, benefits for 16 months, outplacement services for a period of not more than 1 year and with a value not in excess of \$15,000 and immediate vesting of all his outstanding non-vested equity awards, other than his most recent equity award. These payments are not contingent upon any future service by the former CFO. The Company recorded a charge of approximately \$0.4 million in the three and nine months ended June 30, 2016 related to this Separation Agreement.

In an effort to better align our current and future business operations, in May 2016 the Company announced a reduction in its workforce by approximately 30 individuals and recorded a charge for severance for the affected employees in the amount of \$0.3 million in the three and nine months ended June 30, 2016. In November 2016, the Company announced an additional reduction in the workforce of approximately 5 individuals and recorded a charge of \$0.2 million in the nine months ended June 30, 2017 related to the outsourcing of our satellite communications assembly operations.

In March 2017, the Company announced an additional workforce reduction of approximately 14 individuals and recorded a charge of \$0.1 million in the nine months ended June 30, 2017 related to the outsourcing of our wafer fabrication lab. During the three and nine months ended June 30, 2017, the Company recorded an additional charge of \$0.4 million for six additional individuals related to the March 2017 workforce reduction. Also, in March 2017, in connection with our opening of a new manufacturing facility in China to reduce costs and improve efficiency later in fiscal year 2017, we accrued for a workforce reduction of approximately 265 individuals and recorded a charge of \$0.5 million in the nine months ended June 30, 2017. During the three and nine months ended June 30, 2017, the Company recorded an additional charge of \$0.4 million for the workforce reduction of 72 additional individuals related to the opening of our new manufacturing facility in China.

Our severance and restructuring-related accruals specifically relate to the separation agreements and reductions in force discussed above and non-cancelable obligations associated with an abandoned leased facility. Expense related to severance and restructuring accruals is included in selling, general, and administrative expense on our statements of operations and comprehensive income. The following table summarizes the changes in the severance accrual account:

(in thousands)	Severance-related accruals
Balance as of September 30, 2016	\$ 642
Expense - charged to accrual	1,602
Payments and accrual adjustments	(1,355 )
Balance as of June 30, 2017	\$ 889





Table of Contents

Warranty: We generally provide product and other warranties on our components, power systems, and fiber optic products. Certain parts and labor warranties from our vendors can be assigned to our customers. Our reported financial position or results of operations may be materially different under changed conditions or when using different estimates and assumptions. In the event that estimates or assumptions prove to differ from actual results, adjustments are made in subsequent periods to reflect more current information.

The following table summarizes the changes in our product warranty accrual accounts:

Product Warranty Accruals (in thousands)	For the three months ended June 30,		For the nine months ended June 30,	
	2017	2016	2017	2016
Balance at beginning of period	\$899	\$1,102	\$871	\$1,664
Provision for product warranty - expense	185	68	488	302
Adjustments and utilization of warranty accrual	(286 )	(196 )	(561 )	(992 )
Balance at end of period	\$798	\$974	\$798	\$974

## NOTE 10. Credit Facilities

On November 11, 2010, we entered into a Credit and Security Agreement (the “Credit Facility”) with Wells Fargo Bank, N.A.. The Credit Facility is secured by the Company's assets and is subject to a borrowing base formula based on the Company's eligible accounts receivable, inventory, and machinery and equipment accounts.

On November 10, 2015, we entered into a Seventh Amendment of the Credit Facility, which extended the maturity date of the facility to November 2018 and adjusted the interest rate to LIBOR plus 2.5%. The Credit Facility currently provides us with a revolving credit line of up to \$15.0 million that can be used for working capital requirements, letters of credit, and other general corporate purposes.

As of June 30, 2017, there were no amounts outstanding under this Credit Facility and the Company was in compliance with all financial covenants. Also, as of June 30, 2017, the Credit Facility had approximately \$0.5 million reserved for one stand-by letter of credit and \$6.2 million available for borrowing. As of July 31, 2017, there was no outstanding balance under this Credit Facility.

## NOTE 11. Income and other Taxes

For the three months ended June 30, 2017 and 2016, the Company recorded income tax expense from continuing operations of approximately \$19,000 and \$0.2 million, respectively. For the three months ended June 30, 2017 and 2016, the Company recorded income tax benefit from discontinued operations of approximately \$0 and \$0.2 million, respectively. For the nine months ended June 30, 2017 and 2016, the Company recorded income tax expense from continuing operations of approximately \$0.1 million and \$22,000, respectively. For the nine months ended June 30, 2017 and 2016, the Company recorded income tax expense from discontinued operations of approximately \$0 and \$33,000, respectively. Income tax expense is comprised of estimated alternative minimum tax allocated between continuing operations and discontinued operations as prescribed by ASC 740 and foreign tax expense included within continuing operations.

For the three months ended June 30, 2017 and 2016, the effective tax rate on continuing operations was 0.8% and 12.9% , respectively. The lower tax rate for the three months ended June 30, 2017 was primarily due to changes in the

Company's estimated results in the current year as compared to the prior year. The higher tax rate for the three months ended June 30, 2016 was primarily due to permanent differences, state tax benefits and foreign tax rate differentials. For the nine months ended June 30, 2017 and 2016, the effective tax rate on continuing operations was 2.1% and 2.4%, respectively. The Company uses estimates to forecast the results from continuing operations for the current fiscal year as well as permanent differences between book and tax accounting.

We have not provided for U.S. federal and state income taxes on non-U.S. subsidiaries' undistributed earnings as of June 30, 2017 because we plan to indefinitely reinvest the unremitted earnings of our non-U.S. subsidiaries.

Table of Contents

All deferred tax assets have a full valuation allowance at June 30, 2017. However, on a quarterly basis, the Company will evaluate the positive and negative evidence to assess whether the more likely than not criteria, mandated by ASC 740, has been satisfied in determining whether there will be further adjustments to the valuation allowance.

During the three and nine months ended June 30, 2017 and 2016, there were no material increases or decreases in unrecognized tax benefits. As of June 30, 2017 and September 30, 2016, we had approximately \$0.3 million of interest and penalties accrued as tax liabilities on our condensed consolidated balance sheet.

The Company's Board of Directors has adopted a Tax Benefits Preservation Plan (the "Rights Plan") to help preserve the value of our net operating losses and tax credit carryforwards by reducing the risk of limitation of these deferred tax assets. The Rights Plan was approved by the Company's shareholders on March 10, 2015. The Rights Plan is intended to reduce the likelihood that the Company will experience an ownership change for purposes of Internal Revenue Code Section 382 by discouraging any person or group from becoming a "5% shareholder" or increasing their ownership of the Company's common stock if they are already a "5% shareholder."

NOTE 12. Commitments and Contingencies

**Operating Lease Obligations:** We lease certain facilities and equipment under non-cancelable operating leases. Operating lease amounts exclude renewal option periods, property taxes, insurance, and maintenance expenses on leased properties. Our facility leases typically provide for rental adjustments for increases in base rent (up to specific limits), property taxes, insurance, and general property maintenance that would be recorded as rent expense. Rent expense was approximately \$0.4 million and \$0.5 million for the three months ended June 30, 2017 and 2016, respectively, and approximately \$1.1 million for the nine months ended June 30, 2017 and 2016. There are no off-balance sheet arrangements other than our operating leases.

**Asset Retirement Obligation:** We have known conditional AROs, such as certain asset decommissioning and restoration of rented facilities to be performed in the future. Our ARO includes assumptions related to renewal option periods for those facilities where we expect to extend lease terms. The Company recognizes its estimate of the fair value of its ARO in the period incurred in long-term liabilities. The fair value of the ARO is also capitalized as property, plant and equipment.

In future periods, the ARO is accreted for the change in its present value and capitalized costs are depreciated over the useful life of the related assets. If the fair value of the estimated ARO changes, an adjustment will be recorded to both the ARO and the asset retirement capitalized cost. Revisions in estimated liabilities can result from revisions of estimated inflation rates, changes in estimated retirement costs, and changes in the estimated timing of settling the ARO. The fair value of our ARO was estimated by discounting projected cash flows over the estimated life of the related assets using credit adjusted risk-free rates which ranged from 1.20% to 4.20%. There was no ARO settled during the three and nine months ended June 30, 2017. See discussion below regarding ARO settlements during the nine months ended June 30, 2016. Accretion expense of \$17,000 and \$15,000 was recorded during the three months ended June 30, 2017 and 2016, respectively. Accretion expense of \$0.1 million and \$45,000 was recorded during the nine months ended June 30, 2017 and 2016, respectively.

EMCORE leases its primary facility in Alhambra, California covering six buildings where manufacturing, research and development, and general and administrative work is performed. Several leases related to these facilities expired in 2011, and were being maintained on a month-to-month basis. In November 2014, a new lease for four of the six buildings was signed, which was retroactively effective on October 1, 2014. The new lease extended the terms of the lease for three years plus a three year option to extend the lease, which was not exercised prior to the deadline for exercising such option, and clarified the obligations and restoration work necessary to restore the buildings back to the requirements in the lease.

The Company's ARO consists of legal requirements to return the existing leased facilities to their original state and certain environmental work to be performed due to the presence of a manufacturing fabrication operation and significant changes to the facilities over the past thirty years.

During the nine months ended June 30, 2016, the Company entered into an agreement to terminate the lease and related obligations, including ARO, in Newark, California for a one-time settlement payment of \$0.2 million. As a result of this agreement and payment, the Company reduced its ARO associated with the Newark facility by \$0.3 million.

## Table of Contents

Indemnifications: We have agreed to indemnify certain customers against claims of infringement of intellectual property rights of others in our sales contracts with these customers. Historically, we have not paid any claims under these indemnification obligations. In March 2012, we entered into a Master Purchase Agreement with SEI, pursuant to which we agreed to sell certain assets and transfer certain obligations. Under the terms of the Master Purchase Agreement, we agreed to indemnify SEI for up to \$3.4 million of potential claims and expenses for the two-year period following the sale and we recorded this amount as a deferred gain on our balance sheet as a result of these contingencies.

On September 23, 2014, SEI filed for arbitration against EMCORE, in accordance with the terms of the Master Purchase Agreement between the parties. SEI was seeking \$47.5 million from EMCORE, relating to numerous claims. On April 12, 2016, the International Court of Arbitration tribunal rejected SEI's claims. The panel ruled that EMCORE owed SEI none of the amounts SEI sought in the arbitration and that the Company was entitled to collect the \$1.9 million held in escrow, which was received in June 2016. The Company was also entitled to recover \$2.6 million in fees and costs from SEI, which was received in June 2016. During the fiscal year ended September 30, 2016, we recognized a gain associated with the release of \$3.4 million of previously recorded gain associated with the sale of assets and reversal of other liabilities of \$0.4 million, resulting in a credit of \$3.8 million to recognition of previously deferred gain on sale of assets within discontinued operations of the Digital Products Business. During the fiscal year ended September 30, 2016, we recognized the \$2.6 million recovery of previously incurred litigation fees and costs incurred by EMCORE within operating income as such represented the recovery of previously incurred legal expenses. See Note 4 - Discontinued Operations.

Legal Proceedings: We are subject to various legal proceedings, claims, and litigation, either asserted or unasserted, that arise in the ordinary course of business. While the outcome of these matters is currently not determinable, we do not expect the resolution of these matters to have a material adverse effect on our business, financial position, results of operations, or cash flows. However, the results of these matters cannot be predicted with certainty. Professional legal fees are expensed when incurred. We accrue for contingent losses when such losses are probable and reasonably estimable. In the event that estimates or assumptions prove to differ from actual results, adjustments are made in subsequent periods to reflect more current information. Should we fail to prevail in any legal matter or should several legal matters be resolved against the Company in the same reporting period, then the financial results of that particular reporting period could be materially affected.

### a) Intellectual Property Lawsuits

We protect our proprietary technology by applying for patents where appropriate and, in other cases, by preserving the technology, related know-how and information as trade secrets. The success and competitive position of our product lines are impacted by our ability to obtain intellectual property protection for our research and development efforts. We have, from time to time, exchanged correspondence with third parties regarding the assertion of patent or other intellectual property rights in connection with certain of our products and processes.

### b) Mirasol Class Action

On December 15, 2015, Plaintiff Christina Mirasol ("Mirasol"), on her own behalf and on behalf of a putative class of similarly situated individuals composed of current and former non-exempt employees of the Company working in California since December 15, 2011, filed a complaint against the Company in the Superior Court of California, Los Angeles County. The complaint alleged seven causes of action related to: (1) failure to pay overtime; (2) failure to provide meal periods; (3) failure to pay minimum wages; (4) failure to timely pay wages upon termination; (5) failure to provide compliant wage statements; (6) unfair competition under the California Business and Professions Code § 17200 et seq.; and (7) penalties under the Private Attorneys General Act. The claims were premised primarily on the allegation that Mirasol and the putative class members were not provided with their legally required meal periods.

Mirasol sought recovery on her own behalf and on behalf of the putative class in an unspecified amount for compensatory and liquidated damages as well as for declaratory relief, injunctive relief, statutory penalties, pre-judgment interest, costs and attorneys' fees.

## Table of Contents

In exchange for a one-time cash payment offered by the Company, certain current and former employees previously agreed to release the Company from all potential claims related to the matters alleged in the Mirasol lawsuit. The Company had recorded an accrual for these amounts at September 30, 2016 that was not material to the Company's results of operations, financial condition or cash flows, which had been recorded within Operating Expenses for the fiscal year ended September 30, 2016. On January 6, 2017, the Company and Mirasol agreed to a class action settlement of \$0.3 million with regards to all outstanding claims. The parties have agreed to a formal settlement agreement, which will require approval by the Court. During the nine months ended June 30, 2017, the Company recorded an accrual of \$0.2 million within Operating Expenses related to the settlement.

### c) Mirasol Wrongful Termination Lawsuit

In August 2016, EMCORE was served with a second lawsuit by former employee Mirsaol, in the Superior Court of Los Angeles alleging that the Company violated California's employment laws in terminating her employment in November 2015. By her complaint, Mirasol asserted five causes of action: (1) wrongful termination in violation of public policy; (2) discrimination on the basis of disability and/or medical condition; (3) failure to accommodate; (4) failure to engage in the interactive process; and (5) intentional infliction of emotional distress. On September 26, 2016, Mirasol dismissed the fifth cause of action for intentional infliction of emotional distress. Mirasol alleged that EMCORE wrongfully terminated her at the conclusion of a Family and Medical Act leave, without engaging in the interactive process of offering to provide her with reasonable accommodations. The plaintiff sought general, special, and punitive damages. On January 6, 2017, the Company and Mirasol agreed to a settlement of \$50,000 with regards to all outstanding claims. This amount was paid as of June 30, 2017.

## NOTE 13. Equity

### Equity Plans

We provide long-term incentives to eligible officers, directors, and employees in the form of equity-based awards. We maintain three equity incentive compensation plans, collectively described below as our "Equity Plans":

- the 2000 Stock Option Plan,
- the 2010 Equity Incentive Plan ("2010 Plan"), and
- the 2012 Equity Incentive Plan ("2012 Plan").

We issue new shares of common stock to satisfy awards issued under our Equity Plans.

The Board of Directors (the "Board") of the Company previously approved, subject to stockholder approval, amendments to the 2012 Plan that would, among other changes, (1) increase the limit on the aggregate number of shares of common stock that may be delivered pursuant to awards granted under the 2012 Plan by 2,400,000 shares to a new aggregate share limit of 5,301,366 shares; (2) extend the ability to grant performance-based awards under the 2012 plan through the first annual meeting of shareholders that occurs in 2022; (3) extend the term of the 2012 Plan until March 17, 2027; (4) increase the annual limits on the number of different types of awards that may be granted to an individual under the 2012 Plan, so a participant may receive (a) a maximum of 200,000 stock options, 200,000 stock appreciation rights, 200,000 shares of restricted stock, 200,000 restricted stock units, 200,000 stock purchase rights and 200,000 share awards in any fiscal year of the Company, (b) in connection with their initial year of service, up to an additional 400,000 stock options, 400,000 stock appreciation rights, 400,000 shares of restricted stock, 400,000 restricted stock units, 400,000 stock purchase rights and 400,000 share awards, and (c) a maximum of \$1,000,000 in cash earned in connection with the grant of performance units in any fiscal year; and (5) require all awards granted under the Amended 2012 Plan to have a minimum vesting period of one year and no award may vest earlier than the first anniversary of the grant date of the award. The Company's stockholders approved the amendments to the 2012 Plan on March 17, 2017.

As of September 30, 2016, the Company early adopted the new accounting guidance that simplifies several aspects of the accounting for share-based payments, including the Company's election to eliminate the requirements to estimate



the number of awards that are expected to vest, and instead, account for forfeitures when they occur. The new standard requires the change be adopted using the modified retrospective approach. As such, the Company recorded a cumulative-effect adjustment of \$0.2 million to decrease the September 30, 2016 accumulated deficit and common stock balances.

#### Stock Options

Most of our stock options vest and become exercisable over a four to five year period and have a contractual life of 10 years. Certain stock options awarded are intended to qualify as incentive stock options pursuant to Section 422A of the Internal Revenue Code.

Table of Contents

The following table summarizes stock option activity under the Equity Plans for the nine months ended June 30, 2017:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (*) (in thousands)
Outstanding as of September 30, 2016	750,338	\$16.84		
Granted	—	—		
Exercised	(150,922)	\$3.27		\$ 887
Forfeited	(5,204 )	\$4.99		
Expired	(145,731)	\$19.46		
Outstanding as of June 30, 2017	448,481	\$20.69	1.81	\$ 585
Exercisable as of June 30, 2017	396,712	\$22.78	0.97	\$ 276
Vested and expected to vest as of June 30, 2017	448,481	\$20.69	1.81	\$ 585

(\*) Intrinsic value for stock options represents the “in-the-money” portion or the positive variance between a stock option's exercise price and the underlying stock price. For the nine months ended June 30, 2016, the intrinsic value of options exercised was \$82,000.

As of June 30, 2017, there was approximately \$0.1 million of unrecognized stock-based compensation expense related to non-vested stock options granted under the Equity Plans which is expected to be recognized over an estimated weighted average life of 3.0 years.

## Valuation Assumptions

There were no stock option grants for the three and nine months ended June 30, 2017. The fair value of each stock option grant for the three and nine months ended June 30, 2016, excluding the adjustment for a special dividend paid in July 2016, was estimated on the date of grant using the Black-Scholes option valuation model, adhering to the straight-line attribution approach using the following weighted-average assumptions, of which the expected term and stock price volatility rate are highly subjective:

	For the three months ended June 30, 2017		For the nine months ended June 30, 2016	
Black-Scholes weighted average assumptions:				
Expected dividend rate	—%	—%	—%	—%
Expected stock price volatility rate	60.4%	60.9%	60.9%	60.9%
Risk-free interest rate	1.4%	1.6%	1.6%	1.6%
Expected term (in years)	6.0	6.0	6.0	6.0

Weighted average grant date fair value per share of stock options granted: \$— \$3.06 \$— \$3.40

Expected Dividend Yield: The Black-Scholes valuation model calls for a single expected dividend rate as an input. Although we paid a special dividend in July 2016, no dividend rate was assumed in the valuation.

**Expected Stock Price Volatility Rate:** The fair values of stock-based payments were calculated using the Black-Scholes valuation method with a volatility factor based on our historical common stock prices.

**Risk-Free Interest Rate:** The risk-free interest rate used in the Black-Scholes valuation method was based on the implied yield that was available on U.S. Treasury zero-coupon notes with an equivalent remaining term. Where the expected terms of stock-based awards do not correspond with the terms for which interest rates are quoted, we performed a straight-line interpolation to determine the rate from the available maturities.

Table of Contents

**Expected Term:** Expected term represents the period that our stock-based awards are expected to be outstanding and was determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior as influenced by changes to the terms of stock-based awards.

**Restricted Stock**

Restricted stock units (RSUs) granted to employees under the 2010 Plan and 2012 Plan typically vest over 3 to 4 years and are subject to forfeiture if employment terminates prior to the lapse of the restrictions. RSUs are not considered issued or outstanding common stock until they vest.

The following table summarizes the activity related to RSUs for the nine months ended June 30, 2017:

Restricted Stock Activity	Restricted Stock Units	
	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested as of September 30, 2016	878,416	\$4.25
Granted	307,509	\$8.44
Vested	(351,489)	\$4.13
Forfeited	(33,771 )	\$4.76
Non-vested as of June 30, 2017	800,665	\$5.88

As of June 30, 2017, there was approximately \$4.0 million of remaining unamortized stock-based compensation expense associated with RSUs, which will be expensed over a weighted average remaining service period of approximately 2.5 years. The 0.8 million outstanding non-vested and expected to vest RSUs have an aggregate intrinsic value of approximately \$8.5 million and a weighted average remaining contractual term of 1.6 years. For the nine months ended June 30, 2017 and 2016, the intrinsic value of RSUs vested was approximately \$3.3 million and \$1.6 million, respectively. For the nine months ended June 30, 2016, the weighted average grant date fair value of RSUs granted was \$5.55.

On October 18, 2016, the Company granted 70,000 RSUs with a grant date fair value of \$0.4 million to its CEO, Jeffrey Rittichier, that will vest in 4 equal annual installments beginning on October 18, 2017.

**Performance Stock**

Performance based restricted stock units (PSUs) granted to employees under the 2012 Plan typically vest over 1 to 3 years and are subject to forfeiture if employment terminates prior to the lapse of the restrictions. PSUs are not considered issued or outstanding common stock until they vest. PSUs that are granted to our executive officers and key employees are provided as long-term incentive compensation that is based on relative total shareholder return, which measures our performance against that of our competitors.

On October 18, 2016, the Company granted our CEO, Mr. Rittichier, 100,000 target PSUs with a grant date fair value of \$0.7 million and our CFO, Jikun Kim, 195,180 target PSUs with a grant date fair value of \$1.4 million.

The PSUs issued will vest based on a combination of the relative total shareholder return of EMCORE's stock compared to the Russell Microcap Index and the executive's continued employment. The total number of shares to be issued to each individual ranges from zero (0) to 200% of the target PSUs granted. Between zero (0) and 200% of one third of the target PSUs will vest, if at all, on each of October 17, 2017, 2018 and 2019.

On December 14, 2016, the Company granted 71,669 target PSUs with a grant date fair value of \$1.0 million to certain employees. The PSUs issued will vest based on a combination of the relative total shareholder return of

EMCORE's stock compared to the Russell Microcap Index and the employee's continued employment. The total number of shares to be issued to each individual may range from zero (0) to 200% of the target PSUs granted. Between zero (0) and 200% of the target PSUs granted will vest, if at all, on December 14, 2019.

Table of Contents

The following table summarizes the activity related to PSUs for the nine months ended June 30, 2017:

Performance Stock Activity	Performance Stock Units	
	Number of Shares (at Target)	Weighted Average Grant Date Fair Value
Non-vested as of September 30, 2016	—	\$0.00
Granted	366,849	\$8.34
Vested	—	\$0.00
Forfeited	(4,808 )	\$13.36
Non-vested as of June 30, 2017	362,041	\$8.27

As of June 30, 2017, there was approximately \$1.9 million of remaining unamortized stock-based compensation expense associated with PSUs, which will be expensed over a weighted average remaining service period of approximately 1.5 years. The 0.4 million outstanding non-vested and expected to vest PSUs have an aggregate intrinsic value of approximately \$3.9 million and a weighted average remaining contractual term of 1.5 years. For the nine months ended June 30, 2017 and 2016, there were no PSUs vested. There were no PSUs granted during the nine months ended June 30, 2016.

## Stock-based compensation

The effect of recording stock-based compensation expense was as follows:

Stock-based Compensation Expense - by award type	For the three months ended June 30,		For the nine months ended June 30,	
	2017	2016	2017	2016
(in thousands)				
Employee stock options	\$12	\$9	\$34	\$25
Restricted stock awards and units	488	606	1,211	1,325
Performance stock units	410	—	1,049	—
Employee stock purchase plan	92	57	210	168
Outside director fees in common stock	78	55	168	185
Total stock-based compensation expense	\$1,080	\$727	\$2,672	\$1,703

Stock-based Compensation Expense - by expense type	For the three months ended June 30,		For the nine months ended June 30,	
	2017	2016	2017	2016
(in thousands)				
Cost of revenue	\$113	\$81	\$353	\$263
Selling, general, and administrative	824	555	1,957	1,163
Research and development	143	91	362	277
Total stock-based compensation expense	\$1,080	\$727	\$2,672	\$1,703

The stock-based compensation expense above relates to continuing operations. Stock-based compensation within selling, general and administrative expense was higher for three and nine months ended June 30, 2017 due to

stock-based compensation expense associated with the grants of PSUs. Included within discontinued operations is \$11,000 and \$(19,000) of stock based compensation expense for the three months ended June 30, 2017 and 2016, respectively. Included within discontinued operations is \$0 and \$(75,000) of stock based compensation expense for the nine months ended June 30, 2017 and 2016, respectively.

Table of Contents

## 401(k) Plan

We have a savings plan that qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Under this savings plan, participating employees may defer a portion of their pretax earnings, up to the Internal Revenue Service annual contribution limit. Since June 2015, all employer contributions are made in cash. Our matching contribution in cash for the three months ended June 30, 2017 and 2016 was approximately \$0.1 million. Our matching contribution in cash for the nine months ended June 30, 2017 and 2016 was approximately \$0.4 million and \$0.3 million, respectively.

## Income (Loss) Per Share

The following table sets forth the computation of basic and diluted net income (loss) per share:

Basic and Diluted Net Income (Loss) Per Share  (in thousands, except per share)	For the three months ended June 30,		For the nine months ended June 30,	
	2017	2016	2017	2016
Numerator:				
Income from continuing operations	\$2,436	\$1,178	\$6,057	\$ 882
(Loss) income from discontinued operations	(11 )	123	(27 )	5,388
Undistributed earnings allocated to common shareholders for basic and diluted net income per share	2,425	1,301	6,030	6,270
Denominator:				
Denominator for basic net income per share - weighted average shares outstanding	26,833	26,103	26,577	25,913
Dilutive options outstanding, unvested stock units and ESPP	983	166	971	273
Denominator for diluted net income per share - adjusted weighted average shares outstanding	27,816	26,269	27,548	26,186
Net income (loss) per basic share:				
Continuing operations	\$0.09	\$0.05	\$0.23	\$0.04
Discontinued operations	(0.00 )	0.00	(0.00 )	0.20
Net income per basic share	\$0.09	\$0.05	\$0.23	\$0.24
Net income (loss) per diluted share:				
Continuing operations	\$0.09	\$0.05	\$0.22	\$0.04
Discontinued operations	(0.00 )	0.00	(0.00 )	0.20
Net income per diluted share	\$0.09	\$0.05	\$0.22	\$0.24
Weighted average antidilutive options, unvested restricted stock units and awards, unvested performance stock units and ESPP shares excluded from the computation	370	522	400	528
Average market price of common stock	\$10.00	\$5.64	\$8.66	\$6.00

For diluted income (loss) per share, the denominator includes all outstanding common shares and all potential dilutive common shares to be issued. For the three and nine months ended June 30, 2017, we excluded 0.4 million of weighted average outstanding stock options, RSUs and PSUs from the calculation of diluted net income per share because their effect would have been anti-dilutive. For the three and nine months ended June 30, 2016, we excluded 0.5 million of weighted average outstanding stock options and RSUs from the calculation of diluted net income per share because their effect would have been anti-dilutive.

## Employee Stock Purchase Plan



We maintain an Employee Stock Purchase Plan (“ESPP”) that provides employees an opportunity to purchase common stock through payroll deductions. The ESPP is a 6-month duration plan with new participation periods beginning on February 25 and August 26 of each year. The purchase price is set at 85% of the average high and low market price of our common stock on either the first or last day of the participation period, whichever is lower, and annual contributions are limited to the lower of 10% of an employee's compensation or \$25,000.

Table of Contents

## Future Issuances

As of June 30, 2017, we had common stock reserved for the following future issuances:

Future Issuances	Number of Common Stock Shares Available for Future Issuances
Exercise of outstanding stock options	448,481
Unvested restricted stock units	800,665
Unvested performance stock units	362,041
Purchases under the employee stock purchase plan	973,322
Issuance of stock-based awards under the Equity Plans	2,725,158
Purchases under the officer and director share purchase plan	88,741
Total reserved	5,398,408

## NOTE 14. Geographical Information

We evaluate our reportable segment pursuant to ASC 280, Segment Reporting. The Company's Chief Executive Officer is the chief operating decision maker and he assesses the performance of the operating segment and allocates resources to the segment based on its business prospects, competitive factors, net revenue, operating results, and other non-GAAP financial ratios. Based on this evaluation, the Company operates as a single reportable segment.

Revenue: The following tables set forth revenue by geographic region with revenue assigned to geographic regions based on our customers' billing address.

Revenue by Geographic Region (in thousands)	For the three months ended June 30,		For the nine months ended June 30,	
	2017	2016	2017	2016
United States	\$23,391	\$17,469	\$74,075	\$46,651
Asia	5,699	3,100	14,190	14,077
Europe	1,653	1,680	4,978	5,214
Other	209	127	476	456
Total revenue	\$30,952	\$22,376	\$93,719	\$66,398

Significant Customers: Significant customers are defined as customers representing greater than 10% of our consolidated revenue. Revenue from two of our significant customers represented 56% of our consolidated revenue for the three months ended June 30, 2017 and revenue from three of our significant customers represented 71% of our consolidated revenue for the nine months ended June 30, 2017. Revenue from two of our significant customers represented 54% of our consolidated revenue for the three months ended June 30, 2016 and revenue from three of our significant customers represented 60% of our consolidated revenue for the nine months ended June 30, 2016.

Long-lived Assets: Long-lived assets consist of property, plant, and equipment. As of June 30, 2017 and September 30, 2016, approximately 46% and 38%, respectively, of our long-lived assets were located in the United States. The remaining long-lived assets are primarily located in China.



Table of Contents

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

You should read the following discussion of our financial condition and results of operations in conjunction with the financial statements and the notes thereto included in Financial Statements under Item 1 within this Quarterly Report. The following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. See Cautionary Statement Regarding Forward-Looking Statements.

Business Overview

EMCORE Corporation, together with its subsidiaries (referred to herein as the "Company," "we," "our," or "EMCORE"), designs and manufactures Indium Phosphide (InP) optical chips, components, subsystems and systems for the broadband and specialty fiber optics market. EMCORE was the pioneer in linear fiber optic transmission technology, and today is a leading provider of optical components, as well as a provider of complete end-to-end solutions for high-speed communications network infrastructures, enabling systems and service providers to meet growing demand for bandwidth and connectivity. EMCORE's advanced optical technologies are designed for cable television (CATV) and fiber-to-the-premise (FTTP) networks, telecommunications and data centers, satellite communications, aerospace and defense, wireless networks, and broadcast and professional audio/video systems. With its world-class InP semiconductor wafer fabrication facility, EMCORE has fully vertically-integrated manufacturing capability and also provides contract design, foundry and component packaging services.

Sumitomo Electric Industries Ltd. ("SEI")

In March 2012, we entered into a Master Purchase Agreement with SEI, pursuant to which we agreed to sell certain assets and transfer certain obligations. Under the terms of the Master Purchase Agreement, we agreed to indemnify SEI for up to \$3.4 million of potential claims and expenses for the two-year period following the sale and we recorded this amount as a deferred gain on our balance sheet as a result of these contingencies.

On September 23, 2014, SEI filed for arbitration against EMCORE, as required under the Master Purchase Agreement between the parties. SEI was seeking \$47.5 million from EMCORE, relating to numerous claims. On April 12, 2016, the International Court of Arbitration tribunal rejected SEI's claims. The panel ruled that EMCORE owed SEI none of the amounts SEI sought in the arbitration and that the Company was entitled to collect the \$1.9 million held in escrow, which was received in June 2016 and was included in cash at June 30, 2016. The Company was also entitled to recover \$2.6 million in fees and costs from SEI, which was received in June 2016. During the fiscal year ended September 30, 2016, we recognized a gain associated with the release of \$3.4 million of previously deferred gain associated with the sale of assets and reversal of other liabilities of \$0.4 million, resulting in a credit of \$3.8 million to recognition of previously deferred gain on sale of assets within discontinued operations of the Digital Products Business. During the fiscal year ended September 30, 2016, we recognized the \$2.6 million recovery of fees and costs incurred by EMCORE within operating income as such represented the recovery of previously incurred legal expenses. See Note 4 - Discontinued Operations in the notes to the consolidated financial statements for more information.

Sale of Photovoltaics and Digital Products Businesses

On September 17, 2014, EMCORE entered into an Asset Purchase Agreement (the "Photovoltaics Agreement") with SolAero Technologies Corporation ("SolAero") (formerly known as Photon Acquisition Corporation) under which SolAero acquired substantially all of the assets, and assumed substantially all of the liabilities, primarily related to or used in connection with the Company's photovoltaics business, including EMCORE's subsidiaries EMCORE Solar Power, Inc. and EMCORE IRB Company, LLC (collectively, the "Photovoltaics Business" and, the sale of the

Photovoltaics Business, the “Photovoltaics Asset Sale”) for \$149.9 million in cash, after giving effect to a \$0.1 million working capital adjustment pursuant to the Photovoltaics Agreement finalized and paid by EMCORE during the fiscal year ended September 30, 2015. On December 10, 2014, EMCORE completed the Photovoltaics Asset Sale.

On October 22, 2014, EMCORE entered into an Asset Purchase Agreement (the “Digital Products Agreement”) with NeoPhotonics Corporation, a Delaware corporation (“NeoPhotonics”), under which the Company sold certain assets, and transferred certain liabilities, of the Company’s telecommunications business (the “Digital Products Business”) to NeoPhotonics for an aggregate purchase price of \$17.5 million, subject to certain adjustments.

Table of Contents

On January 2, 2015, EMCORE completed the sale of the Digital Products Business for \$1.5 million in cash and an adjusted Promissory Note balance of \$15.5 million. On April 17, 2015, NeoPhotonics paid in full the outstanding balance of the Promissory Note of \$15.5 million, plus accrued interest of \$0.2 million.

The Photovoltaics Asset Sale and Digital Products Asset Sale are reported as discontinued operations. See Note 4 - Discontinued Operations in the notes to the consolidated financial statements for additional disclosures.

Strategic Plan

In addition to organic growth and development of our existing fiber optics business, we intend to pursue other strategies to enhance shareholder value. The Strategy and Alternatives Committee of the Company's Board of Directors (the "Strategy and Alternatives Committee"), which was established in December 2013, is charged with overseeing the Company's strategic plan and evaluating strategic opportunities and alternatives available to the Company, including potential mergers, acquisitions, divestitures and other key strategic transactions outside the ordinary course of the Company's business. Accordingly, the Strategy and Alternatives Committee may from time to time consider strategic opportunities to enhance shareholder value, which may include acquisitions, investments in joint ventures, partnerships, and other strategic alternatives such as dispositions, reorganizations, recapitalizations or other similar transactions, the repurchase of shares of our outstanding common stock or payment of dividends to our shareholders, and may engage financial and other advisers to assist it in these efforts. Accordingly, the Strategy and Alternatives Committee of the Board of Directors and our management may from time to time be engaged in evaluating potential strategic opportunities and we may enter into definitive agreements with respect to such transactions or other strategic alternatives. However, there is no assurance that the Strategy and Alternatives Committee will identify further strategic opportunities that the Company will determine to pursue, or that the consideration of any such opportunity would result in the completion of a strategic transaction.

Table of Contents

## Results of Operations

The following table sets forth our consolidated statements of operations data expressed as a percentage of revenue:

	For the three months ended June 30,		For the nine months ended June 30,	
	2017	2016	2017	2016
Revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue	65.0	66.9	65.9	67.1
Gross profit	35.0	33.1	34.1	32.9
Operating expense:				
Selling, general, and administrative	18.8	27.4	18.2	23.8
Research and development	10.8	10.7	9.3	11.3
Impairments	—	—	0.5	—
Recovery of previously incurred litigation related fees and expenses from arbitration award	—	(11.6)	—	(3.9 )
Gain on sale of assets	(1.0 )	(0.2 )	(0.3 )	—
Total operating expense	28.6	26.3	27.7	31.2
Operating income	6.4	6.8	6.4	1.7
Other income (expense):				
Interest income, net	0.2	0.2	0.1	0.1
Foreign exchange gain (loss)	0.2	(0.9 )	(0.3 )	(0.5 )
Other income	1.0	—	0.3	—
Total other income (expense)	1.4	(0.7 )	0.1	(0.4 )
Income from continuing operations before income tax expense	7.8	6.1	6.5	1.3
Income tax expense	—	(0.8 )	(0.1 )	—
Income from continuing operations	7.8	5.3	6.4	1.3
Income from discontinued operations, net of tax	—	0.5	—	8.1
Net income	7.8 %	5.8 %	6.4 %	9.4 %

Table of Contents

## Comparison of Financial Results for the Three Months Ended June 30, 2017 and 2016

(in thousands, except percentages)	For the three months ended June 30,			
	2017	2016	\$ Change	% Change
Revenue	\$30,952	\$22,376	\$8,576	38.3%
Cost of revenue	20,110	14,964	5,146	34.4%
Gross profit	10,842	7,412	3,430	46.3%
Operating expense (income):				
Selling, general, and administrative	5,815	6,125	(310 )	(5.1)%
Research and development	3,340	2,405	935	38.9%
Recovery of previously incurred litigation related fees and expenses from arbitration award	—	(2,599 )	2,599	100.0%
Gain on sale of assets	(322 )	(41 )	(281 )	(685.4)%
Total operating expense	8,833	5,890	2,943	50.0%
Operating income	2,009	1,522	487	32.0%
Other income (expense):				
Interest income, net	77	32	45	140.6%
Foreign exchange gain (loss)	53	(201 )	254	126.4%
Other income	316	—	316	N/A
Total other income (expense)	446	(169 )	615	363.9%
Income from continuing operations before income tax expense	2,455	1,353	1,102	81.4%
Income tax expense	(19 )	(175 )	156	89.1%
Income from continuing operations	2,436	1,178	1,258	106.8%
(Loss) income from discontinued operations, net of tax	(11 )	123	(134 )	(108.9)%
Net income	\$2,425	\$1,301	\$1,124	86.4%

## Revenue

For the three months ended June 30, 2017, revenue increased 38.3% compared to the prior year driven by significantly higher sales of our CATV products primarily to U.S. customers.

## Gross Profit

Our cost of revenue consists of raw materials, compensation expense including non-cash stock-based compensation expense, depreciation expense and other manufacturing overhead costs, expenses associated with excess and obsolete inventories, and product warranty costs. Historically, our cost of revenue as a percentage of revenue, which we refer to as our gross margin, has fluctuated significantly due to product mix, manufacturing yields and sales volumes, and inventory and specific product warranty charges.

Consolidated gross margins were 35.0% and 33.1% for the three months ended June 30, 2017 and 2016, respectively.

Stock-based compensation expense within cost of revenue totaled approximately \$0.1 million during each of the three months ended June 30, 2017 and 2016.



For the three months ended June 30, 2017, gross margins increased when compared to the same period in the prior year. The increase in gross margins for the three months ended June 30, 2017 was primarily due to product mix and higher volume.

## Table of Contents

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

SG&A consists primarily of compensation expense including non-cash stock-based compensation expense related to executive, finance, and human resources personnel, as well as sales and marketing expenses, professional fees, legal and patent-related costs, and other corporate-related expenses.

Stock-based compensation expense within SG&A totaled approximately \$0.8 million and \$0.6 million during the three months ended June 30, 2017 and 2016, respectively. The increase in stock based compensation within SG&A during the three months ended June 30, 2017 when compared to the same period in the prior year is primarily due to the value of Performance Stock Units granted during fiscal year 2017.

SG&A expense for the three months ended June 30, 2017 was lower than the amount reported in the same period during the prior year primarily due to lower legal and professional expenses.

As a percentage of revenue, SG&A expenses were 18.8% and 27.4% for the three months ended June 30, 2017 and 2016, respectively. The decrease in SG&A expense as a percentage of revenue in the three months ended June 30, 2017 compared to the same period in 2016 is due to the increase in revenues in the three months ended June 30, 2017.

### Research and Development (R&D)

R&D consists primarily of compensation expense including non-cash stock-based compensation expense, as well as engineering and prototype costs, depreciation expense, and other overhead expenses, as they related to the design, development, and testing of our products. Our R&D costs are expensed as incurred. We believe that in order to remain competitive, we must invest significant financial resources in developing new product features and enhancements and in maintaining customer satisfaction worldwide.

Stock-based compensation expense within R&D totaled approximately \$0.1 million during each of the three months ended June 30, 2017 and 2016.

R&D expense for the three months ended June 30, 2017 was higher than the amounts reported in the same period during the prior year primarily due to higher compensation costs and increased project spending.

As a percentage of revenue, R&D expenses were 10.8% and 10.7% for the three months ended June 30, 2017 and 2016, respectively. The increase in R&D expense as a percentage of revenue in the three months ended June 30, 2017 compared to the same period in 2016 is due to the increase in expenses in the three months ended June 30, 2017.

### Operating Income

Operating income represents revenue less the cost of revenue and direct operating expenses incurred. Operating income is a measure of profit and loss that executive management uses to assess performance and make decisions. As a percentage of revenue, our operating income was 6.4% and 6.8% for the three months ended June 30, 2017 and 2016, respectively.

### Other Income (Expense)

### Interest Income, net

Interest income for the three months ended June 30, 2017 was higher than the amount reported in the same period in the prior year due to higher interest income earned on cash and cash equivalents balances.

Foreign Exchange

Gains from foreign currency transactions denominated in currencies other than the U.S. dollar, both realized and unrealized, are recorded as foreign exchange gain on our consolidated statements of operations and comprehensive income. The gains recorded relate to the change in value of the Yuan Renminbi relative to the U.S. dollar.

Table of Contents

## Income Tax (Expense) Benefit

For the three months ended June 30, 2017, the Company recorded income tax expense from continuing operations of approximately \$19,000 and \$0 within income from discontinued operations.

For the three months ended June 30, 2016, the Company recorded income tax expense from continuing operations of approximately \$0.2 million and an income tax benefit of approximately \$0.2 million within income from discontinued operations.

Our Board of Directors has adopted a Tax Benefits Preservation Plan (the “Rights Plan”) to help preserve the value of our net operating losses and other favorable tax attribute carryovers by reducing the risk of limitation of these deferred tax assets. The Rights Plan was approved by our shareholders on March 10, 2015. The Rights Plan is intended to reduce the likelihood that we will experience an ownership change for purposes of Internal Revenue Code Section 382 by discouraging any person or group from becoming a “5% shareholder” or increasing their ownership of our common stock if they are already a “5% shareholder.” Although the Rights Plan is intended to reduce the likelihood of an “ownership change” that could adversely affect us, there is no assurance that the Rights Plan will prevent all transfers of our common stock that could result in such an “ownership change.”

## Income from Discontinued Operations, Net of Tax

(in thousands, except percentages)	For the three months ended June 30,			
	2017	2016	\$ Change	% Change
Revenue	\$—	\$—	\$—	N/A
Cost of revenue	—	—	—	N/A
Gross (loss) profit	—	—	—	N/A
Operating (income) expense	11	28	17	60.7%
Loss from discontinued operations before income tax benefit	(11 )	(28 )	17	60.7%
Income tax benefit	—	151	(151 )	(100.0)%
(Loss) income from discontinued operations, net of tax	\$(11)	\$123	\$(134 )	(108.9)%

During the three months ended June 30, 2016, we recorded income from discontinued operations from the Photovoltaics Business and Digital Products Business of \$40,000 and \$0.1 million, respectively.

Table of Contents

## Comparison of Financial Results for the Nine Months Ended June 30, 2017 and 2016

(in thousands, except percentages)

	For the nine months ended June 30,			
	2017	2016	\$ Change	% Change
Revenue	\$93,719	\$66,398	\$27,321	41.1%
Cost of revenue	61,796	44,563	17,233	38.7%
Gross profit	31,923	21,835	10,088	46.2%
Operating expense (income):				
Selling, general, and administrative	17,065	15,771	1,294	8.2%
Research and development	8,680	7,529	1,151	15.3%
Impairments	468	—	468	N/A
Recovery of previously incurred litigation related fees and expenses from arbitration award	—	(2,599)	2,599	100.0%
Gain on sale of assets	(322)	(41)	(281)	(685.4)%
Total operating expense	25,891	20,660	5,231	25.3%
Operating income	6,032	1,175	4,857	413.4%
Other income (expense):				
Interest income, net	146	40	106	265.0%
Foreign exchange loss	(306)	(311)	5	1.6%
Other income	316	—	316	N/A
Total other income (expense)	156	(271)	427	157.6%
Income from continuing operations before income tax expense	6,188	904	5,284	584.5%
Income tax expense	(131)	(22)	(109)	(495.5)%
Income from continuing operations	6,057	882	5,175	586.7%
(Loss) income from discontinued operations, net of tax	(27)	5,388	(5,415)	(100.5)%
Net income	\$6,030	\$6,270	\$(240)	(3.8)%

## Revenue

For the nine months ended June 30, 2017, revenue increased 41.1% compared to the prior year driven by significantly higher sales of our CATV products primarily to U.S. customers.

## Gross Profit

Our cost of revenue consists of raw materials, compensation expense including non-cash stock-based compensation expense, depreciation expense and other manufacturing overhead costs, expenses associated with excess and obsolete inventories, and product warranty costs. Historically, our cost of revenue as a percentage of revenue, which we refer to as our gross margin, has fluctuated significantly due to product mix, manufacturing yields and sales volumes, and inventory and specific product warranty charges.

Consolidated gross margins were 34.1% and 32.9% for the nine months ended June 30, 2017 and 2016, respectively.

Stock-based compensation expense within cost of revenue totaled approximately \$0.4 million and \$0.3 million during the nine months ended June 30, 2017 and 2016, respectively.

For the nine months ended June 30, 2017, gross margins increased when compared to the same period in the prior year. The increase in gross margins for the nine months ended June 30, 2017 was primarily due to product mix and higher volume.



## Table of Contents

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

SG&A consists primarily of compensation expense including non-cash stock-based compensation expense related to executive, finance, and human resources personnel, as well as sales and marketing expenses, professional fees, legal and patent-related costs, and other corporate-related expenses.

Stock-based compensation expense within SG&A totaled approximately \$2.0 million and \$1.2 million during the nine months ended June 30, 2017 and 2016, respectively. The increase in stock based compensation within SG&A during the nine months ended June 30, 2017 when compared to the same period in the prior year is primarily due to the value of Performance Stock Units granted during the nine months ended June 30, 2017.

SG&A expense for the nine months ended June 30, 2017 was higher than the amount reported in the same period during the prior year primarily due to higher compensation costs, severance, including \$0.5 million related to a workforce reduction we initiated in connection with the transition of our manufacturing operations in China to a new manufacturing facility in China during the nine months ended June 30, 2017, and stock-based compensation partially offset by lower legal and professional expenses.

As a percentage of revenue, SG&A expenses were 18.2% and 23.8% for the nine months ended June 30, 2017 and 2016, respectively. The decrease in SG&A expense as a percentage of revenue in the nine months ended June 30, 2017 compared to the same period in 2016 is due to the increase in revenues in the nine months ended June 30, 2017.

### Research and Development (R&D)

R&D consists primarily of compensation expense including non-cash stock-based compensation expense, as well as engineering and prototype costs, depreciation expense, and other overhead expenses, as they related to the design, development, and testing of our products. Our R&D costs are expensed as incurred. We believe that in order to remain competitive, we must invest significant financial resources in developing new product features and enhancements and in maintaining customer satisfaction worldwide.

Stock-based compensation expense within R&D totaled approximately \$0.4 million and \$0.3 million during the nine months ended June 30, 2017 and 2016, respectively.

R&D expense for the nine months ended June 30, 2017 was higher than the amounts reported in the same period during the prior year primarily due to higher compensation costs and increased project spending.

As a percentage of revenue, R&D expenses were 9.3% and 11.3% for the nine months ended June 30, 2017 and 2016, respectively. The decrease in R&D expense as a percentage of revenue in the nine months ended June 30, 2017 compared to the same period in 2016 is due to the increase in revenues in the nine months ended June 30, 2017.

### Impairments

In March 2017, in connection with the transition of our manufacturing operations in China to a new manufacturing facility in China, we identified equipment with a net book value of approximately \$0.6 million that would no longer be utilized after the planned move later in fiscal year 2017. After taking into consideration the costs of disposal and estimated net funds from the sale of the equipment of approximately \$0.1 million, we recorded a charge to

impairments of approximately \$0.5 million in the nine months ended June 30, 2017. Also see Note 8 - Property, Plant and Equipment, net in the notes to the condensed consolidated financial statements for additional information.



Table of Contents

## Operating Income

Operating income represents revenue less the cost of revenue and direct operating expenses incurred. Operating income is a measure of profit and loss that executive management uses to assess performance and make decisions. As a percentage of revenue, our operating income was 6.4% and 1.7% for the nine months ended June 30, 2017 and 2016, respectively. The increase in operating income as a percentage of revenue in the nine months ended June 30, 2017 compared to the same period in 2016 is due to the increase in operating income in the nine months ended June 30, 2017.

## Other Income (Expense)

## Interest Income, net

Interest income for the nine months ended June 30, 2017 was higher than the amount reported in the same period in the prior year due to higher interest income earned on cash and cash equivalents balances.

## Foreign Exchange

Losses from foreign currency transactions denominated in currencies other than the U.S. dollar, both realized and unrealized, are recorded as foreign exchange loss on our consolidated statements of operations and comprehensive income. The losses recorded relate to the change in value of the Yuan Renminbi relative to the U.S. dollar.

## Income Tax Expense

For the nine months ended June 30, 2017, the Company recorded income tax expense from continuing operations of approximately \$0.1 million, and \$0 within income from discontinued operations.

For the nine months ended June 30, 2016, the Company recorded income tax expense from continuing operations of approximately \$22,000 and \$33,000 of income tax expense within income from discontinued operations.

## Income from Discontinued Operations, Net of Tax

(in thousands, except percentages)

	For the nine months ended June 30,			
	2017	2016	\$ Change	% Change
Revenue	\$—	\$—	\$—	N/A
Cost of revenue	12	(494)	506	102.4%
Gross (loss) profit	(12)	494	(506)	(102.4)%
Operating expense (income)	15	(1,123)	(1,138)	(101.3)%
Recognition of previously deferred gain on sale of assets	—	3,804	(3,804)	(100.0)%
(Loss) income from discontinued operations before income tax expense	(27)	5,421	(5,448)	(100.5)%
Income tax expense	—	(33)	33	100.0%
(Loss) income from discontinued operations, net of tax	\$(27)	\$5,388	\$(5,415)	(100.5)%

During the nine months ended June 30, 2016, we recorded income from discontinued operations from the Photovoltaics Business and Digital Products Business of \$0.8 million and \$4.6 million, respectively.

Included in cost of revenue for the nine months ended June 30, 2016 is \$0.4 million due to a reduction in expected product warranty liabilities from a settlement agreement associated with the Digital Products Business.

32

---

## Table of Contents

During the nine months ended June 30, 2016, we recognized a gain associated with the release of the \$3.4 million deferred gain and reversal of other liabilities of \$0.4 million that had been recorded as of September 30, 2015, resulting in a credit of \$3.8 million to recognition of previously deferred gain on sale of assets within discontinued operations of the Digital Products Business as the result of the favorable ruling from the SEI arbitration. Also see [Note 12 - Commitments and Contingencies](#) in the notes to the condensed consolidated financial statements for additional information.

### Order Backlog

EMCORE's product sales are made pursuant to purchase orders, often with short lead times. These orders are subject to revision or cancellation and often are made without deposits. Products typically ship within the same quarter in which a purchase order is received; therefore, our order backlog at any particular date is not necessarily indicative of actual revenue or the level of orders for any succeeding period.

### Liquidity and Capital Resources

Historically, we have consumed cash from operations and, until recently, in most periods we have incurred operating losses from continuing operations. We have managed our liquidity position through the sale of assets and cost reduction initiatives, as well as, from time to time in prior periods, borrowings from our Credit Facility (defined below) and capital markets transactions.

As of June 30, 2017, cash and cash equivalents totaled \$66.1 million and net working capital totaled approximately \$99.9 million. Net working capital, calculated as current assets minus current liabilities, is a financial metric we use which represents available operating liquidity. For the nine months ended June 30, 2017, we earned net income of \$6.0 million. With respect to measures related to liquidity:

**Tender Offer:** On June 15, 2015, we completed the modified "Dutch auction" tender offer (the "Tender Offer") and purchased 6.9 million shares of our common stock at a purchase price of \$6.55 per share, for an aggregate cost of \$45.0 million excluding fees and expenses. Repurchased common stock was recorded to treasury stock. We incurred costs of \$0.7 million in connection with the Tender Offer, which were recorded to treasury stock.

**Dividend Payment:** On July 5, 2016, the Company declared a special cash dividend of \$1.50 per share, or a total of \$39.2 million. The dividend was paid on July 29, 2016 to shareholders of record as of July 18, 2016.

**Resolution of Outstanding Litigation:** In June 2016 we collected \$2.6 million in fees and costs from Sumitomo Electric Industries, Ltd. ("SEI") and \$1.9 million held in escrow as the result of the favorable ruling from the SEI arbitration. See [Note 12 - Commitments and Contingencies](#).

**Mirasol Settlements:** In January 2017, we entered into an agreement to settle all outstanding claims of the Mirasol class action lawsuit for \$0.3 million and the wrongful termination lawsuit for \$50,000 and recorded a charge during the nine months ended June 30, 2017 of \$0.2 million. See [Note 12- Commitments and Contingencies](#).

**Credit Facility:** On November 11, 2010, we entered into a Credit and Security Agreement (Credit Facility) with Wells Fargo Bank, N.A. ("Wells Fargo"). The Credit Facility, as it has been amended through its seventh amendment on November 10, 2015, currently provides us with a revolving credit of up to \$15.0 million through November 2018 that can be used for working capital requirements, letters of credit, and other general corporate purposes. The Credit

Facility is secured by the Company's assets and is subject to a borrowing base formula based on the Company's eligible accounts receivable, inventory, and machinery and equipment accounts. See Note 10 - Credit Facilities in the notes to the consolidated financial statements for additional disclosures. As of July 31, 2017, there was no outstanding balance under this Credit Facility.

Table of Contents

We believe that our existing balances of cash and cash equivalents, cash flows from operations and amounts expected to be available under our Credit Facility will provide us with sufficient financial resources to meet our cash requirements for operations, working capital, and capital expenditures for at least the next twelve months, and thereafter for the foreseeable future. At the discretion of our Board, we may use our existing balances of cash and cash equivalents to provide liquidity to our shareholders through one or more additional special dividends or the repurchase of additional shares of our outstanding common stock, make investments in our other businesses, pursue other strategic opportunities or a combination thereof. In addition, should we require more capital than what is generated by our operations, for example to fund significant discretionary activities, such as business acquisitions, we could elect to raise capital in the U.S. through debt or equity issuances. These alternatives could result in higher effective tax rates, increased interest expense, and/or dilution of our earnings. We have borrowed funds in the past and continue to believe we have the ability to do so at reasonable interest rates.

## Cash Flow

The Consolidated Statements of Cash Flows for the nine months ended June 30, 2017 and 2016, respectively, reflect cash flows from both the continuing and discontinued operations of the Company.

## Net Cash Provided By Operating Activities

Operating Activities (in thousands, except percentages)	For the nine months ended June 30,			
	2017	2016	\$ Change	% Change
Net cash provided by (used in) operating activities	\$7,808	\$(4,242)	\$12,050	284.1%

## Fiscal 2017:

For the nine months ended June 30, 2017, our operating activities provided cash of \$7.8 million primarily due to our net income of \$6.0 million, depreciation, amortization and accretion expense of \$2.6 million, stock-based compensation expense of \$2.7 million, other changes of \$0.3 million, impairment charge of \$0.5 million and warranty provision of \$0.5 million partially offset by a change in our operating assets and liabilities (or working capital components, which includes non-current inventory) of \$4.5 million. The change in our operating assets and liabilities was primarily the result of an increase in accounts receivable of \$3.9 million, inventory of \$1.8 million and other assets of \$2.6 million partially offset an increase in accounts payable of approximately \$3.0 million and accrued expenses and other liabilities of \$0.8 million.

## Fiscal 2016:

For the nine months ended June 30, 2016, our operating activities used cash of \$4.2 million primarily due to decreases in our current assets and liabilities (or working capital components) of \$8.9 million, the recognition of the previously deferred gain on sale of assets from discontinued operations of \$3.8 million, the gain on transfer of solar power assets and obligations of \$0.7 million, the gain on reduction of product warranty of discontinued operations of \$0.4 million and the payment and gain on settlement of Newark restructuring lease of \$0.3 million partially offset by depreciation, amortization and accretion expense of \$1.7 million, stock-based compensation expense of \$1.6 million, warranty provision of \$0.3 million, and our net income of \$6.3 million. The change in our current assets and liabilities was primarily the result of an increase in accounts receivable of \$4.4 million and inventory of \$6.4 million, and a decrease in accrued expenses and other liabilities of \$1.1 million partially offset by a decrease in other assets of \$0.1 million and an increase in accounts payable of approximately \$2.9 million.

## Working Capital Components:

Accounts Receivable: We generally expect the level of accounts receivable at any given quarter to reflect the level of sales in that quarter. Our accounts receivable balances have fluctuated historically due to the timing of account collections, timing of product shipments, and/or change in customer credit terms.

Table of Contents

**Inventory:** We generally expect the level of inventory at any given quarter to reflect the change in our expectations of forecasted sales. Our inventory balances have fluctuated historically due to the timing of customer orders and product shipments, changes in our internal forecasts related to customer demand, as well as adjustments related to excess and obsolete inventory and the purchase of non-current inventory.

**Accounts Payable:** The fluctuation of our accounts payable balances is primarily driven by changes in inventory purchases as well as changes related to the timing of actual payments to vendors.

**Accrued Expenses:** Our largest accrued expense typically relates to compensation. Historically, fluctuations of our accrued expense accounts have primarily related to changes in the timing of actual compensation payments, receipt or application of advanced payments, adjustments to our warranty accrual, and accruals related to professional fees.

### Net Cash Used In Investing Activities

Investing Activities (in thousands, except percentages)	For the nine months ended June 30,			
	2017	2016	\$ Change	% Change
Net cash used in investing activities	\$(6,923)	\$(2,577)	\$(4,346)	(168.6)%

#### Fiscal 2017:

For the nine months ended June 30, 2017, our investing activities used \$6.9 million of cash primarily for capital expenditures of \$7.3 million partially offset by the receipt of proceeds from the disposal of equipment of \$0.3 million.

#### Fiscal 2016:

For the nine months ended June 30, 2016, our investing activities used \$2.6 million of cash primarily from capital related expenditures of \$4.5 million partially offset by the receipt of escrow funds from sale of assets of \$1.9 million.

### Net Cash Provided By Financing Activities

Financing Activities (in thousands, except percentages)	For the nine months ended June 30,			
	2017	2016	\$ Change	% Change
Net cash provided by financing activities	\$797	\$614	\$ 183	29.8%

#### Fiscal 2017:

For the nine months ended June 30, 2017, our financing activities provided cash of \$0.8 million from proceeds from stock transactions.

#### Fiscal 2016:

For the nine months ended June 30, 2016, our financing activities provided cash of \$0.6 million from proceeds from stock plan transactions.





Table of Contents

## Contractual Obligations and Commitments

Our contractual obligations and commitments for the remainder of fiscal 2017 and over the next five fiscal years are summarized in the table below:

(in thousands)

	Total	2017	2018 to 2019	2020 to 2021	2022 and later
Purchase obligations	\$17,432	\$17,059	\$373	\$—	\$—
Asset retirement obligations	1,824	45	—	1,720	59
Operating lease obligations	1,076	189	595	292	—
Total contractual obligations and commitments	\$20,332	\$17,293	\$968	\$2,012	\$59

Interest payments are not included in the contractual obligations and commitments table above since they are insignificant to our consolidated results of operations.

The contractual obligations and commitments table above also excludes unrecognized tax benefits because we are unable to reasonably estimate the period during which this obligation may be incurred, if at all. As of June 30, 2017, we had unrecognized tax benefits of \$0.3 million.

## Purchase Obligations

Our purchase obligations represent agreements to purchase goods or services that are enforceable and legally binding, that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transactions.

## Asset Retirement Obligations (“ARO”)

We have known conditional ARO conditions, such as certain asset decommissioning and restoration of rented facilities to be performed in the future. Our ARO includes assumptions related to renewal option periods where we expect to extend facility lease terms. Revisions in estimated liabilities can result from revisions of estimated inflation rates, escalating retirement costs, and changes in the estimated timing of settling the ARO. See Note 12 - Commitments and Contingencies in the notes to the consolidated financial statements for additional information related to our ARO's.

## Operating Leases

Operating leases include non-cancelable terms and exclude renewal option periods, property taxes, insurance and maintenance expenses on leased properties. See Note 12 - Commitments and Contingencies in the notes to the consolidated financial statements for additional information related to our operating lease obligations.

## Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements other than our operating leases described above that have or are reasonably likely to have a current or future material effect on our consolidated financial condition, results of operations, liquidity, capital expenditures or capital resources.

## Critical Accounting Policies and Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as of the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. If these estimates differ significantly from actual results, the impact to the condensed consolidated financial statements may be material. There have been no material changes in our critical accounting policies and estimates from those disclosed in our Annual Report on Form 10-K for the year ended September 30, 2016. Please

refer to Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended September 30, 2016 for a discussion of our critical accounting policies and estimates.

Geographical Information

See Note 14- Geographical Information in the notes to the condensed consolidated financial statements for disclosures related to geographic revenue and significant customers.

Table of Contents

Recent Accounting Pronouncements

See Note 2 - Recent Accounting Pronouncements in the notes to the condensed consolidated financial statements for disclosures related to recent accounting pronouncements.

Restructuring Accruals

See Note 9 - Accrued Expenses and Other Current Liabilities in the notes to the condensed consolidated financial statements for disclosures related to our severance and restructuring-related accrual accounts.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risks

For Quantitative and qualitative disclosures about market risk affecting the Company, see Item 7A - Quantitative and Qualitative Disclosures About Market Risk in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. We do not believe the Company's exposure to market risk has changed materially since September 30, 2016.

ITEM 4. Controls and Procedures

a. Evaluation of Disclosure Controls and Procedures

Our management, with the participation of its Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer and Accounting Officer), evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended) as of June 30, 2017. Based upon this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

b. Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended) during the quarter ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

PART II. Other Information

ITEM 1. Legal Proceedings

See the disclosures under the caption “Legal Proceedings” in Note 12- Commitments and Contingencies in the notes to our condensed consolidated financial statements for disclosures related to our legal proceedings, which disclosures are incorporated herein by reference.

ITEM 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended September 30, 2016, which could materially affect our business, financial condition or future results. We do not believe the Company's risks have changed materially since we filed our Annual Report on Form 10-K on December 7, 2016. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem immaterial also may materially adversely affect our business, financial condition and/or operating results.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not Applicable.

ITEM 3. Defaults Upon Senior Securities

Not Applicable.

ITEM 4. Mine Safety Disclosures

Not Applicable.

ITEM 5. Other Information

Not Applicable.

ITEM 6. Exhibits

- 3.1 By-Laws of EMCORE Corporation, as amended through March 17, 2017 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 20, 2017)
- 31.1\*\* Certificate of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2\*\* Certificate of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1\*\*\* Certificate of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2\*\*\* Certificate of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101.INS\*\* XBRL Instance Document.
- 101.SCH\*\* XBRL Taxonomy Extension Schema Document.
- 101.CAL\*\* XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.LAB\*\* XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE\*\* XBRL Taxonomy Extension Presentation Linkbase Document.
- 101.DEF\*\* XBRL Taxonomy Extension Definition Linkbase Document.

---

\*\* Filed herewith

\*\*\* Furnished herewith

38

---

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.

EMCORE CORPORATION

Date: August 3, 2017 By: /s/ Jeffrey Rittichier  
Jeffrey Rittichier  
Chief Executive Officer  
(Principal Executive Officer)

Date: August 3, 2017 By: /s/ Jikun Kim  
Jikun Kim  
Chief Financial Officer  
(Principal Financial and Accounting Officer)