

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
**Form 10-Q**

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Quarterly Period Ended July 29, 2018  
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 000-27999

**Finisar Corporation**

*(Exact name of Registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of  
incorporation or organization)*

**94-3038428**

*(I.R.S. Employer  
Identification No.)*

**1389 Moffett Park Drive**

**Sunnyvale, California**

*(Address of principal executive offices)*

**94089**

*(Zip Code)*

**Registrant's telephone number, including area code:  
408-548-1000**

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions 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   
(Do not check if a smaller reporting company)

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

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

Number of shares of the registrant's common stock, \$.001 par value, outstanding as of August 31, 2018: 117,211,385

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**For the Quarter Ended July 29, 2018**

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## **FORWARD LOOKING STATEMENTS**

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We use words like “anticipates,” “believes,” “plans,” “expects,” “future,” “intends” and similar expressions to identify these forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events; however, our business and operations are subject to a variety of risks and uncertainties, and, consequently, actual results may materially differ from those projected by any forward-looking statements. As a result, you should not place undue reliance on these forward-looking statements since they may not occur.

Certain factors that could cause actual results to differ from those projected are discussed in “Part II. Other Information, Item 1A. Risk Factors.” We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events.

## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

**FINISAR CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands, except per share data)

	July 29, 2018	April 29, 2018
	(Unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 326,189	\$ 312,257
Short-term investments	832,681	884,838
Accounts receivable, net of allowance for doubtful accounts of \$333 at July 29, 2018 and \$269 at April 29, 2018	248,138	233,529
Inventories	325,846	348,527
Other current assets	54,862	56,001
Total current assets	1,787,716	1,835,152
Property, equipment and improvements, net	587,203	520,849
Purchased intangible assets, net	6,742	7,878
Goodwill	106,736	106,736
Other assets	25,179	31,720
Deferred tax assets	85,873	80,850
Total assets	\$ 2,599,449	\$ 2,583,185
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 149,876	\$ 132,161
Accrued compensation	35,349	32,525
Other accrued liabilities	50,944	32,824
Deferred revenue	—	9,535
Current portion of convertible debt	254,150	251,278
Total current liabilities	490,319	458,323
Long-term liabilities:		
Convertible debt, net of current portion	494,316	488,877
Other non-current liabilities	11,366	12,368
Total liabilities	996,001	959,568
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 5,000 shares authorized, no shares issued and outstanding at July 29, 2018 and April 29, 2018	—	—
Common stock, \$0.001 par value, 750,000 shares authorized, 117,160 shares and 114,813 shares issued and outstanding at July 29, 2018 and April 29, 2018, respectively	117	115
Additional paid-in capital	2,869,657	2,850,195
Accumulated other comprehensive loss	(44,356)	(14,660)
Accumulated deficit	(1,221,970)	(1,212,033)
Total stockholders' equity	1,603,448	1,623,617
Total liabilities and stockholders' equity	\$ 2,599,449	\$ 2,583,185

See accompanying notes.

**FINISAR CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited, in thousands, except per share data)**

	Three Months Ended	
	July 29, 2018	July 30, 2017
Revenues	\$ 317,336	\$ 341,806
Cost of revenues	236,156	225,896
Amortization of acquired developed technology	496	611
Gross profit	80,684	115,299
Operating expenses:		
Research and development	63,059	58,040
Sales and marketing	12,480	12,351
General and administrative	12,643	14,289
Start-up costs	7,553	—
Amortization of purchased intangibles	640	707
Total operating expenses	96,375	85,387
Income (loss) from operations	(15,691)	29,912
Interest income	5,155	3,440
Interest expense	(9,386)	(9,013)
Other income (expense), net	(1,789)	(2,694)
Income (loss) before income taxes	(21,711)	21,645
Provision for (benefit from) income taxes	(3,222)	1,786
Net income (loss)	\$ (18,489)	\$ 19,859
Net income (loss) per share:		
Basic	\$ (0.16)	\$ 0.18
Diluted	\$ (0.16)	\$ 0.17
Shares used in computing net income (loss) per share:		
Basic	115,867	112,544
Diluted	115,867	115,698

See accompanying notes.

**FINISAR CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(Unaudited, in thousands)**

	<b>Three Months Ended</b>	
	<b>July 29, 2018</b>	<b>July 30, 2017</b>
Net income (loss)	\$ (18,489)	\$ 19,859
Other comprehensive income (loss), net of tax:		
Change in cumulative foreign currency translation adjustment	(29,696)	13,684
Total other comprehensive income (loss), net of tax	(29,696)	13,684
Total comprehensive income (loss)	<u>\$ (48,185)</u>	<u>\$ 33,543</u>

See accompanying notes.

**FINISAR CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited, in thousands)**

	<b>Three Months Ended</b>	
	<b>July 29, 2018</b>	<b>July 30, 2017</b>
<b>Operating activities</b>		
Net income (loss)	\$ (18,489)	\$ 19,859
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	24,799	23,224
Amortization	1,521	1,703
Stock-based compensation expense	15,141	13,764
Amortization of discount on held-to-maturity investments	(2,626)	(1,754)
Impairment of long-lived assets	188	—
Impairment of minority investment	—	2,347
Amortization of discount on convertible debt	7,927	7,555
Deferred income tax benefit	(7,282)	—
Changes in operating assets and liabilities:		
Accounts receivable	(11,447)	(803)
Inventories	11,298	(18,789)
Other assets	8,472	(1,176)
Accounts payable	9,851	8,037
Accrued compensation	2,824	(12,490)
Other accrued liabilities	17,639	2,902
Deferred revenue	—	1,333
Net cash provided by operating activities	59,816	45,712
<b>Investing activities</b>		
Additions to property, equipment and improvements	(104,902)	(51,755)
Purchases of short-term investments	(659,709)	(644,242)
Maturities of short-term investments	714,348	668,594
Net cash used in investing activities	(50,263)	(27,403)
<b>Financing activities</b>		
Proceeds from the issuance of shares under equity plans and employee stock purchase plan	6,780	6,712
Shares repurchased for tax withholdings on vesting of restricted stock units	(2,401)	(6,423)
Net cash provided by financing activities	4,379	289
Net increase in cash and cash equivalents	13,932	18,598
Cash and cash equivalents at beginning of period	312,257	260,228
Cash and cash equivalents at end of period	\$ 326,189	\$ 278,826
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ 2,085	\$ 2,085
Cash paid for taxes	\$ 2,699	\$ 2,969

See accompanying notes.

**FINISAR CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements as of July 29, 2018 and for the three month periods ended July 29, 2018 and July 30, 2017 have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial statements and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"), and include the accounts of Finisar Corporation and its controlled subsidiaries (collectively, "Finisar" or the "Company"). Intercompany accounts and transactions have been eliminated in consolidation. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP and pursuant to the rules and regulations of the SEC have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the Company's financial position as of July 29, 2018, its operating results for the three month periods ended July 29, 2018 and July 30, 2017, and its cash flows for the three month periods ended July 29, 2018 and July 30, 2017. Operating results for the three month periods ended July 29, 2018 are not necessarily indicative of the results that may be expected for the fiscal year ending April 28, 2019. The condensed consolidated balance sheet as of April 29, 2018 has been derived from the audited consolidated financial statements as of that date, but does not include all the footnotes required by U.S. GAAP for complete financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended April 29, 2018.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

**2. Summary of Significant Accounting Policies**

For a description of significant accounting policies, see Note 2, Summary of Significant Accounting Policies, to the consolidated financial statements included in the Company's annual report on Form 10-K for the fiscal year ended April 29, 2018. There have been no material changes to the Company's significant accounting policies since the filing of the annual report on Form 10-K, except for the adoption of a new revenue recognition standard as described below.

*Effect of Adoption of New Accounting Standard*

In May 2014, the Financial Accounting Standards Board (the "FASB"), jointly with the International Accounting Standards Board, issued a comprehensive new standard on revenue recognition from contracts with customers. The standard's core principle is that a reporting entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted this standard on April 30, 2018, using a modified retrospective approach. The Company's assessment has identified a change in revenue recognition timing on sales made to distributors. Upon adopting this standard, the Company now recognizes revenue upon delivery of products to the distributor (in accordance with established shipping and delivery terms) rather than deferring recognition until the distributor sells the product to the end customer. On April 30, 2018, the Company removed the deferred revenue (and corresponding deferred cost of sales) on sales to distributors through a cumulative adjustment to accumulated deficit. The adoption resulted in an approximately net \$8.6 million reduction of accumulated deficit with a corresponding approximately \$9.5 million reduction of deferred revenue, an approximately \$535,000 reduction of other non-current liabilities, an approximately \$760,000 increase in other current assets, and an approximately \$2.3 million reduction of deferred tax assets. Based on the Company's assessment, only minimal changes were required to the Company's existing policies, processes, and controls to support the standard's measurement and disclosure requirements. During fiscal 2018, the Company and certain licensees agreed to modify specific terms of some of the Company's out-licensing agreements by granting licensees cancellation rights to cease future payments in the event that licensees cease using the licensed technology. These licensing agreements provided for a settlement and release of any prior claims and licensing of the Company's technology over a future period. Prior to the modification there were no cancellation rights. In accordance with the new accounting standard, the Company utilized one of the practical expedients for adoption that allowed the Company to reflect the aggregate effect of all modifications that have occurred before the beginning of the earliest period presented in accordance with this new accounting standard. Absent these modifications, the Company would have recognized, in addition to the amounts described above, approximately \$24.4 million of cumulative effect of adoption of the new accounting standard in the earliest period presented in accordance with this new accounting standard. The Company may provide similar cancellation rights in comparable licensing agreements that may be executed in the future.

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The following table summarizes the impacts of adopting the new revenue recognition standard on the Company's condensed consolidated financial statements for the first quarter of fiscal 2019:

<i>(in thousands)</i>	Three Months Ended July 29, 2018		
	As reported	Adjustments	Without new revenue standard
Revenues	\$ 317,336	\$ (6,489)	\$ 310,847
Cost of revenues	236,156	(3,169)	232,987
Gross profit	80,684	(3,320)	77,364
Net loss	\$ (18,489)	\$ (3,320)	\$ (21,809)

  

<i>(in thousands)</i>	As of July 29, 2018		
	As reported	Adjustments	Without new revenue standard
Other current assets	\$ 54,862	\$ (425)	\$ 54,437
Deferred tax assets	\$ 85,873	\$ 2,259	\$ 88,132
Deferred revenue	\$ —	\$ 13,241	\$ 13,241
Other non-current liabilities	\$ 11,366	\$ 465	\$ 11,831
Accumulated deficit	\$ (1,221,970)	\$ (11,872)	\$ (1,233,842)

The following table presents the Company's revenues disaggregated by geography, based on the location of the entity purchasing the Company's products:

<i>(in thousands)</i>	Three Months Ended	
	July 29, 2018	July 30, 2017
United States	\$ 110,400	\$ 112,062
China	79,713	78,798
Malaysia	19,754	27,990
Rest of the world	107,469	122,956
Totals	\$ 317,336	\$ 341,806

The following table presents the Company's revenues disaggregated by market application:

<i>(in thousands)</i>	Three Months Ended	
	July 29, 2018	July 30, 2017
Datacom	\$ 238,120	\$ 258,314
Telecom	79,216	83,492
Totals	\$ 317,336	\$ 341,806

**U.S. Tax Reform**

On December 22, 2017, the Tax Cuts and Jobs Act ("TCJA") was enacted, which contains significant changes to U.S. tax law, including lowering the U.S. corporate income tax rate, implementing a territorial tax system, and imposing a one-time tax on deemed repatriation of earnings of foreign subsidiaries. The Company has not adjusted its provisional tax estimates related to TCJA that were recorded in fiscal 2018. The ultimate impact on the Company's consolidated financial statements may differ from these provisional amounts, possibly materially, due to, among other things, additional analysis, changes in interpretations and assumptions the Company has made, additional regulatory guidance that may be issued, and actions the Company may take as a result of the TCJA. The accounting is expected to be complete when the Company's 2017 U.S. corporate income tax return is filed in 2018.

**Pending Adoption of New Accounting Standards**

In February 2016, the FASB issued an accounting standards update which replaces the current lease accounting standard. The update will require lessees, among other items, to recognize a right-of-use asset and a lease liability for most leases. The update is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain optional practical expedients. Transition will require application of the new guidance at the beginning of the earliest

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comparative period presented. The Company expects to adopt this standard in the first quarter of its fiscal 2020. The Company is currently evaluating potential effects on its consolidated financial position, results of operations and cash flows from the adoption of this standard.

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

### 3. Earnings per Share

Basic net income (loss) per share has been computed using the weighted-average number of shares of common stock outstanding during the period. Diluted net income (loss) per share has been computed using the weighted-average number of shares of common stock outstanding during the period plus dilutive potential shares of common stock from (1) stock options and restricted stock units (under the treasury stock method) and (2) convertible debt (under the treasury stock method) outstanding during the period.

The following table presents the calculation of basic and diluted net income (loss) per share:

<i>(in thousands, except per share amounts)</i>	Three Months Ended	
	July 29, 2018	July 30, 2017
<b>Numerator:</b>		
Net income (loss)	\$ (18,489)	\$ 19,859
Numerator for basic net income (loss) per share	(18,489)	19,859
Numerator for diluted net income (loss) per share	\$ (18,489)	\$ 19,859
<b>Denominator:</b>		
Denominator for basic net income (loss) per share - weighted average shares	115,867	112,544
<b>Effect of dilutive securities:</b>		
Stock options and restricted stock units	—	3,154
Dilutive potential common shares	—	3,154
Denominator for diluted net income (loss) per share	115,867	115,698
<b>Net income (loss) per share:</b>		
Basic	\$ (0.16)	\$ 0.18
Diluted	\$ (0.16)	\$ 0.17

The following table presents potential shares of common stock excluded from the calculation of diluted net income (loss) per share as their effect would have been anti-dilutive:

<i>(in thousands)</i>	Three Months Ended	
	July 29, 2018	July 30, 2017
Stock options and restricted stock units	5,710	1,080

0.50% Convertible Senior Notes due 2033 and 0.50% Convertible Senior Notes due 2036 were excluded from the calculation of diluted earnings per share under the treasury stock method for the periods when the conversion price exceeded the average market price for the Company's common stock.

### 4. Inventories

Inventories consist of the following:

<i>(in thousands)</i>	As of	
	July 29, 2018	April 29, 2018
Raw materials	\$ 72,228	\$ 84,441
Work-in-process	188,897	186,160
Finished goods	64,721	77,926
Total inventories	\$ 325,846	\$ 348,527

## 5. Investments

The Company's portfolio of fixed income securities consists of commercial paper notes and term bank certificates of deposit. All of the Company's investments in fixed income securities have original maturity (maturity at the purchase date) of less than 12 months and are reported as short-term investments in the consolidated balance sheets as of July 29, 2018 and April 29, 2018. All of the Company's investments in fixed income securities are classified as held-to-maturity since the Company has the positive intent and ability to hold these investments until maturity. These investments are carried at amortized cost.

The Company's investments in fixed income securities as of July 29, 2018 and April 29, 2018 were as follows:

<i>(in thousands)</i>	July 29, 2018				April 29, 2018			
	Amortized Cost	Gross Unrealized		Fair Value	Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses			Gains	Losses	
Commercial paper	\$ 494,510	\$ —	\$ —	\$ 494,510	\$ 548,010	\$ —	\$ —	\$ 548,010
Certificates of deposit	338,171	—	—	338,171	336,828	—	—	336,828
<b>Total</b>	<b>\$ 832,681</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 832,681</b>	<b>\$ 884,838</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 884,838</b>

During the three month periods ended July 29, 2018 and July 30, 2017, there were no gross unrealized gains or losses, no realized gains or losses, and no other-than-temporary impairments.

## 6. Debt

### *0.50% Convertible Senior Notes Due 2036*

In December 2016, the Company issued and sold \$575.0 million in aggregate principal amount of 0.50% Convertible Senior Notes due 2036 (the "2036 Notes") at par. The terms of the notes are governed by an indenture by and between the Company and Wells Fargo Bank, National Association, as Trustee. The notes will mature on December 15, 2036, unless earlier repurchased, redeemed or converted. The notes are senior unsecured and unsubordinated obligations of the Company, and are effectively subordinated to the Company's secured indebtedness and the indebtedness and other liabilities of the Company's subsidiaries. The notes bear interest at a rate of 0.5% per year, payable semi-annually in arrears on June 15 and December 15 each year.

Holder of the notes may convert their notes at their option prior to the close of business on the business day immediately preceding June 15, 2036 only under the following circumstances: (1) during any fiscal quarter commencing after the fiscal quarter ending on January 29, 2017 (and only during such fiscal quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period ("measurement period"), in which the trading price per \$1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the applicable conversion rate on each such trading day; or (3) upon the occurrence of specified corporate events. On or after June 15, 2036 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time, regardless of whether any of the foregoing circumstances have occurred. The conversion rate will initially equal 22.6388 shares of common stock per \$1,000 principal amount of notes (which is equivalent to an initial conversion price of approximately \$44.17 per share of common stock), subject to adjustment. Upon conversion of a note, the Company will pay or deliver, as the case may be, either cash, shares of its common stock or a combination of cash and shares of its common stock, at the Company's election, as provided in the indenture. If holders elect to convert their notes in connection with a "fundamental change" (as defined in the indenture) that occurs on or before December 22, 2021, the Company will, to the extent provided in the indenture, increase the conversion rate applicable to such notes ("make-whole feature").

Holder will have the option to require the Company to redeem for cash any notes held by them in the event of a fundamental change at a purchase price equal to 100% of the principal amount of the notes plus accrued and unpaid interest to, but excluding, the redemption date. Holders also have the option to require the Company to redeem for cash any notes held by them on December 15, 2021, December 15, 2026 and December 15, 2031 at a redemption price equal to 100% of the principal amount of the notes plus accrued and unpaid interest to, but excluding, the redemption date. The Company may redeem the

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notes in whole or in part at any time on or after December 22, 2021 at 100% of the principal amount, plus accrued and unpaid interest to, but excluding, the redemption date.

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

Because of its option to settle conversion of the notes in cash, the Company separated the liability and equity components of the notes. The carrying amount of the liability component at issuance date of \$465.1 million was calculated by estimating the fair value of similar liabilities without a conversion feature. The residual principal amount of the notes of \$109.9 million was allocated to the equity component. The resulting debt discount is amortized as interest expense. As of July 29, 2018, the remaining debt discount amortization period was 41 months.

As of July 29, 2018, the 2036 Notes consisted of the following (in thousands):

Liability component:		
Principal	\$	575,000
Unamortized debt discount		(77,556)
Unamortized debt issuance costs		(3,128)
Net carrying amount of the liability component	\$	494,316
Carrying amount of the equity component	\$	109,881

The Company incurred approximately \$5.7 million in transaction costs in connection with the issuance of the notes. These costs were allocated to the liability and equity components in proportion to the allocation of proceeds. Transaction costs of \$4.6 million, allocated to the liability component, were recognized as a debt discount and are amortized. Transaction costs of \$1.1 million, allocated to the equity component, were recognized as a reduction of additional paid-in capital.

The following table sets forth interest expense information related to the 2036 Notes:

<i>(in thousands, except percentages)</i>	Three Months Ended	
	July 29, 2018	July 30, 2017
Contractual interest expense	\$ 719	\$ 719
Amortization of the debt discount	5,208	4,964
Amortization of issuance costs	231	231
Total interest cost	\$ 6,158	\$ 5,914
Effective interest rate on the liability component	4.85%	4.85%

The Company applies the treasury stock method to determine the potential dilutive effect of the 2036 Notes on net income per share as a result of the Company's intent and stated policy to settle the principal amount of the 2036 Notes in cash.

#### **0.50% Convertible Senior Notes Due 2033**

In December 2013, the Company issued and sold \$258.8 million in aggregate principal amount of 0.50% Convertible Senior Notes due 2033 (the "2033 Notes") at par. The terms of the notes are governed by an indenture by and between the Company and Wells Fargo Bank, National Association, as Trustee. The notes will mature on December 15, 2033, unless earlier repurchased, redeemed or converted. The notes are senior unsecured and unsubordinated obligations of the Company, and are effectively subordinated to the Company's secured indebtedness and the indebtedness and other liabilities of the Company's subsidiaries. The notes bear interest at a rate of 0.5% per year, payable semi-annually in arrears on June 15 and December 15 each year.

Holder of the notes may convert their notes at their option prior to the close of business on the business day immediately preceding June 15, 2033 only under the following circumstances: (1) during any fiscal quarter commencing after the fiscal quarter ending on January 26, 2014 (and only during such fiscal quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period ("measurement period"), in which the trading price per \$1,000 principal amount of notes for each trading day of the

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measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the applicable conversion rate on each such trading day; or (3) upon the occurrence of specified corporate events. On or after June 15, 2033 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time, regardless of whether any of the foregoing circumstances have occurred. The conversion rate will initially equal 33.1301 shares of common stock per \$1,000 principal amount of notes (which is equivalent to an initial conversion price of approximately \$30.18 per share of common stock), subject to adjustment. Upon conversion of a note, the Company will pay or deliver, as the case may be, either cash, shares of its common stock or a combination of cash and shares of its common stock, at the Company's election, as provided in the indenture. If holders elect to convert their notes in connection with a "fundamental change" (as defined in the indenture) that occurs on or before December 22, 2018, the Company will, to the extent provided in the indenture, increase the conversion rate applicable to such notes ("make-whole feature").

Holders will have the option to require the Company to redeem for cash any notes held by them in the event of a fundamental change at a purchase price equal to 100% of the principal amount of the notes plus accrued and unpaid interest to, but excluding, the redemption date. Holders also have the option to require the Company to redeem for cash any notes held by them on December 15, 2018, December 15, 2023 and December 15, 2028 at a redemption price equal to 100% of the principal amount of the notes plus accrued and unpaid interest to, but excluding, the redemption date. The Company may redeem the notes in whole or in part at any time on or after December 22, 2018 at 100% of the principal amount, plus accrued and unpaid interest to, but excluding, the redemption date.

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

Because of its option to settle conversion of the notes in cash, the Company separated the liability and equity components of the notes. The carrying amount of the liability component at issuance date of \$209.1 million was calculated by estimating the fair value of similar liabilities without a conversion feature. The residual principal amount of the notes of \$49.6 million was allocated to the equity component. The resulting debt discount is amortized as interest expense. As of July 29, 2018, the remaining debt discount amortization period was 4 months.

As of July 29, 2018, the 2033 Notes consisted of the following (in thousands):

Liability component:		
Principal	\$	258,750
Unamortized debt discount		(4,369)
Unamortized debt issuance costs		(231)
Net carrying amount of the liability component	\$	254,150
Carrying amount of the equity component	\$	49,648

The Company incurred approximately \$3.8 million in transaction costs in connection with the issuance of the notes. These costs were allocated to the liability and equity components in proportion to the allocation of proceeds. Transaction costs of \$3.1 million, allocated to the liability component, were recognized as a non-current asset and are amortized. Transaction costs of \$725,000, allocated to the equity component, were recognized as a reduction of additional paid-in capital.

The following table sets forth interest expense information related to the 2033 Notes:

<i>(in thousands, except percentages)</i>	Three Months Ended	
	July 29, 2018	July 30, 2017
Contractual interest expense	\$ 324	\$ 324
Amortization of the debt discount	2,719	2,591
Amortization of issuance costs	154	154
Total interest cost	\$ 3,197	\$ 3,069
Effective interest rate on the liability component	4.87%	4.87%

The Company applies the treasury stock method to determine the potential dilutive effect of the 2033 Notes on net income per share as a result of the Company's intent and stated policy to settle the principal amount of the 2033 Notes in cash.

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As explained above, the terms of the 2033 Notes include a provision that allows the holders to require the Company to redeem any of their notes on December 15, 2018. Accordingly, all \$254.2 million of the net carrying amount of the liability component of the 2033 Notes outstanding as of July 29, 2018 was classified as a current liability as of that date.

## 7. Fair Value of Financial Instruments

The Company's financial instruments not measured at fair value on a recurring basis as of July 29, 2018 and April 29, 2018 were as follows:

<i>(in thousands)</i>	July 29, 2018					April 29, 2018				
	Carrying Amount	Fair Value				Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
Commercial paper	\$ 494,510	\$ —	\$ 494,510	\$ —	\$ 494,510	\$ 548,010	\$ —	\$ 548,010	\$ —	\$ 548,010
Certificates of deposit	\$ 338,171	\$ —	\$ 338,171	\$ —	\$ 338,171	\$ 336,828	\$ —	\$ 336,828	\$ —	\$ 336,828
2033 Notes	\$ 254,150	\$ 256,087	\$ —	\$ —	\$ 256,087	\$ 251,278	\$ 256,001	\$ —	\$ —	\$ 256,001
2036 Notes	\$ 494,316	\$ 518,046	\$ —	\$ —	\$ 518,046	\$ 488,877	\$ 520,016	\$ —	\$ —	\$ 520,016

The fair values of the Company's investments in commercial papers and certificates of deposit are based on quoted market prices for similar instruments or non-binding market prices that are corroborated by observable market data. The fair values of the 2033 Notes and the 2036 Notes are based on the price in the open market as of or close to the respective balance sheet dates. The difference between the carrying value and the fair value is primarily due to the spread between the conversion price and the market value of the shares underlying the conversion as of each respective balance sheet date.

## 8. Legal Matters

The Company accrues a liability for legal contingencies when it believes that it is both probable that a liability has been incurred and that it can reasonably estimate the amount of the loss. The Company reviews these accruals and adjusts them to reflect ongoing negotiations, settlements, rulings, advice of legal counsel and other relevant information. To the extent new information is obtained and the Company's views on the probable outcomes of claims, suits, assessments, investigations or legal proceedings change, changes in the Company's accrued liabilities would be recorded in the period in which such determination is made. For the matters referenced below, the amount of liability is not probable or the amount cannot be reasonably estimated; and, therefore, accruals have not been made. In addition, in accordance with the relevant authoritative guidance, for matters which the likelihood of material loss is at least reasonably possible, the Company provides disclosure of the possible loss or range of loss; however, if a reasonable estimate cannot be made, the Company will provide disclosure to that effect.

Due to the nature of the Company's business, it is subject to claims alleging infringement by various Company products and services. The Company believes that it has meritorious defenses to the allegations made in its pending cases and intends to vigorously defend these lawsuits; however, it is currently unable to determine the ultimate outcome of these or similar matters. In addition, the Company is a defendant in various litigation matters generally arising out of the normal course of business. Although it is difficult to predict the ultimate outcomes of these cases, the Company believes that it is not reasonably possible that the ultimate outcomes will materially and adversely affect its business, financial position, results of operations or cash flows.

### *Class Action and Shareholder Derivative Litigation*

Several securities class action lawsuits related to the Company's March 8, 2011 earnings announcement alleging claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 have been filed in the United States District Court for the Northern District of California on behalf of a purported class of persons who purchased stock between December 2, 2010 through March 8, 2011. The named defendants are the Company and Jerry Rawls, its former Chief Executive Officer and former Chairman of the Board, and Eitan Gertel, its former Chief Executive Officer. To date, no specific amount of damages has been alleged. The cases were consolidated, lead plaintiff was appointed and a consolidated complaint was filed. The Company filed a motion to dismiss the case. On January 16, 2013, the District Court granted the Company's motion to dismiss and granted the lead plaintiffs leave to amend the consolidated complaint. An amended consolidated complaint was filed on February 6, 2013. Thereafter, the Company filed a renewed motion to dismiss the case. On September 30, 2013, the District Court granted the Company's motion and dismissed the case with prejudice, and plaintiff appealed. On January 8, 2016, the Ninth Circuit Court of Appeals reversed the judgment in part for further proceedings in the District Court. On July 15, 2016, lead plaintiff filed a Second Amended Complaint in the District Court. On August 19, 2016, the Company moved to dismiss.

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On May 1, 2017, the District Court denied the motion and a case scheduling order has been issued. On December 5, 2017, the District Court issued an order denying class certification. On February 1, 2018, the plaintiff filed a petition with the Ninth Circuit Court of Appeals for permission to appeal the denial of class certification and, on July 13, 2018, the Ninth Circuit Court of Appeals denied the petition for permission to appeal.

In addition, two purported shareholder derivative lawsuits related to the Company's March 8, 2011 earnings announcement have been filed in the California Superior Court for the County of Santa Clara, and a third derivative lawsuit has been filed in the United States District Court for the Northern District of California. The complaints assert claims for alleged breach of fiduciary duty, unjust enrichment, and waste on behalf of the Company. Named as defendants are the members of the Company's board of directors at the time of the claim and certain officers, including Jerry Rawls, the Company's former Chief Executive Officer and former Chairman of the Board, Eitan Gertel, the Company's former Chief Executive Officer, and Kurt Adzema, the Company's Chief Financial Officer. No specific amount of damages has been alleged and, by the derivative nature of the lawsuits, no damages will be alleged, against the Company. The state court cases have been consolidated and a lead plaintiff has been appointed to file a consolidated complaint. The derivative cases were stayed pending a ruling in the federal class action case. On August 7, 2017, the plaintiff in the federal case filed an amended complaint. On March 9, 2018, the Company filed a motion to dismiss the amended complaint.

**9. Guarantees and Indemnifications**

Upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligations it assumes under that guarantee. As permitted under Delaware law and in accordance with the Company's Bylaws, the Company indemnifies its officers and directors for certain events or occurrences, subject to certain limits, while the officer or director is or was serving in such capacity at the Company's request. The term of the indemnification period is for the officer's or director's lifetime. The Company may terminate the indemnification agreements with its officers and directors upon 90 days written notice, but termination will not affect claims for indemnification relating to events occurring prior to the effective date of termination. The maximum amount of potential future indemnification is unlimited; however, the Company has a director and officer liability insurance policy that may enable it to recover a portion of any future amounts paid.

The Company enters into indemnification obligations under its agreements with other companies in its ordinary course of business, including agreements with customers, business partners and insurers. Under these provisions the Company generally indemnifies and holds harmless the indemnified party for losses suffered or incurred by the indemnified party as a result of the Company's activities or the use of the Company's products. These indemnification provisions generally survive termination of the underlying agreement. In some cases, the maximum potential amount of future payments the Company could be required to make under these indemnification provisions is unlimited.

The Company believes the fair value of these indemnification obligations is immaterial. Accordingly, the Company has not recorded any liabilities for these agreements as of July 29, 2018. To date, the Company has not incurred material costs to defend lawsuits or settle claims related to these indemnification agreements.

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

**Cautionary Note Regarding Forward-Looking Statements**

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We use words like “anticipates,” “believes,” “plans,” “expects,” “future,” “intends” and similar expressions to identify these forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events; however, our business and operations are subject to a variety of risks and uncertainties, and, consequently, actual results may materially differ from those projected by any forward-looking statements. As a result, you should not place undue reliance on these forward-looking statements since they may not occur.

Certain factors that could cause actual results to differ from those projected are discussed in “Part II. Other Information, Item 1 A. Risk Factors.” We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events.

The following discussion should be read together with our condensed consolidated financial statements and related notes thereto included elsewhere in this report.

**Business Overview**

We are a global technology leader in optical communications, providing components and subsystems to networking equipment manufacturers, data center operators, telecom service providers, consumer electronics and automotive companies. We design products that meet the increasing demands for network bandwidth, data storage and 3D sensing subsystems. Our optical subsystems consist primarily of transmitters, receivers, transceivers, transponders and active optical cables, which provide the fundamental optical-electrical, or optoelectronic interface for interconnecting the electronic equipment used in these networks, including the switches, routers, and servers used in wireline networks as well as the antennas and base stations used in wireless networks. These products rely on the use of semiconductor lasers and photodetectors in conjunction with integrated circuits and novel optoelectronic packaging to provide a cost-effective means for transmitting and receiving digital signals over fiber optic cable at speeds ranging from less than 1 gigabit per second, or Gbps, to more than 400 Gbps, over distances of less than 10 meters to more than 2,000 kilometers, using a wide range of network protocols and physical configurations.

We also provide products known as wavelength selective switches, or WSS. In long-haul and metro networks, each fiber may carry 50 to more than 100 different high-speed optical wavelengths. WSS are switches that are used to dynamically switch network traffic from one optical fiber to multiple other fibers without first converting to an electronic signal. The wavelength selective feature means that WSS enable any wavelength or combination of wavelengths to be switched from the input fiber to the output fibers. WSS products are sometimes combined with other components and sold as linecards that plug into a system chassis referred to as a reconfigurable optical add/drop multiplexers, or ROADMs.

Finally, we have entered the high-growth 3D Sensing market. 3D Sensing enables features such as facial recognition, gaming and virtual reality. In addition, there are applications in the automotive market such as LiDAR and in-cabin recognition. Today, VCSELs (Vertical Cavity Surface Emitting Lasers) are core to 3D Sensing and we are able to leverage multiple years of experience in technology in these emerging applications. We both design and manufacture these lasers and continue to expand our capacity in order to meet demand.

Our line of optical components also includes packaged lasers and photodetectors for data communication and telecommunication applications.

Demand for our products is largely driven by the continually growing need for additional network bandwidth created by the ongoing proliferation of data and video traffic from video downloads, Internet protocol TV, social networking, on-line gaming, file sharing, enterprise IP/Internet traffic, cloud computing, and data center virtualization that must be handled by both wireline and wireless networks. Mobile traffic is increasing as the result of proliferation of smartphones, tablet computers, and other mobile devices.

Our manufacturing operations are vertically integrated and we produce many of the key components used in making our products, including lasers, photodetectors and integrated circuits, or ICs, designed by our internal IC engineering teams. We also have internal assembly and test capabilities that make use of internally designed equipment for the automated testing of our optical subsystems and components.

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We sell our products primarily to manufacturers of storage systems, networking equipment and telecommunication equipment such as Broadcom, Ciena, Cisco Systems, Dell EMC, Ericsson, FiberHome, Fujitsu, Hewlett Packard Enterprise, Huawei, IBM, Juniper, Nokia, QLogic, and ZTE, and to their contract manufacturers. These customers, in turn, sell their systems to businesses and to wireline and wireless telecommunication service providers and cable TV operators, collectively referred to as carriers. We also sell products to end-users.

Our cost of revenues consists of materials, salaries and related expenses for manufacturing personnel, manufacturing overhead, warranty expense, inventory adjustments for obsolete and excess inventory and the amortization of acquired developed technology associated with acquisitions that we have made. As a result of building a vertically integrated business model, our manufacturing cost structure has become more fixed. While this can be beneficial during periods when demand is strong, it can be more difficult to reduce costs during periods when demand for our products is weak, product mix is unfavorable or selling prices are generally lower. While we have undertaken measures to reduce our operating costs, there can be no assurance that we will be able to reduce our cost of revenues sufficiently to achieve or sustain profitability.

Since October 2000, we have completed the acquisition of two publicly-held companies. We have also completed the acquisition of 13 privately-held companies and certain businesses and assets from seven other companies in order to broaden our product offerings and provide new sources of revenue, production capabilities and access to advanced technologies that we believe will enable us to reduce our product costs and develop innovative and more highly integrated product platforms while accelerating the timeframe required to develop such products.

### Critical Accounting Estimates

The preparation of our financial statements and related disclosures requires that we make estimates, assumptions and judgments that can have a significant impact on our revenue and operating results, as well as on the value of certain assets and contingent liabilities on our balance sheet. The methods, assumptions, and estimates that we use in applying our accounting policies may require us to apply judgments regarding matters that are inherently uncertain. We consider an accounting policy to be a critical estimate if: (1) we must make assumptions that were uncertain when the judgment was made, and (2) changes in the estimate assumptions, or the selection of a different estimate methodology, could have a significant impact on our financial position and the results that we report in our consolidated financial statements. While we believe that our estimates, assumptions, and judgments are reasonable, they are based on the information available when the estimate was made. We believe there have been no significant changes in our critical accounting estimates from those described in our Annual Report on Form 10-K for the fiscal year ended April 29, 2018.

### Results of Operations

#### Revenues (by market application)

(in thousands, except percentages)

	Three Months Ended		Change	% Change
	July 29, 2018	July 30, 2017		
Datacom revenue	\$ 238,120	\$ 258,314	\$ (20,194)	(8)%
Telecom revenue	79,216	83,492	(4,276)	(5)%
Total revenues	\$ 317,336	\$ 341,806	\$ (24,470)	(7)%

During the first quarter of fiscal 2019, we recognized revenue based on the ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," but revenue for the three months ended July 30, 2017 was recognized based on Topic 605. Therefore, the periods are not directly comparable. For additional information regarding the impact of the new accounting standard on our revenue, please refer to "Part I, Item 1, Financial Statements - Note 2. Summary of Significant Accounting Policies".

Datacom revenue for the three month period ended July 29, 2018 decreased approximately \$20.2 million compared to the three month period ended July 30, 2017. During the period, 40 Gbps datacom transceiver revenue declined approximately \$23.3 million while 100 Gbps datacom transceiver revenue increased by approximately \$3.6 million.

Telecom revenue for the three month period ended July 29, 2018 decreased approximately \$4.3 million compared to the three month period ended July 30, 2017. During the period, 10 Gbps telecom transceiver revenue declined approximately \$3.8 million and 100 Gbps telecom transceiver revenue declined approximately \$5.4 million while WSS and ROADM line card revenue increased approximately \$8.2 million. We believe this decline was due to lower demand for telecom products from our Chinese OEM customers.

[Table of Contents](#)**Amortization of Acquired Developed Technology***(in thousands, except percentages)*

	July 29, 2018	July 30, 2017	Change	% Change
Three months ended	\$ 496	\$ 611	\$ (115)	(19)%

Amortization of acquired developed technology for the three month period ended July 29, 2018 decreased compared to the three month period ended July 30, 2017 due to the roll-off of amortization of certain intangible assets related to our prior acquisitions.

**Gross Profit***(in thousands, except percentages)*

	July 29, 2018	July 30, 2017	Change	% Change
Three months ended	\$ 80,684	\$ 115,299	\$ (34,615)	(30)%
As a percentage of revenues	25%	34%		

Gross profit is calculated as revenues less cost of revenues, amortization of acquired developed technology, and, if applicable, impairment of long-lived assets. The gross profit decline for the three month period ended July 29, 2018, compared to the respective prior periods was attributable to the combination of overall lower revenue levels and the decline in gross margin.

Gross margin is gross profit reflected as a percentage of revenues. Our cost of revenues consists of materials, salaries and related expenses for manufacturing personnel, manufacturing overhead, warranty expense, and inventory adjustments for excess and obsolete inventory. Gross margin for the three month period ended July 29, 2018 declined compared to the three month period ended July 30, 2017 mostly due to decreases in the average selling prices for our products. In addition, gross margin percentage declined approximately 130 basis points due to the negative impact of fixed manufacturing costs relative to lower revenue in the current year period.

Our industry is characterized by products with average selling prices that decrease over time and we expect this trend to continue. Future decreases in average selling prices will have an unfavorable impact on our future gross profit, which may be partially or fully offset in any period in the event that we are successful in increasing the number of units sold and/or increasing sales of products with higher gross margins. Future decreases in average selling prices also will have an unfavorable impact on our future gross margin, which may be partially or fully offset in any period in the event that we are successful in decreasing the cost of goods sold of our products and/or increasing sales of products with higher gross margins.

**Research and Development Expenses***(in thousands, except percentages)*

	July 29, 2018	July 30, 2017	Change	% Change
Three months ended	\$ 63,059	\$ 58,040	\$ 5,019	9%

Research and development expenses consist primarily of salaries and related costs of employees engaged in research and design activities, including stock-based compensation charges related to those employees, costs of design tools and computer hardware, costs related to prototyping, and allocated facilities and IT support costs. Research and development expenses for the three month period ended July 29, 2018 increased compared to the three month period ended July 30, 2017 primarily due to \$7.0 million of employee severance compensation and other expenses related to restructuring activities undertaken during the first quarter of fiscal 2019.

**Sales and Marketing Expenses***(in thousands, except percentages)*

	July 29, 2018	July 30, 2017	Change	% Change
Three months ended	\$ 12,480	\$ 12,351	\$ 129	1%

Sales and marketing expenses consist primarily of salaries and related costs of employees engaged in sales and marketing functions, including stock-based compensation charges related to those employees, commissions for our external sales representatives, costs related to marketing and promotional activities, and allocated facilities and IT support costs. Sales and marketing expenses for the three month period ended July 29, 2018 increased compared to the three month period ended July 30, 2017 due to employee compensation expenses related to a reduction in force activities undertaken during the first quarter of fiscal 2019.

[Table of Contents](#)**General and Administrative Expenses***(in thousands, except percentages)*

	July 29, 2018	July 30, 2017	Change	% Change
Three months ended	\$ 12,643	\$ 14,289	\$ (1,646)	(12)%

General and administrative expenses consist primarily of salaries and related costs of employees engaged in general and administrative functions, including stock-based compensation charges related to those employees, legal, audit and other professional fees, insurance costs, human resources and other corporate costs, and allocated facilities and IT support costs. General and administrative expenses for the three month period ended July 29, 2018 decreased compared to the three month period ended July 30, 2017 due to governmental subsidies received in fiscal 2019 in certain jurisdictions in which we conduct business.

**Start-Up Costs***(in thousands, except percentages)*

	July 29, 2018	July 30, 2017	Change	% Change
Three months ended	\$ 7,553	\$ —	\$ 7,553	100%

Start-up costs consist of operating expenses, including employee compensation, facility maintenance and other expenses, related to our recently purchased 700,000 square foot manufacturing facility in Sherman, Texas during the period while it is being brought to its intended use.

**Interest Income***(in thousands, except percentages)*

	July 29, 2018	July 30, 2017	Change	% Change
Three months ended	\$ 5,155	\$ 3,440	\$ 1,715	50%

Interest income for the three month period ended July 29, 2018 increased compared to the three month period ended July 30, 2017 due to an increase in interest rates.

**Interest Expense***(in thousands, except percentages)*

	July 29, 2018	July 30, 2017	Change	% Change
Three months ended	\$ 9,386	\$ 9,013	\$ 373	4%

Interest expense for the three month period ended July 29, 2018 increased compared to the three month period ended July 30, 2017 due to the amortization of the debt discount on our 0.50% Convertible Senior Notes due 2036 issued in December 2016.

**Other Income (Expense), Net***(in thousands, except percentages)*

	July 29, 2018	July 30, 2017	Change	% Change
Three months ended	\$ (1,789)	\$ (2,694)	\$ 905	(34)%

The change in other income (expense), net for the three month period ended July 29, 2018 as compared to the three month period ended July 30, 2017 was due to a \$2.4 million impairment of one of our minority investments, recognized during the three month period ended July 30, 2017, due to this investee's prolonged negative results of operations and cash flows, partially offset by fluctuations of foreign currency exchange rates.

**Provision for (Benefit from) Income Taxes***(in thousands, except percentages)*

	July 29, 2018	July 30, 2017	Change	% Change
Three months ended	\$ (3,222)	\$ 1,786	\$ (5,008)	(280)%

The change from income tax provision for the three month period ended July 30, 2017 to benefit from income taxes for the three month period ended July 29, 2018 was primarily due to pre-tax losses incurred in the U.S. in the first quarter of fiscal 2019 and corresponding deferred tax benefit.

**Liquidity and Capital Resources**

<i>(in millions)</i>	Three Months Ended	
	July 29, 2018	July 30, 2017
Net cash provided by operating activities	\$ 59.8	\$ 45.7
Net cash used in investing activities	\$ (50.3)	\$ (27.4)
Net cash provided by financing activities	\$ 4.4	\$ 0.3

*Operating Cash Flows*

Net cash provided by operating activities in the three month period ended July 29, 2018 primarily consisted of our net loss, as adjusted to exclude depreciation, amortization and other non-cash items totaling \$39.7 million. Net cash provided by operating activities in the three month period ended July 30, 2017 primarily consisted of our net income, as adjusted to exclude depreciation, amortization and other non-cash items totaling \$46.8 million.

*Investing Cash Flows*

Net cash used in investing activities in the three month period ended July 29, 2018 primarily consisted of expenditures for capital assets. Net cash used in investing activities in the three month period ended July 30, 2017 primarily consisted of expenditures for capital assets.

*Financing Cash Flows*

Net cash provided by financing activities in the three month period ended July 29, 2018 primarily consisted of proceeds from the issuance of shares under our employee stock option and stock purchase plans, offset by share repurchases for tax withholdings on vesting of restricted stock units. Net cash provided by financing activities in the three month period ended July 30, 2017 primarily consisted of proceeds from the issuance of shares under our employee stock option and stock purchase plans, offset by share repurchases for tax withholdings on vesting of restricted stock units.

**Contractual Obligations and Commercial Commitments**

Our contractual obligations at July 29, 2018 were as follows (in thousands):

Contractual Obligations	Total	Payments Due by Period			
		Less than 1 year	1-3 Years	4-5 Years	After 5 Years
0.5% Convertible Senior Notes due 2033	\$ 258,750	\$ 258,750	\$ —	\$ —	\$ —
0.5% Convertible Senior Notes due 2036	575,000	—	—	575,000	—
Interest on 2033 Notes (a)	485	485	—	—	—
Interest on 2036 Notes (b)	9,703	2,875	5,750	1,078	—
Operating leases (c)	39,589	10,367	14,432	9,543	5,247
Capital purchase obligations	58,789	58,789	—	—	—
Other purchase obligations	115,485	115,485	—	—	—
Total contractual obligations	<u>\$ 1,057,801</u>	<u>\$ 446,751</u>	<u>\$ 20,182</u>	<u>\$ 585,621</u>	<u>\$ 5,247</u>

- (a) Includes interest on our 0.50% Convertible Senior Notes due 2033 through December 2018 as we have the right to redeem the notes in whole or in part at any time on or after December 22, 2018.
- (b) Includes interest on our 0.50% Convertible Senior Notes due 2036 through December 2021 as we have the right to redeem the notes in whole or in part at any time on or after December 22, 2021.
- (c) Includes operating lease obligations that have been accrued as restructuring charges.

The 2033 Notes are convertible into shares of our common stock at specified conversion prices by the holders at their option prior to the close of business on the business day immediately preceding June 15, 2033 only under the following circumstances: (1) during any fiscal quarter commencing after the fiscal quarter ending on January 26, 2014 (and only during such fiscal quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period ("measurement period"), in which the trading price per \$1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported

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sale price of our common stock and the applicable conversion rate on each such trading day; or (3) upon the occurrence of specified corporate events. On or after June 15, 2033 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time, regardless of whether any of the foregoing circumstances have occurred. The 2033 Notes are also subject to redemption by the holders in December 2018, 2023 and 2028. These notes are redeemable by us, in whole or in part, at any time on or after December 22, 2018.

The 2036 Notes are convertible into shares of our common stock at specified conversion prices by the holders at their option prior to the close of business on the business day immediately preceding June 15, 2036 only under the following circumstances: (1) during any fiscal quarter commencing after the fiscal quarter ending on January 29, 2017 (and only during such fiscal quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period ("measurement period"), in which the trading price per \$1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on each such trading day; or (3) upon the occurrence of specified corporate events. On or after June 15, 2036 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time, regardless of whether any of the foregoing circumstances have occurred. The 2036 Notes are also subject to redemption by the holders in December 2021, 2026 and 2031. These notes are redeemable by us, in whole or in part, at any time on or after December 22, 2021.

Operating lease obligations consist primarily of base rents for facilities we occupy at various locations.

Capital purchase obligations represent commitments for the construction or purchase of property, equipment and improvements. They were not recorded as liabilities on our consolidated balance sheets as of July 29, 2018, as we had not yet received the related goods or taken title to the property.

Other purchase obligations represent all open purchase orders and contractual obligations in the ordinary course of business for which we have not received the goods or services. Although open purchase orders are considered enforceable and legally binding, their terms generally allow us the option to cancel, reschedule and adjust our requirements based on our business needs prior to the delivery of goods or performance of services.

### ***Sources of Liquidity and Capital Resource Requirements***

At July 29, 2018, our principal sources of liquidity consisted of approximately \$1.2 billion of cash and cash equivalents and short-term investments, of which approximately \$179 million was held by our foreign subsidiaries.

We believe that our existing balances of cash, cash equivalents and short-term investments, together with the cash expected to be generated from future operations, will be sufficient to meet our cash needs for working capital and capital expenditures for at least the next 12 months. We may, however, require additional financing to fund our operations in the future, to finance future acquisitions that we may propose to undertake or to repay or otherwise retire all of our outstanding 2033 Notes, in the aggregate principal amount of \$258.8 million, which are subject to redemption by the holders in December 2018, 2023 and 2028, or our 2036 Notes, in the aggregate principal amount of \$575.0 million, which are subject to redemption by the holders in December 2021, 2026 and 2031. A significant contraction in the capital markets, particularly in the technology sector, may make it difficult for us to raise additional capital if and when it is required, especially if we experience disappointing operating results. If adequate capital is not available to us as required, or is not available on favorable terms, our business, financial condition and results of operations will be adversely affected.

### **Off-Balance-Sheet Arrangements**

At July 29, 2018 and April 29, 2018, we did not have any off-balance sheet arrangements or relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which are typically established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

For quantitative and qualitative disclosures about market risk affecting Finisar, see Item 7A: "Quantitative and Qualitative Disclosures about Market Risk" in our Annual Report on Form 10-K for the fiscal year ended April 29, 2018. Our exposure related to market risk has not changed materially since April 29, 2018.

**Item 4. Controls and Procedures**

**Evaluation of Effectiveness of Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based upon that 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 quarterly report.

**Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting during the quarter ended July 29, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II — OTHER INFORMATION

### Item 1. *Legal Proceedings*

Reference is made to “Part I, Item 1, Financial Statements - Note 8. Legal Matters” for a description of pending legal proceedings, including material developments in certain of those proceedings during the quarter ended July 29, 2018.

### Item 1A. *Risk Factors*

OUR FUTURE PERFORMANCE IS SUBJECT TO A VARIETY OF RISKS, INCLUDING THOSE DESCRIBED BELOW. IF ANY OF THE FOLLOWING RISKS ACTUALLY OCCUR, OUR BUSINESS COULD BE HARMED AND THE TRADING PRICE OF OUR COMMON STOCK COULD DECLINE. YOU SHOULD ALSO REFER TO THE OTHER INFORMATION CONTAINED IN THIS REPORT, INCLUDING OUR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND THE RELATED NOTES. THE RISK FACTORS DESCRIBED BELOW DO NOT CONTAIN ANY MATERIAL CHANGES FROM THOSE PREVIOUSLY DISCLOSED IN ITEM 1A OF OUR ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED APRIL 29, 2018.

#### ***Our quarterly revenues and operating results fluctuate due to a variety of factors, which may result in volatility or a decline in the price of our stock.***

Our quarterly operating results have varied significantly due to a number of factors, including:

- fluctuation in demand for our products;
- the timing of new product introductions or enhancements by us and our competitors;
- the level of market acceptance of new and enhanced versions of our products;
- the timing of acquisitions that we have undertaken;
- the timing or cancellation of large customer orders;
- the timing of capital expenditures associated with our new manufacturing facility in Sherman, Texas;
- changes in levels of our customers' forecasted demand;
- the length and variability of the sales cycle for our products;
- pricing policy changes by us and our competitors and suppliers;
- the availability of development funding;
- changes in the mix of products sold;
- inventory changes;
- increased competition in product lines, and competitive pricing pressures; and
- the evolving and unpredictable nature of the markets for products incorporating our optical components and subsystems.

We expect that our operating results will continue to fluctuate in the future as a result of these factors and a variety of other factors, including:

- fluctuations in manufacturing yields;
- the emergence of new industry standards;
- failure to anticipate changing customer product requirements;
- the loss or gain of important customers;
- product obsolescence; and
- the amount of research and development expenses associated with new product introductions.

Our operating results could also be harmed by:

- adverse changes in economic conditions in various geographic areas where we or our customers do business;
- acts of terrorism and international conflicts or domestic crises;
- other conditions affecting the timing of customer orders or our ability to fill orders of customers subject to export control or U.S. economic sanctions; or
- a downturn in the markets for our customers' products, particularly the data storage and networking and telecommunication components markets.

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We may experience a delay in generating or recognizing revenues for a number of reasons. Open orders at the beginning of each quarter are typically lower than expected revenues for that quarter and are generally cancelable with minimal notice. Accordingly, we depend on obtaining orders during each quarter for shipment in that quarter to achieve our revenue objectives. Failure to ship these products by the end of a quarter may adversely affect our operating results. Furthermore, our customer agreements typically provide that the customer may delay scheduled delivery dates and cancel orders within specified timeframes without significant penalty. Because we base our operating expenses on anticipated revenue trends and a high percentage of our expenses are fixed in the short term, any delay in generating or recognizing forecasted revenues or changes in levels of our customers' forecasted demand could significantly harm our business. It is likely that in some future quarters our operating results will again decrease from the previous quarter or fall below the expectations of securities analysts and investors.

As a result of these factors, our operating results may vary significantly from quarter to quarter. Accordingly, we believe that period-to-period comparisons of our results of operations should not be relied upon as indications of future performance. Any shortfall in revenues or net income from the previous quarter or from levels expected by the investment community could cause a decline in the trading price of our stock.

***We may lose sales if our suppliers or independent contract manufacturers fail to meet our needs or go out of business.***

We currently purchase a number of key components used in the manufacture of our products from single or limited sources, and we rely on several independent contract manufacturers to supply us with certain key components and subassemblies, including lasers, modulators, and printed circuit boards. We depend on these sources to meet our production needs. Moreover, we depend on the quality of the components and subassemblies that they supply to us, over which we have limited control. Several of our suppliers are or may become financially unstable as the result of current global market conditions. In addition, from time to time we have encountered shortages and delays in obtaining components, and we may encounter additional shortages and delays in the future. If we cannot supply products due to a lack of components, or are unable to redesign products with other components in a timely manner, our business will be significantly harmed. We generally have no long-term contracts with any of our component suppliers or contract manufacturers. As a result, a supplier or contract manufacturer can discontinue supplying components or subassemblies to us without penalty. If a supplier were to discontinue supplying a key component or cease operations, the resulting product manufacturing and delivery delays could be lengthy, and our business could be substantially harmed. We are also subject to potential delays in the development by our suppliers of key components which may affect our ability to introduce new products. Similarly, disruptions in the operations of our key suppliers or in the services provided by our contract manufacturers, including disruptions due to natural disasters, or the transition to other suppliers of these key components or services could lead to supply chain problems or delays in the delivery of our products. These problems or delays could damage our relationships with our customers and adversely affect our business.

We use rolling forecasts based on anticipated product orders to determine our component and subassembly requirements. Lead times for materials and components that we order vary significantly and depend on factors such as specific supplier requirements, contract terms and current market demand for particular components. If we overestimate our component requirements, we may have excess inventory, which would increase our costs. If we underestimate our component requirements, we may have inadequate inventory, which could interrupt our manufacturing and delay delivery of our products to our customers. Any of these occurrences could significantly harm our business.

***If we are unable to realize anticipated cost savings from the transfer of certain manufacturing operations to our overseas locations and increased use of internally-manufactured components our results of operations could be harmed.***

As part of our ongoing initiatives to reduce the cost of revenues, we expect to realize significant cost savings through (i) the transfer of certain product manufacturing operations to lower cost off-shore locations and (ii) product engineering changes to enable the broader use of internally-manufactured components. The transfer of production to overseas locations may be more difficult and costly than we currently anticipate which could result in increased transfer costs and time delays. Further, following transfer, we may experience lower manufacturing yields than those historically achieved in our U.S. manufacturing locations. In addition, the engineering changes required for the use of internally-manufactured components may be more technically-challenging than we anticipate and customer acceptance of such changes could be delayed. Adverse changes in currency exchange rates between the U.S. dollar and the applicable local currency and/or unanticipated increases in labor costs at our lower cost manufacturing locations could limit the anticipated benefits of the transfer of certain product manufacturing operations to such lower cost locations. If we fail to achieve the planned product manufacturing transfer and increase in internally-manufactured component use within our currently anticipated timeframe, or if our manufacturing yields decrease as a result, we may be unsuccessful in achieving cost savings or such savings will be less than anticipated, and our results of operations could be harmed.

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

The end markets for optical products have experienced significant industry consolidation during the past few years while the industry that supplies these customers has experienced less consolidation. As a result, the markets for optical subsystems and components are highly competitive. Our current competitors include a number of domestic and international companies, many of which have substantially greater financial, technical, marketing and distribution resources and brand name recognition than we have. Increased consolidation in our industry, should it occur, will reduce the number of our competitors, but would be likely to further strengthen surviving industry participants. We may not be able to compete successfully against either current or future competitors. Companies competing with us may introduce products that are competitively priced, have increased performance or functionality, or incorporate technological advances and may be able to react quicker to changing customer requirements and expectations. There is also the risk that network systems vendors may re-enter the subsystem market and begin to manufacture the optical subsystems incorporated in their network systems. Increased competition could result in significant price erosion, reduced revenue, lower margins or loss of market share, any of which would significantly harm our business. Our principal competitors for data communication applications include Applied Optoelectronics, Foxconn, Innolight, Lumentum, Oclaro, and Sumitomo. Our principal competitors for telecommunication applications include Acacia Communications, Fujitsu Optical Components, Lumentum, Oclaro, and Sumitomo. Our competitors continue to introduce improved products and we will have to do the same to remain competitive.

***Decreases in average selling prices of our products may reduce our gross margins.***

The market for optical subsystems is characterized by declining average selling prices resulting from factors such as increased competition, overcapacity, the introduction of new products and increased unit volumes as manufacturers continue to deploy network and storage systems. We have in the past experienced, and in the future may experience, substantial period-to-period fluctuations in operating results due to declining average selling prices. We anticipate that average selling prices will decrease in the future in response to product introductions by competitors or us, or by other factors, including pricing pressures from significant customers. In particular, we typically conduct pricing negotiations for our existing products with some of our largest telecommunication OEM customers in the last several months of the calendar year. Decreases in our average selling prices resulting from these negotiations typically become effective at the beginning of the next calendar year and generally have an adverse impact on our gross margins in future quarters. This impact is typically most pronounced in our fourth fiscal quarter ending in April, when the impact of the new pricing is first felt over a full quarter. In order to sustain profitable operations, we must continue to develop and introduce on a timely basis new products that incorporate features that can be sold at higher average selling prices. Failure to do so could cause our revenues and gross margins to decline, which would result in additional operating losses and significantly harm our business.

We may be unable to reduce the cost of our products sufficiently to enable us to compete with others. Our cost reduction efforts may not allow us to keep pace with competitive pricing pressures and could adversely affect our margins. In order to remain competitive, we must continually reduce the cost of manufacturing our products through design and engineering changes. We may not be successful in redesigning our products or delivering our products to market in a timely manner. We cannot assure you that any redesign will result in sufficient cost reductions to allow us to reduce the price of our products to remain competitive or improve our gross margins.

***Shifts in our product mix may result in declines in gross margins.***

Gross margins on individual products fluctuate over the product's life cycle. Our overall gross margins have fluctuated from period to period as a result of shifts in product mix, the introduction of new products, decreases in average selling prices for older products and our ability to reduce product costs. These fluctuations are expected to continue in the future.

***Failure to accurately forecast our revenues could result in additional charges for obsolete or excess inventories or non-cancelable purchase commitments.***

We base many of our operating decisions, and enter into purchase commitments, on the basis of anticipated revenue trends which are highly unpredictable. Some of our purchase commitments are not cancelable, and in some cases we are required to recognize a charge representing the amount of material or capital equipment purchased or ordered which exceeds our actual requirements. In the past, we have periodically experienced significant growth followed by a significant decrease in customer demand such as occurred in fiscal 2001, when revenues increased by 181% followed by a decrease of 22% in fiscal 2002. Based on projected revenue trends during these periods, we acquired inventories and entered into purchase commitments in order to meet anticipated increases in demand for our products, which did not materialize. As a result, we recorded significant charges for obsolete and excess inventories and non-cancelable purchase commitments which contributed to substantial

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operating losses in fiscal 2002. Should revenues in future periods again fall substantially below our expectations, or should we fail again to accurately forecast changes in demand mix, we could again be required to record substantial charges for obsolete or excess inventories or non-cancelable purchase commitments.

***If we encounter sustained yield problems or other delays in the production or delivery of our internally-manufactured components or in the final assembly and test of our products, we may lose sales and damage our customer relationships.***

Our manufacturing operations are highly vertically integrated. In order to reduce our manufacturing costs, we have acquired a number of companies, and business units of other companies that manufacture optical components incorporated in our optical subsystem products and have developed our own facilities for the final assembly and testing of our products. For example, we design and manufacture many critical components incorporated in transceivers used for data communication and telecommunication applications, including all of the short wavelength VCSEL lasers, at our wafer fabrication facility in Allen, Texas and manufacture a portion of our internal requirements for longer wavelength lasers at our wafer fabrication facility in Fremont, California. We assemble and test most of our transceiver products at our facilities in Ipoh, Malaysia and Wuxi, China. As a result of this vertical integration, we have become increasingly dependent on our internal production capabilities. The manufacture of critical components, including the fabrication of wafers, and the assembly and testing of our products, involve highly complex processes. For example, minute levels of contaminants in the manufacturing environment, difficulties in the fabrication process or other factors can cause a substantial portion of the components on a wafer to be nonfunctional. These problems may be difficult to detect at an early stage of the manufacturing process and often are time-consuming and expensive to correct. From time to time, we have experienced problems achieving acceptable yields at our wafer fabrication facilities, resulting in delays in the availability of components. Moreover, an increase in the rejection rate of products during the quality control process before, during or after manufacture, results in lower yields and margins. In addition, changes in manufacturing processes required as a result of changes in product specifications, changing customer needs and the introduction of new product lines have historically significantly reduced our manufacturing yields, resulting in low or negative margins on those products. Poor manufacturing yields over a prolonged period of time could adversely affect our ability to deliver our subsystem products to our customers and could also affect our sale of components to customers in the merchant market. Our inability to supply components to meet our internal needs could harm our relationships with customers and have an adverse effect on our business.

***The markets for our products are subject to rapid technological change, and to compete effectively we must continually introduce new products that achieve market acceptance.***

The markets for our products are characterized by rapid technological change, frequent new product introductions, substantial capital investment, changes in customer requirements and evolving industry standards with respect to the protocols used in data communication and telecommunication networks. Our future performance will depend on the successful development, introduction and market acceptance of new and enhanced products that address these changes as well as current and potential customer requirements. For example, the market for optical subsystems is currently characterized by a trend toward the adoption of “pluggable” modules and subsystems that do not require customized interconnections and by the development of more complex and integrated optical subsystems. We expect that new technologies will emerge as competition and the need for higher and more cost-effective bandwidth increases. The introduction of new and enhanced products may cause our customers to defer or cancel orders for existing products. In addition, a slowdown in demand for existing products ahead of a new product introduction could result in a write-down in the value of inventory on hand related to existing products and/or a charge for the impairment of long-lived assets related to such products. We have in the past experienced a slowdown in demand for existing products and delays in new product development and such slowdown in demand and delays may occur in the future. To the extent customers defer or cancel orders for existing products due to a slowdown in demand or in the expectation of a new product release or if there is any delay in development or introduction of our new products or enhancements of our products, our operating results would be adversely affected. We also may not be able to develop the underlying core technologies necessary to create new products and enhancements, or to license these technologies from third parties. Product development delays may result from numerous factors, including:

- changing product specifications and customer requirements;
- unanticipated engineering complexities;
- expense reduction measures we have implemented, and others we may implement, to conserve our cash and attempt to achieve and sustain profitability;
- difficulties in hiring and retaining necessary technical personnel;
- difficulties in reallocating engineering resources and overcoming resource limitations; and
- changing market or competitive product requirements.

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The development of new, technologically advanced products is a complex and uncertain process, requiring high levels of innovation and highly skilled engineering and development personnel, as well as the accurate prediction of technological and market trends. The introduction of new products also requires significant investment to ramp up production capacity, for which benefit will not be realized if customer demand does not develop as expected. Ramping of production capacity also entails risks of delays which can limit our ability to realize the full benefit of the new product introduction. We cannot assure you that we will be able to identify, develop, manufacture, market or support new or enhanced products successfully, if at all, or on a timely basis. Further, we cannot assure you that our new products will gain market acceptance or that we will be able to respond effectively to product announcements by competitors, technological changes or emerging industry standards. Many of these factors are beyond our control. Any failure to respond to technological change would significantly harm our business.

In addition, in order to achieve widespread market acceptance, we must differentiate ourselves from our competition through product offerings and brand name recognition. We cannot assure you that we will be successful in making this differentiation or achieving widespread acceptance of our products. Failure of our existing or future products to maintain and achieve widespread levels of market acceptance will significantly impair our revenue growth.

### ***Our entry into the market for components for consumer electronic products, specifically our VCSEL array products for 3D sensing, involves special risks.***

We have recently entered into the market for components for consumer electronic products with our VCSEL array products for 3D sensing. We have purchased a facility in Sherman, Texas to expand our production capacity for these products and expect to make significant investments in this expansion during calendar year 2018. We have not previously participated in this market. The market for components for consumer electronics products and our expansion involve additional risks, including:

- We expect our customer base for these products to be highly concentrated. If we are not able to meet the needs of our customers in this area, including with respect to timing and volume of production, performance and quality, we could lose business with our customers. Loss of business with any one customer could have a materially negative impact on our revenue and gross margin.
- We are making significant investment in the expansion of our production capacity for our VCSEL arrays for 3D sensing, including the development of a high-volume production facility in Sherman, Texas. If we are unable to complete our production expansion plan and have our new production lines qualified by our customers on a timely basis, we could harm our customer relationships and lose business, which could have a materially negative impact on our revenue and gross margin.
- We expect revenue from our components for consumer electronic products to have significant seasonal variance due to the timing of new customer product introductions and demand.

### ***Our future success ultimately depends on the continued growth of the communications industry and, in particular, the continued expansion of global information networks, particularly those directly or indirectly dependent upon a fiber optics infrastructure.***

We are relying on increasing demand for voice, video and other data delivered over high-bandwidth network systems as well as commitments by network systems vendors to invest in the expansion of the global information network. As network usage and bandwidth demand increase, so does the need for advanced optical networks to provide the required bandwidth. Without network and bandwidth growth, the need for optical subsystems and components, and hence our future growth as a manufacturer of these products, will be jeopardized, and our business would be significantly harmed.

### ***We depend on large purchases from a few significant customers, and any loss, cancellation, reduction or delay in purchases by these customers could harm our business.***

A small number of customers have consistently accounted for a significant portion of our revenues. Our success will depend on our continued ability to develop and manage relationships with our major customers. Although we are attempting to expand our customer base, we expect that significant customer concentration will continue for the foreseeable future. We may not be able to offset any decline in revenues from our existing major customers with revenues from new customers, and our quarterly results may be volatile because we are dependent on large orders from these customers that may be reduced, delayed, or cancelled.

The markets in which we have historically sold our optical subsystems and components products are dominated by a relatively small number of systems manufacturers, thereby limiting the number of our potential customers. Recent consolidation of portions of our customer base, including telecommunication systems manufacturers, and potential future consolidation, may have a material adverse impact on our business. Our dependence on large orders from a relatively small

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number of customers makes our relationship with each customer critically important to our business. We cannot assure you that we will be able to retain our major customers, attract additional customers, or that our customers will be successful in selling their products that incorporate our products. We have in the past experienced delays and reductions in orders from some of our major customers. In addition, our customers have in the past sought price concessions from us, and we expect that they will continue to do so in the future. Expense reduction measures that we have implemented over the past several years, and additional action we are taking to reduce costs, may adversely affect our ability to introduce new and improved products which may, in turn, adversely affect our relationships with some of our key customers. Further, some of our customers may in the future shift their purchases of products from us to our competitors or to joint ventures between these customers and our competitors, or may in certain circumstances produce competitive products themselves. The loss of one or more of our major customers, any reduction or delay in sales to these customers, our inability to successfully develop relationships with additional customers, or future price concessions that we may make could significantly harm our business.

***Because we do not have long-term contracts with our customers, our customers may cease purchasing our products at any time if we fail to meet our customers' needs.***

Typically, we do not have long-term contracts with our customers. As a result, our agreements with our customers do not provide any assurance of future sales. Accordingly:

- our customers can stop purchasing our products at any time without penalty;
- our customers are free to purchase products from our competitors; and
- our customers are not required to make minimum purchases.

Sales are typically made pursuant to inventory hub arrangements under which customers may draw down inventory to satisfy their demand as needed or pursuant to individual purchase orders, often with extremely short lead times. If we are unable to fulfill these orders in a timely manner, it is likely that we will lose sales and customers. If our major customers stop purchasing our products for any reason, our business, financial condition, and results of operations would be harmed.

***Our customers often evaluate our products for long and variable periods, which causes the timing of our revenues and results of operations to be unpredictable.***

The period of time between our initial contact with a customer and the receipt of an actual purchase order typically spans over a year. During this time, customers may perform, or require us to perform, extensive and lengthy evaluation and testing of our products before purchasing and using the products in their equipment. These products often take substantial time to develop because of their complexity and because customer specifications sometimes change during the development cycle. Our customers do not typically share information on the duration or magnitude of these qualification procedures. The length of these qualification processes also may vary substantially by product and customer, and, thus, cause our results of operations to be unpredictable. While our potential customers are qualifying our products and before they place an order with us, we may incur substantial research and development and sales and marketing expenses and expend significant management effort. Even after incurring such costs, we ultimately may not be able to sell any products to such potential customers. In addition, these qualification processes often make it difficult to obtain new customers, as customers are reluctant to expend the resources necessary to qualify a new supplier if they have one or more existing qualified sources. Once our products have been qualified, the agreements that we enter into with our customers typically contain no minimum purchase commitments. Failure of our customers to incorporate our products into their systems would significantly harm our business.

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

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

***We may not be able to obtain additional capital in the future, and failure to do so may harm our business.***

We believe that our existing balances of cash and cash equivalents, together with the cash expected to be generated from future operations, will be sufficient to meet our cash needs for working capital and capital expenditures for at least the next

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12 months. We may, however, require additional financing to fund our operations in the future, to finance future acquisitions that we may propose to undertake or to repay or otherwise retire our outstanding 2033 Notes, in the aggregate principal amount of \$258.8 million, which are subject to redemption by the holders in December 2018, 2023 and 2028, or our 2036 Notes, in the aggregate principal amount of \$575.0 million, which are subject to redemption by the holders in December 2021, 2026 and 2031. Due to the unpredictable nature of the capital markets, particularly in the technology sector, we cannot assure you that we will be able to raise additional capital if and when it is required, especially if we experience disappointing operating results. If adequate capital is not available to us as required, or is not available on favorable terms, we could be required to significantly reduce or restructure our business operations. If we do raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our existing stockholders could be significantly diluted, and these newly-issued securities may have rights, preferences or privileges senior to those of existing stockholders.

### ***Our international business and operations expose us to additional risks.***

Products shipped to customers located outside the United States account for a majority of our revenues. In addition, we have significant tangible assets located outside the United States. Our principal manufacturing facilities are located in Malaysia and China. We currently operate smaller facilities in Australia, Israel, Korea, Sweden and Germany, and we are further expanding one of our manufacturing facilities in China. We also rely on several contract manufacturers located in Asia for our supply of key subassemblies. Conducting business outside the United States subjects us to a number of additional risks and challenges, including:

- periodic changes in a specific country's or region's economic conditions, such as recession;
- compliance with a wide variety of domestic and foreign laws and regulations (including those of municipalities or provinces where we have operations) and unexpected changes in those laws and regulatory requirements, including uncertainties regarding taxes, social insurance contributions and other payroll taxes and fees to governmental entities, tariffs, quotas, export controls, export licenses and other trade barriers;
- unanticipated restrictions on our ability to sell to foreign customers where sales of products and the provision of services may require export licenses or are prohibited by government action (for example, in early 2018, the U.S. Department of Commerce prohibited the export and sale of a broad category of U.S. products, as well as the provision of services, to ZTE Corporation, one of our customers in China);
- certification requirements;
- environmental regulations;
- fluctuations in foreign currency exchange rates;
- inadequate protection of intellectual property rights in some countries;
- potential political, legal and economic instability, foreign conflicts, and the impact of regional and global infectious illnesses in the countries in which we and our customers, suppliers and contract manufacturers are located;
- preferences of certain customers for locally produced products;
- difficulties and costs of staffing and managing international operations across different geographic areas and cultures, including assuring compliance with the U.S. Foreign Corrupt Practices Act and other U. S. and foreign anticorruption laws;
- seasonal reductions in business activities in certain countries or regions; and
- fluctuations in freight rates and transportation disruptions.

These factors, individually or in combination, could impair our ability to effectively operate one or more of our foreign facilities or deliver our products, result in unexpected and material expenses, or cause an unexpected decline in the demand for our products in certain countries or regions. Our failure to manage the risks and challenges associated with our international business and operations could have a material adverse effect on our business.

### ***Rising threats of international tariffs, including tariffs applied to goods traded between the United States and China, could materially and adversely affect our business and results of operations.***

Since the beginning of 2018, there has been increasing rhetoric, in some cases coupled with legislative or executive action, from several U.S. and foreign leaders regarding the possibility of instituting tariffs on the foreign imports of certain materials. More specifically, in March, April and July of 2018, the U.S. and China have applied tariffs or announced tariffs to be applied in the future to certain of each other's exports. The list of proposed U.S. tariffs on Chinese products released in July 2018 includes transceiver and other products manufactured in our facility in Wuxi, China. If these new tariffs are implemented, sales of our products manufactured in China and shipped to the United States could decrease, which would negatively impact our business. The institution of trade tariffs both globally and between the U.S. and China specifically carries the risk of negatively impacting China's overall economic condition, which could have negative repercussions for our business. Furthermore, the

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imposition of tariffs could cause a decrease in the sales of our products to customers located in China or to other customers selling to Chinese end users, which would directly impact our business.

The current U.S. President, members of his administration, and other public officials, including members of the current U.S. Congress, have made public statements indicating possible significant changes in U.S. trade policy and have taken certain actions that may impact U.S. trade policy, including imposing new or increased tariffs on certain goods imported into the United States. Since we manufacture a significant majority of our products outside the United States, such changes, if adopted, could have a disproportionate impact on our business and make our products more expensive and less competitive in domestic markets. Furthermore, changes in U.S. trade policy could trigger retaliatory actions by affected countries, which could impose restrictions on our ability to do business in or with affected countries or prohibit, reduce or discourage purchases of our products by foreign customers, leading to increased costs of components contained in our products, increased costs of manufacturing our products, and higher prices for our products in foreign markets. For example, there are risks that the Chinese government may, among other things, require the use of local suppliers, compel companies that do business in China to partner with local companies to conduct business and provide incentives to government-backed local customers to buy from local suppliers. Changes in, and responses to, U.S. trade policy could reduce the competitiveness of our products and cause our sales and revenues to drop, which could materially and adversely impact our business and results of operations.

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

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

***Our future operating results may be subject to volatility, as a result of exposure to foreign exchange risks.***

We are exposed to foreign exchange risks. Foreign currency fluctuations may affect both our revenues and our costs and expenses, which would significantly affect our operating results. More than 99% of our sales worldwide are denominated in U.S. dollars. If there is a significant devaluation of the currency in a specific country relative to the dollar, the prices of our products will increase relative to that country's currency, our products may be less competitive in that country and our revenues may be adversely affected.

Although we price our products in U.S. dollars, portions of both our cost of revenues and operating expenses are incurred in foreign currencies, principally the Malaysian ringgit, the Chinese yuan, the Australian dollar, the Israeli shekel, the Swedish krona, and the Euro. As a result, we bear the risk that the rate of inflation in one or more countries will exceed the rate of the devaluation of that country's currency in relation to the U.S. dollar, which would increase our costs as expressed in U.S. dollars. To date, we have not engaged in currency hedging transactions to decrease the risk of financial exposure from fluctuations in foreign exchange rates.

***Our failure to protect our intellectual property may significantly harm our business.***

Our success and ability to compete is dependent in part on our proprietary technology. We rely on a combination of patent, copyright, trademark and trade secret laws, as well as confidentiality agreements to establish and protect our proprietary rights. We license certain of our proprietary technology, including our digital diagnostics technology, to customers who include current and potential competitors, and we rely largely on provisions of our licensing agreements to protect our intellectual property rights in this technology. We have obtained a number of issued patents, acquired certain other patents as a result of our acquisitions, and we have filed applications for additional patents; however, we cannot assure you that any pending patent applications will result in issued patents, any issued patents will include claims that are sufficiently broad to cover our products and technologies or to provide sufficient protection from our competitors, or that our issued patents will be upheld. Additionally, significant technology used in our product lines is not the subject of any patent protection, and we may be unable to obtain patent protection on such technology in the future. Any infringement of our proprietary rights could result in significant litigation costs, and any failure to adequately protect our proprietary rights could result in our competitors offering similar products, which could result in loss of competitive advantages and decreased revenues to us.

Despite our efforts to protect our proprietary rights, existing patent, copyright, trademark and trade secret laws afford only limited protection. In addition, the laws of some foreign countries do not protect our proprietary rights to the same extent as do

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the laws of the United States. Attempts may be made to copy or reverse engineer aspects of our products or to obtain and use information that we regard as proprietary. Accordingly, we may not be able to prevent misappropriation of our technology or deter others from developing similar technology. Furthermore, policing the unauthorized use of our products is difficult and expensive. We are currently engaged in pending litigation to enforce certain of our patents, and additional litigation may be necessary in the future to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. In connection with the pending litigation, substantial management time has been, and will continue to be, expended. In addition, we have incurred, and we expect to continue to incur, substantial legal expenses in connection with these pending lawsuits. These costs and this diversion of resources could significantly harm our business.

***Claims that we or any user of our products infringe third-party intellectual property rights could result in significant expenses or restrictions on our ability to sell our products.***

Our industry is characterized by the existence of a large number of patents and frequent litigation based on allegations of patent infringement. We are currently involved as a defendant in patent infringement litigation and have been involved in the past as a defendant in such lawsuits. From time to time, we have also been accused of patent infringement that is not subject to current lawsuit, some of which accusations are unresolved. In the future, we may be subject to additional litigation alleging infringement of patent, copyright, trademark and other intellectual property rights to technologies and in various jurisdictions that are important to our business. Any claims asserting that our products infringe or may infringe proprietary rights of third parties, if determined adversely to us, could significantly harm our business. Further, claims against a customer and/or end user of our products that the re-sale or use of our products, either alone or in combination with other products, infringes proprietary rights of third parties could cause customers or users to choose to not or be required to not utilize our products alone or in such combination, which could harm our sales of such products. Any claims, against us or any customer or user of our products, with or without merit, could be time-consuming, result in costly litigation, divert the efforts of our technical and management personnel, cause product shipment delays or require us to enter into royalty or licensing agreements, any of which could significantly harm our business. In addition, our agreements with our customers typically require us to indemnify our customers from any expense or liability resulting from claimed infringement of third party intellectual property rights. In the event a claim against us was successful and we could not obtain a license to the relevant technology on acceptable terms or license a substitute technology or redesign our products to avoid infringement, our business would be significantly harmed.

Numerous patents in our industry are held by others, including academic institutions, competitors and non-practicing entities. Optical subsystem suppliers may seek to gain a competitive advantage or other third parties may seek an economic return on their intellectual property portfolios by making infringement claims against us. In the future, we may need to obtain license rights to patents or other intellectual property held by others to the extent necessary for our business. Unless we are able to obtain those licenses on commercially reasonable terms, patents or other intellectual property held by others could inhibit our development of new products. Licenses granting us the right to use third party technology may not be available on commercially reasonable terms, if at all. Generally, a license, if granted, would include payments of up-front fees, ongoing royalties or both. These payments or other terms could have a significant adverse impact on our operating results.

***If we are unable to retain our key management and technical personnel and attract and retain additional key personnel as required, our business could be significantly harmed.***

Our future success is substantially dependent upon the continued contributions of the members of our senior management team, many of whom have years of management, engineering, sales, marketing and manufacturing experience that would be difficult to replace. We also believe our future success will depend in large part upon our ability to attract and retain additional highly skilled managerial, technical, sales and marketing, finance and manufacturing personnel. In particular, we will need to increase the number of our technical staff members with experience in high-speed networking applications as we further develop our product lines. Competition for these highly skilled employees in our industry is intense. In making employment decisions, particularly in the high-technology industries, job candidates often consider the value of the equity they are to receive in connection with their employment. Therefore, significant volatility in the price of our common stock may adversely affect our ability to attract or retain key management and technical personnel. The loss of service of any our key management or technical employees, our inability to attract or retain qualified personnel in the future or delays in hiring key personnel, as required, could significantly harm our business. In addition, employees may leave our company and subsequently compete against us. Moreover, companies in our industry whose employees accept positions with competitors frequently claim that their competitors have engaged in unfair hiring practices. We have been subject to claims of this type and may be subject to such claims in the future as we seek to hire qualified personnel. Some of these claims may result in material litigation. We could incur substantial costs in defending ourselves against these claims, regardless of their merits.

***Our business and future operating results are subject to a wide range of uncertainties arising out of the continuing threat of terrorist attacks and ongoing military actions in the Middle East.***

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Like other U.S. companies, our business and operating results are subject to uncertainties arising out of the continuing threat of terrorist attacks on United States' interests, including U.S. companies, in locations worldwide and ongoing military actions in the Middle East, including the economic consequences of the war in Afghanistan or additional terrorist activities and associated political instability, and the impact of heightened security concerns on domestic and international travel and commerce. In particular, due to these uncertainties we are subject to:

- increased risks related to the operations of our manufacturing facilities in Malaysia;
- greater risks of disruption in the operations of our China, Singapore and Israeli facilities and our Asian contract manufacturers, including contract manufacturers located in Thailand, and more frequent instances of shipping delays; and
- the risk that future tightening of immigration controls may adversely affect the residence status of non-U.S. engineers and other key technical employees in our U.S. facilities or our ability to hire new non-U.S. employees in such facilities.

### ***Future acquisitions could be difficult to integrate, disrupt our business, dilute stockholder value and harm our operating results.***

In addition to our combination with Optium in August 2008 and our acquisitions of Ignis in May 2011, Red-C in July 2012 and u<sup>2</sup>t Photonics AG ("u<sup>2</sup>t") in January 2014, we have completed the acquisition of 11 privately-held companies and certain businesses and assets from seven other companies since October 2000. We continue to review opportunities to acquire other businesses, product lines or technologies that would complement our current products, expand the breadth of our markets or enhance our technical capabilities, or that may otherwise offer growth opportunities, and we from time to time make proposals and offers, and take other steps, to acquire businesses, products and technologies.

The Optium merger and several of our other past acquisitions have been material, and acquisitions that we may complete in the future may be material. In 13 of our 22 acquisitions, we issued common stock or notes convertible into common stock as all or a portion of the consideration. The issuance of common stock or other equity securities by us in connection with any future acquisition would dilute our stockholders' percentage ownership.

Other risks associated with acquiring the operations of other companies include:

- problems assimilating the purchased operations, technologies or products;
- unanticipated costs associated with the acquisition;
- diversion of management's attention from our core business;
- adverse effects on existing business relationships with suppliers and customers;
- risks associated with entering markets in which we have no or limited prior experience; and
- potential loss of key employees of purchased organizations.

Not all of our past acquisitions have been successful. In the past, we have subsequently sold some of the assets acquired in prior acquisitions, discontinued product lines and closed acquired facilities. As a result of these activities, we incurred significant restructuring charges and charges for the write-down of assets associated with those acquisitions. Through fiscal 2019, we have written off all of the goodwill associated with our past acquisitions with the exception of the more recently completed acquisitions of Ignis, Red-C and u<sup>2</sup>t. We cannot assure you that we will be successful in overcoming problems encountered in connection with our past acquisitions or potential future acquisitions, and our inability to do so could significantly harm our business. In addition, to the extent that the economic benefits associated with our past acquisitions or any of our future acquisitions diminish in the future, we may be required to record additional write downs of goodwill, intangible assets or other assets associated with such acquisitions, which would adversely affect our operating results.

### ***We have made and may continue to make strategic investments which may not be successful, may result in the loss of all or part of our invested capital and may adversely affect our operating results.***

Since inception, we have made minority equity investments in a number of early-stage technology companies, totaling approximately \$61.9 million. Our investments in these early stage companies were primarily motivated by our desire to gain early access to new technology. We intend to review additional opportunities to make strategic equity investments in pre-public companies where we believe such investments will provide us with opportunities to gain access to important technologies or otherwise enhance important commercial relationships. We have little or no influence over the early-stage companies in which we have made or may make these strategic, minority equity investments. Each of these investments in pre-public companies involves a high degree of risk. We may not be successful in achieving the financial, technological or commercial advantage

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upon which any given investment is premised, and failure by the early-stage company to achieve its own business objectives or to raise capital needed on acceptable economic terms could result in a loss of all or part of our invested capital. Between fiscal 2003 and 2019, we wrote off an aggregate of \$28.6 million in eight investments which became impaired and reclassified \$4.2 million of another investment to goodwill as the investment was deemed to have no value. We may be required to write off all or a portion of the \$602,000 of such equity investments remaining on our balance sheet as of July 29, 2018 in future periods.

***Our ability to utilize certain net operating loss carryforwards and tax credit carryforwards may be limited under Sections 382 and 383 of the Internal Revenue Code.***

As of April 29, 2018, the Company had federal, state and foreign net operating loss carryforwards of approximately \$236.5 million, \$13.8 million and \$22.9 million, respectively, and federal and state tax credit carryforwards of approximately \$38.8 million and 31.4 million, respectively. With the exception of California R&D credit, which can be carried forward indefinitely, the net operating loss and tax credit carryforwards will expire at various dates beginning in fiscal 2020 through 2037, if not utilized. \$78.0 million of such net operating loss carryforwards and \$3.0 million of such tax credit carryforwards will expire in the next five years. Utilization of the Company's U.S. net operating loss and tax credit carryforwards may be subject to a substantial annual limitation due to the ownership change limitations set forth in Internal Revenue Code Section 382 and similar state provisions. Such an annual limitation could result in the expiration of the net operating loss and tax credit carryforwards before utilization.

On December 22, 2017, H.R.1, commonly referred to as the Tax Cuts and Jobs Act ("TCJA"), was signed into law. The TCJA is complex and includes amendments that significantly change the taxation of offshore earnings and the deductibility of interest. The TCJA had a material impact on the value of our deferred tax assets and could increase our future U.S. tax expense. The TCJA implements a territorial tax system, which includes a mandatory deemed repatriation of all undistributed foreign earnings that are subject to a U.S. income tax. The mandatory deemed repatriation of these undistributed earnings has been offset by federal and state net operating loss carryforwards, and state credit carryforwards. Additionally, TCJA introduces new international tax provisions that will be effective for our fiscal year 2019, including (i) a new provision designed to currently tax the global low-taxed income of our foreign subsidiaries, together with a deduction of up to 50 percent and a partial credit for foreign taxes incurred by the foreign subsidiaries; (ii) limitations on the deductibility of certain base eroding payments to foreign entities; and (iii) limitations on the use of foreign tax credits to reduce U.S. income tax liability. While each of these provisions may have an impact on our tax expense for fiscal year 2019 and future periods, we expect the minimum tax on certain base erosion payments to have the most significant impact. We are currently assessing the effect of the TCJA on our business and consolidated financial statements. Reference is made to "Part I, Item 1, Financial Statements - Note 2. Summary of Significant Accounting Policies. U.S. Tax Reform" for further discussion of the TCJA.

***Changes in the application of tax policies may harm our results of operations.***

A number of factors may negatively impact the manner in which our existing NOLs are applied as well as our future effective tax rates including, but not limited to:

- the jurisdictions in which profits are determined to be earned and taxed;
- changes in valuation of our deferred tax assets and liabilities;
- increases in expenses not deductible for tax purposes;
- changes in available tax credits;
- changes in stock-based compensation;
- changes in tax laws or the interpretation of such tax laws, including by authorities in municipalities where we are subject to social insurance and other payroll taxes and fees, and changes in generally accepted accounting principles in the United States or other countries in which we operate; and
- potential changes resulting from the IRS's clarification of the TCJA.

An adverse change that impacts our tax position could negatively impact our operating results. In addition, we are the recipient of tax incentives that provide that certain income earned by our subsidiary in Malaysia is subject to a tax holiday for a limited period of time under the laws of that country. This Malaysian tax holiday is subject to expiration in August 2021. Our ability to realize benefits from tax initiatives could be materially affected if, among other things, applicable requirements are not met, the incentives are substantially modified, or if we incur losses for which we cannot take a deduction. In addition, although we have successfully received tax holiday extensions in the past, there can be no assurance that future extensions will be granted. If we are not able to extend a tax holiday, our total tax paid on a consolidated basis would be materially increased.

***We will lose sales if we are unable to obtain government authorization to export certain of our products, and we would be subject to legal and regulatory consequences if we do not comply with applicable export control laws and regulations.***

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

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

We have previously been the subject of inquiries from the Department of State and the Department of Justice regarding compliance with ITAR. Although these inquiries were closed with no action being taken, we expended significant time and resources to resolve them, and future inquiries of this type could also be costly to resolve.

***Privacy concerns and compliance with domestic or foreign privacy laws and regulations may increase our expenses, result in legal or regulatory proceedings against us and may harm our business.***

In the ordinary course of our business, we maintain sensitive personal data on our networks, including confidential information relating to our customers, employees and business partners. Global privacy legislation, enforcement, and policy activity are rapidly expanding and are creating a complex compliance regulatory environment regarding the collection, use, storage and disclosure of such information. These laws and regulations are still evolving and are likely to be in flux and subject to uncertain interpretation for the foreseeable future. In particular, the political, legal and economic climate in China, both nationally and regionally, is fluid and unpredictable. Furthermore, personal privacy, cyber security, and data protection are becoming increasingly significant issues in China. To address these issues, the Standing Committee of the National People's Congress promulgated the Cyber Security Law of the People's Republic of China (the "Cyber Security Law"), which took effect on June 1, 2017. The Cyber Security Law sets forth various requirements relating to the collection, use, storage, disclosure and security of data, among other things. Various Chinese agencies are expected to issue additional regulations in the future to define these requirements more precisely. These requirements may increase our costs of compliance.

Additionally, the European Union recently adopted the General Data Protection Regulation (the "GDPR"), which comprehensively reforms the EU's data protection laws and took effect in May 2018. The GDPR imposes strict data protection requirements that may necessitate changes to our business practices to comply with the new requirements or to address the concerns of our customers or business partners relating to the GDPR. The GDPR also includes severe financial penalties for non-compliance. Complying with any new regulatory requirements could force us to incur substantial expenses or require us to change our business practices in a manner that could harm our business. Any non-compliance may result in lawsuits, regulatory fines, or other actions or liability. Our business may also be harmed if these privacy-related laws or any newly adopted privacy-related laws are interpreted or implemented in a manner that is inconsistent from country to country and inconsistent with our current policies and practices, or those of our customers or business partners. Costs to comply with rapidly changing global privacy-related laws and regulations and to implement related data protection measures could be significant. We may also have to change the manner in which we contract with our business partners, store and transfer information and otherwise conduct our business, which could increase our costs and harm our financial results. In addition, even inadvertent failure to comply with federal, state, or international privacy-related or data protection laws and regulations could result in proceedings against us by governmental entities or others, resulting in fines, penalties, restrictions on or prohibitions on our operations in certain jurisdictions, increased compliance costs and other adverse effects.

***We are subject to pending securities class action and shareholder derivative legal proceedings.***

Several purported securities class action lawsuits were filed against us and our Chairman of the Board, Chief Executive Officer and Chief Financial Officer following our March 8, 2011 announcement of unaudited financial results for the third quarter of fiscal 2011 and our financial outlook for the fourth quarter of fiscal 2011. We also have been named as a nominal defendant in several shareholder derivative lawsuits filed in 2011 concerning our March 8, 2011 earnings announcement. No

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specific amounts of damages have been alleged in the class action lawsuits and, by the nature of the lawsuits, no damages will be alleged against Finisar in the derivative lawsuits.

We will continue to incur legal fees in connection with these pending cases, including expenses for the reimbursement of legal fees of present and former officers and directors under indemnification obligations. The expense of continuing to defend such litigation may be significant. We intend to defend these lawsuits vigorously, however there can be no assurance that we will be successful in any defense. If any of the lawsuits related to our earnings announcement are adversely decided, we may be liable for significant damages directly or under our indemnification obligations, which could adversely affect our business, results of operations and cash flows. Further, the amount of time that will be required to resolve these lawsuits is unpredictable and these actions may divert management's attention from the day-to-day operations of our business, which could adversely affect our business, results of operations and cash flows.

### ***Our business and future operating results may be adversely affected by events outside our control.***

Our business and operating results are vulnerable to events outside of our control, such as earthquakes, floods, fire, power loss, telecommunication failures and uncertainties arising out of terrorist attacks in the United States and overseas. Our corporate headquarters and a portion of our manufacturing operations are located in California, and our principal manufacturing operations and those of most of our key suppliers and contract manufacturers are located in Asia. These areas have been vulnerable to natural disasters, such as earthquakes, floods and fires, and other risks which at times have disrupted the local economy and posed physical risks to our property. We are also dependent on communications links with our overseas manufacturing locations and would be significantly harmed if these links were interrupted for any significant length of time. We presently do not have adequate redundant, multiple site capacity if any of these events were to occur, nor can we be certain that the insurance we maintain against these events would be adequate.

### ***The conversion of our outstanding convertible notes would result in substantial dilution to our current stockholders.***

As of July 29, 2018, we had outstanding an aggregate principal amount of \$258.8 million of our 2033 Notes and an aggregate principal amount of \$575.0 million of our 2036 Notes. The 2033 Notes are convertible at the option of the holder, under certain circumstances, into shares of our common stock at an initial conversion price of \$30.18 per share, subject to adjustments, and the 2036 Notes are convertible at the option of the holder, under certain circumstances, into shares of our common stock at an initial conversion price of \$44.17 per share, subject to adjustments. An aggregate of approximately 8,572,413 and 13,017,885 shares of common stock would be issued upon the conversion of all outstanding 2033 Notes and all outstanding 2036 Notes, respectively, at these conversion prices, which would dilute the voting power and ownership percentage of our existing stockholders. We have previously entered into privately negotiated transactions with certain holders of our convertible notes for the repurchase of notes in exchange for a greater number of shares of our common stock than would have been issued had the principal amount of the notes been converted at the original conversion rate specified in the notes, thus resulting in more dilution. We may enter into similar transactions in the future and, if we do so, there will be additional dilution to the voting power and percentage ownership of our existing stockholders.

### ***Delaware law, our charter documents and our stockholder rights plan contain provisions that could discourage or prevent a potential takeover, even if such a transaction would be beneficial to our stockholders.***

Some provisions of our certificate of incorporation and bylaws, as well as provisions of Delaware law, may discourage, delay or prevent a merger or acquisition that a stockholder may consider favorable. These include provisions:

- authorizing the board of directors to issue additional preferred stock;
- prohibiting cumulative voting in the election of directors;
- limiting the persons who may call special meetings of stockholders;
- prohibiting stockholder actions by written consent;
- creating a classified board of directors pursuant to which our directors are elected for staggered three-year terms;
- permitting the board of directors to increase the size of the board and to fill vacancies;
- requiring a super-majority vote of our stockholders to amend our bylaws and certain provisions of our certificate of incorporation; and
- establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

We are subject to the provisions of Section 203 of the Delaware General Corporation Law which limit the right of a corporation to engage in a business combination with a holder of 15% or more of the corporation's outstanding voting securities, or certain affiliated persons.

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Although we believe that these charter and bylaw provisions and provisions of Delaware law provide an opportunity for the board to assure that our stockholders realize full value for their investment, they could have the effect of delaying or preventing a change of control, even under circumstances that some stockholders may consider beneficial.

***We do not currently intend to pay dividends on Finisar common stock and, consequently, a stockholder's ability to achieve a return on such stockholder's investment will depend on appreciation in the price of the common stock.***

We have never declared or paid any cash dividends on Finisar common stock and we do not currently intend to do so for the foreseeable future. We currently intend to invest our future earnings, if any, to fund our growth. Therefore, a stockholder is not likely to receive any dividends on such stockholder's common stock for the foreseeable future.

***Our stock price has been and is likely to continue to be volatile.***

The trading price of our common stock has been and is likely to continue to be subject to large fluctuations. Our stock price may increase or decrease in response to a number of events and factors, including:

- trends in our industry and the markets in which we operate;
- changes in the market price of the products we sell;
- changes in financial estimates and recommendations by securities analysts;
- acquisitions and financings;
- quarterly variations in our operating results;
- the operating and stock price performance of other companies that investors in our common stock may deem comparable; and
- purchases or sales of blocks of our common stock.

Part of this volatility is attributable to the current state of the stock market, in which wide price swings are common. This volatility may adversely affect the prices of our common stock, regardless of our operating performance. If any of the foregoing occurs, our stock price could fall and we may be exposed to class action lawsuits that, even if unsuccessful, could be costly to defend and a distraction to management.

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

We rely upon the capacity, reliability and security of our information technology infrastructure and our ability to expand and continually update this infrastructure in response to our changing needs. In some cases, we may rely upon third-party hosting and support services to meet these needs. Any failure to manage, expand and update our information technology infrastructure, including our Enterprise Resource Planning ("ERP") system and other applications, any failure in the extension or operation of this infrastructure, or any failure by our hosting and support partners in the performance of their services could materially and adversely harm our business. Despite our implementation of security measures, our systems are vulnerable to damage from computer viruses, natural disasters, unauthorized access and other similar disruptions. Any system failure, accident or security breach could result in disruptions to our operations. To the extent that any disruption or security breach results in a loss or damage to our data or in inappropriate disclosure of confidential information, it could cause significant damage to our reputation, affect our relationships with our customers, and ultimately harm our business. In addition, we may be required to incur significant costs to protect against or mitigate damage caused by these disruptions or security breaches in the future.

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**Item 6. Exhibits**

<u>Exhibit Number</u>	<u>Exhibit Description</u>
<a href="#">10.1</a>	<a href="#">First Amendment to Lease Agreement by and between Finistar (CA-TX) Limited Partnership and Finisar Corporation, dated July 30, 2018</a>
<a href="#">10.2*</a>	<a href="#">Finisar Executive Retention and Severance Plan, as amended and restated effective July 15, 2018</a>
<a href="#">10.3*</a>	<a href="#">Form of Restricted Stock Unit Issuance Agreement - Officers (2018)</a>
<a href="#">10.4*</a>	<a href="#">Form of Officer Performance Restricted Stock Unit Issuance Agreement (2018)</a>
<a href="#">31.1</a>	<a href="#">Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">31.2</a>	<a href="#">Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">32.1</a>	<a href="#">Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">32.2</a>	<a href="#">Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

\* - Compensatory plan or management contract

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FINISAR CORPORATION

By: /s/ MICHAEL E. HURLSTON

Michael E. Hurlston  
*Chief Executive Officer*  
*(Principal Executive Officer)*

By: /s/ KURT ADZEMA

Kurt Adzema  
*Executive Vice President and Chief Financial Officer*  
*(Principal Financial and Accounting Officer)*

Dated: September 6, 2018

**FIRST AMENDMENT TO LEASE AGREEMENT**

THIS FIRST AMENDMENT to Lease Agreement (this "First Amendment") is made and entered into as of July 30, 2018, by and between **FINISTAR (CA-TX) LIMITED PARTNERSHIP**, a Delaware limited partnership ("Landlord"), and **FINISAR CORPORATION**, a Delaware corporation ("Tenant").

**WITNESSETH:**

WHEREAS, Landlord and Tenant are parties to that certain Lease Agreement dated as of February 4, 2005 (the "Lease"), with respect to certain real property located in Sunnyvale, California (the "California Premises") and Allen, Texas (the "Texas Premises");

WHEREAS, on August 14, 2015, Landlord and Tenant entered into that certain Option Agreement ("Option Agreement"), which provided Landlord with an option to terminate the Lease as to the Texas Premises, pursuant to which the Lease would terminate as to the Texas Premises if Landlord sent written notice of its election of such termination on or prior to March 31, 2016;

WHEREAS, Landlord did not elect to send such notice and accordingly the Option Agreement (and related amendments) became null and void as if never executed;

WHEREAS, Landlord and Tenant now desire to modify the Lease to, inter alia, accept a termination of the Lease solely with respect to the Texas Premises as of February 29, 2020 (the "Texas Premises Expiration Date") and to extend the Lease as to the California Premises, upon the terms and conditions more particularly set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, Landlord and Tenant agree and covenant as follows:

1. Recitals. The foregoing Recitals are incorporated herein by reference as if set forth in full.
2. Defined Terms. All capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Lease.
  - a. The following definition is inserted into Section 2 of the Lease: "'First Amendment to Lease' shall mean that certain First Amendment to Lease between Landlord and Tenant dated as of July 30, 2018."
  - b. As of March 1, 2020 (the "Extension Term Effective Date"), the following definitions are hereby amended as follows:
    - i. "Leased Premises" shall mean solely the California Premises; it being agreed that any reference to the Texas Premises shall be void and of no further force and effect.
    - ii. "Related Premises" shall mean the Leased Premises (i.e., the California Premises only), and any and all references to "Related Premises" throughout the Lease shall be referring solely to the Leased Premises (i.e., the California Premises only).

- iii. "Affected Premises" shall mean the Leased Premises and any and all reference to "Affected Premises" throughout the Lease shall be referring solely to the Leased Premises (i.e., the California Premises).
- iv. "State" shall mean the State of California.
- c. As of the Extension Term Effective Date, (i) all references in the Lease to the Texas Premises are deleted in their entirety and shall have no further force and effect; and (ii) the "Premises Percentage Allocation" shall mean 100% and Exhibit G is deleted from the Lease and is of no further force and effect.

3. Removal of Texas Premises. As of the Extension Term Effective Date, the Texas Premises shall no longer constitute part of the "Leased Premises" as defined in the Lease, with the intent and purpose that the Term of the Lease, with respect to the Texas Premises only, be wholly merged and extinguished as of the Extension Term Effective Date, except for, notwithstanding anything to the contrary set forth in this First Amendment, any obligations or indemnities expressly provided to survive the expiration or termination of the Lease, including, but not limited to, the Surviving Obligations - it being agreed that nothing herein shall relieve Tenant of its responsibilities under the terms of the Lease with respect to any of Tenant's obligations or liabilities under the Lease arising or accruing prior to the Extension Term Effective Date, or with respect to any third-party claims arising from events occurring in, on or about the Texas Premises, or in connection therewith, and arising or accruing prior to the Texas Premises Expiration Date (including any indemnification obligations and/or insurable claims) all as and to the extent specifically provided for in the Lease.

4. Term. Effective immediately upon the date of mutual execution of this First Amendment by Landlord and Tenant, the parties hereby agree as follow:

- (a) Notwithstanding anything to the contrary in Paragraph 5(a) of the Lease, the Expiration Date is hereby agreed to be February 29, 2020 for purposes of the Texas Premises and is agreed to be February 28, 2023 for purposes of the California Premises.
- (b) The words set forth in Paragraph 5(b) of the Lease are hereby deleted and inserted in lieu thereof is the following: "Intentionally Omitted". In connection therewith, Tenant hereby confirms that it irrevocably and forever waives and forfeits any rights or claims the Tenant has to any Renewal Term and all references in the Lease to any Renewal Term are of no further force and effect.
- (c) The words "If Tenant does not exercise its option to extend or further extend the Term, or" set forth in Paragraph 5(c) of the Lease are hereby deleted.
- (d) The following is hereby added to the Lease as a new Paragraph 5(d):

"Notwithstanding anything to the contrary set forth in this Lease, Landlord shall have the right to terminate this Lease upon written notice to Tenant; provided that such notice is given not less than 18 months prior to the date upon which such termination shall be effective and provided further that such termination notice shall not be delivered prior to December 1, 2018 (said date which is 18 months following the delivery of the termination notice being the "Early Termination Effective Date"). As of the Early Termination Effective Date, this Lease shall terminate with the same force and effect as if the Early Termination Effective Date were the date set forth in the Lease as the expiration date, except for any obligations or indemnities expressly provided to survive the expiration or termination of the Lease, including, but not limited to, the Surviving Obligations - it being agreed that nothing herein shall relieve Tenant of its responsibilities under the terms of the Lease with respect to any of Tenant's obligations or liabilities under the Lease arising or accruing prior to the Early Termination Effective Date, or with respect to any third-party claims arising from events occurring in, on or about the California Premises, or in connection therewith,

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and arising or accruing prior to the Early Termination Effective Date (including any indemnification obligations and/or insurable claims) all as and to the extent specifically provided for in the Lease. Notwithstanding anything to the contrary in the Lease or in this Amendment, in no event shall Tenant be obligated to remove at the expiration or early termination of the Lease, any improvements existing in the California Premises as of the date of this Amendment; it being agreed that all such improvements and alterations may remain in place. If Tenant has not surrendered the California Premises to Landlord in the condition required by Paragraph 26 of the Lease, as amended by this Amendment by the Early Termination Effective Date, Landlord shall nevertheless have the right (but not the obligation) to terminate the Lease as of the Early Termination Effective Date. In the event Tenant does not surrender the California Premises free of any subtenants or other occupants and in accordance with Paragraph 26 of the Lease on the Early Termination Effective Date, then Tenant shall be deemed to be holding over without Landlord's consent and Tenant shall be subject to the provisions of Paragraph 15 of the Lease and in addition, Tenant shall indemnify, protect, defend (by counsel reasonably approved in writing by Landlord) and hold Landlord harmless from and against any and all claims, judgments, suits, causes of action, damages, losses, liabilities and expenses (including attorneys' fees and court costs) resulting from such failure to surrender, including, without limitation, any claim made by any succeeding tenant based thereon. Moreover, and without waiver of any right on the part of Landlord as a result of Tenant's failure to timely surrender possession of the California Premises to Landlord, Tenant shall become a tenant at sufferance only, upon the terms and conditions set forth in this Lease so far as applicable (including Tenant's obligation to pay all costs, expenses and any other additional rent under this Lease), but at a Base Rent equal to a percentage of the Base Rent immediately prior to the date of such expiration or earlier termination, which percentage shall be (i) one hundred fifty percent (150%) for the first month of such holding over and (ii) two hundred percent (200%) thereafter. Acceptance by Landlord of rent after such expiration or earlier termination shall not constitute a consent to a hold over hereunder or result in an extension of this Lease. The terms of this Paragraph 5(d) shall survive the termination of the Lease and the Early Termination Effective Date."

5. Basic Rent. As of the Extension Term Effective Date, Exhibit D to the Lease is replaced with the following:

"1. Basic Rent

- (a) Term Basic Rent payable in respect of the Term shall be calculated per annum and notwithstanding anything to the contrary in the Lease, shall be payable monthly in advance on the first (1<sup>st</sup>) day of each calendar month, in accordance with the following rent schedule:

<u>Lease Year</u>	<u>Annual Basic Rent</u>
March 1, 2020 - February 28, 2021	\$1,984,348.80
March 1, 2021 - February 28, 2022	\$2,043,879.26
March 1, 2022 - February 28, 2023	\$2,105,195.64

6. Confirmation of Waiver of Option. Tenant hereby acknowledges and confirms that it waived the option set forth in Paragraph 35 of the Lease pursuant to a written notice from Tenant to Landlord dated July 17, 2008. Accordingly, Paragraph 35 of the Lease is hereby deleted in its entirety.

7. Legal Description and Permitted Encumbrances. As of the Extension Term Effective Date, the legal description of the Texas Premises set forth in Exhibit A, to the Lease and identified therein as the

"Texas Premises" shall be deleted in its entirety, the permitted encumbrances set forth in Exhibit C, that are identified therein as the "Texas Premises" shall be deleted in their entirety and the words "Texas Premises" set forth in the 4th line of Section 1 of the Lease shall be deleted. Without limiting the generality of the foregoing, all references to "Texas Premises" are deleted in their entirety.

8. Indemnification. For the avoidance of doubt, Tenant's obligations set forth in Paragraph 15 of the Lease to indemnify Landlord against third-party claims shall survive the Texas Premises Expiration Date with respect to any matter affecting the Texas Premises that occurred or existed prior to the date thereof and shall survive the Early Termination Effective Date with respect to any matter affecting the California Premises that occurred or existed prior to the date thereof.

9. Modification. Except as modified and amended by this First Amendment or acknowledged and confirmed herein, all of the conditions, covenants and terms of the Lease hereby are confirmed and ratified and shall continue to be and remain in full force and effect.

10. Entire Agreement. This First Amendment and the Lease together contain the entire understanding between the parties hereto and supersedes all prior agreements and understandings, if any, relating to the subject matter hereof or thereof. Any guarantees, promises, representations or warranties not herein or therein contained and hereinafter made shall have no force and effect unless in writing and executed by the party or parties making such guarantees, promises, representations or warranties.

11. Counterparts. This First Amendment may be executed in any number of and by different parties hereto on separate counterparts, all of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one (1) and the same instrument.

12. Enforceability. If any provision of this First Amendment or its application to any person or circumstances is invalid or unenforceable to any extent, the remainder of this First Amendment, or the applicability of such provision to other persons or circumstances, shall be valid and enforceable to the fullest extent permitted by law and shall be deemed to be separate from such invalid or unenforceable provisions and shall continue in full force and effect.

13. Governing Law. As of the Extension Term Effective Date, Section 37(l) of the Lease is modified so that all references to the State of Texas shall be modified to refer to the State of California, and all references to the County of Allen shall be modified to be the County of Santa Clara.

14. Broker. Each of Landlord and Tenant warrant and represent that Colliers International is the only broker ("Broker") they have dealt with on this First Amendment. Each of Landlord and Tenant agrees to indemnify, defend, hold and save the other harmless from and against any and all liabilities, damages and expenses arising from or relating to any breach of the foregoing representation, warranty and agreement, which shall survive expiration, cancellation or other termination of the Lease. Landlord agrees to pay a leasing commission due to the Broker pursuant to a separate agreement.

15. Binding Agreement. This First Amendment shall not be binding upon or enforceable against Landlord unless and until Landlord shall have executed and unconditionally delivered to Tenant an executed counterpart of this First Amendment.

16. Mortgages. Landlord represents and warrants to Tenant that the Leased Premises are not subject to any mortgage, deed of trust, assignment of rents, subordination agreement, or other agreement executed by Landlord that would prohibit, or require any consent for, entry into or performance of this First Amendment.

17. Letter of Credit. Notwithstanding anything to the contrary in the Lease, upon the Extension Term Effective Date, so long as no Event of Default exists, it is agreed that Tenant shall have the right to reduce the Letter of Credit Amount to One Million Three Hundred Sixty Six Thousand Eighty Six and 13/100 Dollars(\$1,366,086.13).

[signatures on following page]

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IN WITNESS WHEREOF, Landlord and Tenant have caused this First Amendment to be duly executed under seal as of the day and year first above written.

LANDLORD:

FINISTAR (CA-TX), LIMITED PARTNERSHIP  
a Delaware limited partnership

By: FINISTAR GP (CA-TX) QRS 16-21, INC.,  
its general partner

By: /s/ Nicholas Isham  
Nicolas Isham  
Director

[signatures continue on following page]

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TENANT:

FINISAR CORPORATION,  
a Delaware corporation

By: /s/ Kurt Adzema  
Name: Kurt Adzema  
Title: CFO

By: /s/ Michael Hurlston  
Name: Michael Hurlston  
Title: CEO

**FINISAR CORPORATION**  
**EXECUTIVE RETENTION AND SEVERANCE PLAN**  
**AS AMENDED AND RESTATED EFFECTIVE JULY 15, 2018**

**1. ESTABLISHMENT AND PURPOSE**

1.1 **ESTABLISHMENT.** The Finisar Corporation Executive Retention and Severance Plan (the “PLAN”) was established by the Compensation Committee of the Board of Directors of Finisar Corporation, effective February 25, 2003 (the “EFFECTIVE DATE”). Most recently, the Plan was amended and restated effective July 15, 2018.

1.2 **PURPOSE.** The Company draws upon the knowledge, experience and advice of its Officers and Key Employees in order to manage its business for the benefit of the Company’s stockholders. The Committee recognizes that, in particular, the possibility or pending occurrence of a Change in Control could lead to uncertainty regarding the consequences of such an event and could adversely affect the Company’s ability to attract, retain and motivate its Officers and Key Employees. The Committee has therefore determined that it is in the best interests of the Company and its stockholders to provide for the continued dedication of its Officers and Key Employees by establishing this Plan to provide designated Officers and Key Employees with enhanced financial security in the event of an involuntary termination of employment and, in particular, in connection with a Change in Control. The purpose of this Plan is to provide its Participants with specified compensation and benefits in the event of termination of employment under circumstances specified herein.

**2. DEFINITIONS AND CONSTRUCTION**

2.1 **DEFINITIONS.** Whenever used in this Plan, the following terms shall have the meanings set forth below:

(a) “AVERAGE ANNUAL BONUS ATTAINMENT” means with respect to a Participant: (i) the sum of the actual annual cash bonus paid to such Participant with respect to the Company Group’s annual bonus program (i.e., “spot” or other special bonuses shall not be considered) during the two most recently completed annual bonus cycles prior to the Participant’s Termination Other Than Upon a Change in Control, divided by (ii) two (2); provided, that if a Participant has been employed by the Company Group for at least two (2) years as of the Participant’s Termination Other Than Upon a Change in Control but has only been employed for one (1) completed annual bonus cycle, such Participant’s Average Annual Bonus Attainment shall be the amount of such Participant’s actual annual cash bonus paid with respect to such completed annual bonus cycle.

(b) “BASE SALARY MONTHLY RATE” means (i) a Participant’s monthly base salary rate in effect immediately prior to termination in the case of a Termination Other Than Upon a Change in Control or (ii) in the case of a Termination Upon a Change in Control, the greater of (1) the Participant’s monthly base salary rate in effect immediately prior to the Participant’s Termination Upon a Change in Control or (2) the Participant’s monthly base salary rate in effect immediately prior to the applicable Change in Control. For this purpose, base salary does not include any bonuses, commissions, fringe benefits, car allowances, other irregular payments or any other compensation except base salary.

(c) “BOARD” means the Board of Directors of the Company.

(d) “CAUSE” means the occurrence of any of the following, as determined in good faith by a vote of not less than two-thirds of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to the Participant and an opportunity for the Participant, together with the Participant’s counsel, to be heard before the Board):

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(1) the Participant's commission of any act of fraud, embezzlement or dishonesty;  
(2) the Participant's unauthorized use or disclosure of confidential information or trade secrets of any member of the Company Group; or  
(3) the Participant's intentional misconduct adversely affecting the business or affairs of any member of the Company Group.

(e) "CHANGE IN CONTROL" means, except as otherwise provided in the Participation Agreement applicable to a given Participant, the occurrence of any of the following:

(1) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT")), other than a trustee or other fiduciary holding securities of the Company under an employee benefit plan of the Company, becomes the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of (i) the outstanding shares of common stock of the Company or (ii) the total combined voting power of the Company's then-outstanding securities entitled to vote generally in the election of directors;

(2) the Company is party to a merger, consolidation or similar corporate transaction, or series of related transactions, which results in the holders of the voting securities of the Company outstanding immediately prior to such transaction(s) failing to retain immediately after such transaction(s) direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the securities entitled to vote generally in the election of directors of the Company or the surviving entity outstanding immediately after such transaction(s);

(3) the sale or disposition of all or substantially all of the Company's assets or consummation of any transaction, or series of related transactions, having similar effect (other than a sale or disposition to one or more subsidiaries of the Company);

(4) a change in the composition of the Board within any consecutive two-year period as a result of which fewer than a majority of the directors are Incumbent Directors; or

(5) at any time prior to the first occurrence of any of the events described in (1) through (4) above only, and with respect to one or more Individual Deemed Change in Control Participants only, an Individual Deemed Change in Control applicable to such Participant.

(f) "CHANGE IN CONTROL PERIOD" means a period commencing upon the date of the consummation of a Change in Control and ending on the date occurring eighteen (18) months thereafter. In the case of an Individual Deemed Change in Control, the Change of Control Period shall be deemed to exist only for the applicable Individual Deemed Change in Control Participant(s).

(g) "CIC BENEFIT PERIOD" means (1) with respect to a Participant who is an Executive Officer, a period of twenty-four (24) months and (2) with respect to a Participant who is a Key Employee, a period of months determined by the Committee and set forth in the Participant's Participation Agreement.

(h) "COBRA" means the group health plan continuation coverage provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985 and any applicable regulations promulgated thereunder.

(i) "CODE" means the Internal Revenue Code of 1986, as amended, or any successor thereto and any applicable regulations promulgated thereunder.

(j) "COMMITTEE" means the Compensation Committee of the Board.

(k) "COMPANY" means Finisar Corporation, a Delaware corporation, and, following a Change in Control, a Successor that agrees to assume all of the terms and provisions of this Plan or a Successor which otherwise becomes bound by operation of law to this Plan. In the case of an Individual Deemed Change in Control, the applicable Successor shall be a Successor only with respect to any Individual Deemed Change in Control Participant subject to such Individual Deemed Change in Control.

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(l) "COMPANY GROUP" means the group consisting of the Company and each present or future parent and subsidiary corporation or other business entity thereof.

(m) "DISABILITY" means a Participant's permanent and total disability within the meaning of Section 22(e)(3) of the Code.

(n) "EXECUTIVE OFFICER" means an individual appointed by the Board as an executive officer of the Company and serving in such capacity upon becoming a Participant (unless then serving as a Key Employee) and, in the case of a Termination Upon a Change in Control, immediately prior to the consummation of a Change in Control.

(o) "GOOD REASON" means the occurrence of any of the following conditions, without the Participant's informed written consent, which condition(s) remain(s) in effect thirty (30) days after written notice to the Company from the Participant of such condition(s) delivered to the Company within ninety (90) days following the initial existence of such condition(s):

(1) assignment of the Participant to a position that is not a Substantive Functional Equivalent of the position which the Participant occupied immediately prior to the Change in Control;

(2) a material decrease in the Participant's rate of base salary or a material decrease in the Participant's target bonus amount (subject to applicable performance requirements with respect to the actual amount of bonus compensation earned by the Participant);

(3) any material failure by the Company Group to (i) continue to provide the Participant with the opportunity to participate, on terms no less favorable than those in effect for the benefit of any employee group which customarily includes a person holding the employment position or a comparable position with the Company Group then held by the Participant, in any benefit or compensation plans and programs, including, but not limited to, the Company Group's life, disability, health, dental, medical, savings, profit sharing, stock purchase and retirement plans, if any, in which the Participant was participating immediately prior to the date of the Change in Control, or their equivalent, or (ii) provide the Participant with all other fringe benefits (or their equivalent) from time to time in effect for the benefit of any employee group which customarily includes a person holding the employment position or a comparable position with the Company Group then held by the Participant;

(4) the relocation of the Participant's work place for the Company Group to a location that increases the regular commute distance between the Participant's residence and work place by more than fifty (50) miles (one-way), or the imposition of travel requirements substantially more demanding of the Participant than such travel requirements existing immediately prior to the Change in Control; or

(5) any material breach of this Plan by the Company with respect to the Participant.

The existence of Good Reason shall not be affected by the Participant's temporary incapacity due to physical or mental illness not constituting a Disability. The Participant's continued employment shall not constitute consent to, or a waiver of rights with respect to, any condition constituting Good Reason hereunder. For the purposes of any determination regarding the existence of Good Reason hereunder, any claim by the Participant that Good Reason exists shall be presumed to be correct unless the Company establishes to the Board that Good Reason does not exist, and the Board, acting in good faith, affirms such determination by a vote of not less than two-thirds of its entire membership (excluding the Participant if the Participant is a member of the Board).

(p) "INCUMBENT DIRECTOR" means a director who either (1) is a member of the Board as of the Effective Date, or (2) is elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination, but (3) was not elected or nominated in connection with an actual or threatened proxy contest relating to the election of directors of the Company.

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(q) "INDIVIDUAL DEEMED CHANGE IN CONTROL" means, solely with respect to a Participant whose then current job responsibilities are exclusively within a Company Group business or product area (e.g., the Company Group's Wavelength Management area), the sale (through an asset sale, sale of subsidiary equity or otherwise) of such Company Group business or product area to a third party at any time prior to the first occurrence of any of the events described in subparagraphs (1) through (4) of the definition of Change in Control only, provided that such a transaction shall be considered an Individual Deemed Change in Control only if either (i) the employment of the Individual Deemed Change in Control Participant is terminated by the Company Group for any reason other than Cause on or immediately prior to the closing of such transaction and such Participant is not offered a position with the acquiring entity that is a Substantive Functional Equivalent of the position which the Participant occupied immediately prior to such transaction (in which case such termination of employment would be deemed a Termination Upon a Change in Control in connection with an Individual Deemed Change in Control hereunder), or (ii) the Individual Deemed Change in Control Participant continues employment with the acquiring entity after such transaction (in which case a termination of such Participant's employment during the Change in Control Period applicable to such Participant either by the acquiring entity without Cause or by the Participant for Good Reason would be deemed a Termination Upon a Change in Control in connection with an Individual Deemed Change in Control).

(r) "INDIVIDUAL DEEMED CHANGE IN CONTROL PARTICIPANT" means a Participant whose job responsibilities at the time of an applicable Individual Deemed Change in Control are exclusively within the Company Group business or product area (e.g., the Company Group's Wavelength Management area) that is subject to such Individual Deemed Change in Control.

(s) "KEY EMPLOYEE" means an individual employed by the Company Group, other than an Executive Officer, who has been designated by the Committee as eligible to participate in the Plan.

(t) "NON-CiC BENEFIT PERIOD" means (i) with respect to a Participant who is an Executive Officer, a period of twelve (12) months and (ii) with respect to a Participant who is a Key Employee, a period of months determined by the Committee and set forth in the Participant's Participation Agreement.

(u) "NON-CiC BONUS MULTIPLE" means (i) with respect to a Participant who is an Executive Officer, one (1.0) and (ii) with respect to a Participant who is a Key Employee, the multiple determined by the Committee and set forth in the Participant's Participation Agreement.

(v) "OPTION" means any option to purchase shares of the capital stock of the Company or of any other member of the Company Group granted to a Participant by the Company or any other Company Group member, whether granted before or after a Change in Control, including any such option which is assumed by, or for which a replacement option is substituted by, the Successor or any other member of the Company Group in connection with the Change in Control.

(w) "PARTICIPANT" means each Executive Officer and Key Employee designated by the Committee to participate in the Plan, provided such individual has executed a Participation Agreement.

(x) "PARTICIPATION AGREEMENT" means an Agreement to Participate in the Finisar Corporation Executive Retention and Severance Plan in the form attached hereto as Exhibit A or in such other form as the Committee may approve from time to time; provided, however, that, after a Participation Agreement has been entered into between a Participant and the Company, it may be modified only by a supplemental written agreement executed by both the Participant and the Company. The terms of such forms of Participation Agreement need not be identical with respect to each Participant. For example, a Participation Agreement may limit the duration of a Participant's participation in the Plan or may modify the definition of "Change in Control" with respect to a Participant, or, in the case of a Key Employee, may specify a CiC Benefit Period or Non-CiC Benefit Period that is not identical to the CiC Benefit Period or Non-CiC Benefit Period specified for other Participants.

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(y) “PRO RATA PORTION” means, with respect to any Option, Restricted Stock or other stock-based compensation award granted to a Participant and that is subject to time-based vesting only, that number of shares (rounded-up to the next whole share) that are unvested at the time of such Participant’s Termination Other Than Upon a Change in Control or Termination Upon a Change in Control in connection with an Individual Deemed Change in Control and would otherwise have vested if the Participant had remained employed by the Company Group for (i) a period of time equal to such Participant’s Non-CiC Benefit Period in the case of a Termination Other Than Upon a Change in Control or (ii) twelve (12) months in the case of a Termination Upon a Change in Control in connection with an Individual Deemed Change in Control following such Participant’s Termination Other Than Upon a Change in Control or Termination Upon a Change in Control in connection with an Individual Deemed Change in Control, as applicable, as calculated assuming that such award vested proportionally each day during the applicable vesting period (e.g., if a Participant had a Non-CiC Benefit Period of 12 months and was terminated on April 15, 2019 and held an award that vested with respect to 1,000 shares on each of June 15, 2019 and June 15, 2020, the Pro Rata Portion of such award would be 1,833 shares - 1,000 shares otherwise vesting on June 15, 2019 and 833 shares out of the 1,000 shares otherwise vesting on June 15, 2020 (i.e., 304/365ths of such 1,000 shares because the first anniversary of the April 15, 2019 termination is 304 days into the June 15, 2020 vesting year)). In no event will the aggregate number of shares vesting under an award exceed the maximum number of shares then remaining issuable under the award.

(z) “RELEASE” means a general release of all known and unknown claims against the Company and its affiliates and their stockholders, directors, officers, employees, agents, successors and assigns substantially in the form attached hereto as Exhibit B (“General Release of Claims, Age 40 and Over”) or Exhibit C (“General Release of Claims, Under Age 40”), whichever is applicable, with any modifications thereto determined by legal counsel to the Company to be necessary or advisable to comply with applicable law or to accomplish the intent of Section 8 (Exclusive Remedy) hereof.

(aa) “RESTRICTED STOCK” means any shares of the capital stock of the Company or of any other member of the Company Group granted to a Participant by the Company or any other Company Group member or acquired upon the exercise of an Option, whether such shares are granted or acquired before or after a Change in Control, including any shares issued in exchange for any such shares by a Successor or any other member of the Company Group in connection with a Change in Control.

(bb) “SUBSTANTIVE FUNCTIONAL EQUIVALENT” means an employment position occupied by a Participant after a Change in Control that:

(1) is in a substantive area of competence (such as, accounting, executive management, finance, human resources, marketing, sales and service, or operations, etc.) that is consistent with the Participant’s experience and not materially different from the position occupied by the Participant immediately prior to the Change in Control;

(2) allows the Participant to serve in a role and perform duties that are functionally equivalent to those performed immediately prior to the Change in Control (such as business unit executive with profit and loss responsibility, product line manager, marketing strategist, geographic sales manager, executive officer, etc.); and

(3) does not otherwise constitute a material, adverse change in the Participant’s responsibilities or duties, as measured against the Participant’s responsibilities or duties prior to the Change in Control, causing it to be of materially lesser rank or responsibility within the Company or an equivalent business unit of its parent.

(cc) “SUCCESSOR” means any successor in interest to substantially all of the business and/or assets of the Company or, with respect to an Individual Deemed Change in Control and any Individual Deemed Change in Control Participant subject to such Individual Deemed Change in Control, the successor in interest to substantially all of the business and/or assets of the Company Group business or product area subject to such Individual Deemed Change in Control.

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(dd) “TARGET ANNUAL BONUS PERCENTAGE” means a Participant’s target annual cash bonus amount expressed as a percentage of such Participant’s then current annual base salary rate (i) as most recently determined by the Committee or (ii) in the case of a Participant whose Target Annual Bonus Percentage is not subject to determination by the Committee, unless otherwise determined by resolution of the Committee with respect to that Participant, the lesser of (A) as most recently determined by the Chief Executive Officer of the Company or (B) 75%; provided, any reduction of a Participant’s target annual cash bonus amount expressed as a percentage of the Participant’s annual base salary rate following a Change in Control shall be ignored for purposes of the this definition.

(ee) “TARGET ANNUAL BONUS AMOUNT” means an amount equal to (i)(A) a Participant’s Base Salary Monthly Rate multiplied by (B) twelve (12), multiplied by (ii) such Participant’s Target Annual Bonus Percentage.

(ff) “TERMINATION UPON A CHANGE IN CONTROL” means the occurrence of any of the following events:

(4) termination by the Company Group of the Participant’s employment for any reason other than Cause during a Change in Control Period applicable to such Participant; or

(5) the Participant’s resignation for Good Reason from employment with the Company Group during a Change in Control Period applicable to such Participant, which resignation shall be deemed effective upon the expiration of the thirty (30) day cure period set forth in the definition of Good Reason above;

*provided, however*, that Termination Upon a Change in Control shall not include any termination of the Participant’s employment which is (i) for Cause, (ii) a result of the Participant’s death or Disability, or (iii) a result of the Participant’s voluntary termination of employment other than for Good Reason.

(gg) “TERMINATION OTHER THAN UPON A CHANGE IN CONTROL” means termination by the Company Group of the Participant’s employment for any reason other than Cause at any time on or after July 15, 2018 other than during a Change in Control Period applicable to such Participant whether before or after such a period; *provided, however*, that Termination Other Than Upon a Change in Control shall not include any termination of the Participant’s employment which is (i) for Cause, (ii) a result of the Participant’s death or Disability, or (iii) a result of the Participant’s voluntary termination of employment for any reason.

**2.2 CONSTRUCTION.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

### 3. **ELIGIBILITY AND PARTICIPATION**

The Committee shall designate those Executive Officers and Key Employees who shall be eligible to become Participants in the Plan. To become a Participant, an Executive Officer or Key Employee must execute a Participation Agreement.

### 4. **TREATMENT OF EQUITY AWARDS UPON A CHANGE IN CONTROL**

4.1 **OPTIONS AND RESTRICTED STOCK.** Notwithstanding any provision to the contrary contained in any plan or agreement evidencing an Option granted to a Participant, any Participant then employed by the Company Group shall be credited effective immediately prior to, but conditioned upon, the consummation of a Change in Control other than an Individual Deemed Change in Control and thereafter, for purposes of determining the extent of the vesting and exercisability of each outstanding Option then held by such Participant and the vesting of any shares of Restricted Stock acquired by the Participant upon the exercise of an Option, with one (1) additional year of employment or service with the Company Group. Furthermore, in the event of a Change in Control other than an Individual Deeme

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d Change in Control in which the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the "ACQUIROR"), does not assume the Company's rights and obligations under the then-outstanding Options held by such Participant or substitute for such Options substantially equivalent options for the Acquiror's stock, then the vesting and exercisability of each such Option shall be accelerated in full effective immediately prior to, but conditioned upon, the consummation of such Change in Control other than an Individual Deemed Change in Control.

4.2 **OTHER EQUITY AWARDS.** Except as set forth in Section 4.1 above, the treatment of stock-based compensation upon the consummation of a Change in Control shall be determined in accordance with the terms of the plans or agreements providing for such awards.

**5. BENEFITS UPON TERMINATION UPON A CHANGE IN CONTROL OR UPON TERMINATION OTHER THAN UPON A CHANGE IN CONTROL**

In the event of a Participant's Termination Upon a Change in Control or Termination Other Than Upon a Change in Control, as applicable, the Participant shall be entitled to receive the applicable compensation and benefits described in this Section 5.

5.1 **ACCRUED OBLIGATIONS.** The Participant shall be entitled to receive:

(a) all salary, bonuses, commissions and accrued but unused vacation earned through the date of the Participant's termination of employment;

(b) reimbursement within thirty (30) business days of submission of proper expense reports of all expenses reasonably and necessarily incurred by the Participant in connection with the business of the Company Group prior to his or her termination of employment. The Participant must submit to the Company receipts and other details of each such expense in the form required by the Company within sixty (60) days after the later of (i) the Participant's incurrence of such expense or (ii) the Participant's receipt of the invoice for such expense. If such expense qualifies for reimbursement, then the Company shall reimburse the Participant for the expense within thirty (30) days thereafter. In no event will such expense be reimbursed after the close of the calendar year following the calendar year in which that expense is incurred. The amount of reimbursements to which the Participant may become entitled in any one calendar year shall not affect the amount of expenses eligible for reimbursement hereunder in any other calendar year. The Participant's right to reimbursement cannot be liquidated or exchanged for any other benefit or payment; and

(c) the benefits, if any, under any Company Group retirement plan, nonqualified deferred compensation plan, stock purchase or other stock-based compensation plan or agreement (other than any such plan or agreement pertaining to Options, Restricted Stock or other stock-based compensation whose treatment is prescribed by Section 5.2(c) below), health benefits plan or other Company Group benefit plan to which the Participant may be entitled pursuant to the terms of such plans or agreements, subject to compliance with Code Section 409A.

5.2 **SEVERANCE BENEFITS.** Provided that the Participant executes the Release applicable to such Participant within twenty-one (21) days (or forty-five (45) days if such longer period is required by applicable law) following the time of the Participant's Termination Upon a Change in Control or Termination Other Than Upon a Change in Control, as applicable, and such Release becomes effective in accordance with its terms following any applicable revocation period, and subject to the provisions of Section 6, the Participant shall be entitled to receive the following severance payments and benefits:

(a) **CASH SEVERANCE PAYMENT.** Subject to Section 7, within sixty (60) days following the Participant's Separation from Service, the Company shall pay to the Participant in a lump sum cash payment an amount equal to:

(1) In the case of a Termination Upon a Change in Control other than in connection with an Individual Deemed Change in Control, (a) the product of (i) the Participant's Base Salary Monthly Rate and (ii) the number of months in the CiC Benefit Period applicable to the Participant,

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plus (b) the Participant's Target Annual Bonus Amount;

(2) In the case of a Termination Upon a Change in Control in connection with an Individual Deemed Change in Control:

(1) the product of (A) the Participant's Base Salary Monthly Rate and (B) twelve (12); plus  
(3) in the event that the Participant has been employed by the Company Group for at least two (2) years as of the date of the Participant's Termination Upon a Change in Control in connection with an Individual Deemed Change in Control, the product of (A) the Participant's Average Annual Bonus Attainment and (B) one (1); and

(4) In the case of a Termination Other Than Upon a Change in Control:

(1) the product of (a) the Participant's Base Salary Monthly Rate and (b) the number of months in the Non-CiC Benefit Period; plus

(2) in the event that the Participant has been employed by the Company Group for at least two (2) years as of the date of the Participant's Termination Other Than Upon a Change in Control, the product of (a) the Participant's Average Annual Bonus Attainment and (b) the Participant's Non-CiC Bonus Multiple;

*provided, however*, that if such sixty (60)-day period spans two taxable years, then the payment shall be made during the portion of that sixty (60)-day period that occurs during the second taxable year.

(b) **HEALTH AND LIFE INSURANCE BENEFITS.** For the period commencing immediately following the Participant's termination of employment and continuing (i) in the case of a Termination Upon a Change in Control other than in connection with an Individual Deemed Change in Control, for the duration of the CiC Benefit Period applicable to the Participant, (ii) in the case of a Termination Upon a Change in Control in connection with an Individual Deemed Change in Control, for twelve (12) months, or (iii) in the case of a Termination Other Than Upon a Change In Control, for the duration of the Non-CiC Benefit Period applicable to the Participant the Company shall reimburse the Participant for the costs of obtaining health (including medical and dental) and life insurance benefits for the Participant and his or her dependents substantially similar to those provided to the Participant and his or her dependents immediately prior to the date of such termination of employment (without giving effect to any reduction in such benefits constituting Good Reason).

Such reimbursement with respect to health benefits shall be limited to that portion of the Participant's premiums required under COBRA (or to be paid to any other provider of such health benefits following the termination of the COBRA period) that exceed the amount of premiums that the Participant would have been required to pay for continuing coverage had he or she continued in employment, and such reimbursement with respect to life insurance benefits shall be limited to that portion of the Participant's premium that exceeds the premiums that the Participant would have had to pay for such coverage for the covered period had the Participant continued coverage under the Company's life insurance plans. If the Participant and/or the Participant's dependents become eligible to receive any such coverage under another employer's benefit plans during the applicable CiC Benefit Period, 12-month period, or Non-CiC Benefit Period, the Participant shall report such eligibility to the Company, and the Company's obligations under this subsection shall be secondary to the coverage provided by such other employer's plans. For the balance of any period in excess of the applicable CiC Benefit Period, 12-month period, or Non-CiC Benefit Period during which the Participant is entitled to continuation coverage under COBRA, the Participant shall be entitled to maintain coverage for himself or herself and the Participant's eligible dependents at the Participant's own expense. The Participant must submit to the Company receipts and other details of each periodic premium payment in the form required by the Company within sixty (60) days after the payment date and the Company shall reimburse the Participant for that expense within thirty (30) days thereafter. In no event will such expense be reimbursed after the close of the calendar year

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following the calendar year in which that expense is incurred. The amount of reimbursements to which a Participant may become entitled in any one calendar year shall not affect the amount of expenses eligible for reimbursement hereunder in any other calendar year. The Participant's right to reimbursement cannot be liquidated or exchanged for any other benefit or payment.

(c) **ACCELERATION OF VESTING OF OPTIONS, RESTRICTED STOCK AND OTHER STOCK-BASED COMPENSATION; EXTENSION OF OPTION EXERCISE PERIOD.** Notwithstanding any provision to the contrary contained in any agreement evidencing an Option, Restricted Stock or other stock-based compensation award granted to a Participant, the vesting and/or exercisability (1) of each of the Participant's outstanding Options, Restricted Stock and other stock-based compensation awards that are subject only to time-based vesting shall be accelerated: (i) in full, in the case of a Termination Upon a Change In Control other than an Individual Deemed Change in Control, (ii) with respect to the applicable Pro Rata Portion, in the case of Termination Upon a Change in Control in connection with an Individual Deemed Change in Control, and (iii) with respect to the applicable Pro Rata Portion, in the case of Termination Other Than Upon a Change in Control; and (2) of each of the Participant's outstanding Options, Restricted Stock and other stock-based compensation awards containing any performance target or goal for purposes of vesting and/or determination of the number of vested shares, shall be subject to such vesting and issuance acceleration provisions (if any) as applicable in the circumstances and as set forth in the applicable award agreement; provided, however, that such acceleration of vesting and/or exercisability shall not apply to any stock-based compensation award where such acceleration would result in plan disqualification or would otherwise be contrary to applicable law (e.g., an employee stock purchase plan intended to qualify under Section 423 of the Code). In each case, the accelerated vesting and exercisability provided in this paragraph will be effective as of the date of the Participant's termination of employment so that each Option, share of Restricted Stock and other stock-based compensation award held by the Participant shall be immediately exercisable and/or vested as of such date as to the proportion set forth above. Furthermore, each such Option, to the extent unexercised on the date on which the Participant's employment terminated, may be exercised by the Participant (or the Participant's guardian or legal representative) at any time prior to the later of the date specified in the agreement evidencing such Option or the expiration of one (1) year after the date on which the Participant's employment terminated, but in any event no later than the date of expiration of the Option's term as set forth in the agreement evidencing such Option.

### 5.3 INDEMNIFICATION; INSURANCE.

(a) In addition to any rights a Participant may have under any indemnification agreement previously entered into between the Company and such Participant (a "PRIOR INDEMNITY AGREEMENT"), from and after the date of the Participant's termination of employment, the Company shall indemnify and hold harmless the Participant against any costs or expenses (including attorneys' fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, by reason of the fact that the Participant is or was a director, officer, employee or agent of the Company Group, or is or was serving at the request of the Company Group as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, whether asserted or claimed prior to, at or after the date of the Participant's termination of employment, to the fullest extent permitted under applicable law, and the Company shall also advance fees and expenses (including attorneys' fees) as incurred by the Participant to the fullest extent permitted under applicable law. In the event of a conflict between the provisions of a Prior Indemnity Agreement and the provisions of this Plan, the Participant may elect which provisions shall govern.

(b) For a period of six (6) years from and after the date of termination of employment of a Participant who was an officer and/or director of the Company at any time prior to such termination of employment, the Company shall maintain a policy of directors' and officers' liability insurance for the benefit of such Participant which provides him or her with coverage no less favorable than that provided for the Company's continuing officers and directors.

## 6. FEDERAL EXCISE TAX UNDER SECTION 4999 OF THE CODE

6.1 **EXCESS PARACHUTE PAYMENT.** In the event that any payment or benefit received or to be received by the Participant pursuant to this Plan or otherwise (collectively, the "PAYMENTS") would subject the Participant to any excise tax pursuant to Section 4999 of the Code (the "EXCISE TAX") due to the characterization of such Payments as an excess parachute payment under Section 280G of the Code, then, notwithstanding the other provisions of this Plan, the amount of such Payments will not exceed the amount which produces the greatest after-tax benefit to the Participant. Should a reduction in benefits be required to satisfy the benefit limit of this Section 6.1, then the portion of any Payment otherwise payable in cash under Section 5.2(a) to the Participant shall be reduced first to the extent necessary to comply with such benefit limit. Should such benefit limit still be exceeded following such reduction, then the number of shares which would otherwise vest on an accelerated basis under each of the Participant's options or other equity awards (based on the amount of the parachute payment attributable to each such option or equity award under Code Section 280G) shall be reduced to the extent necessary to eliminate such excess, with such reduction to be made in the same chronological order in which those awards were made.

6.2 **DETERMINATION BY ACCOUNTANTS.** Upon the occurrence of any event (the "EVENT") that would give rise to any Payments pursuant to this Plan, the Company shall promptly request a determination in writing by independent public accountants (the "ACCOUNTANTS") selected by the Company and reasonably acceptable to the Participant of the amount and type of such Payments which would produce the greatest after-tax benefit to the Participant. For the purposes of such determination, the

Accountants may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Participant shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make their required determination. The Company shall bear all fees and expenses charged by the Accountants in connection with their services contemplated by this Section.

7. **SECTION 409A**

7.1 This Plan is intended to comply with the requirements of Code Section 409A. Accordingly, all provisions herein shall be construed and interpreted to comply with Code Section 409A and if necessary, any such provision shall be deemed amended to the extent necessary to comply with Code Section 409A and the regulations thereunder.

7.2 Notwithstanding any provision to the contrary in this Plan, no payments or benefits to which any Participant becomes entitled under this Plan in connection with the termination of such Participant's employment with the Company shall be made or paid to the Participant prior to the earlier of (i) the first day of the seventh (7th) month following the date of the Participant's Separation from Service due to such termination of employment or (ii) the date of the Participant's death, if the Participant is deemed, pursuant to the procedures established by the Compensation Committee in accordance with the applicable standards of Code Section 409A and the Treasury Regulations thereunder and applied on a consistent basis for all for all non-qualified deferred compensation plans of the Employer Group subject to Code Section 409A, to be a "specified employee" at the time of such Separation from Service and such delayed commencement is otherwise required in order to avoid a prohibited distribution under Code Section 409A(a)(2). Upon the expiration of the applicable Code Section 409A(a)(2) deferral period, all payments deferred pursuant to this Section 7.2 shall be paid in a lump sum to the Participant, and an

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y remaining payments due under this Plan shall be paid in accordance with the normal payment dates specified for them herein.

7.3 The specified employees subject to such a delayed commencement date shall be identified as of December 31 of each calendar year. If a Participant is so identified as of any such December 31, he or she shall have specified employee status for the twelve (12)-month period beginning on April 1 of the following calendar year.

7.4 For purposes of this Plan, "Separation from Service" shall mean the date on which the level of the Participant's bona fide services as an Employee (or non-employee consultant) permanently decreases to a level that is not more than twenty percent (20%) of the average level of services the Participant rendered as an Employee during the immediately preceding thirty-six (36) months (or any shorter period of such Employee service). Any such determination, however, shall be made in accordance with the applicable standards of the Treasury Regulations issued under Code Section 409A. In addition to the foregoing, a Separation from Service will not be deemed to have occurred while the Participant is on a sick leave or other bona fide leave of absence if the period of such leave does not exceed six (6) months or any longer period for which the Participant's right to reemployment with the Company is provided by either statute or contract; provided, however, that in the event of a leave of absence due to any medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of not less than six (6) months and that causes the Participant to be unable to perform his duties as an Employee, no Separation from Service shall be deemed to occur during the first twenty-nine (29) months of such leave. If the period of the leave exceeds six (6) months (or twenty-nine (29) months in the event of disability as indicated above) and the Participant is not provided with a right to reemployment by either statute or contract, then the Participant will be deemed to have Separated from Service on the first day immediately following the expiration of the applicable six (6)-month or twenty-nine (29)-month period.

## 8. **CONFLICT IN BENEFITS; NONCUMULATION OF BENEFITS**

8.1 **EFFECT OF PLAN.** The terms of this Plan, when accepted by a Participant pursuant to an executed Participation Agreement, shall supersede all prior arrangements, whether written or oral, and understandings regarding the subject matter of this Plan and shall be the exclusive agreement for the determination of any payments and benefits due to the Participant upon the events described in Sections 4, 5 and 6.

8.2 **NONCUMULATION OF BENEFITS.** Except as expressly provided in a written agreement between a Participant and the Company entered into after the date of such Participant's Participation Agreement and which expressly disclaims this Section 8.2 and is approved by the Board or the Committee, the total amount of payments and benefits that may be received by the Participant as a result of the events described in Sections 4, 5 and 6 pursuant to (a) this Plan, (b) any agreement between the Participant and the Company or (c) any other plan, practice or statutory obligation of the Company, shall not exceed the amount of payments and benefits provided by this Plan upon such events (plus any payments and benefits provided pursuant to a Prior Indemnity Agreement, as described in Section 5.3(a)), and the aggregate amounts payable under this Plan shall be reduced to the extent of any excess (but not below zero).

## 9. **EXCLUSIVE REMEDY**

The payments and benefits provided by Section 5 and Section 6 (plus any payments and benefits provided pursuant to a Prior Indemnity Agreement, as described in Section 5.3(a)), if applicable, shall constitute the Participant's sole and exclusive remedy for any alleged injury or other damages arising out of the cessation of the employment relationship between the Participant and the Company in the event of the Participant's Termination Other Than Upon a Change in Control or Termination Upon a Change in Control. The Participant shall be entitled to no other compensation, benefits, or other payments from the

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Company as a result of any Termination Other Than Upon a Change in Control or Termination Upon a Change in Control with respect to which the payments and benefits described in Section 5 and Section 6 (plus any payments and benefits provided pursuant to a Prior Indemnity Agreement, as described in Section 5.3(a)), if applicable, have been provided to the Participant, except as expressly set forth in this Plan or, subject to the provisions of Section 8.2, in a duly executed employment agreement between Company and the Participant.

**10. PROPRIETARY AND CONFIDENTIAL INFORMATION**

The Participant agrees to continue to abide by the terms and conditions of the confidentiality and/or proprietary rights agreement between the Participant and the Company or any other member of the Company Group.

**11. NONSOLICITATION**

If the Company performs its obligations to deliver the payments and benefits set forth in Section 5 and Section 6 (plus any payments and benefits provided pursuant to a Prior Indemnity Agreement, as described in Section 5.3(a)), then for a period equal to (i) the CiC Benefit Period applicable to a Participant following a Termination Upon a Change in Control or (ii) the Non-CiC Benefit Period applicable to a Participant following a Termination Other Than Upon a Change in Control, the Participant shall not, directly or indirectly, recruit, solicit or invite the solicitation of any employees of the Company to terminate their employment relationship with the Company.

**12. NO CONTRACT OF EMPLOYMENT**

Neither the establishment of the Plan, nor any amendment thereto, nor the payment of any benefits shall be construed as giving any person the right to be retained by the Company, a Successor or any other member of the Company Group. Except as otherwise established in an employment agreement between the Company and a Participant, the employment relationship between the Participant and the Company is an “at-will” relationship. Accordingly, either the Participant or the Company may terminate the relationship at any time, with or without cause, and with or without notice except as otherwise provided by Section 15. In addition, nothing in this Plan shall in any manner obligate any Successor or other member of the Company Group to offer employment to any Participant or to continue the employment of any Participant which it does hire for any specific duration of time.

**13. CLAIMS FOR BENEFITS**

13.1 ERISA PLAN. This Plan is intended to be (a) an employee welfare plan as defined in Section 3(1) of Employee Retirement Income Security Act of 1974 (“ERISA”) and (b) a “top-hat” plan maintained for the benefit of a select group of management or highly compensated employees of the Company Group.

13.2 APPLICATION FOR BENEFITS. All applications for payments and/or benefits under the Plan (“BENEFITS”) shall be submitted to the Company’s General Counsel (the “CLAIMS ADMINISTRATOR”). Applications for Benefits must be in writing on forms acceptable to the Claims Administrator and must be signed by the Participant or beneficiary. The Claims Administrator reserves the right to require the Participant or beneficiary to furnish such other proof of the Participant’s expenses, including without limitation, receipts, canceled checks, bills, and invoices as may be required by the Claims Administrator.

**13.3 APPEAL OF DENIAL OF CLAIM**

(a) If a claimant’s claim for Benefits is denied, the Claims Administrator shall provide notice to the claimant in writing of the denial within ninety (90) days after its submission. The notice shall be written in a manner calculated to be understood by the claimant and shall include:

- (1) The specific reason or reasons for the denial;
  - (2) Specific references to the Plan provisions on which the denial is based;
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- (3) A description of any additional material or information necessary for the applicant to perfect the claim and an explanation of why such material or information is necessary; and
- (4) An explanation of the Plan's claims review procedures and a statement of claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination.
- (b) If special circumstances require an extension of time for processing the initial claim, a written notice of the extension and the reason therefor shall be furnished to the claimant before the end of the initial ninety (90) day period. In no event shall such extension exceed ninety (90) days.
- (c) If a claim for Benefits is denied, the claimant, at the claimant's sole expense, may appeal the denial to the Committee (the "APPEALS ADMINISTRATOR") within sixty (60) days of the receipt of written notice of the denial. In pursuing such appeal the applicant or his duly authorized representative:
  - (1) may request in writing that the Appeals Administrator review the denial;
  - (2) may review pertinent documents; and
  - (3) may submit issues and comments in writing.
- (d) The decision on review shall be made within sixty (60) days of receipt of the request for review, unless special circumstances require an extension of time for processing, in which case a decision shall be rendered as soon as possible, but not later than one hundred twenty (120) days after receipt of the request for review. If such an extension of time is required, written notice of the extension shall be furnished to the claimant before the end of the original sixty (60) day period. The decision on review shall be made in writing, shall be written in a manner calculated to be understood by the claimant, and, if the decision on review is a denial of the claim for Benefits, shall include:
  - (1) The specific reason or reasons for the denial;
  - (2) Specific references to the Plan provisions on which the denial is based;
  - (3) A description of any additional material or information necessary for the applicant to perfect the claim and an explanation of why such material or information is necessary; and
  - (4) An explanation of the Plan's claims review procedures and a statement of claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination.

14. **DISPUTE RESOLUTION**

14.1 WAIVER OF JURY TRIAL. In the event of any dispute or claim relating to or arising out of this Plan that is not resolved in accordance with procedure described in Section 13, the Company and the Participant, each by executing a Participation Agreement, agree that all such disputes or claims shall be resolved by means of a court trial conducted by the superior or district court in Santa Clara County, California or as otherwise required by ERISA. The Company and the Participant, each by executing a Participation Agreement, irrevocably waive their respective rights to have any such disputes or claims tried by a jury, and agree that such courts will have personal and subject matter jurisdiction over all such claims or disputes. Notwithstanding the foregoing, in the event of any such dispute, the Company and the Participant may agree to mediate or arbitrate the dispute on such terms and conditions as may they may agree in writing.

14.2 ATTORNEYS' FEES. The prevailing party shall be entitled to recover from the losing party its attorneys' fees and costs incurred in any action brought to enforce any right arising out of this Plan.

15. **SUCCESSORS AND ASSIGNS**

15.1 SUCCESSORS OF THE COMPANY. The Company shall require any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, expressly, absolutely and unconditionally to assume and agr

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ee to perform this Plan on behalf of the Company in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. In the case of an Individual Deemed Change in Control, the Company shall require the acquiring entity in the applicable transaction to, expressly, absolutely and unconditionally to (i) assume and agree to perform this Plan on behalf of the Company with respect to the applicable Individual Deemed Change in Control Participant in the same manner and to the same extent that the Company would be required to perform it if the applicable Individual Deemed Change in Control Participant had remained an employee of the Company Group and (ii) assume the applicable Individual Deemed Change in Control Participant's solely time-based equity incentives granted by the Company that are outstanding immediately prior to such transaction or provide a substitute award of substantially equivalent terms and value as such outstanding time-based equity incentives (i.e., remaining vesting schedule and current value as of the Individual Deemed Change in Control) provided that, if the acquiring entity refuses to so assume or provide any such substitute award for an outstanding time-based equity incentive, such unassumed or unsubstituted incentives will accelerate and be vested upon (or immediately prior to) such transaction with respect to the Pro Rata Portion applicable in the case of Termination Upon a Change in Control in connection with an Individual Deemed Change in Control. Upon any such assumption in connection with an Individual Deemed Change in Control, such assumed obligations and agreement shall be deemed a separate agreement between the applicable Participant and the applicable acquiring entity and such Participant shall thereafter cease to be a Participant under this Plan.

15.2 ACKNOWLEDGMENT BY COMPANY. If, after a Change in Control, the Company fails to reasonably confirm that it has performed the obligation described in Section 15.1 within thirty (30) days after written notice from the Participant, such failure shall be a material breach of this Plan and shall entitle the Participant to resign for Good Reason and to receive the benefits provided under this Plan in the event of Termination Upon a Change in Control or a Termination Upon a Change in Control in connection with an Individual Deemed Change in Control, as applicable.

15.3 HEIRS AND REPRESENTATIVES OF PARTICIPANT. This Plan shall inure to the benefit of and be enforceable by the Participant's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, legatees or other beneficiaries. If the Participant should die while any amount would still be payable to the Participant hereunder (other than amounts which, by their terms, terminate upon the death of the Participant) if the Participant had continued to live, then all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Plan to the executors, personal representatives or administrators of the Participant's estate.

## 16. NOTICES

16.1 GENERAL. For purposes of this Plan, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by United States certified mail, return receipt requested, or by overnight courier, postage prepaid, as follows:

- (a) if to the Company:  
Finisar Corporation  
1389 Moffett Park Drive  
Sunnyvale, California 94089  
Attention: Chief Executive Officer

- (b) if to the Participant, at the home address which the Participant most recently communicated to the Company in writing.

Either party may provide the other with notices of change of address, which shall be effective upon receipt.

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16.2 NOTICE OF TERMINATION. Any termination by the Company of the Participant's employment at any time or any resignation by the Participant shall be communicated by a notice of termination or resignation to the other party hereto given in accordance with Section 16.1. Such notice shall indicate the specific termination provision in this Plan relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and shall specify the termination date.

17. **TERMINATION AND AMENDMENT OF PLAN**

This Plan and/or any Participation Agreement executed by a Participant may not be terminated with respect to such Participant without the written consent of the Participant and the approval of the Board or the Committee. The Plan and/or any Participation Agreement executed by a Participant may be modified, amended or superseded with respect to such Participant only by a supplemental written agreement between the Participant and the Company approved by the Board or the Committee.

18. **MISCELLANEOUS PROVISIONS**

18.1 UNFUNDED OBLIGATION. Any amounts payable to Participants pursuant to the Plan are unfunded obligations. The Company shall not be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Participant account shall not create or constitute a trust or fiduciary relationship between the Board or the Company and a Participant, or otherwise create any vested or beneficial interest in any Participant or the Participant's creditors in any assets of the Company.

18.2 NO DUTY TO MITIGATE; OBLIGATIONS OF COMPANY. A Participant shall not be required to mitigate the amount of any payment or benefit contemplated by this Plan by seeking employment with a new employer or otherwise, nor shall any such payment or benefit (except for benefits to the extent described in Section 5.2(b)) be reduced by any compensation or benefits that the Participant may receive from employment by another employer. Except as otherwise provided by this Plan, the obligations of the Company to make payments to the Participant and to make the arrangements provided for herein are absolute and unconditional and may not be reduced by any circumstances, including without limitation any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Participant or any third party at any time.

18.3 NO REPRESENTATIONS. By executing a Participation Agreement, the Participant acknowledges that in becoming a Participant in the Plan, the Participant is not relying and has not relied on any promise, representation or statement made by or on behalf of the Company which is not set forth in this Plan.

18.4 WAIVER. No waiver by the Participant or the Company of any breach of, or of any lack of compliance with, any condition or provision of this Plan by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

18.5 CHOICE OF LAW. The validity, interpretation, construction and performance of this Plan shall be governed by the substantive laws of the State of California, without regard to its conflict of law provisions.

18.6 VALIDITY. The invalidity or unenforceability of any provision of this Plan shall not affect the validity or enforceability of any other provision of this Plan, which shall remain in full force and effect.

18.7 BENEFITS NOT ASSIGNABLE. Except as otherwise provided herein or by law, no right or interest of any Participant under the Plan shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including, without limitation, by execution, levy, garnishment, attachment, pledge or in any other manner, and no attempted transfer or assignment there

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of shall be effective. No right or interest of any Participant under the Plan shall be liable for, or subject to, any obligation or liability of such Participant.

18.8 TAX WITHHOLDING. All payments made pursuant to this Plan will be subject to withholding of applicable income and employment taxes.

18.9 CONSULTATION WITH LEGAL AND FINANCIAL ADVISORS. By executing a Participation Agreement, the Participant acknowledges that this Plan confers significant legal rights, and may also involve the waiver of rights under other agreements; that the Company has encouraged the Participant to consult with the Participant's personal legal and financial advisors; and that the Participant has had adequate time to consult with the Participant's advisors before executing the Participation Agreement.

18.10 FURTHER ASSURANCES. From time to time, at the Company's request and without further consideration, the Participant shall execute and deliver such additional documents and take all such further action as reasonably requested by the Company to be necessary or desirable to make effective, in the most expeditious manner possible, the terms of the Plan and the Participant's Participation Agreement, Release and Restrictive Covenants Agreement, and to provide adequate assurance of the Participant's due performance thereunder.

19. **AGREEMENT**

By executing a Participation Agreement, the Participant acknowledges that the Participant has received a copy of this Plan and has read, understands and is familiar with the terms and provisions of this Plan. This Plan shall constitute an agreement between the Company and the Participant executing a Participation Agreement.

IN WITNESS WHEREOF, the undersigned Secretary of the Company certifies that the foregoing Plan was duly adopted by the Committee effective July 15, 2018.

/s/ Chris Brown

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**EXHIBIT A**  
**FORM OF**  
**AGREEMENT TO PARTICIPATE IN THE**  
**FINISAR CORPORATION**  
**EXECUTIVE RETENTION AND SEVERANCE PLAN**

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**PARTICIPATION AGREEMENT**

**FINISAR CORPORATION**

**EXECUTIVE RETENTION AND SEVERANCE PLAN**

**AS AMENDED AND RESTATED EFFECTIVE JULY 15, 2018**

In consideration of the benefits provided by the Finisar Corporation Executive Retention and Severance Plan (as amended from time to time, the "PLAN"), the undersigned employee of Finisar Corporation (the "COMPANY") and the Company agree that, as of the date written below, the undersigned shall become a Participant in the Plan and shall be fully bound by and subject to all of its provisions. All references to a "Participant" in the Plan shall be deemed to refer to the undersigned. This Participation Agreement supersedes and replaces any prior Participation Agreement with respect to the Plan between the Company and the undersigned.

The undersigned employee acknowledges that the Plan confers significant legal rights and may also constitute a waiver of rights under other agreements with the Company; that the Company has encouraged the undersigned to consult with the undersigned's personal legal and financial advisors; and that the undersigned has had adequate time to consult with the undersigned's advisors before executing this agreement.

The undersigned employee acknowledges that he or she has received a copy of the Plan and has read, understands and is familiar with the terms and provisions of the Plan. The undersigned employee further acknowledges that (1) the undersigned is waiving any right to a jury trial in the event of any dispute arising out of or related to the Plan and (2) except as otherwise established in an employment agreement between the Company and the undersigned, the employment relationship between the undersigned and the Company is an "at-will" relationship.

[SIGNATURE PAGE FOLLOWS]

Executed on \_\_\_\_\_, \_\_\_\_\_

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PARTICIPANT

FINISAR CORPORATION

Signature

By:

Name Printed

Title:

Address

[THE ABOVE SIGNED PARTICIPANT IS A "KEY EMPLOYEE" (AS DEFINED BY THE PLAN) AS OF THE DATE OF THIS AGREEMENT. IF THE PARTICIPANT REMAINS A KEY EMPLOYEE, BUT NOT AN "EXECUTIVE OFFICER," FOR THE PURPOSE OF DETERMINING ANY SEVERANCE PAYMENTS OR BENEFITS TO WHICH THE PARTICIPANT MAY BECOME ENTITLED UNDER THE PLAN, THE FOLLOWING SHALL BE APPLICABLE TO THE PARTICIPANT UNDER THE PLAN:

CIC BENEFIT PERIOD: \_\_\_ MONTHS

NON-CIC BENEFIT PERIOD: \_\_\_ MONTHS

NON-CIC BONUS MULTIPLE: \_\_\_

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**EXHIBIT B**  
**FORMS OF**  
**GENERAL RELEASE OF CLAIMS**

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## GENERAL RELEASE OF CLAIMS

[AGE 40 AND OVER]

This Agreement is by and between [EMPLOYEE NAME] (“Employee”) and [FINISAR CORPORATION OR SUCCESSOR THAT AGREES TO ASSUME THE EXECUTIVE RETENTION AND SEVERANCE PLAN FOLLOWING A CHANGE IN CONTROL] (the “Company”). This Agreement will become effective on the eighth (8th) day after it is signed by Employee (the “Effective Date”), provided that the Company has signed this Agreement and Employee has not revoked this Agreement (by written notice to [COMPANY CONTACT NAME] at the Company) prior to that date.

### RECITALS

1. Employee was employed by the Company as of , .
  2. Employee and the Company entered into an Agreement to Participate in the Finisar Corporation Executive Retention and Severance Plan (such agreement and plan, as amended from time to time, being referred to collectively herein as the “Plan”) effective as of , wherein Employee is entitled to receive certain benefits in the event of a [Termination Other Than Upon a Change in Control OR Termination Upon a Change in Control] (as defined by the Plan), provided Employee signs and does not revoke a Release (as defined by the Plan).
  3. [IN CASE OF A CHANGE IN CONTROL: A Change in Control (as defined by the Plan) has occurred as a result of **[BRIEFLY DESCRIBE CHANGE IN CONTROL]**]
  4. Employee’s employment is being terminated as a result of a [Termination Other Than Upon a Change in Control OR Termination Upon a Change in Control]. Employee’s last day of work and termination are effective as of , . Employee desires to receive the payments and benefits provided by the Plan by executing this Release.
- NOW, THEREFORE, the parties agree as follows:

Commencing on the Effective Date, the Company shall provide Employee with the applicable payments and benefits set forth in the Plan in accordance with the terms of the Plan. Employee acknowledges that the payments and benefits made pursuant to this paragraph are made in full satisfaction of the Company’s obligations under the Plan. Employee further acknowledges that Employee has been paid all wages and accrued, unused vacation that Employee earned during his or her employment with the Company.

Employee and Employee’s successors release the Company, its respective subsidiaries, stockholders, investors, directors, officers, employees, agents, attorneys, insurers, legal successors and assigns of and from any and all claims, actions and causes of action, whether now known or unknown, which Employee now has, or at any other time had, or shall or may have against those released parties based upon or arising out of any matter, cause, fact, thing, act or omission whatsoever directly related to Employee’s employment by the Company or the termination of such employment and occurring or existing at any time up to and including the Effective Date, including, but not limited to, any claims of breach of written contract, wrongful termination, retaliation, fraud, defamation, infliction of emotional distress, or national origin, race, age, sex, sexual orientation, disability or other discrimination or harassment under the Civil Rights Act of 1964, the Age Discrimination In Employment Act of 1967, the Americans with Disabilities Act, the Fair Employment and Housing Act or any other applicable law. Notwithstanding the foregoing, this release shall not apply to any right of the Employee pursuant to Section 5.2 of the Plan or pursuant to a Prior Indemnity Agreement (as such term is defined by the Plan) or any claim that cannot be so released as a matter of law. In addition, nothing in this Agreement prohibits Employee from filing a charge with or participating in an investigation conducted by any state or federal

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government agencies. However, Employee does waive, to the maximum extent permitted by law, the right to receive any monetary or other recovery, should any agency or any other person pursue any claims on Employee's behalf arising out of any claim released pursuant to this Agreement. For clarity, and as required by law, such waiver does not prevent Employee from accepting a whistleblower award from the Securities and Exchange Commission pursuant to Section 21F of the Securities Exchange Act of 1934, as amended.

Employee acknowledges that he or she has read Section 1542 of the Civil Code of the State of California, which states in full:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Employee waives any rights that Employee has or may have under Section 1542 and comparable or similar provisions of the laws of other states in the United States to the full extent that he or she may lawfully waive such rights pertaining to this general release of claims, and affirms that Employee is releasing all known and unknown claims that he or she has or may have against the parties listed above.

Employee and the Company acknowledge and agree that they shall continue to be bound by and comply with the terms and obligations under the following agreements: (i) any proprietary rights or confidentiality agreements between the Company and Employee, (ii) the Plan, (iii) any Prior Indemnity Agreement (as such term is defined by the Plan) to which Employee is a party, and (iv) any stock option, stock grant or stock purchase agreements between the Company and Employee.

This Agreement shall be binding upon, and shall inure to the benefit of, the parties and their respective successors, assigns, heirs and personal representatives.

The parties agree that any and all disputes that both (i) arise out of the Plan, the interpretation, validity or enforceability of the Plan or the alleged breach thereof and (ii) relate to the enforceability of this Agreement or the interpretation of the terms of this Agreement shall be subject to the provisions of Section 13 and Section 14 of the Plan.

The parties agree that any and all disputes that (i) do not arise out of the Plan, the interpretation, validity or enforceability of the Plan or the alleged breach thereof and (ii) relate to the enforceability of this Agreement, the interpretation of the terms of this Agreement or any of the matters herein released or herein described shall be resolved by means of a court trial conducted by the superior or district court in Santa Clara County, California. The parties hereby irrevocably waive their respective rights to have any such disputes tried to a jury, and the parties hereby agree that such courts will have personal and subject matter jurisdiction over all such disputes. Notwithstanding the foregoing, in the event of any such dispute, the parties may agree to mediate or arbitrate the dispute on such terms and conditions as may be agreed in writing by the parties. The prevailing party shall be entitled to recover from the losing party its attorneys' fees and costs incurred in any action brought to resolve any such dispute.

This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior negotiations and agreements, whether written or oral, with the exception of any agreements expressly referred to in this Agreement. This Agreement may not be modified or amended except by a document signed by an authorized officer of the Company and Employee. If any provision of this Agreement is deemed invalid, illegal or unenforceable, such provision

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shall be modified so as to make it valid, legal and enforceable, and the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected.

EMPLOYEE UNDERSTANDS THAT EMPLOYEE SHOULD CONSULT WITH AN ATTORNEY PRIOR TO SIGNING THIS AGREEMENT AND THAT EMPLOYEE IS GIVING UP ANY LEGAL CLAIMS EMPLOYEE HAS AGAINST THE PARTIES RELEASED ABOVE BY SIGNING THIS AGREEMENT. EMPLOYEE FURTHER UNDERSTANDS THAT EMPLOYEE MAY HAVE UP TO 21 DAYS (OR SUCH LONGER PERIOD AS MAY BE REQUIRED TO MAKE THE RELEASE MAXIMALLY ENFORCEABLE UNDER APPLICABLE LAW) TO CONSIDER THIS AGREEMENT, THAT EMPLOYEE MAY REVOKE IT AT ANY TIME DURING THE 7 DAYS AFTER EMPLOYEE SIGNS IT, AND THAT IT SHALL NOT BECOME EFFECTIVE UNTIL THAT 7-DAY PERIOD HAS PASSED. EMPLOYEE ACKNOWLEDGES THAT EMPLOYEE IS SIGNING THIS AGREEMENT KNOWINGLY, WILLINGLY AND VOLUNTARILY IN EXCHANGE FOR THE COMPENSATION AND BENEFITS DESCRIBED HEREIN.

Dated:

[Employee Name]

[Company]

Dated:

By:

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**EXHIBIT C**  
**FORMS OF**  
**GENERAL RELEASE OF CLAIMS**  
**[Under Age 40]**

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## GENERAL RELEASE OF CLAIMS

### [UNDER AGE 40]

This Agreement is by and between [EMPLOYEE NAME] (“Employee”) and [FINISAR CORPORATION OR SUCCESSOR THAT AGREES TO ASSUME THE EXECUTIVE RETENTION AND SEVERANCE PLAN FOLLOWING A CHANGE IN CONTROL] (the “Company”). This Agreement is effective on the day it is signed by Employee (the “Effective Date”).

### RECITALS

Employee was employed by the Company as of , .

5. Employee and the Company entered into an Agreement to Participate in the Finisar Corporation Executive Retention and Severance Plan (such agreement and plan being referred to herein as the “Plan”) effective as of , wherein Employee is entitled to receive certain benefits in the event of a [Termination Other Than Upon a Change in Control OR Termination Upon a Change in Control] (as defined by the Plan), provided Employee signs a Release (as defined by the Plan).

6. [IN CASE OF A CHANGE IN CONTROL: A Change in Control (as defined by the Plan) has occurred as a result of [BRIEFLY DESCRIBE CHANGE IN CONTROL]].

7. Employee’s employment is being terminated as a result of a [Termination Other Than Upon a Change in Control OR Termination Upon a Change in Control]. Employee’s last day of work and termination are effective as of , (the “Termination Date”). Employee desires to receive the payments and benefits provided by the Plan by executing this Release.

NOW, THEREFORE, the parties agree as follows:

8. Commencing on the Effective Date, the Company shall provide Employee with the applicable payments and benefits set forth in the Plan in accordance with the terms of the Plan. Employee acknowledges that the payments and benefits made pursuant to this paragraph are made in full satisfaction of the Company’s obligations under the Plan. Employee further acknowledges that Employee has been paid all wages and accrued, unused vacation that Employee earned during his or her employment with the Company.

9. Employee and Employee’s successors release the Company, its respective subsidiaries, stockholders, investors, directors, officers, employees, agents, attorneys, insurers, legal successors and assigns of and from any and all claims, actions and causes of action, whether now known or unknown, which Employee now has, or at any other time had, or shall or may have against those released parties based upon or arising out of any matter, cause, fact, thing, act or omission whatsoever directly related to Employee’s employment by the Company or the termination of such employment and occurring or existing at any time up to and including the Termination Date, including, but not limited to, any claims of breach of written contract, wrongful termination, retaliation, fraud, defamation, infliction of emotional distress, or national origin, race, age, sex, sexual orientation, disability or other discrimination or harassment under the Civil Rights Act of 1964, the Age Discrimination In Employment Act of 1967, the Americans with Disabilities Act, the Fair Employment and Housing Act or any other applicable law. Notwithstanding the foregoing, this release shall not apply to any right of the Employee pursuant to Sections 5.4 of the Plan or pursuant to a Prior Indemnity Agreement (as such terms are defined by the Plan).

10. Employee acknowledges that he or she has read Section 1542 of the Civil Code of the State of California, which states in full:

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A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

Employee waives any rights that Employee has or may have under Section 1542 and comparable or similar provisions of the laws of other states in the United States to the full extent that he or she may lawfully waive such rights pertaining to this general release of claims, and affirms that Employee is releasing all known and unknown claims that he or she has or may have against the parties listed above.

11. Employee and the Company acknowledge and agree that they shall continue to be bound by and comply with the terms and his obligations under the following agreements: (i) any proprietary rights or confidentiality agreements between the Company and Employee, (ii) the Plan, (iii) any Prior Indemnity Agreement (as such term is defined by the Plan) to which Employee is a party, and (iv) any stock option, stock grant or stock purchase agreements between the Company and Employee.

12. This Agreement shall be binding upon, and shall inure to the benefit of, the parties and their respective successors, assigns, heirs and personal representatives.

13. The parties agree that any and all disputes that both (i) arise out of the Plan, the interpretation, validity or enforceability of the Plan or the alleged breach thereof and (ii) relate to the enforceability of this Agreement or the interpretation of the terms of this Agreement shall be subject to the provisions of Section 12 and Section 13 of the Plan.

14. The parties agree that any and all disputes that (i) do not arise out of the Plan, the interpretation, validity or enforceability of the Plan or the alleged breach thereof and (ii) relate to the enforceability of this Agreement, the interpretation of the terms of this Agreement or any of the matters herein released or herein described shall be resolved by means of a court trial conducted by the superior or district court in Santa Clara County, California. The parties hereby irrevocably waive their respective rights to have any such disputes tried to a jury, and the parties hereby agree that such courts will have personal and subject matter jurisdiction over all such disputes. Notwithstanding the foregoing, in the event of any such dispute, the parties may agree to mediate or arbitrate the dispute on such terms and conditions as may be agreed in writing by the parties. The prevailing party shall be entitled to recover from the losing party its attorneys' fees and costs incurred in any action brought to resolve any such dispute.

15. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior negotiations and agreements, whether written or oral, with the exception of any agreements described in paragraph 4 of this Agreement. This Agreement may not be modified or amended except by a document signed by an authorized officer of the Company and Employee. If any provision of this Agreement is deemed invalid, illegal or unenforceable, such provision shall be modified so as to make it valid, legal and enforceable, and the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected.

EMPLOYEE UNDERSTANDS THAT EMPLOYEE SHOULD CONSULT WITH AN ATTORNEY PRIOR TO SIGNING THIS AGREEMENT AND THAT EMPLOYEE IS GIVING UP ANY LEGAL CLAIMS EMPLOYEE HAS AGAINST THE PARTIES RELEASED ABOVE BY SIGNING THIS AGREEMENT. EMPLOYEE ACKNOWLEDGES THAT EMPLOYEE IS SIGNING THIS AGREEMENT KNOWINGLY, WILLINGLY AND VOLUNTARILY IN EXCHANGE FOR THE COMPENSATION AND BENEFITS DESCRIBED IN PARAGRAPH 1.

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Dated:

[Employee Name]

[Company]

Dated:

By:

Officer

**FINISAR CORPORATION**  
**RESTRICTED STOCK UNIT ISSUANCE AGREEMENT**

**RECITALS**

- A. The Board has adopted the Plan for the purpose of attracting and retaining the services of selected employees who provide services to a Participating Company.
- B. The Participant is to render valuable services to a Participating Company and the Board has approved the award of restricted stock units to the Participant pursuant to this Agreement.
- C. All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix A.

**NOW, THEREFORE**, it is hereby agreed as follows:

1. **Grant of Restricted Stock Units.** The Company hereby awards to the Participant, as of the Award Date, an award (the "Award") of restricted stock units under the Plan. Each restricted stock unit represents the right to receive one share of Common Stock on the vesting date of that unit. The number of shares of Common Stock subject to the awarded restricted stock units (the "Shares") and the applicable vesting schedule for the restricted stock units and the underlying shares shall be as set forth in the "Restricted Stock: Vesting Details" linked to the restricted stock unit grant number for the Award in the Participant's portfolio provided on the E-Trade Stock Plan Services website. The remaining terms and conditions governing the Award shall be as set forth in this Agreement.

2. **Issuance Dates.** Each Share in which the Participant vests in accordance with the specified vesting schedule shall be issued on the date (the "Issuance Date") on which that Share so vests or as soon thereafter as administratively practicable, but in no event later than the close of the calendar year in which such vesting date occurs or (if later) the fifteenth day of the third calendar month following such vesting date. The issuance of the Shares shall be subject to the Company's collection of any applicable Withholding Taxes in accordance the procedures set forth in Paragraph 7 of this Agreement.

3. **Limited Transferability.** Prior to actual receipt of the Shares which vest and become issuable hereunder, the Participant may not transfer any interest in the Award or the underlying Shares. Any Shares which vest hereunder but which otherwise remain unissued at the time of the Participant's death may be transferred pursuant to the provisions of the Participant's will or the laws of descent and distribution.

4. **Cessation of Service.** Should the Participant cease Service for any reason prior to vesting in one or more Shares subject to this Award, then the Award will be immediately cancelled with respect to those unvested Shares, and the number of restricted stock units will be reduced accordingly. The Participant shall thereupon cease to have any right or entitlement to receive any Shares under those cancelled units.

5. **Change in Control.**  
(a) Any restricted stock units subject to this Award at the time of a Change in Control may be assumed by the surviving, continuing, successor or purchasing corporation or parent thereof (the "Acquiring Corporation") or substituted with a substantially equivalent award for the Acquiring Corporation's stock. In the event the restricted stock units are not to be so assumed or substituted, then the Participant shall fully vest in the Award immediately prior to the effective date of the Change in Control.

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The Shares subject to those vested units will be issued on the Issuance Date triggered by the Change in Control, subject to the Company's collection of any applicable Withholding Taxes pursuant to the provisions of Paragraph 6 of this Agreement.

(b) In the event this Award is assumed, the restricted stock units subject to the Award shall be adjusted immediately after the consummation of the Change in Control so as to apply to the number and class of securities into which the Shares subject to those units immediately prior to the Change in Control would have been converted in consummation of that Change in Control had those Shares actually been issued and outstanding at that time.

(c) This Agreement shall not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

6. **Adjustment in Shares.** In the event of any stock dividend, stock split, reverse stock split, recapitalization, combination, reclassification, or other similar change in the capital structure of the Company, appropriate adjustments shall be made to the total number and/or class of securities issuable pursuant to this Award. The adjustments shall be made by the Board in such manner as the Board deems appropriate and such adjustments shall be final, binding and conclusive.

7. **Issuance of Shares of Common Stock.**

(a) On the Issuance Date or as soon thereafter as practicable, the Company shall issue to or on behalf of the Participant a certificate (which may be in electronic form) for the number of shares of Common Stock underlying the restricted stock units which vest under the Award on such date, subject, however, to the Company's collection of any applicable Withholding Taxes.

(b) The Company shall collect any Withholding Taxes required to be withheld with respect to the issuance of the vested Shares hereunder through an automatic Share withholding procedure pursuant to which the Company will withhold, at the time of such issuance, a portion of the Shares with a Fair Market Value (measured as of the vesting date) equal to the amount of those taxes determined based on the Participant's marginal tax rate (the "Share Withholding Method").

(c) Should any Shares be issued at a time when the Share Withholding Method is not available, then the Withholding Taxes shall be collected from the proceeds of a next-day sale of a portion of the Shares effected by the Company's designated broker; the Participant's acceptance of the Award shall constitute the Participant's authorization to the broker to effect such sale. This Agreement shall be deemed to be a 10b5-1 plan under the Exchange Act.

(d) In no event will any fractional shares be issued.

(e) The holder of this Award shall not have any stockholder rights, including voting or dividend rights, with respect to the Shares subject to the Award until the Participant becomes the record holder of those Shares following their actual issuance after the satisfaction of the applicable Withholding Taxes.

8. **Compliance with Laws and Regulations.**

(a) The issuance of shares of Common Stock pursuant to the Award shall be subject to compliance by the Company and the Participant with all applicable requirements of law relating thereto and with all applicable regulations of any stock exchange (or the Nasdaq Stock Market, if applicable) on which the Common Stock may be listed for trading at the time of such issuance.

(b) The inability of the Company to obtain approval from any regulatory body having authority deemed by the Company to be necessary to the lawful issuance of any Common Stock hereby shall relieve the Company of any liability with respect to the non-issuance of the Common Stock as to which such approval shall not have been obtained. The Company, however, shall use its best efforts to obtain all such approvals.

9. **Successors and Assigns.** Except to the extent otherwise provided in this Agreement, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its

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successors and assigns and the Participant, the Participant's assigns, the legal representatives, heirs and legatees of the Participant's estate and any beneficiaries of the Award designated by the Participant.

10. **Notices.** Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Company at its principal corporate offices. Any notice required to be given or delivered to the Participant shall be in writing and addressed to the Participant at the address indicated below Participant's signature line on this Agreement. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

11. **Construction.** This Agreement and the Award evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. All decisions of the Board with respect to any question or issue arising under the Plan or this Agreement shall be conclusive and binding on all persons having an interest in the Award.

12. **Governing Law.** The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California without resort to that State's conflict-of-laws rules.

13. **Employment at Will.** Except as may otherwise be set forth in the Participant's employment agreement, nothing in this Agreement or in the Plan shall confer upon the Participant any right to continue in service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Parent Corporation or Subsidiary Corporation employing or retaining the Participant) or of the Participant, which rights are hereby expressly reserved by each, to terminate the Participant's service at any time for any reason, with or without cause.

**IN WITNESS WHEREOF**, the parties have executed this Agreement on the day and year first indicated above.

**FINISAR CORPORATION**

By: /s/ Kurt Adzema

Title: Executive Vice President, Finance and Chief Financial Officer

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## APPENDIX A

### DEFINITIONS

The following definitions shall be in effect under the Agreement:

- A. **Agreement** shall mean this Restricted Stock Unit Issuance Agreement.
  - B. **Award** shall mean the award of restricted stock units made to the Participant pursuant to the terms of the Agreement.
  - C. **Award Date** shall mean the date the restricted stock units are awarded to the Participant pursuant to the Agreement and shall be the date indicated in Paragraph 1 of the Agreement.
  - D. **Board** shall mean the Company's Board of Directors and any committee of the Board appointed to administer the Plan.
  - E. **Change in Control** shall mean an Ownership Change Event or a series of related Ownership Change Events (collectively, a "**Transaction**") wherein the stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction, in substantially the same proportions as their ownership of shares of the Company's voting stock immediately before the Transaction, direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding voting securities of the Company or, in the case of a sale, exchange or transfer of all or substantially all of the assets of the Company, the corporation or other business entity to which the assets of the Company were transferred (the "**Transferee**"), as the case may be. For purposes of the preceding sentence, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which, as a result of the Transaction, own the Company or the Transferee, as the case may be, either directly or through one or more subsidiary corporations or other business entities. The Board shall have the right to determine whether multiple sales or exchanges of the voting securities of the Company or multiple Ownership Change Events are related, and its determination shall be final, binding and conclusive.
  - F. **Code** shall mean the Internal Revenue Code of 1986, as amended.
  - G. **Common Stock** shall mean shares of the Company's common stock.
  - H. **Company** shall mean Finisar Corporation, a Delaware corporation, and any successor corporation.
  - I. **Consultant** shall mean a person engaged to provide consulting or advisory services (other than as an Employee or a Director) to a Participating Company, provided that the identity of such person, the nature of such services or the entity to which such services are provided would not preclude the Company from offering or selling securities to such person pursuant to the Plan in reliance on registration on a Form S-8 Registration Statement under the Securities Exchange Act of 1934.
  - J. **Director** shall mean a member of the Board or of the board of directors of any other Participating Company.
  - K. **Employee** shall mean any person treated as an employee (including an officer or a Director who is also treated as an employee) in the records of a Participating Company; provided, however, that neither service as a Director nor payment of a director's fee shall be sufficient to constitute employment for purposes of the Plan.
  - L. **Exchange Act** shall mean the Securities Exchange Act of 1934, as amended.
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M. **Fair Market Value** per share of Common Stock, as of any date, shall mean the value of a share of Common Stock as determined by the Board, in its discretion, or by the Company, in its discretion, if such determination is expressly allocated to the Company herein, subject to the following:

(i) If, on such date, the Common Stock is listed on a national or regional securities exchange or market system, the Fair Market Value of a share of Common Stock shall be the closing price of a share of Common Stock (or the mean of the closing bid and asked prices of a share of Common Stock if the Common Stock is so quoted instead) as quoted on the Nasdaq National Market, the Nasdaq SmallCap Market or such other national or regional securities exchange or market system constituting the primary market for the Common Stock, as reported in the Wall Street Journal or such other source as the Company deems reliable. If the relevant date does not fall on which the Common Stock has traded on such securities exchange or market system, the date on which the Fair Market Value shall be established shall be the last day on which the Common Stock was so traded prior to the relevant date, or such other appropriate day as shall be determined by the Board, in its discretion.

(ii) If, on such date, the Common Stock is not listed on a national or regional securities exchange or market system, the Fair Market Value of a share of Common Stock shall be as determined by the Board in good faith without regard to any restriction other than a restriction which, by its terms, will never lapse.

N. **Ownership Change Event** shall be deemed to have occurred if any of the following occurs with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of more than fifty percent (50%) of the voting stock of the Company; (ii) a merger or consolidation in which the Company is a party; (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company; or (iv) a liquidation or dissolution of the Company.

O. **Parent Corporation** shall mean any present or future "parent corporation" of the Company as defined in Section 424(e) of the Code.

P. **Participant** shall mean the person to whom the Award is made pursuant to the Agreement.

Q. **Participating Company** shall mean the Company or any Parent Corporation or Subsidiary Corporation.

R. **Participating Company Group** shall mean, at any point in time, all corporations collectively which are then Participating Companies.

S. **Plan** shall mean the Company's 2005 Stock Incentive Plan.

T. **Service** shall mean the Participant's employment or service with the Participating Company Group, whether in the capacity of an Employee, a Director or a Consultant. The Participant's Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders Service to the Participating Company Group or a change in the Participating Company for which the Participant renders such Service, provided that there is no interruption or termination of the Participant's Service. Furthermore, the Participant's Service with the Participating Company Group shall not be deemed to have terminated if the Participant takes any military leave, sick leave, or other bona fide leave of absence approved by the Company. Notwithstanding the foregoing, unless otherwise designated by the Company or required by law, a leave of absence shall not be treated as Service for purposes of determining the Participant's vested Shares. The Participant's Service shall be deemed to have terminated either upon an actual termination of Service or upon the corporation for which the Participant performs Service ceasing to be a Participating Company. Subject to the foregoing, the Company, in its discretion, shall determine whether the Participant's Service has terminated and the effective date of such termination.

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U. **Subsidiary Corporation** shall mean any present or future “subsidiary corporation” of the Company as defined in Section 424(f) of the Code.

V. **Withholding Taxes** shall mean the Federal, state and local income and employment taxes required to be withheld by the Company in connection with the issuance of the shares of Common Stock under the Award.

**FINISAR CORPORATION**  
**OFFICER PERFORMANCE RESTRICTED STOCK UNIT ISSUANCE AGREEMENT**

**RECITALS**

- A. The Board has adopted the Plan for the purpose of attracting and retaining the services of selected employees who provide services to a Participating Company.
- B. The Participant is to render valuable services to a Participating Company and the Board has approved the award of performance restricted stock units to the Participant pursuant to this Agreement.
- C. All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix A.

**NOW, THEREFORE**, it is hereby agreed as follows:

1. **Grant of Performance Restricted Stock Units.** The Company hereby awards to the Participant, as of the Award Date specified on Exhibit I attached hereto, an award (the "Award") of restricted stock units under the Plan entitling the Participant to receive a number of shares of Common Stock (the "Shares") based on the number of base shares designated for the Award on Exhibit I (the "Base Shares") and the level of attainment of the Performance Goal for each Vesting Date as set forth on Exhibit I, subject to the Participant's continued Service through each such Vesting Date. The number of Base Shares shall be used solely to calculate the actual number of Shares that may be issued to the Participant under this Agreement. In no event will the aggregate number of Shares issuable under the Award exceed the Maximum Shares set forth on Exhibit I. The remaining terms and conditions governing the Award shall be as set forth in this Agreement.
  2. **Issuance Date.** Each Share in which the Participant vests in accordance with the specified vesting schedule on Schedule I or the accelerated vesting provisions of Paragraph 4(b) and 5(a) of this Agreement shall be issued on the date (the "Issuance Date") on which that Share so vests or as soon thereafter as administratively practicable, but in no event later than the close of the calendar year in which such vesting date occurs or (if later) the fifteenth day of the third calendar month following such vesting date. The issuance of the Shares shall be subject to the Company's collection of any applicable Withholding Taxes in accordance the procedures set forth in Paragraph 7 of this Agreement.
  3. **Limited Transferability.** Prior to actual receipt of the Shares which vest and become issuable hereunder, the Participant may not transfer any interest in the Award or the underlying Shares. Any Shares which vest hereunder but which otherwise remain unissued at the time of the Participant's death may be transferred pursuant to the provisions of the Participant's will or the laws of descent and distribution.
  4. **Cessation of Service.**
    - (a) Except as otherwise provided in Paragraph 4(b) of this Agreement, should the Participant cease Service for any reason prior to completion of the Performance Period, then this Award will be immediately cancelled. The Participant shall thereupon cease to have any right or entitlement to receive any Shares under the cancelled Award.
    - (b) In the event of the Participant's Termination Other than Upon a Change in Control prior to completion of the Performance Period, this Award will vest on an accelerated basis with
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respect to the number of Shares as determined pursuant to the formula specified in Paragraph 6 of Schedule I and shall terminate with respect to the remaining portion of the Award.

5. **Severance Plan Change in Control.**

(a) In the event a Severance Plan Change in Control occurs prior to completion of the Performance Period and the Participant remains in Service through the effective date of that Severance Plan Change in Control, then the Participant shall, immediately prior to the effective date of the Severance Plan Change in Control, vest on an accelerated basis with respect to the number of Shares as determined pursuant to the formula specified in Paragraph 5 or 6 (as applicable) of Schedule I. The vested Shares will be issued pursuant to the provisions of Paragraph 2 of this Agreement.

(b) Notwithstanding any provision of the Plan to the contrary, this Award to the extent not accelerated under Paragraph 5(a) of this Agreement, shall terminate immediately upon the Severance Plan Change in Control.

(c) This Agreement shall not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

6. **Adjustment in Shares.** In the event of any stock dividend, stock split, reverse stock split, recapitalization, combination, reclassification, or other similar change in the capital structure of the Company, appropriate adjustments shall be made to the total number and/or class of securities issuable pursuant to this Award. The adjustments shall be made by the Board in such manner as the Board deems appropriate and such adjustments shall be final, binding and conclusive.

7. **Issuance of Shares of Common Stock.**

(a) On the Issuance Date or as soon thereafter as practicable, the Company shall issue to or on behalf of the Participant a certificate (which may be in electronic form) for the number of shares of Common Stock which vest under the Award on such date, subject, however, to the Company's collection of any applicable Withholding Taxes.

(b) The Company shall collect any Withholding Taxes required to be withheld with respect to the issuance of the vested Shares hereunder through an automatic Share withholding procedure pursuant to which the Company will withhold, at the time of such issuance, a portion of the Shares with a Fair Market Value (measured as of the vesting date) equal to the amount of those taxes determined based on the Participant's marginal tax rate (the "Share Withholding Method").

(c) Should any Shares be issued at a time when the Share Withholding Method is not available, then the Withholding Taxes shall be collected from the proceeds of a next-day sale of a portion of the Shares effected by the Company's designated broker; the Participant's acceptance of the Award shall constitute the Participant's authorization to the broker to effect such sale. This Agreement shall be deemed to be a 10b5-1 plan under the Exchange Act.

(d) In no event will any fractional shares be issued.

(e) The holder of this Award shall not have any stockholder rights, including voting or dividend rights, with respect to the Shares subject to the Award until the Participant becomes the record holder of those Shares following their actual issuance after the satisfaction of the applicable Withholding Taxes.

8. **Compliance with Laws and Regulations.**

(a) The issuance of shares of Common Stock pursuant to the Award shall be subject to compliance by the Company and the Participant with all applicable requirements of law relating thereto and with all applicable regulations of any stock exchange (or the Nasdaq Stock Market, if applicable) on which the Common Stock may be listed for trading at the time of such issuance.

(b) The inability of the Company to obtain approval from any regulatory body having authority deemed by the Company to be necessary to the lawful issuance of any Common Stock hereby shall relieve the Company of any liability with respect to the non-issuance of the Common Stock as

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to which such approval shall not have been obtained. The Company, however, shall use its best efforts to obtain all such approvals.

9. **Successors and Assigns.** Except to the extent otherwise provided in this Agreement, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and the Participant, the Participant's assigns, the legal representatives, heirs and legatees of the Participant's estate and any beneficiaries of the Award designated by the Participant.

10. **Notices.** Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Company at its principal corporate offices. Any notice required to be given or delivered to the Participant shall be in writing and addressed to the Participant at the address indicated below Participant's signature line on this Agreement. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

11. **Construction.** This Agreement and the Award evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. All decisions of the Board with respect to any question or issue arising under the Plan or this Agreement shall be conclusive and binding on all persons having an interest in the Award.

12. **Governing Law.** The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California without resort to that State's conflict-of-laws rules.

13. **Employment at Will.** Except as may otherwise be set forth in the Participant's employment agreement, nothing in this Agreement or in the Plan shall confer upon the Participant any right to continue in service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Parent Corporation or Subsidiary Corporation employing or retaining the Participant) or of the Participant, which rights are hereby expressly reserved by each, to terminate the Participant's service at any time for any reason, with or without cause.

14. **Section 409A.** It is the intention of the parties that the provisions of this Agreement shall comply with the requirements of the short-term deferral exception to section 409A of the Code and Treasury Regulations Section 1.409A-1(b)(4). Accordingly, to the extent there is any ambiguity as to whether one or more provisions of this Agreement would otherwise contravene the requirements or limitations of section 409A of the Code applicable to such short-term deferral exception, then those provisions shall be interpreted and applied in a manner that does not result in a violation of the requirements or limitations of section 409A of the Code and the Treasury Regulations thereunder that apply to such exception. If, and only to the extent that, (i) the restricted stock units constitute "deferred compensation" within the meaning of section 409A of the Code and (ii) the Participant is deemed to be a "specified employee" (as such term is defined in section 409A of the Code and as determined by the Company), the payment of Shares on the Participant's Termination Other Than Upon a Change in Control shall not be made until the first business day of the seventh month following the Participant's termination or, if earlier, the date of the Participant's death. For purposes of section 409A of the Code, each payment of compensation under this Agreement shall be treated as a separate payment. All payments to be made upon a termination of employment under this Agreement may only be made upon a "separation from service" under section 409A of the Code, to the extent applicable. With respect to any payments that are subject to section 409A of the Code, in no event shall the Participant, directly or indirectly, designate the calendar year of payment.

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IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first indicated above.

**FINISAR CORPORATION**

By: /s/ Kurt Adzema  
Title: Executive Vice President, Finance and Chief Financial Officer

**PARTICIPANT**

By: \_\_\_\_\_  
Name: \_\_\_\_\_



## APPENDIX A

### DEFINITIONS

The following definitions shall be in effect under the Agreement:

- A. **Agreement** shall mean this Performance Restricted Stock Unit Issuance Agreement.
- B. **Award** shall mean the award of restricted stock units made to the Participant pursuant to the terms of the Agreement.
- C. **Award Date** shall mean the date the restricted stock units are awarded to the Participant pursuant to the Agreement and shall be the date indicated in Paragraph 1 of the Agreement.
- D. **Board** shall mean the Company's Board of Directors and any committee of the Board appointed to administer the Plan.
- E. **Code** shall mean the Internal Revenue Code of 1986, as amended.
- F. **Common Stock** shall mean shares of the Company's common stock.
- G. **Company** shall mean Finisar Corporation, a Delaware corporation, and any successor corporation.
- H. **Consultant** shall mean a person engaged to provide consulting or advisory services (other than as an Employee or a Director) to a Participating Company, provided that the identity of such person, the nature of such services or the entity to which such services are provided would not preclude the Company from offering or selling securities to such person pursuant to the Plan in reliance on registration on a Form S-8 Registration Statement under the Securities Exchange Act of 1934.
- I. **Director** shall mean a member of the Board or of the board of directors of any other Participating Company.
- J. **Employee** shall mean any person treated as an employee (including an officer or a Director who is also treated as an employee) in the records of a Participating Company; provided, however, that neither service as a Director nor payment of a director's fee shall be sufficient to constitute employment for purposes of the Plan.
- K. **Exchange Act** shall mean the Securities Exchange Act of 1934, as amended.
- L. **Fair Market Value** per share of Common Stock, as of any date, shall mean the value of a share of Common Stock as determined by the Board, in its discretion, or by the Company, in its discretion, if such determination is expressly allocated to the Company herein, subject to the following:
- (i) If, on such date, the Common Stock is listed on a national or regional securities exchange or market system, the Fair Market Value of a share of Common Stock shall be the closing price of a share of Common Stock (or the mean of the closing bid and asked prices of a share of Common Stock if the Common Stock is so quoted instead) as quoted on the Nasdaq National Market, the Nasdaq SmallCap Market or such other national or regional securities exchange or market system constituting the primary market for the Common Stock, as reported in the Wall Street Journal or such other source as the Company deems reliable. If the relevant date does not fall on which the Common Stock has traded on such securities exchange or market system, the date on which the Fair Market Value shall be established shall be the last day on which the Common Stock was so traded prior to the relevant date, or such other appropriate day as shall be determined by the Board, in its discretion.
- (ii) If, on such date, the Common Stock is not listed on a national or regional securities exchange or market system, the Fair Market Value of a share of Common Stock shall be
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as determined by the Board in good faith without regard to any restriction other than a restriction which, by its terms, will never lapse.

M. **Individual Deemed Change in Control** shall mean an Individual Deemed Change in Control as defined in the Severance Plan.

N. **Parent Corporation** shall mean any present or future “parent corporation” of the Company as defined in Section 424(e) of the Code.

O. **Participant** shall mean the person to whom the Award is made pursuant to the Agreement.

P. **Participating Company** shall mean the Company or any Parent Corporation or Subsidiary Corporation.

Q. **Participating Company Group** shall mean, at any point in time, all corporations collectively which are then Participating Companies.

R. **Performance Goal** shall mean the performance goal specified on Exhibit I to the Agreement.

S. **Plan** shall mean the Company’s 2005 Stock Incentive Plan.

T. **Service** shall mean the Participant’s employment or service with the Participating Company Group, whether in the capacity of an Employee, a Director or a Consultant. The Participant’s Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders Service to the Participating Company Group or a change in the Participating Company for which the Participant renders such Service, provided that there is no interruption or termination of the Participant’s Service. Furthermore, the Participant’s Service with the Participating Company Group shall not be deemed to have terminated if the Participant takes any military leave, sick leave, or other bona fide leave of absence approved by the Company. Notwithstanding the foregoing, unless otherwise designated by the Company or required by law, a leave of absence shall not be treated as Service for purposes of determining the Participant’s vested Shares. The Participant’s Service shall be deemed to have terminated either upon an actual termination of Service or upon the corporation for which the Participant performs Service ceasing to be a Participating Company. Subject to the foregoing, the Company, in its discretion, shall determine whether the Participant’s Service has terminated and the effective date of such termination.

U. **Severance Plan** shall mean the Finisar Executive Retention and Severance Plan, as amended and restated effective July 15, 2018 and as may be amended and/or restated thereafter.

V. **Severance Plan Change in Control** shall mean a Change in Control as defined in the Severance Plan.

W. **Subsidiary Corporation** shall mean any present or future “subsidiary corporation” of the Company as defined in Section 424(f) of the Code.

X. **Termination Other than Upon a Change in Control** shall have the meaning assigned to such term under the Severance Plan.

Y. **Withholding Taxes** shall mean the Federal, state and local income and employment taxes required to be withheld by the Company in connection with the issuance of the shares of Common Stock under the Award.

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EXHIBIT I

**DETERMINATION OF VESTED SHARES**

PARTICIPANT:

BASE SHARES:

MAXIMUM SHARES:

AWARD DATE:

ISSUE DATE STOCK PRICE:

FIRST POTENTIAL VESTING DATE:

FINAL POTENTIAL VESTING DATE:

NON-CIC ACCELERATION QUARTERS:

**Vesting.** The Shares under the Award shall vest on the Vesting Dates with annual and final true up determined as set forth below.

**Definitions.** In addition to the terms listed above in this Exhibit I, the following definitions shall be in effect under this Exhibit I:

“Performance Period” shall mean the period commencing on the Award Date through and including the Final Potential Vesting Date.

“Vesting Dates” shall mean August 5, November 5, February 5 and May 5 of each year during the Performance Period with the first vesting date being the First Potential Vesting Date.

“Vesting Date Stock Price” for any Vesting Date shall mean the average of the closing prices per share of Common Stock for the last ten (10) trading days of the most recently completed Company fiscal quarter preceding the Vesting Date.

“Vesting Factor” shall mean, for any Vesting Date:

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- (i) zero (0) if the Vesting Date Stock Price is less than 1.25 times (1.25x) the Issue Date Stock Price;
- (ii) one (1) if the Vesting Date Stock Price is equal to 1.25 times (1.25x) or greater but less than 1.5 times (1.5x) the Issue Date Stock Price;
- (iii) two (2) if the Vesting Date Stock Price is equal to 1.5 times (1.5x) or greater but less than 1.75 times (1.75x) the Issue Date Stock Price;
- (iv) three (3) if the Vesting Date Stock Price is equal to or greater than 1.75 times (1.75x) the Issue Date Stock Price;

1. Quarterly Vesting. On each Vesting Date, the Award will vest with respect to a number of Shares (if any) equal to: (i) 1/16<sup>th</sup> of the Base Shares multiplied by (ii) the Vesting Factor for such Vesting Date, rounded-up to the next whole Share.
  2. Annual True-Up. On each of the 4<sup>th</sup>, 8<sup>th</sup> and 12<sup>th</sup> Vesting Dates, the Award shall vest with respect to an additional number of Shares equal to the excess (if any) of (i) the number of Shares with respect to which the Award would have vested if the Vesting Date Stock Price on the three (3) immediately prior Vesting Dates had been equal to the Vesting Date Stock Price on such 4<sup>th</sup>, 8<sup>th</sup> or 12<sup>th</sup> Vesting Date, over (ii) the number of Shares with respect to which the Award would actually vest as “Quarterly Vesting” under paragraph numbered 1 of this Exhibit I on such 4<sup>th</sup>, 8<sup>th</sup> or 12<sup>th</sup> Vesting Date plus the number of Shares with respect to which the Award actually vested on the three (3) immediately prior Vesting Dates.
  3. Final True-Up. On the 16<sup>th</sup> Vesting Date, the Award will vest with respect to an additional number of Shares equal to the excess (if any) of (i) the number of Shares with respect to which the Award would have vested if the Vesting Date Stock Price on all of the prior 15 Vesting Dates had been equal to the Vesting Date Stock Price for the 16<sup>th</sup> Vesting Date, over (ii) the number of Shares with respect to which the Award would actually vest as “Quarterly Vesting” under Paragraph 1 of this Schedule I on such 16<sup>th</sup> Vesting Date actually plus the number of Shares with respect to which the Award actually vested on the 15 prior Vesting Dates.
  4. Maximum Shares Savings Clause. In the event that any vesting of Shares (whether as Quarterly Vesting, Annual True-Up or Final True-Up) would cause the aggregate number of Shares vesting under the Award to exceed the Maximum Shares, then the number of Shares vesting shall be reduced to the extent necessary to eliminate any such excess.
  5. Acceleration Upon a Severance Plan Change in Control. In the event a Severance Plan Change in Control (other than an Individual Deemed Change in Control) occurs during the Performance Period and the Participant remains in Service through the effective date of such Severance Plan Change in Control, the Award shall accelerate and vest immediately prior to the such Severance Plan Change in Control as to the aggregate number of Shares that would have vested under the Award (including any vesting that would have occurred pursuant to a true-up provision under the Award) on each of the remaining Vesting Dates during the Performance Period if the Participant had continued in Service on such Vesting Dates and assuming attainment of a Vesting Date Stock Price with respect to each such Vesting Date equal to the greater of (x) the average of the closing prices per share of Common Stock for the ten (10) trading days immediately prior to such Severance Plan Change in Control and (y) 1.25 times (1.25x) the Issue Date Stock Price. Any portion of the Award that is not vested after giving effect to such acceleration will terminate upon such Severance Plan Change in Control.
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6. Acceleration Upon an Individual Deemed Change in Control. In the event an Individual Deemed Change in Control occurs with respect to the Participant during the Performance Period and the Participant remains in Service through the effective date of the Individual Deemed Change in Control, the Award shall accelerate and vest immediately prior to the Individual Deemed Change in Control as to the aggregate number of Shares that would have vested under the Award (including any vesting that would have occurred pursuant to a true-up provision under the Award) on the four (4) vesting dates of the Award immediately following the date of such Individual Deemed Change in Control (or all remaining Vesting Dates in the event fewer such Vesting Dates remain with respect to the Award) if the Participant had continued in Service on such Vesting Dates and assuming attainment of a Vesting Date Stock Price with respect to each such Vesting Date equal to the greater of (x) the average of the closing prices per share of Common Stock for the ten (10) trading days immediately prior to the Individual Deemed Change in Control, and (y) 1.25 times (1.25x) the Issue Date Stock Price. Any portion of the Award that is not vested after giving effect to such acceleration will terminate upon the Individual Deemed Change in Control.
  
7. Acceleration Upon a Termination Other than Upon a Change in Control. In the event a Termination Other than Upon a Change in Control occurs during the Performance Period, the Award shall accelerate and vest immediately prior to the Termination Other than Upon a Change in Control as to the aggregate number of Shares that would have vested under the Award (including any vesting that would have occurred pursuant to a true-up provision under the Award) on the number of Vesting Dates equal to the Non-CIC Acceleration Quarters immediately following the date of Termination Other Than Upon a Change in Control (or all remaining Vesting Dates if fewer such Vesting Dates remain with respect to the Award) if the Participant had continued in Service on such Vesting Dates and assuming attainment of a Vesting Date Stock Price with respect to each such Vesting Date equal to the greater of (x) the average of the closing prices per share of Common Stock for the ten (10) trading days immediately prior to the Termination Other Than Upon a Change in Control, and (y) 1.25 times (1.25x) the Issue Date Stock Price. Any portion of the Award that is not vested after giving effect to such acceleration will terminate upon the Termination Other than Upon a Change in Control.

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT  
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael E. Hurlston, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Finisar Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: September 6, 2018

/s/ Michael E. Hurlston

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**Michael E. Hurlston**  
**Chief Executive Officer**

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT  
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kurt Adzema, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Finisar Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: September 6, 2018

/s/ Kurt Adzema

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**Kurt Adzema**  
**Executive Vice President, Finance and**  
**Chief Financial Officer**

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT  
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael E. Hurlston, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Finisar Corporation (the "Company") on Form 10-Q for the three months ended July 29, 2018 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 6, 2018

/s/ Michael E. Hurlston

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**Michael E. Hurlston**  
**Chief Executive Officer**

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT  
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Kurt Adzema, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Finisar Corporation (the "Company") on Form 10-Q for the three months ended July 29, 2018 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 6, 2018

/s/ Kurt Adzema

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**Kurt Adzema**  
**Executive Vice President, Finance and**  
**Chief Financial Officer**

