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 December 30, 2023

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 000-22874

Viavi Solutions Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**94-2579683**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1445 South Spectrum Blvd, Suite 102, Chandler, Arizona 85286

(Address of principal executive offices including Zip code)

(408) 404-3600

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of the exchange on which registered
Common Stock, par value of $0.001 per share	VIAV	The Nasdaq Stock Market LLC

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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. (Check one):

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

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

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

As of January 27, 2024, the Registrant had 222,565,774 shares of common stock outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended		Six Months Ended	
	December 30, 2023	December 31, 2022	December 30, 2023	December 31, 2022
Revenues:				
Product revenue	$ 210.9	$ 241.5	$ 416.5	$ 509.2
Service revenue	43.6	43.0	85.9	85.5
Total net revenue	254.5	284.5	502.4	594.7
Cost of revenues:				
Product cost of revenue	83.2	92.5	161.4	191.4
Service cost of revenue	19.9	19.3	41.7	38.7
Amortization of acquired technologies	3.4	5.7	6.9	12.8
Total cost of revenues	106.5	117.5	210.0	242.9
Gross profit	148.0	167.0	292.4	351.8
Operating expenses:				
Research and development	49.5	51.9	99.4	104.5
Selling, general and administrative	74.8	90.0	152.0	170.2
Amortization of other intangibles	1.4	2.2	3.5	4.4
Restructuring and related benefits	(0.1)	—	(0.9)	—
Total operating expenses	125.6	144.1	254.0	279.1
Income from operations	22.4	22.9	38.4	72.7
Interest and other income, net	3.8	2.2	14.0	3.3
Interest expense	(7.9)	(6.2)	(15.7)	(12.3)
Income before income taxes	18.3	18.9	36.7	63.7
Provision for income taxes	7.6	10.5	16.2	22.7
Net income	$ 10.7	$ 8.4	$ 20.5	$ 41.0
Net income per share:				
Basic	$ 0.05	$ 0.04	$ 0.09	$ 0.18
Diluted	$ 0.05	$ 0.04	$ 0.09	$ 0.18
Shares used in per share calculations:				
Basic	222.5	225.9	222.2	226.1
Diluted	223.5	227.1	223.9	228.8

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

VIAVI SOLUTIONS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)
(unaudited)

	Three Months Ended		Six Months Ended	
	December 30, 2023	December 31, 2022	December 30, 2023	December 31, 2022
Net income	$ 10.7	$ 8.4	$ 20.5	$ 41.0
Other comprehensive income (loss):				
Net change in cumulative translation adjustment, net of tax	29.7	43.3	9.3	0.7
Amortization of net actuarial gains and other pension adjustments	—	—	(0.1)	(0.3)
Net change in accumulated other comprehensive loss	29.7	43.3	9.2	0.4
Comprehensive income	$ 40.4	$ 51.7	$ 29.7	$ 41.4

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

VIAVI SOLUTIONS INC.
CONSOLIDATED BALANCE SHEETS
(in millions, except share and par value data)
(unaudited)

	December 30, 2023	July 1, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 543.7	$ 506.5
Short-term investments	25.0	14.6
Restricted cash	3.1	4.5
Accounts receivable, net	208.9	231.2
Inventories, net	115.1	116.1
Prepayments and other current assets	69.5	72.1
Total current assets	965.3	945.0
Property, plant and equipment, net	236.5	243.0
Goodwill, net	455.2	455.2
Intangibles, net	48.2	58.6
Deferred income taxes	90.4	87.0
Other non-current assets	60.6	61.7
Total assets	$ 1,856.2	$ 1,850.5
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 43.8	$ 47.2
Accrued payroll and related expenses	46.6	50.5
Deferred revenue	60.8	78.6
Accrued expenses	21.9	21.2
Short-term debt	96.3	96.2
Other current liabilities	42.7	49.8
Total current liabilities	312.1	343.5
Long-term debt	632.8	629.5
Other non-current liabilities	183.3	186.7
Stockholders' equity:		
Preferred stock, $0.001 par value; 1 million shares authorized, no shares issued or outstanding at December 30, 2023 and July 1, 2023	—	—
Common stock, $0.001 par value; 1 billion shares authorized; 223 million shares at December 30, 2023 and 222 million shares at July 1, 2023, issued and outstanding	0.2	0.2
Additional paid-in capital	70,444.8	70,427.3
Accumulated deficit	(69,590.2)	(69,600.7)
Accumulated other comprehensive loss	(126.8)	(136.0)
Total stockholders' equity	728.0	690.8
Total liabilities and stockholders' equity	$ 1,856.2	$ 1,850.5

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

VIAVI SOLUTIONS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(unaudited)

	Six Months Ended	
	December 30, 2023	December 31, 2022
OPERATING ACTIVITIES:		
Net income	$ 20.5	$ 41.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	19.5	17.1
Amortization of acquired technologies and other intangibles	10.4	17.2
Stock-based compensation	23.7	26.0
Amortization of debt issuance costs	3.8	1.2
Net change in fair value of contingent liabilities	(8.4)	1.8
Deferred taxes, net	3.1	3.3
Restructuring	(0.9)	—
Gain on legal settlement	—	(6.7)
Other	2.3	2.9
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	22.8	42.2
Inventories	(0.7)	(14.4)
Other current and non-currents assets	1.3	12.0
Accounts payable	(2.4)	(6.9)
Income taxes payable	(0.3)	(9.0)
Deferred revenue, current and non-current	(17.5)	(8.3)
Accrued payroll and related expenses	(4.4)	(21.6)
Accrued expenses and other current and non-current liabilities	(2.1)	(25.0)
Net cash provided by operating activities	$ 70.7	$ 72.8
INVESTING ACTIVITIES:		
Purchases of short-term investments	$ (115.0)	$ —
Maturities of short-term investments	105.3	—
Capital expenditures	(12.5)	(32.9)
Proceeds from the sale of assets	1.9	2.4
Acquisitions, net of cash hold back	—	(64.4)
Purchase price adjustment related to business acquisition	—	(1.0)
Net cash used in investing activities	$ (20.3)	$ (95.9)
FINANCING ACTIVITIES:		
Repurchase and retirement of common stock	$ (10.0)	$ (43.9)
Withholding tax payment on vesting of restricted stock and performance based-awards	(9.3)	(11.2)
Payment of financing obligations	(0.1)	(0.1)
Proceeds from employee stock purchase plan	3.0	3.7
Payment of acquisition related obligations	(1.0)	(0.7)
Payment of acquisition related contingent consideration	(0.9)	(0.5)
Net cash used in financing activities	$ (18.3)	$ (52.7)
Effect of exchange rates on cash, cash equivalents and restricted cash	$ 4.9	$ (0.1)
Net increase (decrease) in cash, cash equivalents and restricted cash	37.0	(75.9)
Cash, cash equivalents and restricted cash at the beginning of the period (1)	515.6	572.8
Cash, cash equivalents and restricted cash at the end of the period (2)	$ 552.6	$ 496.9

(1) These amounts include both current and non-current balances of restricted cash totaling $9.1 million and $12.9 million as of July 1, 2023 and July 2, 2022, respectively.
(2) These amounts include both current and non-current balances of restricted cash totaling $8.9 million and $12.8 million as of December 30, 2023 and December 31, 2022, respectively.

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

VIAVI SOLUTIONS INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions)
(unaudited)

	Three Months Ended December 30, 2023					
	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance at September 30, 2023	222.4	$ 0.2	$ 70,432.4	$ (69,600.9)	$ (156.5)	$ 675.2
Net income	—	—	—	10.7	—	10.7
Other comprehensive income	—	—	—	—	29.7	29.7
Shares issued under employee stock plans, net of tax	0.2	—	(0.2)	—	—	(0.2)
Stock-based compensation	—	—	12.6	—	—	12.6
Balance at December 30, 2023	222.6	$ 0.2	$ 70,444.8	$ (69,590.2)	$ (126.8)	$ 728.0

	Three Months Ended December 31, 2022					
	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance at October 1, 2022	226.8	$ 0.2	$ 70,375.9	$ (69,528.4)	$ (199.3)	$ 648.4
Net income	—	—	—	8.4	—	8.4
Other comprehensive income	—	—	—	—	43.3	43.3
Shares issued under employee stock plans, net of tax	0.2	—	(0.2)	—	—	(0.2)
Stock-based compensation	—	—	13.1	—	—	13.1
Repurchase of common stock	(2.2)	—	—	(25.2)	—	(25.2)
Balance at December 31, 2022	224.8	$ 0.2	$ 70,388.8	$ (69,545.2)	$ (156.0)	$ 687.8

	Six Months Ended December 30, 2023					
	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance at July 1, 2023	221.5	$ 0.2	$ 70,427.3	$ (69,600.7)	$ (136.0)	$ 690.8
Net income	—	—	—	20.5	—	20.5
Other comprehensive income	—	—	—	—	9.2	9.2
Shares issued under employee stock plans, net of tax	2.1	—	(6.3)	—	—	(6.3)
Stock-based compensation	—	—	23.8	—	—	23.8
Repurchase of common stock	(1.0)	—	—	(10.0)	—	(10.0)
Balance at December 30, 2023	222.6	$ 0.2	$ 70,444.8	$ (69,590.2)	$ (126.8)	$ 728.0

	Six Months Ended December 31, 2022					
	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance at July 2, 2022	226.4	$ 0.2	$ 70,370.2	$ (69,542.3)	$ (156.4)	$ 671.7
Net loss	—	—	—	41.0	—	41.0
Other comprehensive income	—	—	—	—	0.4	0.4
Shares issued under employee stock plans, net of tax	1.9	—	(7.5)	—	—	(7.5)
Stock-based compensation	—	—	26.1	—	—	26.1
Repurchase of common stock	(3.5)	—	—	(43.9)	—	(43.9)
Balance at December 31, 2022	224.8	$ 0.2	$ 70,388.8	$ (69,545.2)	$ (156.0)	$ 687.8

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

VIAVI SOLUTIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The financial information for Viavi Solutions Inc. (VIAVI, also referred to as the Company, we, our and us) for the three and six months ended December 30, 2023 and December 31, 2022 is unaudited, and includes all normal and recurring adjustments the Company's management considers necessary for a fair statement of the financial information set forth herein. The accompanying Consolidated Financial Statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, such information does not include all of the information and footnotes required by U.S. GAAP for annual Consolidated Financial Statements. For further information, please refer to the Consolidated Financial Statements and footnotes thereto included in the Company's Annual Report on Form 10-K, for the year ended July 1, 2023.

There have been no material changes to the Company's accounting policies during the three and six months ended December 30, 2023 as compared to the significant accounting policies presented in "Note 1. Basis of Presentation" of the Notes to the Consolidated Financial Statements included in the Company's Annual Report for the year ended July 1, 2023 on Form 10-K, filed with the SEC on August 17, 2023.

The Consolidated Balance Sheet as of July 1, 2023 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The results for the three and six months ended December 30, 2023 and December 31, 2022 may not be indicative of results for the fiscal year ending June 29, 2024 or any future periods.

Fiscal Years

The Company utilizes a 52-53 week fiscal year ending on the Saturday closest to June 30th. The Company's fiscal 2024 is a 52-week year ending on June 29, 2024. The Company's fiscal 2023 was a 52-week year ending on July 1, 2023.

Principles of Consolidation

The Consolidated Financial Statements include the Company and its wholly-owned subsidiaries. All inter-company accounts and transactions have been eliminated.

Reclassification of Prior Period Balances

Certain reclassifications of prior period balances have been made to conform to current presentation. Refer to "Note 9. Goodwill" and "Note 19. Operating Segments and Geographic Information" for further information.

Use of Estimates

The preparation of the Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that effect the reported amount of assets and liabilities at the date of the financial statements, the reported amount of net revenues and expenses and the disclosure of commitments and contingencies during the reporting periods. Estimates are based on historical factors, current circumstances and the experience and judgment of management. Under changed conditions the Company's reported financial positions or results of operations may be materially impacted when using different estimates and assumptions, particularly with respect to significant accounting policies. If estimates or assumptions differ from actual results, subsequent periods are adjusted to reflect more readily available information.

Note 2. Recently Issued Accounting Pronouncements

Accounting Standards Issued But Not Yet Adopted

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements - Codification Amendments* in Response to the SEC's Disclosure Update and Simplification Initiative. The amendments clarify or improve disclosure and presentation requirements on various disclosure areas, including the statement of cash flows, earnings per share, debt, equity, and derivatives. The amendments will align the requirements in the FASB Accounting Standards Codification (ASC) with the SEC's regulations. The amendments in this ASU will be effective on the date the related disclosures are removed from Regulation S-X or Regulation S-K by the SEC, and will not be effective if the SEC has not removed the applicable disclosure requirement by June 30, 2027. Early adoption is prohibited. As we are currently subject to these SEC requirements, this ASU is not expected to have a material impact on our Consolidated Financial Statements or related disclosures.

In November 2023, the FASB issued ASU 2023-07, *Improvements to Reportable Segment Disclosures (Topic 280),* to improve reportable segment disclosures, primarily through enhanced disclosures about significant segment expenses. The amendments in this update will require public entities to disclose significant segment expenses that are regularly provided to the Company's Chief Executive Officer, as the Company's Chief Operating Decision Maker (CODM) and included within segment profit and loss. This guidance is effective for fiscal years beginning after December 15, 2023 (fiscal 2025 for the Company), and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted and will be applied retrospectively to all prior periods presented in the financial statements. The Company is evaluating the impact of adopting this new accounting guidance on its Consolidated Financial Statements.

In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures (Topic 740),* to enhance the transparency and decision usefulness of income tax disclosures through changes to the rate reconciliation and income taxes paid information. This guidance is effective for fiscal years beginning after December 15, 2024 (fiscal 2026 for the Company), with early and retrospective adoption permitted. The Company is evaluating the impact of adopting this new accounting guidance on its Consolidated Financial Statements.

We reviewed all other accounting pronouncements issued during the six months ended December 30, 2023 and concluded that they were not applicable to the Company.

Note 3. Earnings Per Share

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

	Three Months Ended		Six Months Ended	
	December 30, 2023	December 31, 2022	December 30, 2023	December 31, 2022
Numerator:				
Net income	$ 10.7	$ 8.4	$ 20.5	$ 41.0
Denominator:				
Weighted-average shares outstanding:				
Basic	222.5	225.9	222.2	226.1
Shares issuable assuming conversion of convertible notes (1)	—	—	—	0.7
Effect of dilutive securities from stock-based compensation plans	1.0	1.2	1.7	2.0
Diluted	223.5	227.1	223.9	228.8
Net income per share:				
Basic	$ 0.05	$ 0.04	$ 0.09	$ 0.18
Diluted	$ 0.05	$ 0.04	$ 0.09	$ 0.18

(1) Represents the dilutive impact for the Company's 1.75% Senior Convertible Notes due 2023 (2023 Notes), the 1.00% Senior Convertible Notes due 2024 (2024 Notes) and the 1.625% Senior Convertible Notes due 2026 (2026 Notes). As of December 30, 2023, the if-converted value is less than the outstanding principal of the 2024 and 2026 Notes, respectively, and are therefore anti-dilutive. Refer to "Note 11. Debt" for more details.

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

	Three Months Ended		Six Months Ended	
	December 30, 2023	December 31, 2022	December 30, 2023	December 31, 2022
Restricted stock units	5.6	5.0	3.1	3.2

Note 4. Accumulated Other Comprehensive Loss

The Company's accumulated other comprehensive loss consists of the accumulated net unrealized gains or losses on available-for-sale investments, foreign currency translation adjustments and change in unrealized components of defined benefit obligations.

For the six months ended December 30, 2023, the changes in accumulated other comprehensive loss, net of tax, by component were as follows (*in millions*):

	Unrealized losses on available-for sale investments	Foreign currency translation adjustments, net of tax	Change in unrealized components of defined benefit obligations (1)	Total
Beginning balance as of July 1, 2023	$ (5.3)	$ (125.4)	$ (5.3)	$ (136.0)
Other comprehensive income before reclassification	—	9.3	—	9.3
Amounts reclassified out of accumulated other comprehensive loss	—	—	(0.1)	(0.1)
Net current-period other comprehensive income (loss)	—	9.3	(0.1)	9.2
Ending balance as of December 30, 2023	$ (5.3)	$ (116.1)	$ (5.4)	$ (126.8)

(1) The amount reclassified out of accumulated other comprehensive loss represents the amortization of actuarial gains included as a component of Cost of revenues, Research and development (R&D) and Selling, general and administrative (SG&A) in the Consolidated Statements of Operations, net of reclassification adjustments, for the six months ended December 30, 2023. There was no tax impact for the six months ended December 30, 2023. Refer to "Note 17. Employee Pension and Other Benefit Plans" for more details on the computation of net periodic cost for pension plans.

Note 5. Acquisitions

On October 5, 2022, the Company acquired all of the equity of Jackson Labs Technologies, LLC (Jackson Labs), a privately held company which specializes in Position, Navigation and Timing (PNT) solutions for critical infrastructure serving both military and civilian applications. The acquisition enables the Company to broaden its solutions offering into the rapidly developing PNT landscape.

The total purchase consideration included approximately $49.9 million paid in cash at closing and additional contingent consideration of up to $117.0 million for which future cash payments are dependent on the achievement of certain operational and revenue targets over the course of a three-year period beginning in January 2023. The cash consideration paid at closing included escrow payments of $5.0 million for indemnity holdback and $2.0 million subject to final cash and net working capital adjustments. The acquisition has been accounted for in accordance with the authoritative guidance on business combinations; therefore, the tangible and intangible assets acquired and liabilities assumed were recorded at fair value on the acquisition date. In connection with this acquisition, the Company recorded approximately $48.3 million of goodwill and $30.6 million of developed technology and other intangibles. The acquired developed technology and other intangible assets are being amortized over their estimated useful lives ranging from one to six years.

Goodwill represents the excess of the preliminary estimated purchase consideration over the preliminary estimates of the fair value of the net tangible and intangible assets acquired and has been allocated to the Network Enablement segment. Goodwill is primarily attributable to expected synergies in the acquired technologies that may be leveraged by the Company in future PNT offerings. The goodwill was deductible for U.S. income tax purposes.

The Company has included the financial results of Jackson Labs in its Consolidated Financial Statements from the date of acquisition. Pro forma results of operations have not been presented because the effect of the acquisition was not material to the Consolidated Statements of Operations.

Other Acquisitions:

On March 29, 2023, April 21, 2023 and June 8, 2023, the Company completed acquisitions accounted for as asset purchases consisting of an aggregate cash paid at closing of $2.9 million and $0.2 million of indemnity holdback. In connection with these acquisitions, the Company recorded developed technology intangibles of $2.5 million which are being amortized over their estimated useful life of five years.

On July 18, 2022, the Company completed an acquisition accounted for as a business combination consisting of cash paid at closing of $17.5 million and $2.0 million of indemnity holdback. In connection with this acquisition, the Company recorded approximately $11.2 million of goodwill, $5.1 million of developed technology and $1.8 million of deferred tax liability. The acquired developed technology asset is being amortized over its estimated useful life of four years.

Acquisition-related Contingent Consideration

The following table provides a reconciliation of changes in the fair value of the Company's earn-out liabilities associated with the Company's acquisitions for the three and six months ended December 30, 2023 and December 31, 2022 (*in millions*):

	Three Months Ended		Six Months Ended	
	December 30, 2023	December 31, 2022	December 30, 2023	December 31, 2022
Beginning period balance	$ 18.3	$ 2.9	$ 19.7	$ 2.5
Additions to Contingent Consideration	—	29.4	—	29.4
Payments of Contingent Consideration	(0.7)	(0.5)	(0.7)	(0.5)
Fair value adjustment of earn-out liabilities	(7.0)	1.3	(8.4)	1.8
Currency translation adjustment	—	0.1	—	—
Ending period balance	$ 10.6	$ 33.2	$ 10.6	$ 33.2

Note 6. Balance Sheet and Other Details

Contract Balances

Gross receivables include both billed and unbilled receivables (including Contract assets). As of December 30, 2023, and July 1, 2023, the Company had total unbilled receivables of $13.6 million and $13.7 million, respectively.

The Company also has short-term and long-term deferred revenues related to undelivered product and professional services, consisting of installations and consulting engagements, which are recognized as the Company's performance obligations under the contract are completed and accepted by the customer.

The following tables summarize the activity related to deferred revenue (*in millions*):

	December 30, 2023	
	Three Months Ended	Six Months Ended
Deferred revenue:		
Balance at beginning of period	$ 90.5	$ 102.0
Revenue deferrals for new contracts [(1)]	24.7	44.9
Revenue recognized during the period [(2)]	(30.5)	(62.2)
Balance at end of period	$ 84.7	$ 84.7

(1) Included in these amounts is the impact from foreign currency exchange rate fluctuations.
(2) Revenue recognized during the period represents releases from the balance at the beginning of the period as well as releases from the current period deferrals.

Remaining performance obligation estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, adjustments for revenue that have not materialized, and adjustments for currency.

The value of the transaction price allocated to remaining performance obligations as of December 30, 2023, was $248.4 million. The Company expects to recognize approximately 89% of remaining performance obligations as revenue within the next 12 months, and the remainder thereafter.

Accounts receivable allowances - Credit losses

The following table presents the activities and balances for allowance for credit losses (*in millions*):

	July 1, 2023	Charged to Costs and Expenses	Deductions [(1)]	December 30, 2023
Allowance for credit losses	$ 1.0	$ 0.8	$ (0.2)	$ 1.6

(1) Represents the effect of currency translation adjustments and write-offs of uncollectible accounts, net of recoveries.

Inventories, net

The following table presents the components of inventories, net (*in millions*):

	December 30, 2023	July 1, 2023
Finished goods	$ 53.4	$ 49.0
Work in process	16.6	17.7
Raw materials	45.1	49.4
Inventories, net	$ 115.1	$ 116.1

Prepayments and other current assets

The following table presents the components of prepayments and other current assets (*in millions*):

	December 30, 2023	July 1, 2023
Refundable income taxes	$ 28.3	$ 27.6
Prepayments	14.0	16.5
Advances to contract manufacturers	8.2	9.8
Fair value of forward contracts	5.4	3.5
Transaction tax receivables	3.7	5.1
Asset held for sale	2.5	2.5
Other current assets	7.4	7.1
Prepayments and other current assets	$ 69.5	$ 72.1

Other non-current assets

The following table presents the components of other non-current assets (*in millions*):

	December 30, 2023	July 1, 2023
Operating ROU assets (Note 12)	$ 37.5	$ 40.4
Long-term restricted cash	5.8	4.6
Deposits	2.6	2.3
Deferred contract cost	2.5	2.9
Debt issuance cost - Revolving Credit Facility	2.3	2.8
Other non-current assets	9.9	8.7
Other non-current assets	$ 60.6	$ 61.7

Other current liabilities

The following table presents the components of other current liabilities (*in millions*):

	December 30, 2023	July 1, 2023
Operating lease liabilities (Note 12)	$ 10.0	$ 10.1
Interest payable	5.4	5.5
Income tax payable	4.5	4.4
Warranty accrual	4.0	4.2
Acquisition related holdback and related accruals	3.0	4.1
Transaction tax payable	2.6	4.3
Fair value of forward contracts	2.0	2.4
Restructuring accrual (Note 13)	1.2	5.8
Fair value of contingent consideration (Note 5)	—	1.1
Other	10.0	7.9
Other current liabilities	$ 42.7	$ 49.8

Other non-current liabilities

The following table presents components of other non-current liabilities (*in millions*):

	December 30, 2023	July 1, 2023
Pension and post-employment benefits	$ 54.9	$ 53.2
Operating lease liabilities (Note 12)	27.0	29.4
Long-term deferred revenue	23.9	23.4
Deferred tax liability	19.1	13.9
Uncertain tax position	15.9	15.8
Financing obligation	15.8	15.8
Fair value of contingent consideration (Note 5)	10.6	18.6
Warranty accrual	4.5	4.8
Asset retirement obligations	3.9	3.8
Other	7.7	8.0
Other non-current liabilities	$ 183.3	$ 186.7

Note 7. Investments and Forward Contracts

Short-Term Investments

As of December 30, 2023, the Company’s short-term investments of $25.0 million were comprised of a 30-day term deposit of $23.3 million and trading securities related to the deferred compensation plan of $1.7 million, of which $1.5 million was invested in equity securities, $0.1 million was invested in debt securities and $0.1 million was invested in money market instruments.

As of July 1, 2023, the Company’s short-term investments of $14.6 million were comprised of a 30-day term deposit of $13.1 million and trading securities related to the deferred compensation plan of $1.5 million, of which $1.2 million was invested in equity securities, $0.1 million was invested in debt securities and $0.2 million was invested in money market instruments.

Trading securities are reported at fair value, with the unrealized gains or losses resulting from changes in fair value recognized in the Consolidated Statements of Operations as a component of Interest and other income, net.

Non-Designated Foreign Currency Forward Contracts

The Company has foreign subsidiaries that operate and sell the Company’s products in various markets around the world. As a result, the Company is exposed to foreign exchange risks. The Company utilizes foreign exchange forward contracts to manage foreign currency risk associated with foreign currency denominated monetary assets and liabilities, primarily certain short-term intercompany receivables and payables, and to reduce the volatility of earnings and cash flows related to foreign-currency transactions. The Company does not use these foreign currency forward contracts for trading purposes.

As of December 30, 2023, the Company had forward contracts that were effectively closed but not settled with the counterparties as of the balance sheet date. Therefore, the fair value of these contracts of $5.4 million and $2.0 million is reflected as Prepayments and other current assets and Other current liabilities on the Consolidated Balance Sheets, respectively. As of July 1, 2023, the fair value of these contracts of $3.5 million and $2.4 million is reflected as Prepayments and other current assets and Other current liabilities on the Consolidated Balance Sheets, respectively.

The forward contracts outstanding and not effectively closed, with a term of less than 120 days, were transacted near quarter end; therefore, the fair value of the contracts is not significant. As of December 30, 2023 and July 1, 2023, the notional amounts of the forward contracts that the Company held to purchase foreign currencies were $96.4 million and $87.5 million, respectively, and the notional amounts of forward contracts that the Company held to sell foreign currencies were $82.4 million and $19.3 million, respectively.

The change in the fair value of these foreign currency forward contracts is recorded as gain or loss in the Consolidated Statements of Operations as a component of Interest and other income, net. The cash flows related to the settlement of foreign currency forward contracts are classified as operating activities. The foreign exchange forward contracts incurred a gain of $3.4 million and loss of $0.1 million for the three and six months ended December 30, 2023, respectively, and a gain of $6.0 million and loss of $0.7 million for the three and six months ended December 31, 2022, respectively.

Note 8. Fair Value Measurements

Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. There is an established hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable inputs be used when available. Observable inputs are inputs which market participants would use in valuing an asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs which reflect the assumptions market participants would use in valuing an asset or liability.

The three levels of inputs that may be used to measure fair value are as follows:

- Level 1: includes financial instruments for which quoted market prices for identical instruments are available in active markets. Level 1 assets of the Company include money market funds, U.S. Treasury securities and marketable equity securities as they are traded with sufficient volume and frequency of transactions.
- Level 2: includes financial instruments for which the valuations are based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities. Level 2 instruments of the Company include asset-backed securities, foreign currency forward contracts and debt. To estimate their fair value, the Company utilizes pricing models based on market data. The significant inputs for the valuation model usually include benchmark yields, reported trades, broker and dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data, and industry and economic events.
- Level 3: includes financial instruments for which fair value is derived from valuation-based inputs, that are unobservable and significant to the overall fair value measurement. As of December 30, 2023 and July 1, 2023, the Company did not hold any Level 3 investment securities. The Company’s Level 3 liabilities consist of contingent purchase consideration liabilities related to business acquisitions. The fair value of such earn-out liabilities are generally determined using a Monte Carlo Simulation that includes significant unobservable inputs such as the risk-adjusted discount rate, gross profit volatility, and projected financial forecast of acquired business over the earn-out period. The fair value of certain earn-out liabilities is derived using the estimated probability of success of achieving the earn-out milestones discounted to present value. The fair value of contingent consideration liabilities is remeasured at each reporting period at the estimated fair value based on the inputs on the date of remeasurement, with the change in fair value recognized in the Selling, general and administrative (SG&A) expense of the Consolidated Statements of Operations.

VIAVI SOLUTIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Fair Value Measurements

The Company's assets and liabilities measured at fair value for the periods presented are as follows (*in millions*):

	December 30, 2023				July 1, 2023			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets:								
Debt available-for-sale securities:								
Asset-backed securities[1]	$ 0.3	$ —	$ 0.3	$ —	$ 0.3	$ —	$ 0.3	$ —
Total debt available-for-sale securities	0.3	—	0.3	—	0.3	—	0.3	—
Money market funds[2]	377.7	377.7	—	—	344.8	344.8	—	—
Trading securities[3]	1.7	1.7	—	—	1.5	1.5	—	—
Foreign currency forward contracts[4]	5.4	—	5.4	—	3.5	—	3.5	—
Total assets	$ 385.1	$ 379.4	$ 5.7	$ —	$ 350.1	$ 346.3	$ 3.8	$ —
Liabilities:								
Foreign currency forward contracts[5]	$ 2.0	$ —	$ 2.0	$ —	$ 2.4	$ —	$ 2.4	$ —
Contingent consideration [6]	10.6	—	—	10.6	19.7	—	—	19.7
Total liabilities	$ 12.6	$ —	$ 2.0	$ 10.6	$ 22.1	$ —	$ 2.4	$ 19.7

(1) Included in Other non-current assets on the Consolidated Balance Sheets.
(2) Includes, as of December 30, 2023, $370.6 million in Cash and cash equivalents, $3.0 million in Restricted cash and $4.1 million in Other non-current assets on the Consolidated Balance Sheets. Includes, as of July 1, 2023, $336.5 million in Cash and cash equivalents, $4.3 million in Restricted cash and $4.0 million in Other non-current assets on the Consolidated Balance Sheets.
(3) Included in Short-term investments on the Consolidated Balance Sheets.
(4) Included in Other current assets on the Consolidated Balance Sheets.
(5) Included in Other current liabilities on the Consolidated Balance Sheets.
(6) As of December 30, 2023, included in Other non-current liabilities on the Consolidated Balance Sheets. As of July 1, 2023, includes certain amounts in Other current liabilities and Other non-current liabilities on the Consolidated Balance Sheets.

Other Fair Value Measures

Fair Value of Debt: If measured at fair value on the Consolidated Balance Sheets, the Company's 3.75% Senior Notes (2029 Notes), 1.625% Senior Convertible Notes (2026 Notes) and 1.00% Senior Convertible Notes (2024 Notes) would be classified in Level 2 of the fair value hierarchy as they are not actively traded in the markets. The Company's debt measured at fair value for the periods presented are as follows (*in millions*):

	December 30, 2023				July 1, 2023			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Debt:								
3.75% Senior Notes	$ 351.5	$ —	$ 351.5	$ —	$ 341.8	$ —	$ 341.8	$ —
1.625% Senior Convertible Notes	249.7	—	249.7	—	262.7	—	262.7	—
1.00% Senior Convertible Notes	95.4	—	95.4	—	95.6	—	95.6	—
Total	$ 696.6	$ —	$ 696.6	$ —	$ 700.1	$ —	$ 700.1	$ —

See "Note 11. Debt", for further discussion of the Company's debt.

Note 9. Goodwill

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

	Network Enablement (1)	Service Enablement (1)	Optical Security and Performance Products	Total
Balance as of July 1, 2023	$ 399.2	$ 13.8	$ 42.2	$ 455.2
Currency translation	1.0	—	—	1.0
Other adjustment (2)	—	(1.0)	—	(1.0)
Balance as of December 30, 2023	$ 400.2	$ 12.8	$ 42.2	$ 455.2

(1) Balance as of July 1, 2023 adjusted to reflect a reclass of $1.2 million from Service Enablement to Network Enablement due to a product line movement (see Note 19. "Operating Segments and Geographic Information" for further details).
(2) Adjustment related to Goodwill acquired as part of a prior acquisition.

The Company tests goodwill for impairment at the reporting unit level annually during the fourth quarter of each fiscal year, or more frequently if events or circumstances indicate that the asset may be impaired. In the fourth quarter of fiscal 2023, the Company performed a quantitative assessment of goodwill impairment and concluded the fair value of each of the Company's reporting units was at least two times the carrying value, and therefore no impairment was identified.

There were no events or changes in circumstances which triggered an impairment review during the three and six months ended December 30, 2023.

Note 10. Acquired Developed Technology and Other Intangibles

The following tables present details of the Company's acquired developed technology, customer relationships and other intangibles (*in millions*):

As of December 30, 2023	Gross Carrying Amount	Accumulated Amortization	Net
Acquired developed technology	$ 438.9	$ (397.5)	$ 41.4
Customer relationships	195.5	(189.0)	6.5
Other (1)	39.8	(39.5)	0.3
Total intangibles	$ 674.2	$ (626.0)	$ 48.2

As of July 1, 2023	Gross Carrying Amount	Accumulated Amortization	Net
Acquired developed technology	$ 438.5	$ (390.2)	$ 48.3
Customer relationships	195.2	(185.9)	9.3
Other (1)	39.8	(38.8)	1.0
Total intangibles	$ 673.5	$ (614.9)	$ 58.6

(1) Other intangibles consist of customer backlog, patents, proprietary know-how and trade secrets, trademarks and trade names.

The following table presents the amortization recorded relating to acquired developed technology, customer relationships and other intangibles (*in millions*):

	Three Months Ended		Six Months Ended	
	December 30, 2023	December 31, 2022	December 30, 2023	December 31, 2022
Cost of revenues	$ 3.4	$ 5.7	$ 6.9	$ 12.8
Operating expenses	1.4	2.2	3.5	4.4
Total amortization of intangible assets	$ 4.8	$ 7.9	$ 10.4	$ 17.2

Based on the carrying amount of acquired developed technology, customer relationships and other intangibles as of December 30, 2023, and assuming no future impairment of the underlying assets, the estimated future amortization is as follows (*in millions*):

Fiscal Years	
Remainder of 2024	$ 9.6
2025	15.9
2026	11.4
2027	7.6
2028	3.0
Thereafter	0.7
Total amortization	$ 48.2

The acquired developed technology, customer relationships and other intangible balances are adjusted quarterly to record the effect of currency translation adjustments.

Note 11. Debt

As of December 30, 2023 and July 1, 2023, the Company’s debt on the Consolidated Balance Sheets represented the carrying amount of the Senior Convertible and Senior Notes, net of unamortized debt discount and issuance costs.

The following table presents the carrying amounts of the Company’s debt (*in millions*):

	December 30, 2023	July 1, 2023
Principal amount of 1.00% Senior Convertible Notes	$ 96.4	$ 96.4
Unamortized 1.00% Senior Convertible Notes debt issuance cost	(0.1)	(0.2)
Short-term debt	$ 96.3	$ 96.2
Principal amount of 3.75% Senior Notes	$ 400.0	$ 400.0
Unamortized 3.75% Senior Notes debt issuance cost	(5.0)	(5.5)
Principal amount of 1.625% Senior Convertible Notes	250.0	250.0
Unamortized 1.625% Senior Convertible Notes debt discount	(10.5)	(12.9)
Unamortized 1.625% Senior Convertible Notes debt issuance cost	(1.7)	(2.1)
Long-term debt	$ 632.8	$ 629.5

The Company was in compliance with all debt covenants as of December 30, 2023 and July 1, 2023.

1.625% Senior Convertible Notes (2026 Notes)

On March 6, 2023, the Company issued $250.0 million aggregate principal amount of 1.625% Senior Convertible Notes due 2026 in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The Company issued $132.0 million aggregate principal amount of the 2026 Notes to certain holders of the 1.00% Senior Convertible Notes due 2024 (2024 Notes) in exchange for $127.5 million principal amount of the 2024 Notes (the Exchange Transaction) and issued and sold $118.0 million aggregate principal amount of the 2026 Notes in a private placement to accredited institutional buyers (the Subscription Transactions).

The Exchange Transaction was accounted for as a modification. The $127.5 million principal of the 2024 Notes was reduced by $10.1 million, with offsetting increase to additional paid-in capital, to account for the increase in the fair value of the embedded conversion option in the modification. The increase in principal and coupon interest, along with the increased option value, totaled $14.6 million and is a direct reduction from the carrying amount of the debt on the Consolidated Balance Sheets. This amount will be accreted as an adjustment to interest expense on a straight-line basis and will accrete up to the full face value of the 2026 Notes at maturity.

The proceeds of the Subscription Transactions amounted to $113.8 million after issuance costs of $4.2 million. The exchange resulted in $2.2 million of the issuance costs to be recorded as Loss on convertible note modification in the Consolidated Statements of Operations. The remaining issuance costs of $2.0 million as well as $0.3 million of unamortized costs carried over from the 2024 Notes at the exchange date were capitalized and will be amortized to interest expense using the straight-line method until maturity.

The 2026 Notes are an unsecured obligation of the Company and bear annual interest of 1.625%, payable semi-annually in arrears on March 15 and September 15 of each year, beginning September 15, 2023. The 2026 Notes mature on March 15, 2026 unless earlier converted, redeemed or repurchased. As of December 30, 2023, the expected remaining term of the 2026 Notes is 2.2 years.

3.75% Senior Notes (2029 Notes)

On September 29, 2021, the Company issued $400.0 million aggregate principal amount of 3.75% Senior Notes due 2029 in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. Proceeds of the 2029 Notes amounted to $393.0 million after issuance costs of $7.0 million. The debt issuance costs were capitalized and will be amortized to interest expense using the straight-line method until maturity. The 2029 Notes are an unsecured obligation of the Company and bear annual interest of 3.75%, payable semi-annually in arrears on April 1 and October 1 of each year, beginning April 1, 2022. The 2029 Notes mature on October 1, 2029 unless earlier redeemed or repurchased. As of December 30, 2023, the expected remaining term of the 2029 Notes is 5.8 years.

1.75% Senior Convertible Notes (2023 Notes)

On May 29, 2018, the Company issued $225.0 million aggregate principal amount of 1.75% Senior Convertible Notes due 2023 in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The Company issued $155.5 million aggregate principal of the 2023 Notes to certain holders of the 2033 Notes in exchange for $151.5 million principal of the 2033 Notes and issued and sold $69.5 million aggregate principal amount of the 2023 Notes in a private placement to accredited institutional buyers (the Private Placement).

In connection with the issuance of the 2023 Notes, the Company incurred $2.2 million of issuance costs. The debt issuance costs were capitalized and amortized to interest expense using the straight-line method from issuance date through maturity on June 1, 2023.

See Senior Convertible Notes Settlement section below for details of the 2023 Notes exchange transactions during fiscal 2022. On June 1, 2023, the remaining 2023 Notes were retired upon maturity.

1.00% Senior Convertible Notes (2024 Notes)

On March 3, 2017, the Company issued $400.0 million aggregate principal amount of 1.00% Senior Convertible Notes due 2024 in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. On March 22, 2017, the Company issued an additional $60.0 million upon exercise of the over-allotment option of the initial purchasers. The total proceeds from the 2024 Notes amounted to $451.1 million after issuance costs of $8.9 million. The debt issuance costs were capitalized and will be amortized to interest expense using the straight-line method until maturity.

The 2024 Notes are an unsecured obligation of the Company and bear interest at an annual rate of 1.00% payable in cash semi-annually in arrears on March 1 and September 1 of each year. As of December 30, 2023, the expected remaining term of the 2024 Notes is 0.2 years. The 2024 Notes mature on March 1, 2024 unless earlier converted or repurchased. See Senior Convertible Notes Settlement section below.

During the periods from, and including December 1, 2023 until the close of business on the business day immediately preceding March 1, 2024, holders may convert the 2024 Notes at any time regardless of the foregoing circumstances. The Company has received trivial requests for conversion.

Senior Convertible Notes Settlement

On September 2, 2021, the Company entered into separate privately-negotiated agreements with certain holders of its 2023 and 2024 Notes. The Company settled $93.8 million principal amount of the 2023 Notes and $181.2 million principal amount of the 2024 Notes in exchange for an aggregate of 10.6 million shares of its common stock, par value $0.001 per share, and $196.5 million in cash. The Company recorded a loss of $85.9 million in connection with the settlement transactions which is presented as Loss on convertible note settlement in the Consolidated Statements of Operations.

On November 17, 2021 and November 22, 2021, the Company entered into separate privately-negotiated agreements with certain holders of its 2023 and 2024 Notes. The Company settled $20.6 million principal amount of the 2023 Notes and $25.0 million principal amount of the 2024 Notes in exchange for $59.0 million in cash. The Company recorded a loss of $6.4 million in connection with the settlement transactions which is presented as Loss on convertible note settlement in the Consolidated Statements of Operations.

On March 2, 2022, the Company entered into separate privately-negotiated agreements with certain holders of its 2023 and 2024 Notes. The Company settled $23.2 million principal amount of the 2023 Notes and $26.8 million principal amount of the 2024 Notes in exchange for $64.7 million in cash. The Company recorded a loss of $6.4 million in connection with the settlement transactions which is presented as Loss on convertible note settlement in the Consolidated Statements of Operations.

On June 3, 2022, the Company entered into separate privately-negotiated agreements with certain holders of its 2023 and 2024 Notes. The Company settled $19.3 million principal amount of the 2023 Notes and $3.1 million principal amount of the 2024 Notes in exchange for $27.1 million in cash. The Company recorded a loss of $3.1 million in connection with the settlement transactions which is presented as Loss on convertible note settlement in the Consolidated Statements of Operations.

Senior Secured Asset-Based Revolving Credit Facility

On December 30, 2021, we entered into a credit agreement (the Credit Agreement) with Wells Fargo Bank, National Association (Wells Fargo) as administrative agent, and other lender related parties. The Credit Agreement provides for a senior secured asset-based revolving credit facility in a maximum aggregate amount of $300 million, which matures on December 30, 2026. The Credit Agreement also provides that, under certain circumstances, the Company may increase the aggregate amount of revolving commitments thereunder by an aggregate amount of up to $100 million so long as certain conditions are met. The proceeds from the credit facility established under the Credit Agreement will be used for working capital and other general corporate purposes. The obligations under the Credit Agreement are secured by substantially all of the assets of the Company and those of its subsidiaries that are borrowers and guarantors under the Credit Agreement.

Amounts outstanding under the Credit Agreement accrue interest as follows: (i) if the amounts outstanding are denominated in US Dollars, at a per annum rate equal to either, at the Company's election, Term Secured Overnight Financing Rate (SOFR) plus a margin of 1.35% to 1.85% per annum, or a specified base rate plus a margin of 0.25% to 0.75%, in each case, depending on the average excess availability under the facility, (ii) if the amounts outstanding are denominated in Sterling, at a per annum rate equal to the Sterling Overnight Interbank Average Rate (SONIA) plus a margin of 1.2825% to 1.7825%, depending on the average excess availability under the facility, (iii) if the amounts outstanding are denominated in Euros, at a per annum rate equal to the Euro Interbank Offered Rate plus a margin of 1.25% to 1.75%, depending on the average excess availability under the facility, or (iv) if the amounts outstanding are denominated in Canadian Dollars, at a per annum rate equal to either, at the Company's election, the Canadian Dollar Offered Rate plus a margin of 1.25% to 1.75%, or a specified base rate plus a margin of 0.25% to 0.75%, in each case, depending on the average excess availability under the facility.

The covenants of the Credit Agreement include customary restrictive covenants that, among other things, restrict the Company's ability to incur additional indebtedness, grant liens and make certain acquisitions, investments, asset dispositions and restricted payments. In addition, the Credit Agreement contains certain financial covenants that require the Company to maintain a fixed charge coverage ratio of at least 1.00 to 1.00 if excess availability under the facility is less than the greater of 10% of the lesser of maximum revolver amount and borrowing base and $20 million.

As of December 30, 2023, we had no borrowings under this facility and our available borrowing capacity was approximately $159.0 million, net of outstanding standby letters of credit of $4.1 million.

Revolving Credit Facility

On May 5, 2020, the Company entered into a credit agreement with Wells Fargo as administrative agent, and other lender related parties. The Company borrowed $150 million and repaid $150 million under this Credit Agreement during the first quarter of fiscal 2022. In connection with the entry into the Senior Secured Asset-Based Revolving Credit Facility noted above, the Company terminated this facility.

Interest Expense

The following table presents the interest expense for contractual interest, amortization of debt issuance costs, accretion of debt discount and other (*in millions*):

	Three Months Ended		Six Months Ended	
	December 30, 2023	December 31, 2022	December 30, 2023	December 31, 2022
Interest expense-contractual interest	$ 5.0	$ 4.6	$ 10.0	$ 9.2
Amortization of debt issuance cost	0.6	0.6	1.3	1.2
Accretion of debt discount	1.2	—	2.4	—
Other	1.0	1.0	2.0	1.9
Total interest expense	$ 7.8	$ 6.2	$ 15.7	$ 12.3

Note 12. Leases

The Company is a lessee in several operating leases, primarily real estate facilities for office space. The Company's lease arrangements are comprised of operating leases with various expiration dates through March 31, 2042. The Company's leases do not contain any material residual value guarantees.

Lease expense and cash flow information are as follows (*in millions*):

	Three Months Ended		Six Months Ended	
	December 30, 2023	December 31, 2022	December 30, 2023	December 31, 2022
Operating lease costs (1)	$ 3.3	$ 3.2	$ 6.6	$ 6.5
Cash paid for amounts included in the measurement of operating lease liabilities	3.2	3.6	7.8	8.2
Operating ROU assets obtained in exchange for operating lease obligations	1.5	2.3	2.6	3.0

(1) Total variable lease costs were immaterial during the six months ended December 30, 2023 and December 31, 2022. The total operating costs were included in Cost of revenues, R&D, and SG&A in the Consolidated Statements of Operations.

Balance sheet information related to our operating leases is as follows (*in millions*):

	December 30, 2023	July 1, 2023
Operating ROU assets (Other non-current assets)	$ 37.5	$ 40.4
Other current liabilities	$ 10.0	$ 10.1
Other non-current liabilities	27.0	29.4
Total operating lease liabilities	$ 37.0	$ 39.5
Weighted-average remaining lease term	6.5 years	6.8 years
Weighted-average discount rate	4.8 %	4.8 %

Future minimum operating lease payments as of December 30, 2023 are as follows (*in millions*):

	Operating Leases
Remainder of 2024	$ 4.9
Fiscal 2025	10.3
Fiscal 2026	7.9
Fiscal 2027	6.0
Fiscal 2028	4.1
Thereafter	9.9
Total lease payments	43.1
Less: Interest	(6.1)
Present value of lease liabilities	$ 37.0

Note 13. Restructuring and Related Charges

The Company's restructuring events are primarily intended to reduce costs, consolidate operations, integrate various acquisitions, streamline product manufacturing and address market conditions. Restructuring charges primarily include severance, benefits and outplacement costs to eliminate a specified number of positions. The timing of associated cash payments is dependent upon the jurisdiction of the affected employees and can extend over multiple periods.

Fiscal 2023 Plan

During the second quarter of fiscal 2023, Management approved a restructuring and workforce reduction plan (the Fiscal 2023 Plan) to better align the Company's workforce with current business needs and strategic growth opportunities. The Company expects approximately 5% of its global workforce to be affected.

The first phase of the Fiscal 2023 Plan impacted our Network and Service Enablement (NSE) and Optical Security and Performance Products (OSP) segments and Corporate (Corp) functions and was substantially complete as of December 30, 2023. The second phase of the Fiscal 2023 Plan is primarily focused on reducing costs in our Service Enablement (SE) segment and the Company anticipates this phase to be substantially complete by the end of fiscal 2024.

A summary of the activity in the restructuring accrual is outlined below *(in millions)*:

	Balance as of July 1, 2023	Restructuring and related (benefits) charges	Cash Settlements	Balance as of December 30, 2023
Fiscal 2023 Plan				
NSE/Corp	$ 3.5	$ (0.8)	$ (2.5)	$ 0.2
OSP	0.6	0.1	(0.6)	0.1
Fiscal 2023 Plan Phase I	4.1	(0.7)	(3.1)	0.3
NSE/Corp	1.7	(0.2)	(0.6)	0.9
Fiscal 2023 Plan Phase II	1.7	(0.2)	(0.6)	0.9
Total (1)	$ 5.8	$ (0.9)	$ (3.7)	$ 1.2

(1) Included in Other current liabilities on the Consolidated Balance Sheets as of December 30, 2023 and July 1, 2023.

Note 14. Income Taxes

The Company recorded an income tax provision of $7.6 million and $16.2 million for the three and six months ended December 30, 2023, respectively. The Company recorded an income tax provision of $10.5 million and $22.7 million for the three and six months ended December 31, 2022, respectively.

The income tax provision for the three and six months ended December 30, 2023 and December 31, 2022 primarily relates to income tax in certain foreign and state jurisdictions based on the Company's forecasted pre-tax income or loss.

The income tax provision recorded differs from the expected tax provision that would be calculated by applying the federal statutory rate to the Company's income from continuing operations before taxes primarily due to the changes in valuation allowance for deferred tax assets attributable to the Company's domestic and foreign income from continuing operations.

As of December 30, 2023 and July 1, 2023, the Company's unrecognized tax benefits totaled $50.8 million and $51.1 million, respectively, and are included in deferred taxes and other non-current tax liabilities, net. The Company had $3.3 million accrued for the payment of interest and penalties as of December 30, 2023. The timing and resolution of income tax examinations is uncertain, and the amounts ultimately paid, if any, upon resolution of issues raised by the taxing authorities may differ from the amounts accrued for each year. Although the Company does not expect that our balance of gross unrecognized tax benefits will change materially in the next 12 months, given the uncertainty in the development of ongoing income tax examinations, the Company is unable to estimate the full range of possible adjustments to this balance.

Note 15. Stockholders' Equity

Repurchase of Common Stock

In September 2022 the Board of Directors authorized a stock repurchase plan (2022 Repurchase Plan) of up to $300 million effective October 1, 2022 which will remain in effect until the amount authorized has been fully repurchased or until suspension or termination of the program. Under the 2022 Repurchase Plan, the Company is authorized to repurchase shares through a variety of methods, including open market purchases, privately-negotiated transactions or otherwise in accordance with applicable federal securities laws, including through Rule 10b5-1 trading plans. The timing of repurchases under the plan will depend upon business and financial market conditions. During the six months ended December 30, 2023, the Company repurchased 1.0 million shares of its common stock for $10.0 million under the 2022 Repurchase Plan. As of December 30, 2023, the Company had remaining authorization of $224.8 million for future share repurchases under the 2022 Repurchase Plan.

Note 16. Stock-Based Compensation

The Company's stock-based compensation includes a combination of time-based restricted stock awards and performance-based awards. Restricted stock awards are granted without an exercise price and are converted to shares immediately upon vesting. When converted into shares upon vesting, shares equivalent in value to the minimum withholding taxes liability on the vested shares are withheld by the Company for the payment of such taxes.

The Company generally estimates the fair value of stock-based awards based on the closing market price of the Company’s common stock on the grant date. In the case of performance-based awards that include a market condition, the Company will estimate the fair value of the award using a combination of the closing market price of the Company’s common stock on the grant date and the Monte Carlo simulation model. For performance-based awards, shares attained over target upon vesting are reflected as awards granted during the period.

Time-based restricted stock awards granted to eligible employees will generally vest in annual installments over a period of three to four years subject to the employees’ continuing service to the Company and do not have an expiration date. The Company's performance-based awards may include performance conditions, market conditions, time-based service conditions or a combination thereof and are generally expected to vest in annual installments over a period of three to four years. In addition, the actual number of shares awarded upon vesting of performance-based grants may vary from the target shares depending upon the achievement of the relevant performance or market-based conditions.

During the six months ended December 30, 2023 and December 31, 2022, the Company granted 3.5 million and 2.6 million time-based restricted stock awards, respectively. The aggregate grant-date fair value of time-based restricted stock awards granted during the six months ended December 30, 2023 and December 31, 2022 were estimated to be $34.8 million and $36.7 million, respectively.

During the six months ended December 30, 2023 and December 31, 2022, the Company granted 1.2 million and 0.7 million performance-based awards, respectively. There were no performance-based shares attained over target during the six months ended December 30, 2023. There were 0.1 million performance-based shares attained over target during the six months ended December 31, 2022. The aggregate grant-date fair value of performance-based awards granted during the six months ended December 30, 2023 and December 31, 2022 were estimated to be $13.4 million and $11.5 million, respectively.

As of December 30, 2023, $80.0 million of unrecognized stock-based compensation costs remain to be amortized.

The impact on the Company's results of operations of recording stock-based compensation by function for the three and six months ended December 30, 2023 and December 31, 2022, is as follows *(in millions)*:

	Three Months Ended		Six Months Ended	
	December 30, 2023	December 31, 2022	December 30, 2023	December 31, 2022
Cost of revenues	$ 1.2	$ 1.2	$ 2.4	$ 2.4
Research and development	2.3	2.0	4.4	4.3
Selling, general and administrative	9.0	9.8	16.9	19.3
Total stock-based compensation expense	$ 12.5	$ 13.0	$ 23.7	$ 26.0

Approximately $1.3 million and $1.2 million of stock-based compensation was capitalized to inventory as of December 30, 2023 and December 31, 2022, respectively.

Note 17. Employee Pension and Other Benefit Plans

The Company sponsors significant qualified and non-qualified pension plans for certain past and present employees in the United Kingdom (U.K.) and Germany. The Company also is responsible for the non-pension post-retirement benefit obligation assumed from a past acquisition.

Most of the plans have been closed to new participants and no additional service costs are being accrued, except for certain plans in Germany assumed in connection with an acquisition in fiscal 2010. Benefits are generally based upon years of service and compensation or stated amounts for each year of service.

As of December 30, 2023, the U.K. plan was fully funded while the other plans were unfunded. The Company's policy for funded plans is to make contributions equal to or greater than the requirements prescribed by law or regulation. For unfunded plans, the Company pays the post-retirement benefits when due. During the six months ended December 30, 2023, the Company contributed $0.6 million to the U.K. plan and $1.9 million to the other plans. The funded plan assets consist primarily of managed investments.

The following table presents the components of net periodic cost for the pension and benefits plans (*in millions*):

	Three Months Ended		Six Months Ended	
	December 30, 2023	December 31, 2022	December 30, 2023	December 31, 2022
Interest cost	$ 0.8	$ 0.7	$ 1.7	$ 1.4
Expected return on plan assets	(0.5)	(0.4)	(1.0)	(0.8)
Amortization of net actuarial gains	—	—	(0.1)	—
Net periodic benefit cost	$ 0.3	$ 0.3	$ 0.6	$ 0.6

Both the calculation of the projected benefit obligation and net periodic cost are based upon actuarial valuations. These valuations use participant-specific information such as salary, age, years of service, and assumptions about interest rates, compensation increases and other factors. At a minimum, the Company evaluates these assumptions annually and makes changes as necessary.

Based on actuarial assumptions, the Company expects to incur cash outlays of approximately $8.7 million related to its defined benefit pension plans during fiscal 2024 to make current benefit payments and fund future obligations. As of December 30, 2023, approximately $2.5 million had been incurred. These payments have been estimated based on the same assumptions used to measure the Company's projected benefit obligation at July 1, 2023.

Note 18. Commitments and Contingencies

Legal Proceedings

Tel-Instruments Electronics Corp. Settlement

In July 2023, the Court of Appeals in the State of Kansas affirmed a lower court decision in a case filed by Aeroflex Wichita, ("Aeroflex", a VIAVI subsidiary), against Tel-Instrument Electronics Corp. (TIC) and two of its employees with total damages of $7.3 million owed to VIAVI. The lower court case, filed by Aeroflex prior to the acquisition by VIAVI and affirmed by the Kansas Court of Appeals, awarded damages caused by tortious interference and improper use and disclosure of Aeroflex's confidential and proprietary business information used by the defendants to win a competitive U.S. Army contract.

TIC did not file a petition to appeal the decision and acknowledged its obligation to pay damages in full. VIAVI subsequently then received total payments of $7.3 million from TIC and the two former employees and recorded a gain to Interest and other income, net in the Consolidated Statements of Operations for the three months ended September 30, 2023.

U.K. Pension Settlement

In June 2016, the Company received a court decision regarding the validity of an amendment to a pension deed of trust related to one of its foreign subsidiaries which the Company contends contained an error requiring the Company to increase the pension plan's benefit. The Company had subsequently further amended the deed to rectify the error. The court ruled that the amendment increasing the pension plan benefit was valid until the subsequent amendment. The Company estimated the liability to range from (amounts represented as £ denote GBP) £5.7 million to £8.4 million. The Company determined the likelihood of loss to be probable and accrued £5.7 million as of July 2, 2016 in accordance with authoritative guidance on contingencies.

The Company pursued an appeal of the court decision. In March 2018, the appellate court affirmed the decision of the lower court. The Company pursued a motion for summary judgement on the deed of rectification claim and continued to pursue a claim against the U.K. law firm responsible for the error. As of July 2, 2022, the related accrued pension liability of £5.4 million or $6.5 million was included in pension and post-employment benefits within Other non-current liabilities on the Consolidated Balance Sheets.

In September 2022, the Company received a favorable court decision which removed completely and definitively the obligation to fund the increased pension benefit with retrospective effect to 1999. As a result of the judgment, and in accordance with authoritative guidance on contingencies, the Company reversed the liability and recorded a gain (reduction to SG&A expense in the Consolidated Statements of Operations) of £5.7 million or $6.7 million during the three months ended October 1, 2022.

The Company is subject to a variety of claims and suits that arise from time to time in the ordinary course of its business. While management currently believes that resolving claims against the Company, individually or in aggregate, will not have a material adverse impact on its financial position, results of operations or statement of cash flows, these matters are subject to inherent uncertainties and management's view of these matters may change in the future. Were an unfavorable final outcome to occur, there exists the possibility of a material adverse impact on the Company's financial position, results of operations or cash flows for the period in which the effect becomes reasonably estimable.

Guarantees

Outstanding Letters of Credit, Performance Bonds and Other Claims

As of December 30, 2023, the Company had standby letters of credit of $7.1 million and performance bonds and other claims of $1.8 million collateralized by restricted cash.

Product Warranties

The following table presents the changes in the Company's warranty reserve during the three and six months ended December 30, 2023 and December 31, 2022 (*in millions*):

	Three Months Ended		Six Months Ended	
	December 30, 2023	December 31, 2022	December 30, 2023	December 31, 2022
Balance as of beginning of period	$ 8.8	$ 9.5	$ 9.0	$ 10.6
Provision for warranty	0.3	0.4	0.7	1.0
Utilization of reserve	(0.7)	(0.7)	(1.5)	(1.2)
Adjustments to pre-existing warranties (includes changes in estimates)	0.1	0.2	0.3	(1.0)
Balance as of end of period	$ 8.5	$ 9.4	$ 8.5	$ 9.4

Note 19. Operating Segments and Geographic Information

The Company evaluates its reportable segments in accordance with the authoritative guidance on segment reporting. The Company's CODM uses operating segment financial information to evaluate segment performance and to allocate resources.

The Company's reportable segments are:

(i) Network Enablement (NE):

NE provides an integrated portfolio of testing solutions that access the network to perform build-out and maintenance tasks. These solutions include instruments, software and services to design, build, turn-up, certify, troubleshoot and optimize networks. The Company also offers a range of product support and professional services such as repair, calibration, software support and technical assistance for its products. NE's avionics products provide test and measuring solutions for aviation, aerospace, government, defense, communications and public safety.

(ii) Service Enablement (SE):

SE provides embedded systems and enterprise performance management solutions that give global communications service providers, enterprises and cloud operators visibility into network, service and application data. These solutions—including instruments, microprobes and software—monitor, collect and analyze network data to reveal the actual customer experience and to identify opportunities for new revenue streams and network optimization.

(iii) Optical Security and Performance Products (OSP):

OSP leverages its core optical coating technologies and volume manufacturing capability to design, manufacture, and sell technologies for the anti-counterfeiting, consumer electronics, industrial, government and automotive markets.

Segment Reporting

The CODM manages the Company in two broad business categories: NSE and OSP. The CODM evaluates segment performance of the NSE business based on the combined segments (NE and SE) gross and operating margins. Operating expenses associated with the NSE business are not allocated to the individual segments within NSE, as they are managed centrally at the business unit level. The CODM evaluates segment performance of the OSP business based on segment operating margin. The Company allocates corporate-level operating expenses to its segment results, except for certain non-core operating and non-operating activities as discussed below.

The Company does not allocate stock-based compensation, acquisition-related charges, amortization of intangibles, restructuring, impairment of goodwill, non-operating income and expenses, changes in fair value of contingent consideration liabilities, or other charges unrelated to core operating performance to its segments because management does not include this information in its measurement of the performance of the operating segments. These items are presented as “Other Items” in the table below. Additionally, the Company does not specifically identify and allocate all assets by operating segment.

The following tables present information on the Company’s reportable segments for the three months ended December 30, 2023 and December 31, 2022 (*in millions*):

	Three Months Ended December 30, 2023					
	Network and Service Enablement					
	Network Enablement	Service Enablement	Network and Service Enablement	Optical Security and Performance Products	Other Items [1]	Consolidated GAAP Measures
Product revenue	$ 125.2	$ 10.8	$ 136.0	$ 74.9	$ —	$ 210.9
Service revenue	30.3	13.3	43.6	—	—	43.6
Net revenue	$ 155.5	$ 24.1	$ 179.6	$ 74.9	$ —	$ 254.5
Gross profit	$ 97.2	$ 16.6	$ 113.8	$ 39.0	$ (4.8)	$ 148.0
Gross margin	62.5 %	68.9 %	63.4 %	52.1 %		58.2 %
Operating income			$ 6.4	$ 27.3	$ (11.3)	$ 22.4
Operating margin			3.6 %	36.4 %		8.8 %

	Three Months Ended December 31, 2022					
	Network and Service Enablement					
	Network Enablement [2]	Service Enablement [2]	Network and Service Enablement	Optical Security and Performance Products	Other Items [1]	Consolidated GAAP Measures
Product revenue [2]	$ 152.6	$ 11.5	$ 164.1	$ 77.4	$ —	$ 241.5
Service revenue [2]	30.7	12.3	43.0	—	—	43.0
Net revenue	$ 183.3	$ 23.8	$ 207.1	$ 77.4	$ —	$ 284.5
Gross profit	$ 118.1	$ 15.3	$ 133.4	$ 40.5	$ (6.9)	$ 167.0
Gross margin	64.4 %	64.3 %	64.4 %	52.3 %		58.7 %
Operating income			$ 18.5	$ 27.5	$ (23.1)	$ 22.9
Operating margin			8.9 %	35.5 %		8.0 %

(1) Other items include charges (benefits) unrelated to core operating performance primarily consisting of stock-based compensation, amortization of acquisition-related intangibles, restructuring, changes in fair value of contingent consideration liabilities and other charges unrelated to core operating performance.
(2) Effective for the first quarter of fiscal 2024, management of certain products moved from the SE segment to the NE segment to better align with operational and go-to-market strategies. As a result, prior period balances have been recast to reflect the impact to net revenue, gross profit and gross margin.

VIAVI SOLUTIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Three Months Ended	
	December 30, 2023	December 31, 2022
Corporate reconciling items impacting gross profit:		
Total segment gross profit	$ 152.8	$ 173.9
Stock-based compensation	(1.2)	(1.2)
Amortization of intangibles	(3.4)	(5.7)
Other charges unrelated to core operating performance [1]	(0.2)	—
GAAP gross profit	$ 148.0	$ 167.0
Corporate reconciling items impacting operating income:		
Total segment operating income	$ 33.7	$ 46.0
Stock-based compensation	(12.5)	(13.0)
Amortization of intangibles	(4.8)	(7.9)
Change in fair value of contingent liability	7.0	(1.3)
Other charges unrelated to core operating performance [1]	(1.1)	(0.9)
Restructuring and related benefits	0.1	—
GAAP operating income from continuing operations	$ 22.4	$ 22.9

(1) During the three months ended December 30, 2023 and December 31, 2022, other charges unrelated to core operating performance primarily consisting of certain acquisition and integration related charges, accretion of debt discount and loss on disposal of long-lived assets.

VIAVI SOLUTIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Six Months Ended December 30, 2023					
	Network and Service Enablement					
	Network Enablement	Service Enablement	Network and Service Enablement	Optical Security and Performance Products	Other Items (1)	Consolidated GAAP Measures
Product revenue	$ 245.6	$ 18.5	$ 264.1	$ 152.4	$ —	$ 416.5
Service revenue	59.9	26.0	85.9	—	—	85.9
Net revenue	$ 305.5	$ 44.5	$ 350.0	$ 152.4	$ —	$ 502.4
Gross profit	$ 191.8	$ 30.3	$ 222.1	$ 79.7	$ (9.4)	$ 292.4
Gross margin	62.8 %	68.1 %	63.5 %	52.3 %		58.2 %
Operating income			$ 7.9	$ 56.6	$ (26.1)	$ 38.4
Operating margin			2.3 %	37.1 %		7.6 %

	Six Months Ended December 31, 2022					
	Network and Service Enablement					
	Network Enablement (2)	Service Enablement (2)	Network and Service Enablement	Optical Security and Performance Products	Other Items (1)	Consolidated GAAP Measures
Product revenue (2)	$ 318.9	$ 21.7	$ 340.6	$ 168.6	$ —	$ 509.2
Service revenue (2)	60.9	24.5	85.4	0.1	—	85.5
Net revenue	$ 379.8	$ 46.2	$ 426.0	$ 168.7	$ —	$ 594.7
Gross profit	$ 244.9	$ 30.1	$ 275.0	$ 92.3	$ (15.5)	$ 351.8
Gross margin	64.5 %	65.2 %	64.6 %	54.7 %		59.2 %
Operating income			$ 47.3	$ 66.1	$ (40.7)	$ 72.7
Operating margin			11.1 %	39.2 %		12.2 %

(1) Other items include charges (benefits) unrelated to core operating performance primarily consisting of stock-based compensation, amortization of acquisition-related intangibles, restructuring, changes in fair value of contingent consideration liabilities and other charges unrelated to core operating performance.
(2) Effective for the first quarter of fiscal 2024, management of certain products moved from the SE segment to the NE segment to better align with operational and go-to-market strategies. As a result, prior period balances have been recast to reflect the impact to net revenue, gross profit and gross margin.

	Six Months Ended	
	December 30, 2023	December 31, 2022
Corporate reconciling items impacting gross profit:		
Total segment gross profit	$ 301.8	$ 367.3
Stock-based compensation	(2.4)	(2.4)
Amortization of intangibles	(6.9)	(12.8)
Other charges unrelated to core operating performance [(1)]	(0.1)	(0.3)
GAAP gross profit	$ 292.4	$ 351.8
Corporate reconciling items impacting operating income:		
Total segment operating income	$ 64.5	$ 113.4
Stock-based compensation	(23.7)	(26.0)
Amortization of intangibles	(10.4)	(17.2)
Change in fair value of contingent liability	8.4	(1.8)
Other (charges) benefits unrelated to core operating performance [(1)]	(1.3)	4.3
Restructuring and related benefits	0.9	—
GAAP operating income from continuing operations	$ 38.4	$ 72.7

(1) During the six months ended December 30, 2023 and December 31, 2022, other (charges) benefits unrelated to core operating performance primarily consisting of certain acquisition and integration related charges, legal settlement, accretion of debt discount and losses on disposal of long-lived assets.

The Company operates primarily in three geographic regions: Americas, Asia-Pacific, and Europe, Middle East and Africa (EMEA). Net revenue is assigned to the geographic region and country where the Company's product is initially shipped. For example, certain customers may request shipment of the Company's product to a contract manufacturer in one country, which may differ from the location of their end customers. The following table presents net revenue by the three geographic regions in which the Company operates and net revenue from countries that exceeded 10% of the Company's total net revenue for the three and six months ended December 30, 2023 and December 31, 2022 *(in millions):*

	Three Months Ended					
	December 30, 2023			December 31, 2022		
	Product Revenue	Service Revenue	Total	Product Revenue	Service Revenue	Total
Americas:						
United States	$ 68.6	$ 16.1	$ 84.7	$ 77.5	$ 15.0	$ 92.5
Other Americas	14.6	3.8	18.4	10.3	3.5	13.8
Total Americas	$ 83.2	$ 19.9	$ 103.1	$ 87.8	$ 18.5	$ 106.3
Asia-Pacific:						
Greater China	$ 45.9	$ 1.5	$ 47.4	$ 58.9	$ 1.8	$ 60.7
Other Asia-Pacific	24.9	7.2	32.1	36.7	7.7	44.4
Total Asia-Pacific	$ 70.8	$ 8.7	$ 79.5	$ 95.6	$ 9.5	$ 105.1
EMEA:	$ 56.9	$ 15.0	$ 71.9	$ 58.1	$ 15.0	$ 73.1
Total net revenue	$ 210.9	$ 43.6	$ 254.5	$ 241.5	$ 43.0	$ 284.5

	Six Months Ended					
	December 30, 2023			December 31, 2022		
	Product Revenue	Service Revenue	Total	Product Revenue	Service Revenue	Total
Americas:						
United States	$ 136.2	$ 31.3	$ 167.5	$ 158.5	$ 30.6	$ 189.1
Other Americas	28.3	7.8	36.1	33.4	6.8	40.2
Total Americas	$ 164.5	$ 39.1	$ 203.6	$ 191.9	$ 37.4	$ 229.3
Asia-Pacific:						
Greater China	$ 95.3	$ 3.2	$ 98.5	$ 122.4	$ 3.9	$ 126.3
Other Asia	53.2	13.7	66.9	76.7	13.7	90.4
Total Asia-Pacific	$ 148.5	$ 16.9	$ 165.4	$ 199.1	$ 17.6	$ 216.7
EMEA:	$ 103.5	$ 29.9	$ 133.4	$ 118.2	$ 30.5	$ 148.7
Total net revenue	$ 416.5	$ 85.9	$ 502.4	$ 509.2	$ 85.5	$ 594.7

Note 20. Subsequent Events

On January 11, 2024, VIAVI announced that the U.S. National Telecommunications and Information Administration has awarded the Company a grant from the Public Wireless Supply Chain Innovation Fund. The grant is expected to provide approximately $21.7 million in funding over a three-year period to be used by the Company to create an advanced test lab to enable and accelerate the development of Open Radio Access Network technology and components.

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

Forward-Looking Statements

Statements contained in this Quarterly Report on Form 10-Q, which we also refer to as the Report, which are not historical facts, are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. A forward-looking statement may contain words such as "anticipate," "believe," "can," "can impact," "could," "continue," "estimate," "expect," "intend," "may," "ongoing," "plan," "potential," "projects," "should," "will," "will continue to be," "would," or the negative thereof or other comparable terminology regarding beliefs, plans, expectations or intentions regarding the future. Forward-looking statements include statements, but are not limited to statements such as:

- *Financial projections and expectations, including profitability of certain business units, plans to reduce costs and improve efficiencies including through restructuring programs, the effects of seasonality on certain business units, continued reliance on key customers for a significant portion of our revenue, future sources of revenue, competition and pricing pressures, the future impact of certain accounting pronouncements, and our estimation of the potential impact and materiality of litigation;*
- *Our expectations regarding demand for our products and services, including industry trends and technological advancements that may drive such demand, the role we will play in those advancements and our ability to benefit from such advancements;*
- *Our plans for growth and innovation opportunities;*
- *Our plans for continued development, use and protection of our intellectual property;*
- *Our strategies for achieving our current business objectives, including related risks and uncertainties;*
- *Our plans or expectations relating to investments, execution of capital allocation and debt management strategies, acquisitions, partnerships and other strategic opportunities;*
- *Our research and development plans and investments and the expected impact of such plans on our financial performance;*
- *Our expectations related to our products, including costs associated with the development of new products, product yields, quality and other issues; and*
- *Our expectations related to macro-economic conditions, including the impact of inflation, fiscal tightening at central banks, changes in foreign exchange rates, the risk of increased tensions and trade actions between China and the U.S. and the ongoing military conflict between Russia and Ukraine and escalating armed conflict between Israel and Hamas, on our business, operations and financial results.*

Management cautions that forward-looking statements are based on current expectations and assumptions and are subject to risks and uncertainties that could cause our actual results to differ materially from those projected in such forward-looking statements. These forward-looking statements are only predictions and are subject to risks and uncertainties including those set forth in Part II, Item 1A "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q and in other documents we file with the U.S. Securities and Exchange Commission. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. Forward-looking statements are made only as of the date of this Report and subsequent facts or circumstances may contradict, obviate, undermine or otherwise fail to support or substantiate such statements. We are under no duty to update any of the forward-looking statements after the date of this Form 10-Q to conform such statements to actual results or to changes in our expectations.

In addition, Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended July 1, 2023.

You should read the following discussion of our financial condition and results of operations in conjunction with the financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Quarterly Report on Form 10-Q, particularly in "Risk Factors" and "Forward-Looking Statements."

Overview

VIAVI is a global provider of network test, monitoring, and assurance solutions for communications service providers (CSPs), hyperscalers, network equipment manufacturers (NEMs), enterprises, original equipment manufacturers, government and avionics. We help these customers harness the power of instruments, automation, intelligence, and virtualization. VIAVI is also a leader in light management technologies for 3D sensing, anti-counterfeiting, consumer electronics, industrial, automotive, government and aerospace applications.

To serve our markets we operate the following business segments:

- Network Enablement (NE);
- Service Enablement (SE); and,
- Optical Security and Performance Products (OSP).

During the second quarter we continued to see lower capital expenditure spend by NEMs and weaker spend by service providers, which impacted our Field, Fiber and Wireless Lab products. Partially offsetting this was increased demand for our Avionics, PNT and SE products.

Any prolonged disruption of manufacturing of our products, commerce and related activity or significant decrease in demand for our products could materially and adversely affect our results of business, operations, and financial conditions.

Our financial results and long-term growth model will continue to be driven by revenue growth, non-GAAP operating income, non-GAAP operating margin, non-GAAP diluted earnings per share (EPS) and cash flow from operations. We believe these key operating metrics are useful to investors because management uses these metrics to assess the growth of our business and the effectiveness of our marketing and operational strategies.

Looking Ahead

We continue to be impacted by macroeconomic conditions and end market demand volatility. As we look ahead to the third fiscal quarter of fiscal 2024, we expect revenue to be relatively flat sequentially primarily due to continued slow recovery in service provider spend and reduced seasonal demand in 3D sensing.

Despite near-term macroeconomic headwinds, our long-term focus remains on executing against our strategic priorities to drive revenue and earnings growth, capture market share and continue to optimize our capital structure. We remain positive on our long-term growth drivers in Wireless, Fiber, 3D sensing and PNT. We will continue to focus on executing against our strategic priorities over the long-term to:

- Defend and consolidate leadership in core business segments;
- Invest in secular trends to drive growth and expand Total Addressable Market (TAM);
- Extend VIAVI technologies and platforms into adjacent markets and applications; and,
- Continued productivity improvements in Operations, Research & Development (R&D) and Selling, General and Administrative (SG&A).

Financial Highlights

Second quarter fiscal 2024 results included the following notable items:

- Net revenue of $254.5 million, down $30.0 million or 10.5% year-over-year.
- GAAP operating margin of 8.8%, up 80 bps year-over-year.
- Non-GAAP operating margin of 13.2%, down 300 bps year-over-year.
- GAAP diluted EPS of $0.05, up $0.01 or 25.0% year-over-year.
- Non-GAAP diluted EPS of $0.11, down $0.03 or 21.4% year-over-year.

A reconciliation of GAAP financial measures to Non-GAAP financial measures is provided below *(in millions, except EPS amounts)*:

	Three Months Ended				Six Months Ended			
	December 30, 2023		December 31, 2022		December 30, 2023		December 31, 2022	
	Operating Income	Operating Margin	Operating Income	Operating Margin	Operating Income	Operating Margin	Operating Income	Operating Margin
GAAP measures	$ 22.4	8.8 %	$ 22.9	8.0 %	$ 38.4	7.6 %	$ 72.7	12.2 %
Stock-based compensation	12.5	4.9 %	13.0	4.6 %	23.7	4.7 %	26.0	4.4 %
Change in fair value of contingent liability	(7.0)	(2.8)%	1.3	0.5 %	(8.4)	(1.7)%	1.8	0.3 %
Other charges (benefits) unrelated to core operating performance (1)	1.1	0.4 %	0.9	0.3 %	1.3	0.3 %	(4.3)	(0.7)%
Amortization of intangibles	4.8	1.9 %	7.9	2.8 %	10.4	2.1 %	17.2	2.9 %
Restructuring and related benefits	(0.1)	— %	—	— %	(0.9)	(0.2)%	—	— %
Total related to Cost of Revenue and Operating Expenses	11.3	4.4 %	23.1	8.2 %	26.1	5.2 %	40.7	6.9 %
Non-GAAP measures	$ 33.7	13.2 %	$ 46.0	16.2 %	$ 64.5	12.8 %	$ 113.4	19.1 %

	Three Months Ended				Six Months Ended			
	December 30, 2023		December 31, 2022		December 30, 2023		December 31, 2022	
	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS	Net income	Diluted EPS
GAAP measures	$ 10.7	$ 0.05	$ 8.4	$ 0.04	$ 20.5	$ 0.09	$ 41.0	$ 0.18
Items reconciling GAAP Net income and EPS to Non-GAAP Net income and EPS:								
Stock-based compensation	12.5	0.06	13.0	0.06	23.7	0.10	26.0	0.11
Change in fair value of contingent liability	(7.0)	(0.03)	1.3	0.01	(8.4)	(0.04)	1.8	0.01
Other charges (benefits) unrelated to core operating performance (1)	1.1	—	0.9	—	1.3	0.01	(4.3)	(0.02)
Amortization of intangibles	4.8	0.02	7.9	0.03	10.4	0.05	17.2	0.08
Restructuring and related benefits	(0.1)	—	—	—	(0.9)	(0.01)	—	—
Litigation settlement (2)	0.3	—	—	—	(7.0)	(0.03)	—	—
Non-cash interest expense and other expense	1.2	0.01	—	—	2.4	0.01	—	—
Provision for income taxes	0.2	—	—	—	1.2	0.01	2.3	0.01
Total related to Net income and EPS	13.0	0.06	23.1	0.10	22.7	0.10	43.0	0.19
Non-GAAP measures	$ 23.7	$ 0.11	$ 31.5	$ 0.14	$ 43.2	$ 0.19	$ 84.0	$ 0.37
Shares used in per share calculation for Non-GAAP EPS		223.5		227.1		223.9		228.8

(1) Other items include charges (benefits) unrelated to core operating performance primarily consisting of certain acquisition and integration related charges, legal settlement, accretion of debt discount and losses on disposal of long-lived assets.

(2) Unfavorable (favorable) litigation settlement recorded to Interest and other income, net in the Consolidated Statements of Operations for the three and six months ended December 30, 2023.

Use of Non-GAAP (Adjusted) Financial Measures

The Company provides non-GAAP operating income, non-GAAP operating margin, non-GAAP net income and non-GAAP EPS financial measures as supplemental information regarding the Company's operational performance. The Company uses the measures disclosed in this Report to evaluate the Company's historical and prospective financial performance, as well as its performance relative to its competitors. Specifically, management uses these items to further its own understanding of the Company's core operating performance, which the Company believes represents its performance in the ordinary, ongoing and customary course of its operations. Accordingly, management excludes from core operating performance items such as those relating to certain purchase price accounting adjustments, amortization of acquisition-related intangibles, stock-based compensation, legal settlements, restructuring, changes in fair value of contingent consideration liabilities and certain investing expenses and other activities that management believes are not reflective of such ordinary, ongoing and core operating activities. The Company believes excluding these items enables investors to evaluate more clearly and consistently the Company's core operational performance.

The Company believes providing this additional information allows investors to see Company results through the eyes of management. The Company further believes that providing this information allows investors to better understand the Company's financial performance and, importantly, to evaluate the efficacy of the methodology and information used by management to evaluate and measure such performance.

The non-GAAP adjustments described in this Form 10-Q are excluded by the Company from its GAAP financial measures because the Company believes excluding these items enables investors to evaluate more clearly and consistently the Company's core operational performance. The non-GAAP adjustments are outlined below.

Cost of revenues, costs of research and development and costs of selling, general and administrative: The Company's GAAP presentation of operating expenses may include (i) additional depreciation and amortization from changes in estimated useful life and the write-down of certain property, equipment and intangibles that have been identified for disposal but remained in use until the date of disposal, (ii) charges such as severance, benefits and outplacement costs related to restructuring plans, (iii) costs for facilities not required for ongoing operations, and costs related to the relocation of certain equipment from these facilities and/or contract manufacturer facilities, (iv) stock-based compensation, (v) amortization expense related to acquired intangibles, (vi) changes in fair value of contingent consideration liabilities and (vii) other charges unrelated to our core operating performance comprised mainly of acquisition related transaction costs, integration costs related to acquired entities, litigation and legal settlements and other costs and contingencies unrelated to current and future operations, including transformational initiatives such as the implementation of simplified automated processes, site consolidations, and reorganizations. The Company excludes these items in calculating non-GAAP operating margin, non-GAAP net income and non-GAAP EPS.

Non-cash interest expense and other expense: The Company excludes certain investing expenses, including accretion of debt discount, and other non-cash activities that management believes are not reflective of such ordinary, ongoing and core operating activities, in calculating non-GAAP net income and non-GAAP EPS.

Income tax expense or benefit: The Company excludes certain non-cash tax expense or benefit items, such as the utilization of net operating losses where valuation allowances were released, intra-period tax allocation benefit and the tax effect for amortization of non-tax deductible intangible assets, in calculating non-GAAP net income and non-GAAP EPS.

Non-GAAP financial measures are not in accordance with, preferable to, or an alternative for, generally accepted accounting principles in the United States. The GAAP measure most directly comparable to non-GAAP operating income is operating income. The GAAP measure most directly comparable to non-GAAP operating margin is operating margin. The GAAP measure most directly comparable to non-GAAP net income is net income. The GAAP measure most directly comparable to non-GAAP EPS is net income per share. The Company believes these GAAP measures alone are not fully indicative of its core operating expenses and performance and that providing non-GAAP financial measures in conjunction with GAAP measures provides valuable supplemental information regarding the Company's overall performance.

RESULTS OF OPERATIONS

The results of operations for the current period are not necessarily indicative of results to be expected for future periods. The following table summarizes selected Consolidated Statements of Operations items (*in millions, except for percentages*):

	Three Months Ended				Six Months Ended			
	December 30, 2023	December 31, 2022	Change	Percent Change	December 30, 2023	December 31, 2022	Change	Percent Change
Segment net revenue:								
NE	$ 155.5	$ 183.3	$ (27.8)	(15.2)%	$ 305.5	$ 379.8	$ (74.3)	(19.6)%
SE	24.1	23.8	0.3	1.3 %	44.5	46.2	(1.7)	(3.7)%
OSP	74.9	77.4	(2.5)	(3.2)%	152.4	168.7	(16.3)	(9.7)%
Total net revenue	$ 254.5	$ 284.5	$ (30.0)	(10.5)%	$ 502.4	$ 594.7	$ (92.3)	(15.5)%
Amortization of acquired technologies	$ 3.4	$ 5.7	$ (2.3)	(40.4)%	$ 6.9	$ 12.8	$ (5.9)	(46.1)%
Percentage of net revenue	1.3 %	2.0 %			1.4 %	2.2 %		
Gross profit	$ 148.0	$ 167.0	$ (19.0)	(11.4)%	$ 292.4	$ 351.8	$ (59.4)	(16.9)%
Gross margin	58.2 %	58.7 %			58.2 %	59.2 %		
Research and development	$ 49.5	$ 51.9	$ (2.4)	(4.6)%	$ 99.4	$ 104.5	$ (5.1)	(4.9)%
Percentage of net revenue	19.4 %	18.2 %			19.8 %	17.6 %		
Selling, general and administrative	$ 74.8	$ 90.0	$ (15.2)	(16.9)%	$ 152.0	$ 170.2	$ (18.2)	(10.7)%
Percentage of net revenue	29.4 %	31.6 %			30.3 %	28.6 %		
Amortization of other intangibles	$ 1.4	$ 2.2	$ (0.8)	(36.4)%	$ 3.5	$ 4.4	$ (0.9)	(20.5)%
Percentage of net revenue	0.6 %	0.8 %			0.7 %	0.7 %		
Restructuring and related benefits	$ (0.1)	$ —	$ (0.1)	NM	$ (0.9)	$ —	$ (0.9)	NM
Percentage of net revenue	— %	— %			0.2 %	— %		
Interest and other income, net	$ 3.8	$ 2.2	$ 1.6	72.7 %	$ 14.0	$ 3.3	$ 10.7	324.2 %
Percentage of net revenue	1.5 %	0.8 %			2.8 %	0.6 %		
Interest expense	$ (7.9)	$ (6.2)	$ (1.7)	(27.4)%	$ (15.7)	$ (12.3)	$ (3.4)	(27.6)%
Percentage of net revenue	3.1 %	2.2 %			3.1 %	2.1 %		
Provision for income taxes	$ 7.6	$ 10.5	$ (2.9)	(27.6)%	$ 16.2	$ 22.7	$ (6.5)	(28.6)%
Percentage of net revenue	3.0 %	3.7 %			3.2 %	3.8 %		

Net Revenue

Revenue from our service offerings exceeds 10% of our total consolidated net revenue and is presented separately in our Consolidated Statements of Operations. Service revenue primarily consists of maintenance and support, extended warranty, professional services and post-contract support in addition to other services such as calibration and repair services. When evaluating the performance of our segments, management focuses on total net revenue, gross profit and operating income and not the product or service categories. Consequently, the following discussion of business segment performance focuses on total net revenue, gross profit, and operating income consistent with our approach for managing the business.

Three months ended December 30, 2023 and December 31, 2022

Net revenue decreased by $30.0 million, or 10.5%, during the three months ended December 30, 2023 compared to the same period a year ago. This decrease reflects the continuing weakness in service provider spending and softness in anti-counterfeiting.

Product revenues decreased by $30.6 million, or 12.7%, during the three months ended December 30, 2023 compared to the same period a year ago, driven by decreases in all segments.

Service revenues increased by $0.6 million, or 1.4%, during the three months ended December 30, 2023 compared to the same period a year ago. This was driven by revenue increase from our SE segment offset by revenue decrease in our NE segment.

Going forward, we expect to continue to encounter a number of industry and market risks and uncertainties. For example, uncertainty around the timing of our customers procurement decisions on infrastructure maintenance and upgrades and decisions on new infrastructure investments or uncertainty about speed of adoption of 5G technology at a commercially viable scale. This may limit our visibility, and consequently, our ability to predict future revenue, seasonality, profitability, and general financial performance, which could create period-over-period variability in our financial measures and present foreign exchange rate risks.

We cannot predict when or to what extent these uncertainties will be resolved. Our revenues, profitability, and general financial performance may also be affected by: (a) pricing pressures due to, among other things, a highly concentrated customer base, increasing competition, particularly from Asia-based competitors, and a general commoditization trend for certain products; (b) product mix variability in our markets, which affects revenue and gross margin; (c) fluctuations in customer buying patterns, which cause demand, revenue and profitability volatility; (d) the current trend of communication industry consolidation, which is expected to continue, that directly affects our NE and SE customer bases and adds additional risk and uncertainty to our financial and business projections; (e) chip component shortages, supply chain and shipping logistic constraints; (f) the impact of ongoing global trade policies, tariffs and sanctions; and (g) regulatory or economic developments and/or technology challenges that slow or change the rate of adoption of 5G, 3D sensing and other emerging secular technologies and platforms.

Revenue by Region

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

	Three Months Ended				Six Months Ended			
	December 30, 2023		December 31, 2022		December 30, 2023		December 31, 2022	
Americas:								
United States	$ 84.7	33.3 %	$ 92.5	32.5 %	$ 167.5	33.3 %	$ 189.1	31.8 %
Other Americas	18.4	7.2 %	13.8	4.9 %	36.1	7.2 %	40.2	6.8 %
Total Americas	$ 103.1	40.5 %	$ 106.3	37.4 %	$ 203.6	40.5 %	$ 229.3	38.6 %
Asia-Pacific:								
Greater China	$ 47.4	18.6 %	$ 60.7	21.3 %	$ 98.5	19.6 %	$ 126.3	21.2 %
Other Asia-Pacific	32.1	12.6 %	44.4	15.6 %	66.9	13.3 %	90.4	15.2 %
Total Asia-Pacific	$ 79.5	31.2 %	$ 105.1	36.9 %	$ 165.4	32.9 %	$ 216.7	36.4 %
EMEA:	$ 71.9	28.3 %	$ 73.1	25.7 %	$ 133.4	26.6 %	$ 148.7	25.0 %
Total net revenue	$ 254.5	100.0 %	$ 284.5	100.0 %	$ 502.4	100.0 %	$ 594.7	100.0 %

Net revenue from customers outside the Americas represented 59.5% of net revenue during the three and six months ended December 30, 2023. Net revenue from customers outside the Americas during the three and six months ended December 31, 2022 represented 62.6% and 61.4% of net revenue, respectively.

We expect revenue from customers outside of the United States to continue to be an important part of our overall net revenue and an increasing focus for net revenue growth opportunities.

Amortization of Acquired Technologies (Cost of revenues)

Amortization of acquired technologies within Cost of revenues decreased $2.3 million or 40.4% and $5.9 million or 46.1% during the three and six months ended December 30, 2023, respectively, compared to the same periods a year ago. These decreases are primarily due to certain intangible assets becoming fully amortized in fiscal 2023 offset in part by amortization of intangibles acquired through acquisitions in fiscal 2023.

Gross Margin

Gross margin decreased by 0.5 percentage points during the three months ended December 30, 2023 from 58.7% in the same period a year ago to 58.2% in the current period. The decrease was primarily due to gross margin reduction from our NE and OSP segments, partially offset by gross margin increase in our SE segment, as discussed below in the Operating Segment Information section.

Gross margin decreased by 1.0 percentage point during the six months ended December 30, 2023 from 59.2% in the same period a year ago to 58.2% in the current period. The decrease was primarily due to gross margin reduction from our NE and OSP segments, partially offset by gross margin increase in our SE segment, as discussed below in the Operating Segment Information section.

As discussed in more detail under “Net Revenue” above, we sell products in certain markets that are consolidating, undergoing product, architectural and business model transitions, have high customer concentrations, are highly competitive (increasingly due to Asia-Pacific-based competition), are price sensitive and/or are affected by customer seasonal and mix variant buying patterns. We expect these factors to continue to result in variability of our gross margin.

Research and Development

R&D expense decreased by $2.4 million, or 4.6% and $5.1 million, or 4.9% during the three and six months ended December 30, 2023, respectively, compared to the same periods a year ago. These decreases were primarily due to benefits from our restructuring activities and variable expense reductions. As a percentage of net revenue, R&D expense increased by 1.2 percentage points during the three and six months ended December 30, 2023 compared to the same periods a year ago.

We believe that continuing our investments in R&D is critical to attaining our strategic objectives. We plan to continue to invest in R&D and new products that will further differentiate us in the marketplace.

Selling, General and Administrative

SG&A expense decreased by $15.2 million, or 16.9%, during the three months ended December 30, 2023 compared to the same period a year ago. This decrease was primarily due to the fair value adjustment of contingent consideration related to acquisitions, benefits from our restructuring activities and variable expense reductions including lower commissions. As a percentage of net revenue, SG&A decreased 2.2 percentage points during the three months ended December 30, 2023 compared to the same period a year ago.

SG&A expense decreased by $18.2 million, or 10.7%, during the six months ended December 30, 2023 compared to the same period a year ago. This decrease was primarily due to the fair value adjustment of contingent consideration related to acquisitions, benefits from our restructuring activities and variable expense reductions including lower commissions. As a percentage of net revenue, SG&A increased 1.7 percentage points during the six months ended December 30, 2023 compared to the same period a year ago.

Amortization of Intangibles (Operating expenses)

Amortization of intangibles within Operating expenses decreased $0.8 million or 36.4% and $0.9 million or 20.5% during the three and six months ended December 30, 2023, respectively, compared to the same periods a year ago. These decreases are primarily due to certain intangible assets becoming fully amortized in fiscal 2023 offset in part by amortization of intangibles acquired through acquisitions in fiscal 2023.

Restructuring

The Company’s restructuring events are primarily intended to reduce costs, consolidate operations, integrate various acquisitions, streamline product manufacturing and address market conditions. During the second quarter of fiscal 2023, Management approved a restructuring and workforce reduction plan (the Fiscal 2023 Plan) to better align the Company’s workforce with current business needs and strategic growth opportunities. The Fiscal 2023 Plan, which affected approximately 5% of the Company's workforce, resulted in an estimated annualized gross cost savings of approximately $25.0 million excluding any one-time charges as a result of the restructuring activities.

The first phase of the Fiscal 2023 Plan impacted all segments and corporate functions and was substantially complete as of December 30, 2023. The second phase of the Fiscal 2023 Plan is primarily focused on reducing costs in our SE segment and the Company anticipates this phase to be substantially complete by the end of fiscal 2024.

We estimate future cash payments of $1.2 million under the Fiscal 2023 Plan during the remainder of fiscal 2024, funded by operating cash flow.

During the three and six months ended December 30, 2023, the Company recorded restructuring benefits of $0.1 million and $0.9 million, respectively, related to the Fiscal 2023 Plan. Refer to “Note 13. Restructuring and Related Charges” for more information.

Interest and other income, net

Interest and other income, net, was $3.8 million during the three months ended December 30, 2023 compared to $2.2 million during the same period a year ago. This $1.6 million increase was primarily driven by higher interest income during the current period partially offset by an unfavorable foreign exchange impact as the balance sheet hedging program provided a less favorable offset to the remeasurement of underlying foreign exchange exposures during the current period.

Interest and other income, net, was $14.0 million during the six months ended December 30, 2023 compared to $3.3 million during the same period a year ago. This $10.7 million increase was primarily driven by a legal settlement in our favor in the amount of $7.3 million and higher interest income during the current period partially offset by an unfavorable foreign exchange impact as the balance sheet hedging program provided a less favorable offset to the remeasurement of underlying foreign exchange exposures during the current period.

Interest Expense

Interest expense increased by $1.7 million, or 27.4% and $3.4 million, or 27.6% during the three and six months ended December 30, 2023, respectively, compared to the same periods a year ago. These increases were primarily driven by the accretion of debt discount and interest expense on the Senior Convertible Notes due 2026 as a result of the issuance in March 2023.

Provision for Income Taxes

We recorded an income tax provision of $7.6 million and $16.2 million for the three and six months ended December 30, 2023, respectively. We recorded an income tax provision of $10.5 million and $22.7 million for the three and six months ended December 31, 2022, respectively.

The income tax provision for the three and six months ended December 30, 2023 and December 31, 2022 primarily relates to income tax in certain foreign and state jurisdictions based on our forecasted pre-tax income or loss.

The income tax provision recorded differs from the expected tax provision that would be calculated by applying the federal statutory rate to our income from continuing operations before taxes primarily due to the changes in valuation allowance for deferred tax assets attributable to our domestic and foreign income from continuing operations.

As of December 30, 2023, and July 1, 2023, our unrecognized tax benefits totaling $50.8 million and $51.1 million, respectively, are included in deferred taxes and other non-current tax liabilities, net. We had $3.3 million accrued for the payment of interest and penalties as of December 30, 2023. The timing and resolution of income tax examinations is uncertain, and the amounts ultimately paid, if any, upon resolution of issues raised by the taxing authorities may differ from the amounts accrued for each year. Although we do not expect that our balance of gross unrecognized tax benefits will change materially in the next 12 months, given the uncertainty in the development of ongoing income tax examinations, we are unable to estimate the full range of possible adjustments to this balance.

Operating Segment Information

Information related to our operating segments were as follows *(in millions)*:

	Three Months Ended				Six Months Ended			
	December 30, 2023	December 31, 2022	Change	Percentage Change	December 30, 2023	December 31, 2022	Change	Percentage Change
Network Enablement								
Net revenue	$ 155.5	$ 183.3	$ (27.8)	(15.2)%	$ 305.5	$ 379.8	$ (74.3)	(19.6)%
Gross profit	97.2	118.1	(20.9)	(17.7)%	191.8	244.9	(53.1)	(21.7)%
Gross margin	62.5 %	64.4 %			62.8 %	64.5 %		
Service Enablement								
Net revenue	$ 24.1	$ 23.8	$ 0.3	1.3 %	$ 44.5	$ 46.2	$ (1.7)	(3.7)%
Gross profit	16.6	15.3	1.3	8.5 %	30.3	30.1	0.2	0.7 %
Gross margin	68.9 %	64.3 %			68.1 %	65.2 %		
Network and Service Enablement								
Net revenue	$ 179.6	$ 207.1	$ (27.5)	(13.3)%	$ 350.0	$ 426.0	$ (76.0)	(17.8)%
Operating income	6.4	18.5	(12.1)	(65.4)%	7.9	47.3	(39.4)	(83.3)%
Operating margin	3.6 %	8.9 %			2.3 %	11.1 %		
Optical Security and Performance								
Net revenue	$ 74.9	$ 77.4	$ (2.5)	(3.2)%	$ 152.4	$ 168.7	$ (16.3)	(9.7)%
Gross profit	39.0	40.5	(1.5)	(3.7)%	79.7	92.3	(12.6)	(13.7)%
Gross margin	52.1 %	52.3 %			52.3 %	54.7 %		
Operating income	$ 27.3	$ 27.5	$ (0.2)	(0.7)%	$ 56.6	$ 66.1	(9.5)	(14.4)%
Operating margin	36.4 %	35.5 %			37.1 %	39.2 %		

Network Enablement

NE net revenue decreased by $27.8 million, or 15.2% during the three months ended December 30, 2023 compared to the same period a year ago, primarily driven by lower volumes in Fiber and Access, Wireless and Lab and Production partially offset by higher AvComm revenue.

NE net revenue decreased by $74.3 million, or 19.6% during the six months ended December 30, 2023 compared to the same period a year ago, primarily driven by lower volumes in Fiber and Access, Wireless and Lab and Production partially offset by higher AvComm revenue.

NE gross margin decreased by 1.9 percentage points during the three months ended December 30, 2023 to 62.5% from 64.4% in the same period a year ago primarily due to lower volumes and unfavorable product mix.

NE gross margin decreased by 1.7 percentage points during the six months ended December 30, 2023 to 62.8% from 64.5% in the same period a year ago primarily due to lower volumes and unfavorable product mix.

Service Enablement

SE net revenue increased by $0.3 million, or 1.3%, during the three months ended December 30, 2023 compared to the same period a year ago primarily due to higher Assurance revenue offset in part by lower Data Center revenue.

SE net revenue decreased by $1.7 million, or 3.7%, during the six months ended December 30, 2023 compared to the same period a year ago primarily due to lower Assurance revenue offset in part by higher Data Center revenue.

SE gross margin increased by 4.6 percentage points during the three months ended December 30, 2023 to 68.9% from 64.3% in the same period a year ago primarily due to favorable product mix.

SE gross margin increased by 2.9 percentage points during the six months ended December 30, 2023 to 68.1% from 65.2% in the same period a year ago primarily due to favorable product mix.

Network and Service Enablement

NSE operating margin decreased by 5.3 percentage points during the three months ended December 30, 2023 to 3.6% from 8.9% in the same period a year ago primarily due to lower volumes.

NSE operating margin decreased by 8.8 percentage points during the six months ended December 30, 2023 to 2.3% from 11.1% in the same period a year ago primarily due to lower volumes.

Optical Security and Performance Products

OSP net revenue decreased by $2.5 million, or 3.2%, during the three months ended December 30, 2023 compared to the same period a year ago. This decrease was primarily driven by lower anti-counterfeiting revenue partially offset by higher consumer and industrial and government revenues.

OSP net revenue decreased by $16.3 million, or 9.7%, during the six months ended December 30, 2023 compared to the same period a year ago. This decrease was primarily driven by lower anti-counterfeiting and consumer and industrial revenues partially offset by higher government revenue.

OSP gross margin decreased by 0.2 percentage points during the three months ended December 30, 2023 to 52.1% from 52.3% in the same period a year ago primarily due to lower volumes.

OSP gross margin decreased by 2.4 percentage points during the six months ended December 30, 2023 to 52.3% from 54.7% in the same period a year ago primarily due to unfavorable manufacturing variances and lower volumes.

OSP operating margin increased by 0.9 percentage points during the three months ended December 30, 2023 to 36.4% from 35.5% in the same period a year ago primarily due to lower operating expenses.

OSP operating margin decreased by 2.1 percentage points during the three months ended December 30, 2023 to 37.1% from 39.2% in the same period a year ago primarily due to the aforementioned reduction in gross margin.

Liquidity and Capital Resources

We believe our existing liquidity and sources of liquidity, namely operating cash flows, credit facility capacity, and access to capital markets, will continue to be adequate to meet our liquidity needs, including but not limited to, contractual obligations, working capital and capital expenditure requirements, financing strategic initiatives, fund debt maturities, and execution of purchases under our share repurchase program over the next twelve months and beyond. However, there are a number of factors that could positively or negatively impact our liquidity position, including:

- Global economic conditions which affect demand for our products and services and impact the financial stability of our suppliers and customers;
- Changes in accounts receivable, inventory or other operating assets and liabilities which affect our working capital;
- Increase in capital expenditure to support the revenue growth opportunity of our business;
- Changes in customer payment terms and patterns, which typically results in customers delaying payments or negotiating favorable payment terms to manage their own liquidity positions;
- Timing of payments to our suppliers;
- Factoring or sale of accounts receivable;
- Volatility in fixed income and credit markets which impact the liquidity and valuation of our investment portfolios;
- Volatility in credit markets which would impact our ability to obtain additional financing on favorable terms or at all;

- Volatility in foreign exchange markets which impacts our financial results;
- Possible investments or acquisitions of complementary businesses, products or technologies;
- While the principal payment obligations of our 1.00% Senior Convertible Notes due 2024, our 1.625% Senior Convertible Notes due 2026 and our 3.75% Senior Notes due 2029 (together the “Notes”) are substantial and have covenants that restrict our debt level and credit facility capacity, we may be able to incur substantially more debt;
- Issuance or repurchase of debt which may include open market purchases of our 2024 Notes, 2026 Notes and/or 2029 Notes prior to their maturity;
- Issuance or repurchase of our common stock or other equity securities;
- Potential funding of pension liabilities either voluntarily or as required by law or regulation;
- Compliance with covenants and other terms and conditions related to our financing arrangements; and
- The risks and uncertainties detailed in Item 1A “Risk Factors” section of our Quarterly Report on Form 10-Q.

Cash and Cash Equivalents and Short-Term Investments

Our cash and cash equivalents and short-term investments consist mainly of investments in institutional money market funds and short-term deposits at major global financial institutions. Our strategy is focused on the preservation of capital and supporting our liquidity requirements that meet high credit quality standards, as specified in our investment policy approved by the Audit Committee of our Board of Directors. Our investments in debt securities and marketable equity securities are primarily classified as available for sale or trading assets and are recorded at fair value. The cost of securities sold is based on the specific identification method. Unrealized gains and losses on available-for-sale investments are recorded as Other comprehensive (loss) income and are reported as a separate component of stockholders’ equity. As of December 30, 2023, U.S. subsidiaries owned approximately 29.6% of our cash and cash equivalents, short-term investments and restricted cash.

As of December 30, 2023, the majority of our cash investments have maturities of 90 days or less and are of high credit quality. Nonetheless we could realize investment losses under adverse market conditions. During the three months ended December 30, 2023, we have not realized material investment losses but can provide no assurance that the value or the liquidity of our investments will not be impacted by adverse conditions in the financial markets. In addition, we maintain cash balances in operating accounts that are with third-party financial institutions. These balances in the U.S. may exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits. While we monitor the cash balances in our operating accounts and adjust the cash balances as appropriate, these cash balances could be impacted if the underlying financial institutions fail.

Senior Secured Asset-Based Revolving Credit Facility

On December 30, 2021, we entered into a credit agreement (the Credit Agreement) with Wells Fargo Bank, National Association (Wells Fargo) as administrative agent, and other lender related parties. The Credit Agreement provides for a senior secured asset-based revolving credit facility in a maximum aggregate amount of $300.0 million, which matures on December 30, 2026. The Credit Agreement also provides that, under certain circumstances, we may increase the aggregate amount of revolving commitments thereunder by an aggregate amount of up to $100.0 million so long as certain conditions are met.

As of December 30, 2023, we had no borrowings under this facility and our available borrowing capacity was approximately $159.0 million, net of outstanding standby letters of credit of $4.1 million.

Refer to “Note 11. Debt” for more information.

Cash Flows for the Six Months Ended December 30, 2023

As of December 30, 2023, our combined balance of cash and cash equivalents and restricted cash increased by $37.0 million to $552.6 million from $515.6 million as of July 1, 2023.

During the six months ended December 30, 2023, Cash provided by operating activities was $70.7 million, consisting of net income of $20.5 million adjusted for non-cash charges (e.g., depreciation, amortization, stock-based compensation and other non-cash items) which totaled $53.5 million, including changes in deferred tax balances, and changes in operating assets and liabilities that used $3.3 million. Changes in our operating assets and liabilities related primarily to a decrease in accounts receivable of $22.8 million due to collections outpacing billings and a decrease in other current and non-current assets of $1.3 million. These were offset by a decrease in deferred revenue of $17.5 million primarily due to timing of support billings and project acceptances, a decrease in accrued payroll and related expenses of $4.4 million due primarily to lower variable expenses and reduced headcount from restructuring activities, a decrease in accounts payable of $2.4 million driven by timing of purchases and related payments, a decrease in accrued expenses and other current and non-current liabilities of $2.1 million, an increase in inventory of $0.7 million and a decrease in income taxes payable of $0.3 million.

During the six months ended December 30, 2023, Cash used in investing activities was $20.3 million, primarily resulting from $12.5 million used for capital expenditures and $9.7 million net purchases of short-term investments offset by $1.9 million proceeds from sales of assets.

During the six months ended December 30, 2023, Cash used in financing activities was $18.3 million, primarily resulting from $10.0 million cash paid to repurchase common stock under our share repurchase program, $9.3 million in withholding tax payments on the vesting of restricted stock and performance-based awards and $1.9 million paid for acquisition related liabilities. These were offset by $3.0 million in proceeds from the issuance of common stock under our employee stock purchase plan.

Share Repurchase Program

During the six months ended December 30, 2023, we repurchased 1.0 million shares of our common stock for $10.0 million pursuant to our 2022 Repurchase Plan. As of December 30, 2023, the Company had remaining authorization of $224.8 million for future share repurchases under the 2022 Repurchase Plan.

Refer to “Note 15. Stockholders Equity” for more information.

Contractual Obligations

There were no material changes to our existing contractual commitments during the second quarter of fiscal 2024.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, as such term is defined in rules promulgated by the SEC, that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors, other than the guarantees discussed in “Note 18. Commitments and Contingencies.”

Employee Equity Incentive Plan

Our stock-based benefit plans are a broad-based, long-term retention program that is intended to attract and retain employees and align stockholder and employee interests. Refer to “Note 16. Stock-Based Compensation” for more details.

Employee Defined Benefit Plans and Other Post-retirement Benefits

We sponsor significant qualified and non-qualified pension plans for certain past and present employees in the U.K. and Germany. Most of these plans have been closed to new participants and no additional service costs are being accrued.

The U.K. plan is fully funded, and the other Germany plans, which were initially established as “pay-as-you-go” plans, are unfunded. As of December 30, 2023, our pension plans were under-funded by $54.4 million since the post-retirement benefit obligation (PBO) exceeded the fair value of plan assets. Pension plan assets are managed by external third parties and we monitor the performance of our investment managers. As of December 30, 2023, the fair value of plan assets had increased approximately 5.6% since July 1, 2023, our most recent fiscal year end.

We are also responsible for the non-pension PBO assumed from a past acquisition of $0.4 million.

In estimating the expected return on plan assets, we consider historical returns on plan assets, adjusted for forward-looking considerations, inflation assumptions and the impact of active management of the plan’s invested assets. While it is not possible to accurately predict future rate movements, we believe our current assumptions are appropriate. Refer to “Note 17. Employee Pension and Other Benefit Plans” for more details.

Recently Issued Accounting Pronouncements

Refer to “Note 2. Recently Issued Accounting Pronouncements” regarding the effect of certain recent accounting pronouncements on our consolidated financial statements.

Critical Accounting Estimates

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, (U.S. GAAP), which require management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, net revenue and expenses, and the disclosure of contingent assets and liabilities. Our estimates are based on historical experience and assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. We believe that the accounting estimates employed and the resulting balances are reasonable; however, actual results may differ from these estimates and such differences may be material.

A key actuarial assumption in calculating the net periodic cost and the PBO is the discount rate. Changes in the discount rate impact the interest cost component of the net periodic benefit cost calculation and PBO due to the fact that the PBO is calculated on a net present value basis. Decreases in the discount rate will generally increase pre-tax cost, recognized expense and the PBO. Increases in the discount rate tend to have the opposite effect. We estimate a 50-basis point decrease or increase in the discount rate would cause a corresponding increase or decrease, respectively, in the PBO of approximately $4.0 million based upon data as of July 1, 2023.

Goodwill is recognized and initially measured as the excess of the purchase price paid over the net fair value of assets acquired and liabilities assumed in a business combination. Goodwill is not amortized but is tested for impairment annually, or more frequently if an event occurs or circumstances change that would more likely than not result in an impairment of goodwill. The Company tests goodwill at the reporting unit level for impairment during the fourth quarter of each fiscal year, or more frequently if events or circumstances indicate that the asset may be impaired.

First, we assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we conduct a quantitative goodwill impairment test comparing the fair value of the applicable reporting unit with its carrying value. If the estimated fair value exceeds book value, goodwill is considered not to be impaired. However, if the fair value of the reporting unit is less than book value, then goodwill will be impaired by the amount that the carrying amount of goodwill exceeds the fair value.

As part of the annual impairment test, the Company performed a quantitative assessment of goodwill impairment for all reporting units during the fourth quarter of fiscal 2023.

The Company estimated the fair value of each reporting unit by applying a combination of the income approach and the market approach. The income approach used discounted future cash flows in which sales, operating income and cash flow projections were based on assumptions driven by current economic conditions. In developing these assumptions, we relied on various factors including operating results, business plans, economic projections, anticipated future cash flows, and other market data. The market approach was based on trading multiples of companies comparable to each reporting unit and analysis of recent sales of comparable entities. We corroborated the fair value estimates by comparing the sum of the fair values of the reporting units and corporate net assets to VIAVI's market capitalization as of the valuation date.

The Company believes the assumptions used in the goodwill impairment test were reasonable, but future changes in the underlying assumptions could occur due to the inherent uncertainty in making such estimates. Further declines in the Company's operating results due to challenging economic conditions, an unfavorable industry or macroeconomic development or other adverse changes in market conditions could change one of the key assumptions the Company used in the goodwill impairment assessment, which could result in a further decline in fair value and require the Company to record an impairment charge in future periods.

Based on our testing, the fair value of each of the Company's reporting units was at least two times the carrying value, and therefore no impairment was identified.

Item 3. Quantitative and Qualitative Disclosure About Market Risks

The Company's market risk has not changed materially from the foreign exchange and interest rate risks disclosed in Item 7A of the Company's Annual Report on Form 10-K for the fiscal year ended July 1, 2023.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act), which are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate, to allow timely decisions regarding required disclosure. Our management, with the participation of our CEO and CFO, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of December 30, 2023.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations on Effectiveness of Controls

Our management, including our CEO and CFO, does not expect that our disclosure controls and procedures of our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems will be achieved. No evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company, have been detected. Accordingly, our disclosure controls and procedures provide reasonable assurance of achieving their objective.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to a variety of claims and suits that arise from time to time in the ordinary course of our business. While management currently believes that resolving claims against us, individually or in aggregate, will not have a material adverse impact on our financial position, results of operations or statement of cash flows, these matters are subject to inherent uncertainties and management’s view of these matters may change in the future. If an unfavorable final outcome were to occur, it may have a material adverse impact on our financial position, results of operations or cash flows for the period in which the effect becomes reasonably estimable.

ITEM 1A. RISK FACTORS

Global Risks

Geopolitical conditions, including political turmoil and volatility, regional conflicts, terrorism and war could result in market instability, which could negatively impact our business results.

We operate globally and sell our products in countries throughout the world. Recent escalation in regional conflicts, including the Russian invasion of Ukraine, resulting in ongoing economic sanctions, the escalating armed conflict between Israel and Hamas, resulting in instability in the Middle East, and the risk of increased tensions between the U.S. and China, could curtail or prohibit our ability to transfer certain technologies, to sell our products and solutions, or to continue to operate in certain locations. Foreign companies with a presence in China are facing increasing operational challenges and enhanced scrutiny from governmental entities in region. Further, it is possible that the U.S.-Chinese geopolitical tensions could result in government measures that could adversely impact our business. For example, in May 2023, China announced controls on the use of Micron products in China, following a cybersecurity review of Micron. At this time, the scope of these restrictions and entities impacted, and impact on VIAVI, is unclear. In September 2023, a bill was introduced by the House Financial Services Committee that could permit sanctions on certain Chinese entities in China's defense and surveillance technology sectors. This could have an adverse impact on our revenues in this region. International conflict has resulted in (i) increased pressure on the supply chain and could further result in increased energy costs, which could increase the cost of manufacturing, selling and delivering products and solutions (ii) inflation, which could result in increases in the cost of manufacturing products, reduced customer purchasing power, increased price pressure, and reduced or cancelled orders (iii) increased risk of cybersecurity attacks and (iv) general market instability, all of which could adversely impact our financial results.

COVID-19 has and may continue to adversely affect how we and our customers are operating our businesses.

The worldwide spread of the COVID-19 virus resulted in a global slowdown of economic activity which led, at times, to slowdowns in shipping and commercial activities.

The lingering impacts of COVID-19 may continue to adversely affect the financial markets in many countries. In addition, the emergence of new and potentially more contagious variants of the virus, new shutdowns or quarantines, and the resulting staffing and labor supply challenges may impact our suppliers and our ability to source materials in a timely manner, may negatively impact manufacturing or shipment of our products and hence adversely affect our results of operations and financial conditions.

Risks Related to Our Business Strategy and Industry

Our future profitability is not assured.

Our profitability in a particular period will be impacted by revenue, product mix and operational costs that vary significantly across our product portfolio and business segments.

Specific factors that may undermine our profit and financial objectives include, among others:

- Uncertain future telecom carrier and cable operator capital and R&D spending levels, which particularly affects our NE and SE segments;
- Adverse changes to our product mix, both fundamentally (resulting from new product transitions, the declining profitability of certain legacy products and the termination of certain products with declining margins, among other things) and due to quarterly demand fluctuations;
- Pricing pressure across our NSE product lines due to competitive forces, advanced chip component shortages, and a highly concentrated customer base for many of our product lines, which may offset some of the cost improvements;

- Our OSP operating margin may experience some downward pressure as a result of a higher mix of 3D sensing products and increased operating expenses;
- Limited availability of components and resources for our products which leads to higher component prices;
- Resource rationing, including rationing of utilities like electricity by governments and/or service providers;
- Fiscal policy constraints that impact or slow customer inventory consumption;
- Increasing commoditization of previously differentiated products, and the attendant negative effect on average selling prices and profit margins;
- Execution challenges, which limit revenue opportunities and harm profitability, market opportunities and customer relations;
- Decreased revenue associated with terminated or divested product lines;
- Redundant costs related to periodic transitioning of manufacturing and other functions to lower-cost locations;
- Ongoing costs associated with organizational transitions, consolidations and restructurings, which are expected to continue in the nearer term;
- Cyclical demand for our currency products;
- Changing market and economic conditions, including the impacts due to tariffs, the ongoing conflict between Russia and Ukraine, the escalating armed conflict between Israel and Hamas; tensions and trade sanctions between the U.S. and China, supply chain constraints, pricing and inflationary pressures;
- Ability of our customers, partners, manufacturers and suppliers to purchase, market, sell, manufacture and/or supply our products and services, including as a result of disruptions arising from supply chain constraints;
- Financial stability of our customers, including the solvency of private sector customers and statutory authority for government customers to purchase goods and services; and
- Factors beyond our control resulting from pandemics and similar outbreaks, manufacturing restrictions, travel restrictions and shelter-in-place orders to control the spread of a disease regionally and globally, and limitations on the ability of our employees and our suppliers' and customers' employees to work and travel.

Taken together, these factors limit our ability to predict future profitability levels and to achieve our long-term profitability objectives. If we fail to achieve profitability expectations, the price of our debt and equity securities, as well as our business and financial condition, may be materially adversely impacted.

Rapid technological change in our industry presents us with significant risks and challenges, and if we are unable to keep up with the rapid changes, our customers may purchase less of our products.

The manufacture, quality and distribution of our products, as well as our customer relations, may be affected by several factors, including the rapidly changing market for our products, supply chain issues and internal restructuring efforts. We expect the impact of these issues will become more pronounced as we continue to introduce new product offerings and when overall demand increases.

Our success depends upon our ability to deliver both our current product offerings and new products and technologies on time and at an acceptable cost to our customers. The markets for our products are characterized by rapid technological change, frequent new product introductions, substantial capital investment, changes in customer requirements and a constantly evolving industry. Our future performance will depend on the successful development, introduction and market acceptance of new and enhanced products that address these issues and provide solutions that meet our customers' current and future needs. As a technology company, we also constantly encounter quality, volume and cost concerns such as:

- Our continuing cost reduction programs which include site and organization consolidations, asset divestitures, outsourcing the manufacture of certain products to contract manufacturers, other outsourcing initiatives, and reductions in employee headcount, requirements related to re-establishment and re-qualification by our customers of complex manufacturing lines, and modifications to systems, planning and operational infrastructure. During this process, we have experienced, and may continue to experience, additional costs, delays in re-establishing volume production levels, planning difficulties, inventory issues, factory absorption concerns and systems integration problems.

- We have experienced variability of manufacturing yields caused by difficulties in the manufacturing process, the effects from a shift in product mix, changes in product specifications and the introduction of new product lines. These difficulties can reduce yields or disrupt production and thereby increase our manufacturing costs and adversely affect our margin.

- We may incur significant costs to correct defective products (despite rigorous testing for quality both by our customers and by us), which could include lost future sales of the affected product and other products, and potentially severe customer relations problems, litigation and damage to our reputation.

- We are dependent on a limited number of vendors, who are often small and specialized, for raw materials, packages and standard components. We also rely on contract manufacturers around the world to manufacture certain products. Our business could continue to be adversely affected by this dependency. Specific concerns we periodically encounter with our suppliers include stoppages or delays of supply, insufficient vendor resources to supply our requirements, substitution of more expensive or less reliable products, receipt of defective parts or contaminated materials, increases in the price of supplies and an inability to obtain reduced pricing from our suppliers in response to competitive pressures. Additionally, the ability of our contract manufacturers to fulfill their obligations may be affected by economic, political or other forces that are beyond our control. Any such failure could have a material impact on our ability to meet customers' expectations and may materially impact our operating results.

- New product programs and introductions involve changing product specifications and customer requirements, unanticipated engineering complexities, difficulties in reallocating resources and overcoming resource limitations and increased complexity, which expose us to yield and product risk internally and with our suppliers.

These factors have caused considerable strain on our execution capabilities and customer relations. We have seen and could continue to see periodic difficulty responding to customer delivery expectations for some of our products, and yield and quality problems, particularly with some of our new products and higher volume products which could require additional funds and other resources to respond to these execution challenges. From time to time, we have had to divert resources from new product R&D and other functions to assist with resolving these matters. If we do not improve our performance in all of these areas, our operating results will be harmed, the commercial viability of new products may be challenged, and our customers may choose to reduce or terminate their purchases of our products and purchase additional products from our competitors.

Unfavorable, uncertain or unexpected conditions in the transition to new technologies may cause our growth forecasts to be inaccurate and/or cause fluctuations in our financial results.

Growth forecasts are subject to significant uncertainty and are based on assumptions and estimates which may not prove to be accurate. Our estimates of the market opportunities related to 5G infrastructure, 3D sensing and other developing technologies are subject to significant uncertainty and are based on assumptions and estimates, including our internal analysis, industry experience and third-party data. Accordingly, these markets may not develop in the manner or in the time periods we anticipate and our estimated market opportunities may prove to be materially inaccurate.

If domestic and global economic conditions worsen, including as a result of pricing and inflationary pressures, overall spending on 5G infrastructure, 3D sensing and other developing technologies may be reduced, which would adversely impact demand for our products in these markets. In addition, unfavorable developments with evolving laws and regulations worldwide related to such technologies may limit or slow the rate of global adoption, impede our strategy, and negatively impact our long-term expectations in these markets.

Our growth and ability to serve a significant portion of these markets is subject to many factors including our success in implementing our business strategy as well as market adoption and expansion of 5G infrastructure, 3D sensing and other applications for consumer electronics. We cannot assure you that we will be able to serve a significant portion of these markets and the growth forecasts should not be taken as indicative of our future growth. Even if the markets and rates of adoption develop in the manner or in the time periods we anticipate, if we do not have timely, competitively priced, market-accepted products available to meet our customers' planned roll-out of 5G platforms and systems, 3D sensing products and other technologies, we may miss a significant opportunity and our business, financial condition, results of operations and cash flows could be materially and adversely affected.

We may experience increased pressure on our pricing and contract terms due to our reliance on a limited number of customers for a significant portion of our sales.

We believe that we will continue to rely upon a limited number of customers for a significant portion of our revenues for the foreseeable future. Any failure by us to continue capturing a significant share of key customer sales could materially harm our business. Dependence on a limited number of customers exposes us to the risk that order reductions from any one customer can have a material adverse effect on periodic revenue. Further, to the extent that there is consolidation among communications equipment manufacturers and service providers, we will have increased dependence on fewer customers who may be able to exert increased pressure on our prices and other contract terms. Customer consolidation activity and periodic manufacturing and inventory initiatives could also create the potential for disruptions in demand for our products as a consequence of such customers streamlining, reducing or delaying purchasing decisions.

We have a strategic alliance with SICPA to market and sell our OVP and OVMP product lines for banknote anti-counterfeiting applications worldwide. A material reduction in sales, or loss of the relationship with SICPA, may harm our business and operating results as we may be unable to find a substitute marketing and sales partner or develop these capabilities ourselves in a timely manner.

Movement towards virtualized networks and software solutions may result in lower demand for our hardware products and increased competition.

The markets for our NE and SE segments are increasingly looking towards virtualized networks and software solutions. This trend may result in lower demand for our legacy hardware products. Additionally, barriers to entry are generally lower for software solutions, which may lead to increased competition for our products and services.

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

Our strategy continues to include periodic acquisitions and divestitures of businesses and technologies. Strategic transactions of this nature involve numerous risks, including the following:

- Diversion of management's attention from normal daily operations of the business;
- Potential difficulties in completing projects associated with in-process R&D;
- Difficulties in entering markets in which we have no or limited prior experience and where competitors have stronger market positions;
- Difficulties in obtaining or providing sufficient transition services and accurately projecting the time and cost associated with providing these services;
- Inability of an acquisition to further our business strategy as expected or overpay for, or otherwise not realize the expected return on our investments;
- Expected earn-outs may not be achieved in the time frame or at the level expected or at all;
- Lack of ability to recognize or capitalize on expected growth, synergies or cost savings;
- Insufficient net revenue to offset increased expenses associated with acquisitions;
- Potential loss of key employees of the acquired companies;
- Difficulty in forecasting revenues and margins;
- Adverse public health developments, epidemic disease or pandemics in the countries in which we operate or our customers are located, including regional quarantines restricting the movement of people or goods, reductions in labor supply or staffing, the closure of facilities to protect employees, including those of our customers, disruptions to global supply chains and both our and our suppliers' ability to deliver materials and products on a timely or cost-effective basis, shipment, acceptance or verification delays, the resulting overall significant volatility and disruption of financial markets, and economic instability affecting customer spending patterns; and
- Inadequate internal control procedures and disclosure controls to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or poor integration of a target company's or business's procedures and controls.

Acquisitions may also cause us to:

- Issue common stock that would dilute our current stockholders' percentage ownership and may decrease earnings per share;
- Assume liabilities, some of which may be unknown at the time of the acquisitions;
- Record goodwill and non-amortizable intangible assets that will be subject to impairment testing and potential periodic impairment charges;
- Incur additional debt to finance such acquisitions;
- Incur amortization expenses related to certain intangible assets; or
- Acquire, assume, or become subject to litigation related to the acquired businesses or assets.

We may not generate positive returns on our research and development strategy.

Developing our products is expensive, and the investment in product development may involve a long payback cycle. We expect to continue to invest heavily in R&D in order to expand the capabilities of 3D sensing and smart phone sensors, handheld spectrometer solution and portable test instruments, introduce new products and features and build upon our technology. We expect that our results of operations may be impacted by the timing and size of these investments. In addition, these investments may take several years to generate positive returns, if ever.

Operational Risks

Restructuring

We have from time to time engaged in restructuring activities to realign our cost base with current and anticipated future market conditions, including one initiated during fiscal 2023. Significant risks associated with these types of actions that may impair our ability to achieve the anticipated cost reductions or disrupt our business include delays in the implementation of anticipated workforce reductions in highly regulated locations outside of the U.S. and the failure to meet operational targets due to the loss of key employees. In addition, our ability to achieve the anticipated cost savings and other benefits from these actions within the expected timeframe is subject to many estimates and assumptions. These estimates and assumptions are subject to significant economic, competitive and other uncertainties, some of which are beyond our control. If these estimates and assumptions are incorrect, if we experience delays, or if other unforeseen events occur, our business and results of operations could be adversely affected.

Management transitions and talent retention create uncertainties and could harm our business.

Management changes could adversely impact our results of operations and our customer relationships and may make recruiting for future management positions more difficult. Our executives and other key personnel are generally at-will employees and we generally do not have employment or non-compete agreements with our other employees, and we cannot assure you that we will be able to retain them. We have in the past experienced, and could continue to experience changes in our leadership team. Competition for people with the specific technical and other skills we require is significant. Moreover, we may face new and unanticipated difficulties in attracting, retaining and motivating employees in connection with the change of our headquarters to Chandler, Arizona. As remote work has become more available the competition for highly qualified talent has intensified. If we are unable to attract and retain qualified executives and employees, or to successfully integrate any newly hired personnel within our organization, we may be unable to achieve our operating objectives, which could negatively impact our financial performance and results of operations.

We face risks related to our international operations and revenue.

Our customers are located throughout the world. In addition, we have significant operations outside North America, including product development, manufacturing, sales and customer support operations.

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

- Fluctuations in exchange rates between the U.S. dollar and among the currencies of the countries in which we do business may adversely affect our operating results by negatively impacting our revenues or increasing our expenses;
- Our ability to comply with a wide variety of laws and regulations of the countries in which we do business, including, among other things, customs, import/export, anti-bribery, anti-competition, tax and data privacy laws, which may be subject to sudden and unexpected changes;
- Difficulties in establishing and enforcing our intellectual property rights;
- Tariffs and other trade barriers;
- Political, legal and economic instability in foreign markets, particularly in those markets in which we maintain manufacturing and product development facilities;

- Strained or worsening relations between the United States, Russia and China and related impacts on other countries;
- Difficulties in staffing and management;
- Language and cultural barriers;
- Seasonal reductions in business activities in the countries where our international customers are located;
- Integration of foreign operations;
- Longer payment cycles;
- Difficulties in management of foreign distributors; and
- Potential adverse tax consequences.

The spread of COVID-19 has affected the manufacturing and shipment of goods globally. Any delay in production or delivery of our products due to an extended closure of our suppliers' plants could adversely impact our business, along with delays in shipment of our products as well as increased logistics costs.

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

Legal, Regulatory and Compliance Risks

Certain of our products are subject to governmental and industry regulations, certifications and approvals.

The commercialization of certain of the products we design, manufacture and distribute through our OSP segment may be more costly due to required government approval and industry acceptance processes. Development of applications for our anti-counterfeiting and special effects pigments may require significant testing that could delay our sales. For example, durability testing by the automobile industry of our special effects pigments used with automotive paints can take up to three years. If we change a product for any reason, including technological changes or changes in the manufacturing process, prior approvals or certifications may be invalid and we may need to go through the approval process again. If we are unable to obtain these or other government or industry certifications in a timely manner, or at all, our operating results could be adversely affected.

U.S. Government trade actions could have an adverse impact on our business, financial position, and results of operation.

The United States and China have been engaged in protracted negotiations over the Chinese government's acts, policies, and practices related to technology transfer, intellectual property, and innovation. For example, the United States has increased tariffs on certain categories of high-tech and consumer goods imported from China pursuant to Section 301 of the Trade Act of 1974, including a current 25% tariff on List 1, List 2 and List 3 goods, which lists cover certain materials and/or products that we import from China.

On May 16, 2019, Huawei Technologies Co. Ltd. and 68 designated non-U.S. affiliates (collectively, Huawei) were added to the Entity List of the Bureau of Industry and Security of the U.S. Department of Commerce (BIS), which imposes limitations on the supply of certain U.S. items and product support to Huawei. On August 17, 2020, BIS issued final rules that further restrict access by Huawei to items produced domestically and abroad from U.S. technology and software. Certain products of VIAVI are subject to the restrictions; however, the impact is not expected to be material to our overall operations.

These measures, along with any additional tariffs or other trade actions that may be implemented, may increase the cost of certain materials and/or products that we import from China, thereby adversely affecting our profitability. These actions could require us to raise our prices, which could decrease demand for our products. As a result, these actions, including potential retaliatory measures by China and further escalation into a potential “trade war”, may adversely impact our business. While recent US export controls on China’s semiconductor and artificial intelligence industries may have an indirect impact on VIAVI, the implications of such controls are still being evaluated and are not expected to have a material impact on our consolidated annual revenues.

Furthermore, the geopolitical and economic uncertainty and/or instability that may result from changes in the relationship among the United States, Taiwan and China, may, directly or indirectly, materially harm our business, financial condition and results of operations. For example, certain of our suppliers are dependent on products sourced from Taiwan which are prevalent in certain global markets, most specifically semiconductor manufacturing. Hence, greater restrictions and/or disruptions of our suppliers’ ability to operate facilities and/or do business in these jurisdictions may increase the cost of certain materials and/or limit the supply of products and may result in deterioration of our profit margins, a potential need to increase our pricing and, in so doing, may decrease demand for our products and thereby adversely impact our revenue or profitability.

Due to the ongoing conflict between Russia and Ukraine, the U.S., E.U. and U.K. have broadened restrictions on exports to Russia, thereby blocking shipments of technology, telecommunications and consumer electronics products to Russia. This caused us to suspend transactions in the region effective February 2022 and has negatively impacted our business in the region. Sales in the region are not material to our total consolidated revenues or net income and we are not aware of any specific event or circumstances that would require an update to the estimates or judgments or a revision of the carrying value of assets or liabilities at this time. However, these estimates may change, as new events occur and additional information becomes available. Actual results may differ materially from these estimates, assumptions or conditions due to risks and uncertainties, including the ongoing situation in Ukraine as well as the potential for additional trade actions or retaliatory cyber-attacks aimed at infrastructure or supply chains, and the impact on our future operations and results in the region remains uncertain.

Failure to maintain satisfactory compliance with certain privacy and data protections laws and regulations may harm our business.

Complex local, state, national, foreign, and international laws and regulations apply to the collection, use, retention, protection, disclosure, transfer, and other processing of personal data. These privacy laws and regulations are quickly evolving, with new or modified laws and regulations proposed and implemented frequently and existing laws and regulations subject to new or different interpretations. In addition, our legal and regulatory obligations in jurisdictions outside of the U.S. are subject to unexpected changes, including the potential for regulatory or other governmental entities to enact new or additional laws or regulations, to issue rulings that invalidate prior laws or regulations, or to increase penalties significantly. Complying with these laws and regulations can be costly and can impede the development and offering of new products and services. For example, the E.U. General Data Protection Regulation (GDPR), which became effective in May 2018, imposes stringent data protection requirements and provides for significant penalties for noncompliance. Additionally, California enacted legislation, the California Consumer Privacy Act (CCPA), which became effective January 1, 2020. The CCPA requires, among other things, covered companies to provide new disclosures to California consumers, and allow such consumers new abilities to opt-out of certain sales of personal data. The CCPA also provides for civil penalties for violations, as well as a private right of action for data breaches that may increase data breach litigation. Further, there are a number of new state privacy laws that have gone into effect in 2023, the California Privacy Rights Act, expanding the CCPA to provide for certain obligations with respect to California employee’s sensitive personal data and an expansion of rights, including the right to limit, correct and request deletion of certain sensitive personal data, the Virginia Consumer Data Protection Act, the Utah Consumer Privacy Act, the Colorado Privacy Act and the Connecticut Data Privacy Act, and a number of other states have passed laws that will go into effect in the next few years, including Tennessee, Montana, Indiana and Iowa and many more that are considering similar laws. The new state privacy laws will impose additional data protection obligations on covered businesses, including additional consumer rights, limitations on data uses, new audit requirements for higher risk data, and opt outs for certain uses of sensitive data. The new and proposed privacy laws may result in further uncertainty and would require us to incur additional expenditures to comply. These regulations and legislative developments have potentially far-reaching consequences and may require us to modify our data management practices and incur substantial compliance expense.

Our failure to comply with applicable laws and regulations or other obligations to which we may be subject relating to personal data, or to protect personal data from unauthorized access, use, or other processing, could result in enforcement actions and regulatory investigations against us, claims for damages by customers and other affected individuals, fines, damage to our reputation, and loss of goodwill, any of which could have a material adverse effect on our operations, financial performance, and business.

Information Security, Technology and Intellectual Property Risks

Our business and operations could be adversely impacted in the event of a failure of information technology infrastructure of ours, our suppliers, customers, vendors or our service providers.

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 rely upon third-party hosting and support services to meet these needs. The internet has experienced increasingly sophisticated and damaging threats in the form of phishing emails, malware, malicious websites, ransomware, exploitation of application vulnerabilities, and nation-state attacks. It is also becoming more common for these attacks to leverage previously unknown vulnerabilities. The growing and evolving cyber-risk environment means that individuals, companies, and organizations of all sizes, including ourselves, our customers, suppliers and our hosting and support partners, are increasingly vulnerable to attacks and disruptions on their networks and systems by a wide range of actors on an ongoing and regular basis. We also design and manage IT systems and products that contain IT systems for various customers, and generally face the same threats for these systems as for our own internal systems.

We maintain information security tools and technologies, staff, policies and procedures for managing risk to our networks and information systems, and conduct employee training on cybersecurity to mitigate persistent and continuously evolving cybersecurity threats. Our network security controls are comprised of administrative, physical and technical controls, which include, but are not limited to, the implementation of firewalls, anti-virus protection, patches, log monitors, routine backups, off-site storage, network audits and other routine updates and modifications. We also routinely monitor and develop our internal information technology systems to address risks to our information systems. Despite our implementation of these and other security measures and those of our third-party vendors, our systems are regularly targeted by bad actors and have been exposed to computer viruses, natural disasters, unauthorized access and other similar disruptions and attacks that continue to emerge and evolve. Any system failure, accident or security breach could result in disruptions to our business processes, network degradation, and system down time, along with the potential that a third-party will gain unauthorized access to, or acquire intellectual property, proprietary business information, and data related to our employees, customers, suppliers, and business partners, including personal data. To the extent that any disruption, degradation, downtime or other security event results in a loss or damage to our data or systems, or in inappropriate disclosure of confidential or personal information, it could adversely impact us and our clients, potentially resulting in, among other things, financial losses, loss of customers or business, our inability to transact business on behalf of our clients, adverse impact on our brand and reputation, violations of applicable privacy and other laws, regulatory fines, penalties, litigation, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs. We may also incur additional costs related to cybersecurity risk management and remediation. There can be no assurance that we or our service providers, if applicable, will not suffer losses relating to cyber-attacks or other information security breaches in the future or that our insurance coverage will be adequate to cover all the costs resulting from such events. No assurances can be given that our efforts to reduce the risk of such attacks or to detect attacks that occur will be successful.

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

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

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

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

Lawsuits and allegations of patent infringement and violation of other intellectual property rights occur in our industry on a regular basis. We have received in the past, and anticipate that we will receive in the future, notices from third parties claiming that our products infringe their proprietary rights. Over the past several years there has been a marked increase in the number and potential severity of third-party patent infringement claims, primarily from two distinct sources. First, large technology companies, including some of our customers and competitors, are seeking to monetize their patent portfolios and have developed large internal organizations that have approached us with demands to enter into license agreements. Second, patent-holding companies, entities that do not make or sell products (often referred to as “patent trolls”), have claimed that our products infringe upon their proprietary rights. We will continue to respond to these claims in the course of our business operations. In the past, the resolution of these disputes has not had a material adverse impact on our business or financial condition; however, this may not be the case in the future. Further, the litigation or settlement of these matters, regardless of the merit of the claims, could result in significant expense to us and divert the efforts of our technical and management personnel, whether or not we are successful. If we are unsuccessful, we could be required to expend significant resources to develop non-infringing technology or to obtain licenses to the technology that is the subject of the litigation. We may not be successful in such development, or such licenses may not be available on terms acceptable to us, if at all. Without such a license, we could be enjoined from future sales of the infringing product or products, which could adversely affect our revenues and operating results.

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

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

Environmental, Social and Governance (ESG) Risks

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

We are subject to various federal, state and foreign laws and regulations, including those governing pollution, protection of human health, the environment and recently, those restricting the presence of certain substances in electronic products as well as holding producers of those products financially responsible for the collection, treatment, recycling and disposal of certain products. Such laws and regulations have been passed in several jurisdictions in which we operate, are often complex and are subject to frequent changes. We will need to ensure that we comply with such laws and regulations as they are enacted, as well as all environmental laws and regulations, and as appropriate or required, that our component suppliers also comply with such laws and regulations. If we fail to comply with such laws, we could face sanctions for such noncompliance, and our customers may refuse to purchase our products, which would have a materially adverse effect on our business, financial condition and results of operations.

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

Our business is subject to evolving regulations and expectations with respect to environmental, social and governance matters that could expose us to numerous risks.

Increasingly regulators, customers, investors, employees and other stakeholders are focusing on ESG-related matters and related disclosures. These developments have resulted in, and are likely to continue to result in, increased general and administrative expenses and increased management time and attention spent complying with or meeting ESG-related requirements and expectations. For example, developing and acting on ESG-related initiatives and collecting, measuring and reporting ESG-related information and metrics can be costly, difficult and time consuming and is subject to evolving reporting standards, including the SEC’s proposed climate-related reporting requirements. We may also communicate certain initiatives and goals regarding ESG-related matters in our SEC filings or in other public disclosures. These ESG-related initiatives and goals could be difficult and expensive to implement, the technologies needed to implement them may not be cost effective and may not advance at a sufficient pace, and we could be criticized for the accuracy, adequacy or completeness of the disclosure. Further, statements about our ESG-related initiatives and goals, and progress against those goals, may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. In addition, we could be criticized for the scope or nature of such initiatives or goals, or for any revisions to these goals. If our ESG-related data, processes and reporting are incomplete or inaccurate, or if we fail to achieve progress with respect to our ESG-related goals on a timely basis, or at all, our reputation, business, financial performance and growth could be adversely affected.

We may be subject to risks related to climate change, natural disasters and catastrophic events.

We operate in geographic regions which face a number of climate and environmental challenges. Our new corporate headquarters is located in Chandler, Arizona, a desert climate, subject to extreme heat and drought. The geographic location of our Northern California offices and production facilities subject them to drought, earthquake and wildfire risks. It is impossible to predict the timing, magnitude or location of such natural disasters or their impacts on the local economy and on our operations. If a major earthquake, wildfire or other natural disaster were to damage or destroy our facilities or manufacturing equipment, we may experience potential impacts ranging from production and shipping delays to lost profits and revenues. In October 2017 and again in October 2019, we temporarily closed our Santa Rosa, California facility resulting in production stoppage, due to wildfires in the region and the facility’s close proximity to the wildfire evacuation zone. The location of our production facility could subject us to production delays and/or equipment and property damage. Moreover, Pacific Gas and Electric (PG&E), the public electric utility in our Northern California region, has previously implemented and may continue to implement widespread blackouts during the peak wildfire season to avoid and contain wildfires sparked during strong wind events by downed power lines or equipment failure. Ongoing blackouts, particularly if prolonged or frequent, could impact our operations going forward.

Risks Related to our Liquidity and Indebtedness

Any deterioration or disruption of the capital and credit markets may adversely affect our access to sources of funding.

Global economic conditions have caused and may cause volatility and disruptions in the capital and credit markets. When the capital or credit markets deteriorate or are disrupted, our ability to incur additional indebtedness to fund a portion of our working capital needs and other general corporate purposes, or to refinance maturing obligations as they become due, may be constrained. In the event that we were to seek to access the capital markets or other sources of financing, there can be no assurance that we will be able to obtain financing on acceptable terms or within an acceptable time, if at all. We may seek to access the capital or credit markets whenever conditions are favorable, even if we do not have an immediate need for additional capital at that time. For example, in December 2021, we entered into a $300 million asset-based secured credit facility which has certain limitations based on our borrowing capacity. Our access to the financial markets and the pricing and terms we receive in the financial markets could be adversely impacted by various factors, including changes in financial markets and interest rates. In addition, if we do access the capital or credit markets, agreements governing any borrowing arrangement could contain covenants restricting our operations.

Our term notes increased our overall leverage and our convertible notes could dilute our existing stockholders and lower our reported earnings per share.

The issuance of our 1.00% Senior Convertible Notes due 2024, our 1.625% Senior Convertible Notes due 2026 and our 3.75% Senior Notes due 2029 (together the “Notes”) substantially increased our principal payment obligations. The degree to which we are leveraged could materially and adversely affect our ability to successfully obtain financing for working capital, acquisitions or other purposes and could make us more vulnerable to industry downturns and competitive pressures. In addition, the holders of the 2024 and 2026 Notes are entitled to convert the Notes into shares of our common stock or a combination of cash and shares of common stock under certain circumstances which would dilute our existing stockholders and lower our reported per share earnings.

Our ability to make payments on our indebtedness when due, to make payments upon conversion with respect to our convertible senior notes or to refinance our indebtedness as we may need or desire, depends on our future performance and our ability to generate cash flow from operations, which is subject to economic, financial, competitive and other factors beyond our control. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as reducing or delaying investments or capital expenditures, selling assets, refinancing or obtaining additional equity capital on terms that may be onerous or highly dilutive. We may not be able to engage in these activities on desirable terms or at all, which may result in a default on our existing or future indebtedness and harm our financial condition and operating results.

Our outstanding indebtedness may limit our operational and financial flexibility.

Our level of indebtedness could have important consequences, including:

- Impairing our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes;
- Requiring us to dedicate a substantial portion of our operating cash flow to paying principal and interest on our indebtedness, thereby reducing the funds available for operations;
- Limiting our ability to grow and make capital expenditures due to the financial covenants contained in our debt arrangements;
- Impairing our ability to adjust rapidly to changing market conditions, invest in new or developing technologies, or take advantage of significant business opportunities that may arise;
- Making us more vulnerable if a general economic downturn occurs or if our business experiences difficulties; and
- Resulting in an event of default if we fail to satisfy our obligations under the Notes or our other debt or fail to comply with the financial and other restrictive covenants contained in the indentures governing the Notes, or any other debt instruments, which event of default could result in all of our debt becoming immediately due and payable and could permit certain of our lenders to foreclose on our assets securing such debt.

We may not generate sufficient cash flow to meet our debt service and working capital requirements, which may expose us to the risk of default under our debt obligations.

We will need to implement our business strategy successfully on a timely basis to meet our debt service and working capital needs. We may not successfully implement our business strategy, and even if we do, we may not realize the anticipated results of our strategy and generate sufficient operating cash flow to meet our debt service obligations and working capital needs. In addition, our ability to make scheduled payments on our indebtedness, including the notes, is affected by general and regional economic, financial, competitive, business and other factors beyond our control.

In the event our cash flow is inadequate to meet our debt service and working capital requirements, we may be required, to the extent permitted under the indentures covering the Notes and any other debt agreements, to seek additional financing in the debt or equity markets, refinance or restructure all or a portion of our indebtedness, sell selected assets or reduce or delay planned capital or operating expenditures. Any insufficient cash flow may make it more difficult for us to obtain financing on terms that are acceptable to us, or at all.

Despite our current level of indebtedness, we and our subsidiaries may still be able to incur substantially more debt.

We and our subsidiaries may be able to incur significant additional indebtedness in the future. The indentures that govern the Notes and the agreement that governs our secured credit facility contain restrictions on the incurrence of additional indebtedness, which are subject to a number of qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. These restrictions also will not prevent us from incurring obligations that do not constitute indebtedness under the agreements governing our existing debt.

The terms of the indentures that govern the Notes and the agreement that governs our secured credit facility restrict our current and future operations.

The indentures governing the Notes and the agreement governing the secured credit facility contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest, including restrictions on our ability to:

- Incur or guarantee additional indebtedness;
- Incur or suffer to exist liens securing indebtedness;
- Make investments;
- Consolidate, merge or transfer all or substantially all of our assets;
- Sell assets;
- Pay dividends or other distributions on, redeem or repurchase capital stock;
- Enter into transactions with affiliates;
- Amend, modify, prepay or redeem subordinated indebtedness;
- Enter into certain restrictive agreements;
- Engage in a new line of business;
- Amend certain material agreements, including material leases and debt agreements; and
- Enter into sale leaseback transactions.

Tax Risks

Our ability to use our net operating loss carryforwards to offset future taxable income may be subject to certain limitations and/or changes in regulations.

Changes in U.S. federal income or other tax laws or the interpretation of tax laws, including the Inflation Reduction Act of 2022, as recently passed by Congress, may impact our tax liabilities. Utilization of our NOLs and tax credit carryforwards may be subject to a substantial annual limitation if the ownership change limitations under Sections 382 and 383 of the Internal Revenue Code and similar state provisions are triggered by changes in the ownership of our capital stock. In general, an ownership change occurs if there is a cumulative change in our ownership by “5-percent shareholders” that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. Accordingly, purchases of our capital stock by others could limit our ability to utilize our NOLs and tax credit carryforwards in the future.

Furthermore, we may not be able to generate sufficient taxable income to utilize our NOLs and tax credit carryforwards before they expire. Due to uncertainty regarding the timing and extent of our future profitability, we continue to record a valuation allowance to offset our U.S. and certain of our foreign deferred tax assets because of uncertainty related to our ability to utilize our NOLs and tax credit carryforwards before they expire.

If any of these events occur, we may not derive some or all of the expected benefits from our NOLs and tax credit carryforwards.

General Risks

Certain provisions in our charter and under Delaware laws could hinder a takeover attempt.

We are subject to the provisions of Section 203 of the Delaware General Corporation Law prohibiting, under some circumstances, publicly-held Delaware corporations from engaging in business combinations with some stockholders for a specified period of time without the approval of the holders of substantially all of our outstanding voting stock. Such provisions could delay or impede the removal of incumbent directors and could make more difficult a merger, tender offer or proxy contest involving us, even if such events could be beneficial, in the short-term, to the interests of the stockholders. In addition, such provisions could limit the price that some investors might be willing to pay in the future for shares of our common stock. Our certificate of incorporation and bylaws contain provisions providing for the limitations of liability and indemnification of our directors and officers, allowing vacancies on our Board of Directors to be filled by the vote of a majority of the remaining directors, granting our Board of Directors the authority to establish additional series of preferred stock and to designate the rights, preferences and privileges of such shares (commonly known as “blank check preferred”), and providing that our stockholders can take action only at a duly called annual or special meeting of stockholders, which may only be called by the Chairman of the Board, the Chief Executive Officer or the Board of Directors. These provisions may also have the effect of deterring hostile takeovers or delaying changes in control or change in our management.

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

Our common stock is traded on the Nasdaq Global Select Market under the symbol “VIAV”. As of January 27, 2024, we had 1,685 holders of record of our common stock. We have not paid cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future.

There were no shares repurchased under our 2022 Repurchase Plan during the three months ended December 30, 2023, with remaining authorization of $224.8 million for future share repurchases. Refer to “Note 15. Stockholders' Equity” for more details.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

Rule 10b5-1 Trading Arrangements

None of VIAVI’s directors or Section 16 officers adopted, modified or terminated a trading arrangement intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or a “non-Rule” 10b5–1 trading arrangement, as those terms are defined in Regulation S-K, Item 408, during the fiscal quarter ended December 30, 2023.

Item 6. Exhibits

The exhibits required to be filed herewith by Item 601 of Regulation S-K, as described in the following index of exhibits, are attached hereto unless otherwise indicated as being incorporated by reference, as follows:

		Incorporated by Reference			Filed	Furnished
Exhibit No.	Exhibit Description	Form	Exhibit	Filing Date	Herewith	Not Filed
31.1	Certification of the Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X	
31.2	Certification of the Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X	
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
10.1+	Viavi Solutions Inc. 2003 Equity Incentive Plan (Restated as of November 8, 2023)				X	
10.2+	Viavi Solutions Inc. Employee Stock Purchase Plan (Restated as of November 8, 2023)				X	
10.3+	Amendment to Stock Option Agreement by and between Viavi Solutions Inc. and Oleg Khaykin, dated December 11, 2023				X	
10.4+	Employment Agreement between Ilan Daskal and Viavi Solutions Inc., effective November 7, 2023				X	
10.5+	Non-Employee Director Compensation Policy, dated as of November 8, 2023				X	
101.SCH	Inline XBRL Taxonomy Extension Schema				X	
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X	
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				X	
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				X	
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				X	
104	Cover Page Interactive Data File - (formatted as Inline XBRL and contained in Exhibit 101)				X	

+Indicates management contract or compensation plan, contract or arrangement.

SIGNATURES

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

Date: February 2, 2024	VIAVI SOLUTIONS INC.	
	(Registrant)	
	By:	/s/ ILAN DASKAL
	Name:	ILAN DASKAL
	Title:	Executive Vice President and Chief Financial Officer (Duly Authorized Officer and Principal Financial and Accounting Officer)

VIAVI SOLUTIONS INC.

2003 EQUITY INCENTIVE PLAN

(Restated effective as of November 8, 2023)

1. Establishment and Purpose of the Plan. The purpose of this Plan is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company by offering them an opportunity to participate in the Company's future performance. Effective November 8, 2023 (the "Restatement Effective Date"), the Plan was amended and restated.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Administrator" means the Board or any of the Committees appointed to administer the Plan.

(b) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act.

(c) "Applicable Laws" means the legal requirements relating to the Plan and the Awards under applicable provisions of federal securities laws, state corporate and securities laws, the Code, the rules of any applicable stock exchange or national market system, and the rules of any non-U.S. jurisdiction applicable to Awards granted to residents therein.

(d) "Assumed" means that pursuant to a Corporate Transaction either (i) the Award is expressly affirmed by the Company or (ii) the contractual obligations represented by the Award are expressly assumed (and not simply by operation of law) by the successor entity or its Parent in connection with the Corporate Transaction with appropriate adjustments to the number and type of securities of the successor entity or its Parent subject to the Award and the exercise or purchase price thereof which preserves the compensation element of the Award existing at the time of the Corporate Transaction as determined in accordance with the instruments evidencing the agreement to assume the Award.

(e) "Award" means the grant of an Option, SAR, Dividend Equivalent Right, Restricted Stock, Restricted Stock Unit, Performance Unit, Performance Share, or other right or benefit under the Plan.

(f) "Award Agreement" means the written agreement evidencing the grant of an Award executed by the Company and the Grantee, including any amendments thereto.

(g) "Board" means the Board of Directors of the Company.

(h) "Cause" means, with respect to the termination by the Company or a Related Entity of the Grantee's Continuous Active Service, that such termination is for "Cause" as such term is expressly defined in a then-effective written agreement between the Grantee and the Company or such Related Entity, or in the absence of such then-effective written agreement and definition, is based on, in the determination of the Administrator, (i) the Grantee's gross negligence or willful misconduct in the Grantee's performance of duties to the Company or a Related Entity, as applicable; (ii) the Grantee's violation of any federal or state law that if made public would injure the business or reputation of the Company or a Related Entity; (iii) the Grantee's failure to comply with any specific lawful direction or order of the Company or a Related Entity or the policies and procedures of the Company or a Related Entity, including but not limited to, the Company's Code of Business Conduct and Insider Trading Policy; (iv) the substantial and continuing willful refusal by the Grantee to perform duties ordinarily performed by an individual in the same position and having similar duties as the Grantee; or (v) the material unauthorized use, disclosure or misappropriation by the Grantee of any proprietary information, trade secret or other asset of the Company or entrusted to the Company by a third party. The determination as to whether a Grantee is being terminated for Cause will be made in good faith by the Administrator and will be final and binding on the Grantee.

(i) "Change in Control" means a change in ownership or control of the Company effected through either of the following transactions:

(i) the direct or indirect acquisition by any person or related group of persons (other than an acquisition from or by the Company or by a Company-sponsored employee benefit plan or by a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's stockholders which a majority of the Continuing Directors who are not Affiliates or Associates of the offeror do not recommend such stockholders accept, or

(ii) a change in the composition of the Board over a period of thirty-six (36) months or less such that a majority of the Board members (rounded up to the next whole number) ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who are Continuing Directors.

(j) "Code" means the Internal Revenue Code of 1986, as amended.

(k) "Committee" means any committee composed of members of the Board appointed by the Board to administer the Plan.

(l) "Common Stock" means the common stock of the Company.

(m) "Company" means Viavi Solutions Inc., a Delaware corporation.

(n) "Consultant" means any person (other than an Employee or a Director, solely with respect to rendering services in such person's capacity as a Director) who is engaged by the Company or any Related Entity to render consulting or advisory services to the Company or such Related Entity.

(o) "Continuing Directors" means members of the Board who either (i) have been Board members continuously for a period of at least thirty-six (36) months or (ii) have been Board members for less than thirty-six (36) months and were elected or nominated for election as Board members by at least a majority of the Board members described in clause (i) who were still in office at the time such election or nomination was approved by the Board.

(p) "Continuous Active Service" means that the provision of services to the Company or a Related Entity in any capacity of Employee, Director or Consultant is not interrupted or terminated. In jurisdictions requiring notice in advance of an effective termination as an Employee, Director or Consultant, Continuous Active Service shall be deemed terminated upon the actual cessation of providing services to the Company or a Related Entity notwithstanding any required notice period that must be fulfilled before a termination as an Employee, Director or Consultant can be effective under Applicable Laws. Continuous Active Service shall not be considered interrupted in the case of (i) any approved leave of absence, (ii) transfers among the Company, any Related Entity, or any successor, in any capacity of Employee, Director or Consultant, or (iii) any change in status as long as the individual remains in the service of the Company or a Related Entity in any capacity of Employee, Director or Consultant (except as otherwise provided in the Award Agreement). An approved leave of absence shall include sick leave, military leave, or any other authorized personal leave. For purposes of each Incentive Stock Option granted under the Plan, if such leave exceeds ninety (90) days, and reemployment upon expiration of such leave is not guaranteed by statute or contract, then the Incentive Stock Option shall be treated as a Non-Qualified Stock Option on the day three (3) months and one (1) day following the expiration of such ninety (90) day period.

(q) "Corporate Transaction" means any of the following transactions:

(i) a merger or consolidation in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the state in which the Company is incorporated;

(ii) the sale, transfer or other disposition of all or substantially all of the assets of the Company;

(iii) the complete liquidation or dissolution of the Company;

(iv) any reverse merger or series of related transactions culminating in a reverse merger (including, but not limited to, a tender offer followed by a reverse merger) in which the Company is the surviving entity but in which securities possessing more than forty percent (40%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such merger or the initial transaction culminating in such merger but excluding any such transaction or series of related transactions that the Administrator determines shall not be a Corporate Transaction; or

(v) acquisition in a single or series of related transactions by any person or related group of persons (other than the Company or by a Company-sponsored employee benefit plan) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities but excluding any such transaction or series of related transactions that the Administrator determines shall not be a Corporate Transaction.

(r) "Director" means a member of the Board or the board of directors of any Related Entity.

(s) "Disability" means as defined under the long-term disability policy of the Company or the Related Entity to which the Grantee provides services regardless of whether the Grantee is covered by such policy. If the Company or the Related Entity to which the Grantee provides service does not have a long-term disability plan in place, "Disability" means that a Grantee is unable to carry out the responsibilities and functions of the position held by the Grantee by reason of any medically determinable physical or mental impairment for a period of not less than ninety (90) consecutive days. A Grantee will not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Administrator in its discretion.

(t) "Dividend Equivalent Right" means a right entitling the Grantee to compensation measured by dividends paid with respect to Common Stock.

(u) "Employee" means any person, including an Officer or Director, who is in the employ of the Company or any Related Entity, subject to the control and direction of the Company or any Related Entity as to both the work to be performed and the manner and method of performance. The payment of a director's fee by the Company or a Related Entity shall not be sufficient to constitute "employment" by the Company.

(v) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(w) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation The Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system on the date of determination (or, if no closing sales price or closing bid was reported on that date, as applicable, on the last trading date such closing sales price or closing bid was reported), as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted on an automated quotation system (including the OTC Bulletin Board) or by a recognized securities dealer, but selling prices are not reported, the Fair Market Value of a share of Common Stock shall be the mean between the high bid and low asked prices for the Common Stock on the date of determination (or, if no such prices were reported on that date, on the last date such prices were reported), as reported in The Wall Street Journal or such other source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Common Stock of the type described in (i) and (ii), above, the Fair Market Value thereof shall be determined by the Administrator in good faith in compliance with Applicable Laws and in a manner that complies with Section 409A of the Code.

(x) "Full Value Award" means the grant of Restricted Stock, Restricted Stock Units, Performance Units or Performance Shares under the Plan with a per share or unit purchase price lower than 100% of Fair Market Value on the date of grant.

(y) "Grantee" means an Employee, Director or Consultant who receives an Award under the Plan.

(z) "Immediate Family" means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Grantee's household (other than a tenant or employee), a trust in which these persons (or the Grantee) have more than fifty percent (50%) of the beneficial interest, a foundation in which these persons (or the Grantee) control the management of assets, and any other entity in which these persons (or the Grantee) own more than fifty percent (50%) of the voting interests.

(aa) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(ab) "Non-Employee Director" means a Director who is not an Employee.

(ac) "Non-Qualified Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(ad) "Officer" means a person who is an officer of the Company or a Related Entity within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(ae) "Option" means an option to purchase Shares pursuant to an Award Agreement granted under the Plan.

(af) "Parent" means a "parent corporation", whether now or hereafter existing, as defined in Section 424(e) of the Code.

(ag) "Performance Shares" means Shares or an Award denominated in Shares which may be earned in whole or in part upon attainment of performance criteria established by the Administrator.

(ah) "Performance Units" means an Award which may be earned in whole or in part based upon attainment of performance criteria established by the Administrator and which may be settled for cash, Shares or other securities or a combination of cash, Shares or other securities as established by the Administrator.

(ai) "Plan" means this 2003 Equity Incentive Plan.

(aj) Related Entity" means any Parent or Subsidiary of the Company and any business, corporation, partnership, limited liability company or other entity in which the Company or a Parent or a Subsidiary of the Company holds a substantial ownership interest, directly or indirectly.

(ak) "Replaced" means that pursuant to a Corporate Transaction the Award is replaced with a comparable stock award or a cash incentive program of the Company, the successor entity (if applicable) or Parent of either of them which preserves the compensation element of such Award existing at the time of the Corporate Transaction and provides for subsequent payout in accordance with the same (or a more favorable) vesting schedule applicable to such Award. The determination of Award comparability shall be made by the Administrator and its determination shall be final, binding and conclusive.

(al) "Restricted Stock" means Shares issued under the Plan to the Grantee for such consideration, if any, and subject to such restrictions on transfer, rights of first refusal, repurchase provisions, forfeiture provisions, and other terms and conditions as established by the Administrator.

(am) "Restricted Stock Unit" means a grant of a right to receive in cash or stock, as established by the Administrator, the market value of one Share.

(an) "Rule 16b-3" means Rule 16b-3 promulgated under the Exchange Act or any successor thereto.

(ao) "SAR" means a stock appreciation right entitling the Grantee to Shares or cash compensation, as established by the Administrator, measured by appreciation in the value of Common Stock.

(ap) "Share" means a share of the Common Stock.

(aq) "Subsidiary" means a "subsidiary corporation", whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan.

(a) Effective as of the Restatement Effective Date, subject to the provisions of Section 10 below, the maximum aggregate number of Shares which may be issued pursuant to all Awards (including Incentive Stock Options) shall be equal to the sum of (i) 10,000,000 Shares and (ii) the number of Shares subject to Awards outstanding under the Plan as of the Restatement Effective Date and (iii) the number of Shares that were available for future grant of Awards. The Shares to be issued pursuant to Awards may be authorized, but unissued, or reacquired Common Stock.

(b) Any Shares subject to Awards will be counted against the numerical limits of this Section 3 as one Share for every one Share subject thereto.

(c) Any Shares covered by an Award (or portion of an Award) which is forfeited, canceled or expires (whether voluntarily or involuntarily) shall be deemed not to have been issued for purposes of determining the maximum aggregate number of Shares which may be issued under the Plan. Shares that actually have been issued under the Plan pursuant to an Award shall not be returned to the Plan and shall not become available for future issuance under the Plan, except that if unvested Shares are forfeited, or repurchased by the Company at the lower of their original purchase price or their Fair Market Value at the time of repurchase, such Shares shall become available for future grant under the Plan. With respect to Options and SARs, the gross number of Shares subject to the Award will cease to be available under the Plan (whether or not the Award is net settled for a lesser number of Shares, or if Shares are utilized to exercise such an Award). In addition, if Shares are withheld to pay any withholding taxes applicable to an Award, then the gross number of Shares subject to such Award will cease to be available under the Plan.

4. Administration of the Plan.

(a) Plan Administrator.

(i) Administration with Respect to Directors and Officers. With respect to grants of Awards to Directors or Employees who are also Officers or Directors of the Company, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the Applicable Laws and to permit such grants and related transactions under the Plan to be exempt from Section 16(b) of the Exchange Act in accordance with Rule 16b-3. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board.

(ii) Administration With Respect to Consultants and Other Employees. With respect to grants of Awards to Employees or Consultants who are neither Directors nor Officers of the Company, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the Applicable Laws. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. The Board may authorize one or more Officers to grant such Awards and may limit such authority as the Board determines from time to time.

(iii) Administration Errors. In the event an Award is granted in a manner inconsistent with the provisions of this subsection (a), such Award shall be presumptively valid as of its grant date to the extent permitted by the Applicable Laws.

(b) Powers of the Administrator. Subject to Applicable Laws and the provisions of the Plan (including any other powers given to the Administrator hereunder), and except as otherwise provided by the Board, the Administrator shall have the authority, in its discretion:

(i) to select the Employees, Directors and Consultants to whom Awards may be granted from time to time hereunder;

(ii) to determine whether and to what extent Awards are granted hereunder;

(iii) to determine the number of Shares or the amount of other consideration to be covered by each Award granted hereunder;

(iv) to approve forms of Award Agreements for use under the Plan;

(v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder;

(vi) to amend the terms of any outstanding Award granted under the Plan, provided that (A) any amendment that would adversely affect the Grantee's rights under an outstanding Award shall not be made without the Grantee's written consent, (B) the reduction of the exercise price of any Option or SAR awarded under the Plan shall be subject to stockholder approval and (C) canceling or "buying-out" an Option or SAR at a time when its exercise price exceeds the Fair Market Value of the underlying Shares, in exchange for cash, another Option, SAR, Restricted Stock, Restricted Stock Unit, or other Award shall be subject to stockholder approval, unless the cancellation and exchange occurs in connection with a Corporate Transaction;

(vii) to construe and interpret the terms of the Plan and Awards, including without limitation, any notice of Award or Award Agreement, granted pursuant to the Plan;

(viii) to establish additional terms, modifications, sub-plans, conditions, rules or procedures to accommodate the rules or laws of applicable non-U.S. jurisdictions and to afford Grantees favorable treatment under such rules or laws; provided, however, that no Award shall be granted under any such additional terms, modifications, sub-plans, conditions, rules or procedures with terms or conditions which are inconsistent with the provisions of the Plan; and

(ix) to take such other action, not inconsistent with the terms of the Plan, as the Administrator deems appropriate.

(c) Minimum Vesting Requirements. Notwithstanding any provision of the Plan to the contrary, all Awards granted under the Plan after the Restatement Effective Date shall have a minimum vesting period of one-year measured from the date of grant; provided, however, that up to 5% of the Shares available for future distribution under this Plan as of the Restatement Effective Date may be granted without such minimum vesting requirement. Nothing in this Section 4(c) shall limit the Company's ability to grant Awards that contain rights to accelerated vesting on a termination of employment or service (or to otherwise accelerate vesting), or limit any rights to accelerated vesting in connection with a Corporate Transaction. In addition, any awards assumed or substituted in connection with an acquisition and awards to Non-Employee Directors that vest on the earlier of the one-year anniversary of the date of grant or the next annual meeting of stockholders (which is at least 50 weeks after the immediately preceding year’s annual meeting of stockholders) shall not be subject to this minimum vesting requirement.

(d) Indemnification. In addition to such other rights of indemnification as they may have as members of the Board or as Officers or Employees of the Company or a Related Entity, members of the Board and any Officers or Employees of the Company or a Related Entity to whom authority to act for the Board, the Administrator or the Company is delegated shall be defended and indemnified by the Company to the extent permitted by law on an after-tax basis against all reasonable expenses, including attorneys’ fees, actually and necessarily incurred in connection with the defense of any claim, investigation, action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any Award granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by the Company) or paid by them in satisfaction of a judgment in any such claim, investigation, action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such claim, investigation, action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct; provided, however, that within thirty (30) days after the institution of such claim, investigation, action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at the Company’s expense to handle and defend the same.

5. Eligibility. Awards other than Incentive Stock Options may be granted to Employees, Directors and Consultants. Incentive Stock Options may be granted only to Employees of the Company or a Parent or a Subsidiary of the Company. An Employee, Director or Consultant who has been granted an Award may, if otherwise eligible, be granted additional Awards. Awards may be granted to such Employees, Directors or Consultants who are residing in non-U.S. jurisdictions as the Administrator may determine from time to time. With respect to Awards granted under the Plan after the Restatement Effective Date, in the event a Grantee’s regular level of time commitment in the performance of his or her services for the Company and any Related Entity is reduced (for example, and without limitation, if the Grantee is an Employee of the Company and the Employee has a change in status from a full-time Employee to a part-time Employee or takes an extended leave of absence) after the date of grant of any Award to the Grantee, the Company has the right in its sole discretion to (x) make a corresponding reduction in the number of Shares or cash amount subject to any portion of such Award that is scheduled to vest or become payable after the date of such change in time commitment, and (y) in lieu of or in combination with such a reduction, extend the vesting or payment schedule applicable to such Award. In the event of any such reduction, the Grantee will have no right with respect to any portion of the Award that is so reduced or extended.

6. Terms and Conditions of Awards.

(a) Type of Awards. The Administrator is authorized under the Plan to award any type of arrangement to an Employee, Director or Consultant that is not inconsistent with the provisions of the Plan and that by its terms involves or might involve the issuance of (i) Shares, (ii) cash or (iii) an Option, a SAR, or similar right with a fixed or variable price related to the Fair Market Value of the Shares and with an exercise or conversion privilege related to the passage of time, the occurrence of one or more events, or the satisfaction of performance criteria or other conditions. Such Awards include, without limitation, Options, SARs, Restricted Stock, Restricted Stock Units, Dividend Equivalent Rights, Performance Units or Performance Shares, and an Award may consist of one such security or benefit, or two (2) or more of them in any combination or alternative.

(b) Designation of Award. Each Award shall be designated in the Award Agreement. In the case of an Option, the Option shall be designated as either an Incentive Stock Option or a Non-Qualified Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of Shares subject to Options designated as Incentive Stock Options which become exercisable for the first time by a Grantee during any calendar year (under all plans of the Company or any Parent or Subsidiary of the Company) exceeds $100,000, such excess Options, to the extent of the Shares covered thereby in excess of the foregoing limitation, shall be treated as Non-Qualified Stock Options. For this purpose, Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares shall be determined as of the grant date of the relevant Option.

(c) Conditions of Award. Subject to the terms of the Plan, the Administrator shall determine the provisions, terms, and conditions of each Award including, but not limited to, the Award vesting schedule, repurchase provisions, rights of first refusal, forfeiture provisions, form of payment (cash, Shares, or other consideration) upon settlement of the Award, payment contingencies, and satisfaction of any performance criteria. The performance criteria established by the Administrator may be based on any one of, or combination of, the following: (1) increase in share price, (2) earnings per share, (3) total stockholder return, (4) operating margin, (5) gross margin, (6) return on equity, (7) return on assets, (8) return on investment and/or return on invested capital, (9) operating income, (10) net income, (11) net operating income, (12) pre-tax profit, (13) cash flow, (14) free cash flow; (15v) revenue, (16) net revenue, (17) expenses, (18) earnings before income taxes, interest, depreciation and/or amortization, (19) economic value added, (20) market share, (21) personal management objectives, (22) debt and/or debt-to-equity; (23) bookings; (24) sales; (25) annual recurring revenue; (26) liquidity; (27) intellectual property (e.g., patents)/product development; (28) mergers, acquisitions, divestitures or other strategic transactions; (29) individual business and/or management objectives; (30) cost per order dollar; (31) design or design wins; (32) operational metrics, key performance indicators or strategic goals; (33) environmental, social and governance goals; and (34) other measures of performance selected by the Administrator. As determined by the Administrator, any criteria used may be measured, as applicable, (i) in absolute terms, (ii) in relative terms, including, but not limited, passage of time (such as year over year growth) and/or against another company, a comparison group of companies or index designated by the Administrator, (iii) on a per-share basis, (iv) against the performance of the Company as a whole or one or more identifiable business units, divisions, products, lines of business or segments of the Company, (v) on a pre-tax or after-tax basis, and/or (vi) on a GAAP or non-GAAP basis. Partial achievement of the specified criteria may result in a payment or vesting corresponding to the degree of achievement as specified in the Award Agreement. The Administrator may provide at the time of grant for the adjustment of the performance criteria applicable to Performance Units or Performance Shares to include or exclude any objectively determinable components of such performance criteria.

(d) Dividends and Dividend Equivalent Rights. The Administrator in its sole discretion may credit to each holder of an Award, in the form of Dividend Equivalent Rights or otherwise, an amount equal to the value of all dividends and other distributions (whether in cash, Shares or other property) paid or distributed by the Company on the equivalent number of Shares; *provided*, *however,* that such holder will not be paid any dividends or other distributions (or any related earnings or interest on such dividends or distributions, if the Administrator in its sole discretion provides for such payments) unless and until the underlying Award vests. The value of dividends or other distributions (or any related earnings or interest, if applicable) payable with respect to Awards that do not vest shall be forfeited.

(e) Acquisitions and Other Transactions. The Administrator may issue Awards under the Plan in settlement, assumption or substitution for, outstanding awards or obligations to grant future awards in connection with the Company or a Related Entity acquiring another entity, an interest in another entity or an additional interest in a Related Entity whether by merger, stock purchase, asset purchase or other form of transaction.

(f) Deferral of Award Payment. The Administrator may establish one or more programs under the Plan to permit selected Grantees the opportunity to elect to defer receipt of consideration upon exercise of an Award, satisfaction of performance criteria, or other event that absent the election would entitle the Grantee to payment or receipt of Shares or other consideration under an Award. The Administrator may establish the election procedures, the timing of such elections, the mechanisms for payments of, and accrual of interest or other earnings, if any, on amounts, Shares or other consideration so deferred, and such other terms, conditions, rules and procedures that the Administrator deems advisable for the administration of any such deferral program.

(g) Separate Programs. The Administrator may establish one or more separate programs under the Plan for the purpose of issuing particular forms of Awards to one or more classes of Grantees on such terms and conditions as determined by the Administrator from time to time.

(h) Individual Limitations on Awards. The maximum number of Shares with respect to which Awards may be granted to any Grantee in any fiscal year of the Company shall be 1,790,200 Shares. In connection with a Grantee's (i) commencement of Continuous Active Service or (ii) first promotion in any fiscal year of the Company prior to the Restatement Effective Date, a Grantee may be granted Awards for up to an additional 1,790,200 Shares which shall not count against the limit set forth in the preceding sentence. The foregoing limitations shall be adjusted proportionately in connection with any change in the Company's capitalization pursuant to Section 10, below. In applying the foregoing limitations with respect to a Grantee, if any Awards are canceled, the canceled Awards shall continue to count against the maximum number of Shares with respect to which Awards may be granted to the Grantee. For this purpose, the repricing of an Option (or in the case of a SAR, the base amount on which the stock appreciation is calculated is reduced to reflect a reduction in the Fair Market Value of the Common Stock) shall be treated as the cancellation of the existing Option or SAR and the grant of a new Option or SAR. If the vesting or receipt of Shares under the Award is deferred to a later date, any amount (whether denominated in Shares or cash) paid in addition to the original number of Shares subject to the Award will not be treated as an increase in the number of Shares subject to the Award if the additional amount is based either on a reasonable rate of interest or on one or more predetermined actual investments such that the amount payable by the Company at the later date will be based on the actual rate of return of a specific investment (including any decrease as well as any increase in the value of an investment).

(i) Limitations on Awards to Non-Employee Directors. Notwithstanding any other provision of the Plan to the contrary, the maximum value of Awards granted under the Plan during a fiscal year of the Company to a Non-Employee Director for services on the Board, taken together with any cash fees paid by the Company to such Non-Employee Director during such fiscal year for services on the Board, shall not exceed $1,000,000 in total value (calculating the value of any such Awards based on the grant date fair value of such Awards under applicable financial accounting standards), including for this purpose the value of any Awards that are received in lieu of payment of all or a portion of his or her regular annual retainer or other similar cash based payments. For the avoidance of doubt, neither Awards granted or compensation paid to a Non-Employee Director for services as an Employee or Consultant nor any amounts paid to a Non-Employee Director as a reimbursement of an expense shall count against the foregoing limitation.

(j) Early Exercise. The Award Agreement may, but need not, include a provision whereby the Grantee may elect at any time while an Employee, Director or Consultant to exercise any part or all of the Award prior to full vesting of the Award. Any unvested Shares received pursuant to such exercise may be subject to a repurchase right in favor of the Company or a Related Entity or to any other restriction the Administrator determines to be appropriate.

(k) Term of Award. The term of each Award shall be the term stated in the Award Agreement, provided, however, that the term of an Award shall be no more than eight (8) years from the date of grant thereof. However, in the case of an Incentive Stock Option granted to a Grantee who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary of the Company, the term of the Incentive Stock Option shall be five (5) years from the date of grant thereof or such shorter term as may be provided in the Award Agreement.

(l) Transferability of Awards. Incentive Stock Options may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Grantee, only by the Grantee. Other Awards shall be transferable by will and by the laws of descent and distribution, and during the lifetime of the Grantee, by gift or pursuant to a domestic relations order to members of the Grantee's Immediate Family to the extent and in the manner determined by the Administrator. Notwithstanding the foregoing, the Grantee may designate a beneficiary of the Grantee's Award in the event of the Grantee's death on a beneficiary designation form provided by the Administrator; provided, that in no event may any Award be transferred for consideration to a third-party financial institution.

(m) Time of Granting Awards. The date of grant of an Award shall for all purposes be the date on which the Administrator makes the determination to grant such Award, or such later date as is determined by the Administrator.

(n) Prohibition on Loans. No Grantee will be permitted to execute a promissory note as partial or full consideration for the purchase of Shares.

7. Award Exercise or Purchase Price, Consideration and Taxes.

(a) Exercise or Purchase Price. The exercise or purchase price, if any, for an Award shall be as follows:

(i) In the case of an Incentive Stock Option:

(A) granted to an Employee who, at the time of the grant of such Incentive Stock Option owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary of the Company, the per Share exercise price shall be not less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of grant; or

(B) granted to any Employee other than an Employee described in the preceding paragraph, the per Share exercise price shall be not less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Non-Qualified Stock Option, the per Share exercise price shall be not less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(iii) In the case of a SAR, the base amount on which the stock appreciation is calculated shall be not less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(iv) In the case of other Awards, such price as is determined by the Administrator.

(v) Notwithstanding the foregoing provisions of this Section 7(a), in the case of an Award issued pursuant to Section 6(d) above, the exercise or purchase price for the Award shall be determined in accordance with the provisions of the relevant instrument evidencing the agreement to issue such Award.

(b) Consideration. Subject to Applicable Laws, the consideration to be paid for the Shares to be issued upon exercise or purchase of an Award including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined at the time of grant). In addition to any other types of consideration the Administrator may determine, the Administrator is authorized to accept as consideration for Shares issued under the Plan the following, provided that the portion of the consideration equal to the par value of the Shares must be paid in cash or other legal consideration permitted by the Delaware General Corporation Law:

(i) cash;

(ii) check;

(iii) surrender of Shares or delivery of a properly executed form of attestation of ownership of Shares as the Administrator may require (including withholding of Shares otherwise deliverable upon exercise of the Award) which have a Fair Market Value on the date of surrender or attestation equal to the aggregate exercise price of the Shares as to which said Award shall be exercised, provided, however, that Shares acquired under the Plan or any other equity compensation plan or agreement of the Company must have been held by the Grantee for a period of more than six (6) months;

(iv) with respect to Options, payment through a broker-dealer sale and remittance procedure pursuant to which the Grantee (A) shall provide written instructions to a Company designated brokerage firm to effect the immediate sale of some or all of the purchased Shares and remit to the Company sufficient funds to cover the aggregate exercise price payable for the purchased Shares and (B) shall provide written directives to the Company to deliver the certificates for the purchased Shares directly to such brokerage firm in order to complete the sale transaction; or

(v) any combination of the foregoing methods of payment.

(c) Taxes. No Shares shall be delivered under the Plan to any Grantee or other person until such Grantee or other person has made arrangements acceptable to the Administrator for the satisfaction of any non-U.S., federal, state, or local income and employment tax withholding obligations, including, without limitation, obligations incident to the receipt of Shares or the disqualifying disposition of Shares received on exercise of an Incentive Stock Option. Upon exercise of an Award the Company shall withhold or collect from Grantee an amount sufficient to satisfy such tax obligations.

8. Exercise of Award.

(a) Procedure for Exercise; Rights as a Stockholder.

(i) Any Award granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator under the terms of the Plan and specified in the Award Agreement.

(ii) An Award shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Award by the person entitled to exercise the Award and full payment for the Shares with respect to which the Award is exercised, including, to the extent selected, use of the broker-dealer sale and remittance procedure to pay the purchase price as provided in Section 7(b)(iv).

(b) Exercise of Award Following Termination of Continuous Active Service.

(i) An Award may not be exercised after the termination date of such Award set forth in the Award Agreement and may be exercised following the termination of a Grantee's Continuous Active Service only to the extent provided in the Award Agreement.

(ii) Where the Award Agreement permits a Grantee to exercise an Award following the termination of the Grantee's Continuous Active Service for a specified period, the Award shall terminate to the extent not exercised on the last day of the specified period or the last day of the original term of the Award, whichever occurs first.

(iii) Any Award designated as an Incentive Stock Option to the extent not exercised within the time permitted by law for the exercise of Incentive Stock Options following the termination of a Grantee's Continuous Active Service shall convert automatically to a Non-Qualified Stock Option and thereafter shall be exercisable as such to the extent exercisable by its terms for the period specified in the Award Agreement.

9. Conditions Upon Issuance of Shares.

(a) Shares shall not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares pursuant thereto shall comply with all Applicable Laws, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any Applicable Laws.

10. Adjustments Upon Changes in Capitalization. Subject to any required action by the stockholders of the Company, the number of Shares covered by each outstanding Award, and the number of Shares which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan, the exercise or purchase price of each such outstanding Award, the maximum number of Shares with respect to which Awards may be granted to any Grantee in any fiscal year of the Company, as well as any other terms that the Administrator determines require adjustment shall be proportionately adjusted for (i) any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Shares, or similar transaction affecting the Shares, (ii) any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company, or (iii) as the Administrator may determine in its discretion, any other transaction with respect to Common Stock including a corporate merger, consolidation, acquisition of property or stock, separation (including a spin-off or other distribution of stock or property), reorganization, liquidation (whether partial or complete) or any similar transaction; provided, however that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Administrator and the Administrator's determination shall be final, binding and conclusive. Except as the Administrator determines, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason hereof shall be made with respect to, the number or price of Shares subject to an Award.

11. Corporate Transactions.

(a) Termination of Award to Extent Not Assumed in Corporate Transaction. Effective upon the consummation of a Corporate Transaction, all outstanding Awards under the Plan shall terminate. However, all such Awards shall not terminate to the extent they are Assumed in connection with the Corporate Transaction.

(b) Acceleration of Award Upon Corporate Transaction. Except as provided otherwise in an individual Award Agreement, in the event of a Corporate Transaction, for the portion of each Award that is neither Assumed nor Replaced, such portion of the Award shall automatically become fully vested and exercisable and be released from any repurchase or forfeiture rights (other than repurchase rights exercisable at fair market value) for all of the Shares at the time represented by such portion of the Award, immediately prior to the specified effective date of such Corporate Transaction (with Awards that vest based on performance-criteria, vesting at target).

(c) Effect of Acceleration on Incentive Stock Options. Any Incentive Stock Option accelerated under this Section 11 in connection with a Corporate Transaction shall remain exercisable as an Incentive Stock Option under the Code only to the extent the $100,000 dollar limitation of Section 422(d) of the Code is not exceeded. To the extent such dollar limitation is exceeded, the excess Options shall be treated as Non-Qualified Stock Options.

12. Effective Date. The Plan originally became effective upon its approval by the stockholders of the Company. The Plan, as amended and restated, shall become effective upon its approval by the stockholders of the Company. No Incentive Stock Options may be granted after September 18, 2023. Future Incentive Stock Options may be granted pursuant to Board and Shareholder approval after such date. Subject to Applicable Laws, Awards may be granted under the Plan upon it becoming effective.

13. Amendment, Suspension or Termination of the Plan.

(a) The Board may at any time amend, suspend or terminate the Plan; provided, however, that no such amendment shall be made without the approval of the Company's stockholders to the extent such approval is required by Applicable Laws, or if such amendment would change any of the provisions of Section 4(b)(vi) or this Section 13(a). Notwithstanding any other provision of the Plan to the contrary, the Board may, in its sole and absolute discretion and without the consent of any participant, amend the Plan or any Award Agreement, to take effect retroactively or otherwise, as it deems necessary or advisable for the purpose of conforming the Plan or such Award Agreement to any present or future law, regulation or rule applicable to the Plan, including, but not limited to, Section 409A of the Code.

(b) No Award may be granted during any suspension of the Plan or after termination of the Plan.

(c) No suspension or termination of the Plan (including termination of the Plan under Section 12, above) shall adversely affect any rights under Awards already granted to a Grantee.

14. Reservation of Shares.

(a) The Company, during the term of the Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

(b) The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

15. No Effect on Terms of Employment/Consulting Relationship. The Plan shall not confer upon any Grantee any right with respect to the Grantee's Continuous Active Service, nor shall it interfere in any way with his or her right or the right of the Company or any Related Entity to terminate the Grantee's Continuous Active Service at any time, with or without Cause, and with or without notice. The ability of the Company or any Related Entity to terminate the employment of a Grantee who is employed at will is in no way affected by its determination that the Grantee's Continuous Active Service has been terminated for Cause for the purposes of this Plan.

16. No Effect on Retirement and Other Benefit Plans. Except as specifically provided in a retirement or other benefit plan of the Company or a Related Entity, Awards shall not be deemed compensation for purposes of computing benefits or contributions under any retirement plan of the Company or a Related Entity, and shall not affect any benefits under any other benefit plan of any kind or any benefit plan subsequently instituted under which the availability or amount of benefits is related to level of compensation. The Plan is not a "Retirement Plan" or "Welfare Plan" under the Employee Retirement Income Security Act of 1974, as amended.

17. Beneficiary Designation. Subject to the approval of the Administrator or a duly authorized Officer, a Grantee may, by delivering written notice to the Company (or a third party designated by the Company, each a "Company Designee"), in a form approved by the Company (or a Company Designee), designate a third party who, on the death of the Participant, will thereafter be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise. In the absence of such a designation, upon the death of the Grantee, the executor or administrator of the Grantee's estate or the Grantee's legal heirs will be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise. However, the Company may prohibit designation of a beneficiary at any time, including due to any conclusion by the Company that such designation would be inconsistent with the provisions of applicable laws.

18. Unfunded Obligation. Grantees shall have the status of general unsecured creditors of the Company. Any amounts payable to Grantees pursuant to the Plan shall be unfunded and unsecured obligations for all purposes, including, without limitation, Title I of the Employee Retirement Income Security Act of 1974, as amended. Neither the Company nor any Related Entity shall 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 Grantee account shall not create or constitute a trust or fiduciary relationship between the Administrator, the Company or any Related Entity and a Grantee, or otherwise create any vested or beneficial interest in any Grantee or the Grantee's creditors in any assets of the Company or a Related Entity. The Grantees shall have no claim against the Company or any Related Entity for any changes in the value of any assets that may be invested or reinvested by the Company with respect to the Plan.

19. Compliance with Applicable Law and Company Policies; Compensation Recovery. For the avoidance of doubt, each Grantee must comply with Applicable Law, the Company's Code of Business Conduct, and the Company's corporate policies, as applicable, including without limitation the Company's Clawback Policy. Notwithstanding anything to the contrary herein, (i) compliance with Applicable Law, the Company's Code of Business Conduct, and the Company's corporate policies, as applicable, will be a pre-condition to earning, or vesting in, any Award under this Plan and (ii) any Awards under this Plan which are subject to the Company's Clawback Policy will not be earned or vested, even if already granted, paid or settled, until the Company's Clawback Policy ceases to apply to such Awards and any other vesting conditions applicable to such Awards are satisfied. Each Award may be subject to the terms and conditions of any other policy (and any amendments thereto) adopted by the Company from time to time, which may include any policy related to the vesting or transfer of equity awards. Whether any such policy will apply to a particular Award may depend, among other things, on when the Award was granted, whom the Award was granted to, and the type of Award.

20. Governing Law. The Plan is to be construed in accordance with and governed by the internal laws of the State of Delaware without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of Delaware to the rights and duties of the parties, except to the extent the internal laws of the State of Delaware are superseded by the laws of the United States. Should any provision of the Plan be determined by a court of law to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.

VIAVI SOLUTIONS INC.
EMPLOYEE STOCK PURCHASE PLAN
(Restated effective as of November 8, 2023)

I. PURPOSE

The Viavi Solutions Inc. Employee Stock Purchase Plan is intended to provide eligible employees of the Company and one or more of its Corporate Affiliates with the opportunity to acquire a proprietary interest in the Company through participation in a plan designed to qualify as an employee stock purchase plan under Section 423 of the Internal Revenue Code (the "Code") for Participants in the United States. In addition, this Plan authorizes grants of purchase rights that do not meet the requirements of an employee stock purchase plan under Section 423 of the Code ("Non-423 Grants"). Except as otherwise provided in the Plan or determined by the Plan Administrator, the Non-423 Grants will operate and be administered in the same manner as grants of purchase rights under Section 423 of the Code. On November 8, 2023 (the "Restatement Effective Date"), the Plan was amended and restated, and the Plan, as amended and restated will be effective for Purchase Periods made under the Plan commencing on or after the Restatement Effective Date.

II. DEFINITIONS

For purposes of administration of the Plan, the following terms shall have the meanings indicated:

Compensation means a Participant's regular and recurring straight time gross earnings, plus payments for overtime, shift premium, incentive compensation, incentive payments, bonuses, sales commission, and other similar incentive compensation but excluding all of the following: profit sharing contributions, the cost of employee benefits paid for by the Company or any Corporate Affiliate, education or tuition reimbursements, imputed income (whether or not arising under any Company or Corporate Affiliate group insurance or benefit program), traveling expenses, business expense reimbursements, moving expense reimbursements, housing and living allowances, income received, reported or otherwise recognized in connection with equity awards, contributions made by the Company or a Corporate Affiliate under any employee benefit plan, and other similar items of compensation.

Board means the Board of Directors of the Company.

Company means Viavi Solutions Inc., a Delaware corporation, and any corporate successor.

Corporate Affiliate means any company which is, or in the future becomes, either the parent corporation or a subsidiary corporation of the Company (as determined in accordance with Section 424 of the Code).

Employee means any person who (i) is a common law employee of the Company or a Participating Company and (ii) is regularly engaged, for a period of 20 hours or more per week and more than 5 months per calendar year, in the rendition of personal services to the Company or any other Participating Company. For purposes of the Plan, a person's employment with the Company or a Participating Company terminates, and the person ceases to be an Employee on the date on which such person ceases to provide continuous active service to the Company or Participating Company. In jurisdictions requiring notice in advance of an effective termination of an employee's employment or garden leave, an employee's continuous active service shall be deemed terminated upon the actual cessation of the active performance of duties or responsibilities in providing services to the Company or a Participating Company, notwithstanding any required notice period that must be fulfilled or pay in lieu of notice or severance pay that must be provided before a termination as an employee can otherwise become effective under applicable laws, regardless of whether such notice has been fulfilled or pay in lieu of notice or severance pay has been provided. Further, and notwithstanding anything else in the Plan, a person's employment with the Company or a Participating Company terminates, and the person ceases to be an Employee on the date that he or she is notified that his or her employment is terminated for cause or for just cause. If a Participant transfers employment from the Company or any Participating Company in the United States to any Participating Company outside the United States, such transfer shall not be treated as a termination of employment and the person shall continue to be an Employee, but the Participant shall immediately cease to participate in the Purchase Period applicable to Employees in the United States; however, any contributions made for the Purchase Period in which such transfer occurs shall be transferred to the Purchase Period applicable to the Participating Company in which the Participant is now employed, and such Participant shall immediately join the then-current Purchase Period applicable to such Participating Company. A participant who transfers employment from any Participating Company that is outside the United States to the Company or Participating Company in the United States shall remain a Participant in their current Purchase Period until the earlier of (i) the end of the current Purchase Period, or (ii) the commencement date of the first Purchase Period in which the participant is eligible to participate following such transfer. Notwithstanding the foregoing, the Plan Administrator may establish different rules to govern transfers of employment between Participating Companies, consistent with the applicable requirements of Section 423 of the Code. The Company or Corporate Affiliate will have sole discretion to determine whether a Participant has terminated employment and the effective date on which the Participant terminated employment, regardless of any notice period or garden leave required under local law. If a Participant transfers employment from the Company or any Participating Company to a Corporate Affiliate that is not a Participating Company, the Participant shall immediately cease to participate in the Purchase Period and the payroll deductions which the Participant made during that Purchase Period with respect to the Participant's purchase right shall be promptly refunded without interest. The terms "termination of employment" or "cessation of Employee status" or similar terms have meaning corresponding to this definition of "Employee."

Participant means any Employee of a Participating Company who is actively participating in the Plan.

Participating Company means the Company and such Corporate Affiliates as may be designated from time to time by the Board.

Plan means this Viavi Solutions Inc. Employee Stock Purchase Plan.

Plan Administrator means either the Board or a committee of the Board that is responsible for administration of the Plan.

Purchase Period means each six-month period commencing on (1) any February 1 and ending on the subsequent July 31, or (2) commencing on August 1 and ending on the subsequent January 31; provided, however, that the Plan Administrator may establish prior to the commencement of any Purchase Period, a different duration for one or more Purchase Periods or different commencing or ending dates for such Purchase Periods pursuant to Section X. If the first day of a Purchase Period is not a Trading Day, then the next subsequent Trading Day will be deemed the first day of the Purchase Period unless the Company provides otherwise prior to the commencement of such Purchase Period. If the last day of a Purchase Period is not a Trading Day, the immediately preceding Trading Day will be deemed the last day of the Purchase Period unless the Company provides otherwise prior to the commencement of such Purchase Period.

Stock means shares of the common stock of the Company.

Trading Day means a day on which the principal stock exchange or quotation system on which the Stock is then listed is open for trading.

III. ADMINISTRATION

The Plan shall be administered by the Plan Administrator which shall have full and exclusive discretionary authority to construe, interpret and apply the terms of the Plan, to determine eligibility and to adjudicate all disputed claims filed under the Plan. Every finding, decision and determination made by the Plan Administrator shall, to the full extent permitted by applicable law, be final and binding upon all persons. Notwithstanding any provision to the contrary in this Plan, and, with respect to Participants in the United States, to the extent permissible under Section 423 of the Code and proposed or final Treasury Regulations promulgated thereunder (and other Internal Revenue Service guidance), the Plan Administrator may adopt rules or procedures relating to the operation and administration of the Plan to accommodate the specific requirements of local laws and procedures for jurisdictions outside of the United States. Without limiting the generality of the foregoing, the Plan Administrator is specifically authorized to adopt rules and procedures regarding handling payroll deductions, making of contributions to the Plan, defining eligible Compensation, establishment of bank or trust accounts to hold payroll deductions, conversion of local currency, obligations to pay payroll tax, determination of beneficiary designation requirements, withholding procedures and handling of stock certificates which vary with local requirements.

The Plan Administrator may also adopt rules, procedures or sub-plans applicable to particular Corporate Affiliates or locations, which sub-plans may be designed to be outside the scope of Section 423 of the Code. The rules of such sub-plans may take precedence over other provisions of this Plan, but unless otherwise superseded by the terms of such sub-plan, the provisions of this Plan shall govern the operation of such sub-plan. To the extent inconsistent with the requirements of Section 423 of the Code, rights granted under such sub-plan shall not be considered to comply with Section 423 of the Code.

IV. PURCHASE PERIODS

(a) Stock shall be offered for purchase under the Plan through a series of Purchase Periods established by the Plan Administrator until such time as (i) the maximum number of shares of Stock available for issuance under the Plan shall have been purchased or (ii) the Plan shall have been sooner terminated, discontinued, or suspended in accordance with Article X or Article XI.

(b) The Participant shall be granted a separate purchase right for each Purchase Period in which he/she participates. The purchase right shall be granted on the first day of the Purchase Period and shall be automatically exercised on the last day of such Purchase Period provided such purchase right remains outstanding on such date.

(c) The acquisition of Stock through participation in the Plan for any Purchase Period shall neither limit nor require the acquisition of Stock by the Participant in any subsequent Purchase Period, subject to the limitations of Sections V, VII, and VIII hereof.

(d) Under no circumstances shall any purchase rights granted under the Plan be exercised, nor shall any shares of Stock be issued hereunder, until such time as (i) the Plan shall have been approved by the Company’s stockholders and (ii) the Company shall have complied with all applicable requirements of the Securities Act of 1933 (as amended), all applicable listing requirements of any securities exchange on which the Stock is listed and all other applicable requirements established by law or regulation. In addition, the terms of a Purchase Period under this Plan, or the rights of an Employee under a Purchase Period, may be modified to the extent required by applicable law.

V. ELIGIBILITY AND PARTICIPATION

(a) Every Employee of a Participating Company shall be eligible to participate in the Plan on the first day of the first Purchase Period following the Employee's commencement of service with the Company or any Corporate Affiliate.

(b) In order to participate in the Plan for a particular Purchase Period, the Employee must complete the enrollment forms prescribed by the Plan Administrator (or its designate), which may include electronic enrollment, and submit such forms with the Plan Administrator (or its designate) prior to the commencement date of the Purchase Period.

(c) Contributions may be made only by way of payroll deductions unless specified in election materials or otherwise determined by the Company in its sole discretion. Each Participant shall, at the time of such enrollment, authorize a payroll deduction from the Participant's Compensation to be made as of any future payroll period. The payroll deduction authorized by a Participant for purposes of acquiring Stock under the Plan may be any multiple of 1% of Compensation paid to the Participant during the relevant Purchase Period, up to a maximum of 10%. The deduction rate so authorized shall continue in effect for the entire Purchase Period unless the Participant shall, prior to the end of the Purchase Period for which the purchase right is in effect, reduce the rate by submitting the appropriate form with the Plan Administrator (or its designate). The reduced rate shall become effective as soon as practicable following the submission of such form. Each Participant shall be permitted such a rate reduction only one (1) time in each Purchase Period, unless the Plan Administrator determines otherwise pursuant to Section X. The reduced rate shall continue in effect for the entire Purchase Period and for each subsequent Purchase Period, unless the Participant shall, prior to the commencement of any subsequent Purchase Period, designate a different rate (up to the 10% maximum) by submitting the appropriate form with the Plan Administrator (or its designate). The new rate shall become effective for the first Purchase Period commencing after the submission of such form. Payroll deductions, however, will automatically cease upon the termination of the Participant's purchase right in accordance with Section VII(d) or (e) below.

(d) With respect to Participants who are not United States residents, the amount deducted for each such Participant shall be deducted from the Participant's salary in the currency in which such Participant is compensated and shall be converted to United States dollars by using the United States buying rate as reported by Bloomberg for the purchase of United States dollars with such currency on the day Stock is purchased for the Participant's account.

VI. STOCK SUBJECT TO PLAN

(a) The Stock purchasable by Participants under the Plan shall, solely in the Board's discretion, be made available from either authorized but unissued Stock or from reacquired Stock, including shares of Stock purchased on the open market. As of the Restatement Effective Date, 7,218,322 shares of Stock will be available for issuance under the Plan, subject to adjustment under Section VI(b). With respect to any amendment to increase the total number of shares of Stock under the Plan, the Plan Administrator shall have discretion to disallow the purchase of any increased shares of Stock for the Purchase Period in existence at the time of such increase. If the Plan Administrator determines that on a given purchase date the number of shares with respect to which purchase rights are to be exercised may exceed the number of shares then available for sale under the Plan, the Plan Administrator may make a pro-rata allocation of the shares remaining available for purchase on such purchase date in as uniform a manner as shall be practicable and as it shall determine to be equitable and continue such Purchase Period. Any amount remaining in a Participant's payroll account following such pro- rata allocation shall be promptly refunded to the Participant without interest and shall not be carried over to any future Purchase Period.

(b) In the event any change is made to the Stock purchasable under the Plan by reason of any recapitalization, stock dividend, stock split, combination of shares or other change affecting the outstanding common stock of the Company as a class without receipt of consideration, then appropriate adjustments shall be made by the Plan Administrator to the class and maximum number of shares purchasable under the Plan, the class and maximum number of shares purchasable per Participant under any purchase right outstanding at the time or purchasable per Participant over the term of the Plan, and the class and number of shares and the price per share of the Stock subject to outstanding purchase rights held by Participants under the Plan.

VII. PURCHASE RIGHTS

An Employee who participates in the Plan for a particular Purchase Period shall have the right to purchase Stock on the purchase date for such Purchase Period upon the terms and conditions set forth below and shall execute enrollment forms embodying such terms and conditions and such other provisions (not inconsistent with the Plan) as the Plan Administrator (or its designate) may deem advisable.

(a) Purchase Price. The purchase price per share shall be the lesser of (i) 85% of the fair market value of a share of Stock on the date on which the purchase right is granted or (ii) 85% of the fair market value of a share of Stock on the date the purchase right is exercised; provided, however, that the Plan Administrator may increase such purchase price per share prior to the commencement of any Purchase Period. For purposes of determining such fair market value (and for all other valuation purposes under the Plan), the fair market value per share of Stock on any date shall be the closing selling price per share (or the closing bid, if no sales are reported on such date), as officially quoted on any established stock exchange or a national market system on the date of determination (or, if no closing selling price or closing bid was reported on that date, as applicable, on the last Trading Day such closing selling price or closing bid was reported), as reported in The Wall Street Journal or such other source as the Plan Administrator deems reliable.

(b) Number of Purchasable Shares. The number of shares purchasable by a Participant on a purchase date for a Purchase Period shall be the number of whole shares obtained by dividing the amount collected from the Participant through payroll deductions during the Purchase Period, together with any amount carried over from the prior Purchase Period pursuant to the provisions of Section VII(f), by the purchase price in effect for such purchase date. However, the maximum number of shares purchasable by the Participant pursuant to any one outstanding purchase right shall not exceed 4,000 shares (subject to adjustment under Section VI(b)).

Under no circumstances shall purchase rights be granted under the Plan to any Employee if such Employee would, immediately after the grant, own (within the meaning of Section 424(d) of the Code), or hold outstanding options, stock awards or other rights to purchase, stock possessing 5% or more of the total combined voting power or value of all classes of stock of the Company or any of its Corporate Affiliates.

(c) Payment. Payment for Stock purchased under the Plan shall be effected by means of the Participant's authorized payroll deductions. Such deductions shall begin on the first pay day coincident with or immediately following the commencement date of the relevant Purchase Period and shall terminate with the pay day ending with or immediately prior to the last day of the Purchase Period, except as otherwise provided in any applicable sick leave, military leave, or any other leave of absence policy maintained by the Company or a Corporate Affiliate. The amounts so collected shall be credited to the Participant's individual account under the Plan, but no interest shall be paid on the balance from time to time outstanding in the account, except as required by applicable law. The amounts collected from a Participant may be commingled with the general assets of the Company and may be used for general corporate purpose, except as prohibited by applicable law s.

(d) Termination of Purchase Rights.

(i) A Participant may, no less than five (5) business days prior to any purchase date, terminate his/her outstanding purchase right under the Plan by submitting the prescribed notification form with the Plan Administrator (or its designate). The Company will then refund the payroll deductions which the Participant made with respect to the terminated purchase right without interest, and no further amounts will be collected from the Participant with respect to such terminated right.

(ii) The termination shall be irrevocable with respect to the particular Purchase Period to which it pertains and shall also require the Participant to re-enroll in the Plan (by making a timely submission of a new enrollment form if the Participant wishes to resume participation in a subsequent Purchase Period.

(e) Termination of Employment. If a Participant ceases to be an Employee during any Purchase Period for any reason, including but not limited to, death or permanent disability, then the Participant's outstanding purchase right under the Plan shall immediately terminate and all sums previously collected from the Participant and not previously applied to the purchase of stock during such Purchase Period shall be promptly refunded without interest. In no event, however, shall any further payroll deductions be added to the Participant's account following his/her cessation of Employee status. However, for purposes of this section and subject to applicable law, a Participant will not cease to be an Employee for purposes of the Plan in the case of sick leave, military leave, or any other leave of absence approved by the Company or a Corporate Affiliate; provided that such leave is for a period of not more than ninety (90) days or reemployment upon the expiration of such leave is guaranteed by contract or statute.

(f) Stock Purchase. Outstanding purchase rights shall be automatically exercised as provided in Section IV(b). The exercise shall be effected by applying the amount credited to the Participant's account on the last date of the Purchase Period to the purchase of whole shares of Stock (subject to the limitations on the maximum number of purchasable shares set forth in Section VII(b)) at the purchase price in effect for such purchase date. Any amount remaining in the Participant's account after such exercise representing a fractional share of Stock shall be held for the purchase of Stock on the next purchase date; provided, however, that any other amount not applied to the purchase of Stock at the end of a Purchase Period shall be refunded without interest promptly after the close of the Purchase Period, including any amount not applied to the purchase of stock by reason by the Section VII(b) or the Section VIII limitations on the maximum number of purchasable shares.

(g) Rights as Stockholder. A Participant shall have no rights as a stockholder with respect to shares covered by the purchase rights granted to the Participant under the Plan until the shares are actually purchased on the Participant's behalf in accordance with Section VII(f). No adjustments shall be made for dividends, distributions or other rights for which the record date is prior to the date of such purchase.

(h) Assignability. No purchase rights granted under the Plan shall be assignable or transferable by a Participant except by will or by the laws of descent and distribution, and the purchase rights shall, during the lifetime of the Participant, be exercisable only by such Participant.

(i) Merger or Liquidation of Company. In the event the Company or its stockholders enter into an agreement to dispose of all or substantially all of the assets or outstanding capital stock of the Company by means of a sale, merger or reorganization in which the Company will not be the surviving corporation (other than a reorganization effected primarily to change the State in which the Company is incorporated) or in the event the Company is liquidated, then all outstanding purchase rights under the Plan shall automatically be exercised immediately prior to such sale, merger, reorganization or liquidation (or such other time, as determined by the Plan Administrator) determined by applying all sums previously collected from Participants pursuant to their payroll deductions in effect for such rights to the purchase of whole shares of Stock, subject, however, to the applicable limitations of Section VII(b) and Section VIII.

VIII. ACCRUAL LIMITATIONS

(a) No Participant shall be entitled to accrue rights to acquire Stock pursuant to any purchase right under this Plan if and to the extent such accrual, when aggregated with (I) Stock rights accrued under other purchase rights outstanding under this Plan and (II) similar rights accrued under other employee stock purchase plans (within the meaning of Section 423 of the Code) of the Company or its Corporate Affiliates, would otherwise permit such Participant to purchase more than $25,000 worth of stock of the Company or any Corporate Affiliate (determined on the basis of the fair market value of such stock on the date or dates such rights are granted to the Participant) for each calendar year such rights are at any time outstanding.

(b) For purposes of applying the accrual limitations of Section VIII(a), the right to acquire Stock pursuant to each purchase right outstanding under the Plan shall accrue as follows:

(i) The right to acquire Stock under each such purchase right shall accrue as and when the purchase right first becomes exercisable during the calendar year as provided in Section IV(b).

(ii) No right to acquire Stock under any outstanding purchase right shall accrue to the extent the Participant has already accrued in the same calendar year the right to acquire $25,000 worth of Stock (determined on the basis of the fair market value on the date or dates of grant) pursuant to that purchase right or one or more other purchase rights which may have been held by the Participant during such calendar year.

(iii) If by reason of the Section VIII(a) limitations, the Participant's outstanding purchase right does not accrue for any Purchase Period, then the payroll deductions which the Participant made during that Purchase Period with respect to such purchase right shall be promptly refunded without interest.

(c) In the event there is any conflict between the provisions of this Article VIII and one or more provisions of the Plan or any instrument issued thereunder, the provisions of this Article VIII shall be controlling.

IX. STATUS OF PLAN UNDER FEDERAL TAX LAWS

(a) The Plan is designed to qualify as an employee stock purchase plan under Section 423 of the Code for Participants in the United States. However, the Plan Administrator may, at its discretion, cease to administer the Plan as a qualified employee stock purchase plan under Section 423 of the Code.

(b) To the extent required by law, the Company's obligation to deliver shares to the Participant upon the exercise of any outstanding purchase right shall be subject to the Participant's satisfaction of all applicable federal, state and local income and employment and similar non-United States tax withholding requirements.

X. AMENDMENT AND TERMINATION

(a) The Board may from time to time alter, amend, suspend or discontinue the Plan; provided, however, that no such action shall become effective prior to the exercise of outstanding purchase rights at the end of the Purchase Period in which such action is authorized. To the extent necessary to comply with Section 423 of the Code, the Company shall obtain stockholder approval in such a manner and to such a degree as required.

(b) The Plan Administrator shall have the right to terminate the Plan immediately following the end of a Purchase Period. Should the Company elect to exercise its right to terminate the Plan, then the Plan shall terminate in its entirety, and no further purchase rights shall thereafter be granted, and no further payroll deductions shall thereafter be collected, under the Plan.

(c) The Plan Administrator shall have the right to amend Purchase Periods and determine the terms of new Purchase Periods (including, but not limited to (i) the length of such Purchase Periods, provided that no such Purchase Period shall be more than 27 months, (ii) whether such Purchase Periods will include one or more embedded Purchase Periods and/or (iii) whether such Purchase Periods will have an automatic restart or reset provision), provide for overlapping Purchase Periods, limit the frequency and/or number of changes in the amount withheld during an Purchase Period, establish the exchange ratio applicable to amounts withheld in a currency other than United States dollars, permit payroll withholding in excess of the amount designated by a Participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each Participant properly correspond with amounts withheld from the participant's Compensation, and establish such other limitations or procedures as the Plan Administrator determines in its sole discretion advisable, which are consistent with the Plan and permitted or required by applicable law.

XI. <u>GENERAL PROVISIONS</u>

(a) The Plan shall terminate upon the date on which all shares available for issuance under the Plan shall have been sold pursuant to purchase rights exercised under the Plan, unless terminated sooner under Section X.

(b) All costs and expenses incurred in the administration of the Plan shall be paid by the Company.

(c) Neither the action of the Company in establishing the Plan, nor any action taken under the Plan by the Plan Administrator, nor any provision of the Plan itself shall be construed so as to grant any person the right to remain in the employ of the Company or any of its Corporate Affiliates for any period of specific duration, and such person's employment may be terminated at any time, with or without cause, subject to applicable law. Termination of the Plan, or of a person's status as an Employee or a Participant under the Plan, shall not constitute a constructive dismissal of the Participant's employment with the Company or a Participating Company. Further, no person shall have any rights or entitlement under the Plan after such person has ceased to be an Employee for purposes of the Plan or a Participant in the Plan.

(d) <u>Governing Law</u>. The Plan is to be construed in accordance with and governed by the internal laws of the State of Delaware without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of Delaware to the rights and duties of the parties, except to the extent the internal laws of the State of Delaware are superseded by the laws of the United States. Should any provision of the Plan be determined by a court of law to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.

(e) <u>Documents in English</u>. The Plan documents are in English, and if the Participant resides in a location other than Quebec, Canada and requires a translation of the documents into a language other than English, Participant will be responsible for arranging for accurate translations. If Participant resides in Quebec, Canada, a French translation of this Agreement is available upon request. If the documents are translated into a language other than English and if the translated versions are different front the English versions, the English versions will take precedence.

Exhibit for Participants Outside the United States

This Exhibit includes additional terms and conditions that govern your participation in the Viavi Solutions Inc. Employee Stock Purchase Plan (the "ESPP" or the "Plan") if you work or reside outside the United States, including, if applicable, in one of the countries listed below. This Exhibit also includes other information that could impact your participation in the Plan. Such terms and conditions and disclosures may also apply, as from the date of grant, if you move to or otherwise are or become subject to applicable laws or Company policies of a specified country. Capitalized terms not defined herein shall have the meanings set forth in the Plan, and/or the enrollment form. This Exhibit forms part of your enrollment form and should be read in conjunction with the Plan. By participating in the ESPP, you agree to the terms and conditions of this ESPP Exhibit, the enrollment form, and the Plan.

This Exhibit is based on the securities, foreign exchange, and other laws in effect as of August 2023. However, such laws are often complex and change frequently and may be out of date at the time that Stock is purchased under the Plan or when you sell Stock acquired under the Plan or otherwise take any action in relation to the Plan. In addition, the information contained herein is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of a particular result or make any recommendation regarding the ESPP. Accordingly, you are advised to seek appropriate professional advice as to how the relevant laws in your country may apply to your situation prior to taking any action in relation to the Plan.

ADDITIONAL PROVISIONS APPLICABLE TO ALL PARTICIPANTS

Securities Law Notice. Unless otherwise noted, neither the Company nor the Stock are registered with any stock exchange outside the United States. The enrollment form (of which this Exhibit is a part), the Plan, and any other communications or materials that you may receive regarding participation in the Plan do not constitute advertising or an offering of securities outside the United States, and the issuance of securities described in any Plan-related documents is not intended for public offering or circulation in your jurisdiction.

Foreign Exchange Restrictions. Unless otherwise permitted by the Company, any cross-border cash remittance made to transfer proceeds received upon the sale of Stock must be made through a locally authorized financial institution or registered foreign exchange agency and may require you to provide to such entity certain information regarding the transaction. Moreover, you understand and agree that the future value of the underlying Stock is unknown and cannot be predicted with certainty and may decrease in value, even below the Purchase Price. Neither the Company nor any Corporate Affiliate is responsible for any foreign exchange fluctuation between local currency and the United States Dollar or the selection by the Company or any Corporate Affiliate in its sole discretion of an applicable foreign currency exchange rate that may affect the value of your ESPP participation (or the calculation of income or any taxes or other amounts under the ESPP).

<u>Taxes</u>. Your participation in the Plan may be subject to taxes, tax withholdings, social contributions, required deductions or other payments, if any ("<u>Tax-Related Items</u>") that may arise upon the offer of purchase rights; the purchase, ownership or disposition of Stock; the receipt of dividends (if any); or otherwise in connection with the ESPP or the Stock. As a condition to your enrollment in the Plan and the purchase of any Stock on your behalf under the Plan, you agree to make adequate provision for, and indemnify the Company and any Corporate Affiliate for, any such Tax-Related Items, whether by withholding (from payroll or any payment of any kind otherwise due to you), direct payment to the Company, or otherwise as determined by the Company in its sole discretion. Regardless of any action the Company or any Corporate Affiliate takes with respect to any or all applicable Tax-Related Items, you acknowledge and agree that the ultimate liability for all Tax-Related Items is and remains your responsibility and may exceed any amount actually withheld by the Company or any Corporate Affiliate. You also acknowledge and agree that you are responsible for filing all relevant documentation that may be required in relation to your ESPP participation and any Stock purchased, pursuant to applicable laws, such as but not limited to personal income tax returns or reporting statements in relation to the purchase of Stock, the holding of Stock or any bank or brokerage account, the subsequent sale of Stock, and the receipt of any dividends. You further acknowledge that the Company makes no representations or undertakings regarding the treatment of any Tax-Related Items and does not commit to and is under no obligation to structure the terms or any aspect of the ESPP to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. You also understand that Applicable Laws may require varying share valuation methods for purposes of calculating Tax-Related Items, and the Company assumes no responsibility or liability in relation to any such valuation or for any calculation or reporting of income or Tax-Related Items that may be required under Applicable Laws. Further, if you become subject to tax or any other required payments in more than one jurisdiction, you acknowledge that the Company or any Corporate Affiliate may be required to withhold or account for such amounts in more than one jurisdiction.

<u>Data Privacy</u>. You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your Personal Data (as defined below) by and among, as applicable, the Company, and any Corporate Affiliate or third parties as may be selected by the Company, for the exclusive purpose of implementing, administering, and managing your participation in the Plan. You understand that refusal or withdrawal of consent will affect your ability to participate in the Plan; without providing consent, you will not be able to participate in the Plan or realize benefits (if any) from the Plan. You understand that the Company and any Corporate Affiliate or designated third parties may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of Stock or directorships held in the Company or any Corporate Affiliate, and details of all Stock purchased, canceled, or outstanding in your favor ("<u>Personal Data</u>"). You understand that Personal Data may be transferred to any Corporate Affiliate or third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the United States, your country, or elsewhere, and that the recipient's country may have different data privacy laws and protections than your country. In particular, the Company may transfer Personal Data to the broker or stock plan administrator assisting with the Plan, to its legal counsel and tax/accounting advisor, and to the Corporate Affiliate that is your employer and its payroll provider.

You should also refer to the Viavi Solutions Inc. Global Privacy Policy (which is available to you separately and may be updated from time to time) for more information regarding the collection, use, storage, and transfer of your Personal Data.

<u>Communications</u>. The Company may, in its sole discretion, decide to deliver any documents related to your current or future participation in the Plan, Stock, or any other Company-related documents by electronic means. By enrolling in the ESPP, whether electronically or otherwise, you hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an online or electronic system established and maintained by the Company or a third party designated by the Company, including but not limited to the use of electronic signatures or click-through electronic acceptance of terms and conditions. To the extent you have been provided with a copy of this Exhibit, the enrollment agreement, the Plan, or any other documents relating to the ESPP in a language other than English, the English language documents will prevail in case of any ambiguities or divergences as a result of translation.

No Acquired Rights. By enrolling in the ESPP, you hereby acknowledge that the Plan is established voluntarily by the Company, is discretionary in nature, and may be modified, amended, suspended or terminated by the Company at any time. The grant of the ESPP is voluntary and occasional and does not create any contractual or other right to receive future grants of purchase rights or benefits in lieu of ESPP, even if you have participated in the ESPP repeatedly in the past. All decisions with respect to future enrollment in the ESPP, if any, will be at the sole discretion of the Company.

In addition, your participation in the Plan is voluntary, and the ESPP and the Stock subject to the ESPP are extraordinary items that do not constitute regular compensation for services rendered to the Company or any Corporate Affiliate and are outside the scope of your employment contract, if any. The ESPP and the Stock subject to the ESPP are not intended to replace any pension rights or compensation and are not part of normal or expected salary or compensation for any purpose, including but not limited to calculating severance payments, if any, upon termination.

Other Requirements. The Company retains sole discretion to determine if and when it is appropriate to undertake any regulatory registration or filing or other administrative steps in order to achieve such compliance. The Company is under no obligation to undertake any such filing or other steps that would not otherwise be required except in relation to the Plan and grants thereunder and will not assume any liability due to the failure to complete such filing or other steps. The Company reserves the right to impose other requirements on your participation in the Plan or on the Stock, or take any other action, to the extent the Company determines it is necessary or advisable in order to comply with applicable laws or facilitate the administration of the Plan. You agree to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing. Furthermore, you acknowledge that the applicable laws of the country in which you are residing or working at the time of the ESPP offer, the purchase, holding or sale of Stock under the ESPP, or otherwise during your participation in the Plan (including any rules or regulations governing securities, foreign exchange, tax, labor, or other matters) may restrict or prevent participation in the ESPP or subject you to additional terms and conditions or procedural or regulatory requirements that you are or will be solely responsible for and must fulfill. Such requirements may be outlined in but are not limited to items listed below in this Exhibit. You also understand and agree that if you work, reside, move to, or otherwise are or become subject to applicable laws or Company policies of another jurisdiction at any time, certain country-specific notices, disclaimer and/or terms and conditions may apply to you as from the date of grant, unless otherwise determined by the Company in its sole discretion.

ADDITIONAL PROVISIONS AND DISCLOSURES APPLICABLE TO SPECIFIC COUNTRIES

Canada	**Securities Law Notice.** The Stock subject to purchase rights under the Plan are being offered pursuant to an exemption from the prospectus requirements of applicable securities legislation in Canada. You acknowledge that as long as the Company is not a reporting issuer in any jurisdiction in Canada, the purchase rights and the underlying Shares will be subject to an indefinite hold period in Canada and subject to restrictions on their transfer in Canada. Subject to applicable securities laws, you are permitted to sell Shares acquired through the Plan through the designated broker appointed under the Plan, assuming the sale of such Shares takes place outside Canada via the stock exchange on which the Shares are traded. **Foreign Ownership Reporting.** If you are a Canadian resident, your ownership of certain foreign property (including shares of foreign corporations) in excess of $100,000 may be subject to strict annual tax reporting obligations. Please refer to CRA Form T1135 (Foreign Income Verification Statement) and consult your tax advisor for further details. It is your responsibility to comply with all applicable tax reporting requirements. **Participant domiciled in the Canadian Province of Quebec, or who work at a Company site located in the Canadian Province of Quebec, agree that the Plan be drafted in English. *Je conviens que le présent accord de quittance soit rédigé en anglais*. Such Participant further acknowledge that French translations of the Plan are available upon request.**

VIAVI SOLUTIONS INC.

AMENDMENT TO STOCK OPTION AGREEMENT

This Amendment to Stock Option Agreement (this "**Amendment**") is entered into as of December 11, 2023, by and between Viavi Solutions Inc., a Delaware corporation (the "**Company**"), and Oleg Khaykin (the "**Holder**").

WHEREAS, the Company has granted to the Holder, pursuant to a Stock Option Agreement dated February 15, 2016 (the "**Option**"), a non-qualified stock option to purchase 1,180,257 shares of Common Stock of the Company (the "**Common Stock**") at an exercise price of $5.95 per share, which was granted outside of the Company's 2003 Equity Incentive Plan, as amended and restated; and

WHEREAS, the Holder and the Company wish to amend the Option to (i) provide that the withholding of shares of Common Stock otherwise deliverable upon exercise of the Option shall be the sole method of payment of the Holder's exercise price and taxes due upon exercise of the Option and (ii) provide for certain terms governing the timing of the exercise of the Option.

NOW, THEREFORE, the parties hereby agree as follows:

1. Amendments Relating to Method of Payment of Exercise Price and Taxes.

Section (4) of the Option Agreement shall be replaced in its entirety with the following:

"4. Method of Payment of Exercise Price and Taxes. Withholding of Shares otherwise deliverable upon exercise of the Option, which have a fair market value on the date of exercise equal to the sum of (i) the aggregate Exercise Price of the Shares as to which the Option is being exercised and (ii) the applicable Tax Withholding Obligations shall be the sole method of payment of the Exercise Price and the applicable Tax Withholding Obligations. For the avoidance of doubt, the Tax Withholding Obligations shall not exceed the amount necessary to satisfy the Company's minimum tax withholding obligations, unless the Grantee previously elected a higher tax withholding rate with respect to the Grantee's other stock awards, in which case, such Tax Withholding Obligations shall be based on such higher tax withholding rate. The closing price of the Shares on the last trading day prior to the date of exercise shall be used to determine the number of Shares, which shall be withheld for this purpose."

Section 3(g) of the Option Agreement shall be replaced in its entirety with the following:

"(g) Taxes.

(i) No Shares will be delivered to the Grantee or other person, pursuant to the exercise of the Option until the Grantee has satisfied applicable income tax, employment tax, and social security tax withholding obligations (the "**Tax Withholding Obligations**"). The Tax Withholding Obligations shall be satisfied as set forth in Section 4.

(ii) The Grantee acknowledges that the exercise of the Option, the holding of Shares subsequent to exercise and the disposition of any such Shares have significant tax consequences. The Grantee further acknowledges that satisfaction of all tax obligations applicable to the Grantee in connection with the Option or the Shares acquired pursuant to the Option is the sole responsibility of the Grantee. The Company cannot provide any advice to the Grantee with respect his or her personal income tax obligations. The Grantee should consult with the Grantee's own tax advisor before the exercise of the Option and before the disposition of any Shares acquired upon exercise of the Option."

2. Amendments Relating to Timing of Exercise.

Section (3)(a) of the Option Agreement shall be replaced in its entirety with the following:

"(a) Right to Exercise.
Any vested and unexercised Shares subject to the Option will be automatically exercised on February 14, 2024 if the fair market value of such Shares exceeds the aggregate Exercise Price of such Shares, irrespective of whether the Grantee is in possession of material nonpublic information.

Section 3(f) of the Option Agreement is hereby deleted in its entirety and replaced with the following:

"(f) Method of Exercise. Except as otherwise set forth in Section 4, the Option shall be exercisable only by delivery of an electronic or written exercise notice in the form determined by the Administrator from time to time which shall state the election to exercise the Option, the whole number of Shares in respect of which the Option is being exercised, such other representations and agreements as to the holder's investment intent with respect to such Shares and such other provisions as may be required by the Administrator. Such exercise notice shall be signed (or digitally authenticated if in electronic form) by the Grantee and shall be delivered in person, by certified mail, or by such other method as determined from time to time by the Administrator to the Company accompanied by payment of the Exercise Price. Except as otherwise set forth in Section 4, the Option shall be deemed to be exercised upon receipt by the Company of such written notice accompanied by the Exercise Price."

2. No Other Amendments. Except as expressly amended by this Amendment, all other terms and conditions of the Option shall remain in full force and effect without any modification or amendment.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first set forth above.

VIAVI SOLUTIONS INC.

By: /s/ RICHARD BELLUZZO
Richard Belluzzo
Chair of the Board of Directors

ACCEPTED AND AGREED:

/s/ OLEG KHAYKIN
Oleg Khaykin
President and Chief Executive Officer

1445 South Spectrum Blvd, Suite 102

Chandler, AZ 85286

October 13, 2023

Ilan Daskal

Dear Ilan,

On behalf of Viavi Solutions Inc. (sometimes hereafter referred to as “Viavi” or “the Company”), it is my pleasure to confirm our offer of employment to you in the position of Executive Vice President and Chief Financial Officer, reporting directly to Oleg Khaykin, President & CEO. Our employment offer, which remains subject to the approval of the Compensation Committee of our Board of Directors (the “Compensation Committee”), are upon the terms and conditions contained herein.

Your principal place of work shall be located in San Jose, CA.

This is a regular full-time position, and your category of employment will be Exempt. Your starting salary will be $570,000 per year and will be paid bi-weekly at the approximate rate of $21,923 less required tax withholding and deductions.
Your employment with Viavi will include participation in the Company’s Variable Pay Plan (our cash incentive plan), as such plan is approved by the Board of Directors from time to time, with an initial target incentive opportunity equal to 100% of your annual base salary. You will be eligible to participate in the Company’s Variable Pay Plan upon the commencement of your employment. Actual bonus payments are calculated based upon eligible earnings during each applicable fiscal half year period (the first and second halves of our fiscal year), which generally include base salary only, and exclude special payments such as bonuses, benefits, etc.

Please note that all incentive compensation opportunity payments are subject to the terms and conditions of the applicable plan(s) as approved by the Board of Directors and your eligibility for incentive payments will be contingent upon you remaining an employee of the Company on the bonus payment date selected by the Company.

Also, you will receive the following equity awards:

A new hire award of time-based restricted stock units (the “New Hire Time-Based RSUs”), with the number of units determined by dividing $2,250,000 by the average closing price of a share of Company common stock by using the sixty (60) trading days preceding the grant date, and which will vest in equal annual installments over four years from the grant date. The New Hire Time-Based RSUs will be granted on November 28, 2023.

A new hire award of performance-based restricted stock units (the “Performance RSUs”), with the number of units determined by dividing $2,250,000 by the average closing price of a share of Company common stock by using the sixty (60) trading days preceding the grant date, and which will vest in equal annual installments over four years from the grant date. The New Hire Performance-Based RSUs will be granted on November 28, 2023.

You will be eligible to be granted the following additional equity awards (“Focal Awards”):

A fiscal year 2024 (“FY24”) focal award of time-based restricted stock units (the “FY24 Focal Time-Based RSUs”), with the number of units determined by dividing $1,250,000 by the average closing price of a share of Company common stock by using the sixty (60) trading days preceding the grant date, subject to a minimum per share value of $11.00 and which will vest in three annual installments over three years from the grant date. The FY24 Focal Time-Based RSUs will be granted on November 28, 2023.

A fiscal year 2024 (“FY24”) focal award of performance-based restricted stock units (the “Focal Performance-Based RSUs”), with the number of units determined by dividing $1,250,000 by the average closing price of a share of Company common stock by using the sixty (60) trading days preceding the grant date, subject to a minimum per share value of $11.00 and which will vest in three annual installments over three years from the grant date. The FY24 Focal Performance-Based RSUs will be granted on November 28, 2023.

A fiscal year 2025 (“FY25”) focal award of time-based restricted stock units (the “FY25 Focal Time-Based RSUs”) of $1,250,000. The number of shares will be subject to the terms and conditions of the applicable FY25 equity plan design as approved by the Board of Directors. The FY25 Focal Time-Based RSUs will be granted at the time of Company’s annual equity award cycle (currently planned for August 2024).

A fiscal year 2025 (“FY25”) focal award of performance-based restricted stock units (the “FY25 Focal Performance-Based RSUs”) of $1,250,000. The number of shares will be subject to the terms and conditions of the applicable FY25 equity plan design as approved by the Board of Directors. The FY25 Focal Performance-Based RSUs will be granted, at the time of Company’s annual equity award cycle (currently planned for August 2024).

All equity awards are subject to the approval of the Compensation Committee and to the terms and conditions of the Company’s Amended and Restated 2003 Equity Incentive Plan, as amended from time to time, or its successor and to the applicable grant agreements.

You will also receive a lump sum sign on bonus of $250,000 less required tax withholding and deductions paid to you along with your first regular paycheck and $250,000 less required tax withholding and deductions paid to you 6 months after you commence employment. If you voluntarily terminate your employment within 12 months of the effective date of this letter or if VIAVI terminates your employment for Cause within 12 months of the effective date of this letter, you agree to repay a portion of the bonus on a pro-rated basis based upon how much time is left on the initial year of your employment. The Company acknowledges and agrees that you shall have no obligation to repay any portion of the sign on bonus if you are terminated without Cause, and you shall have no repayment obligation if you are employed for at least twelve months following the effective date of this letter.

Viavi offers a comprehensive benefit program including health, vision, dental and life and disability insurance benefits for which you will be eligible on your date of hire. You will also be eligible to participate in the Company’s 401(k) Retirement Plan and Employee Stock Purchase Plan. Other benefits include paid time off, paid holidays, and flexible spending accounts for child and health care. Additional benefit information will be provided at your New Employee Orientation.

The Company considers its confidential and proprietary information to be a key to its future success. Accordingly, pursuant to Company policy, this offer is conditioned upon your acceptance of the terms and conditions of the Company’s Employee Proprietary Information and Inventions Agreement, a copy of which is enclosed. Additionally, this offer, and your employment are conditioned upon successful completion of the Company’s background check process including reference checks. Please also note that upon commencement of employment you will be subject to the terms of the Company’s Policy Regarding Inside Information and Securities Transactions and Viavi’s Code of Business Conduct.

Your employment with Viavi is voluntarily entered into and is for no specified period. As a result, you will be free to resign at any time, for any reason, or for no reason at all. Similarly, the Company will be free to conclude its at-will employment relationship with you at any time, with or without notice or cause.

Upon commencement of employment, you will also be eligible for coverage under the Company’s 2020 Change of Control Benefits Plan as a Level 1 participant. A copy of the VIAVI Solutions Inc. Change of Control Benefits Plan (Amended and Restated Effective June 16, 2020) is attached hereto as Exhibit 1 and is incorporated herein by reference (the “Change of Control Plan”). Under such Change of Control Plan, the definition of “Good Reason” shall also include a material reduction in Executive’s duties, authority, reporting relationships or responsibilities, including not being the chief financial officer of a publicly reporting company after a Change of Control. During your employment with the Company and thereafter you will be provided indemnification and directors and officers liability insurance coverage under the Company’s form of indemnification agreement currently in effect for other senior executives of the Company and attached hereto as Exhibit 2.

For the purposes of this letter, "Cause" means the occurrence of any of the following, in each case as reasonably determined by the Board: (a) gross negligence or willful misconduct in an Eligible Employee's performance of duties to the Company Group; or (b) a material and willful violation of any federal or state law by an Eligible Employee that if made public would injure the business or reputation of the Company Group; or (c) refusal or willful failure by an Eligible Employee to comply with any specific lawful direction or order of the Company Group or the material policies and procedures of the Company Group, including but not limited to the Viavi Solutions Inc. Code of Business Conduct and Insider Trading Policy, as well as any obligations concerning proprietary rights and confidential information of the Company Group; or (d) conviction (including a plea of *nolo contendere*) of an Eligible Employee of a felony, or of a misdemeanor that would have a material adverse effect on the Company Group's goodwill if such Eligible Employee were to be retained as an employee of the Company Group; or (e) substantial and continuing willful refusal by an Eligible Employee to perform duties ordinarily performed by an employee in the same position and having similar duties as such Eligible Employee. This paragraph is intended to be the complete and exclusive statement regarding the circumstances under which your employment may be terminated and supersedes any prior agreement or representation. If any of its terms conflict with any practice or policy of Viavi, now or in the future, these terms will control and may not be changed except by written agreement signed by an authorized representative of the Company.

In the event of an involuntary termination that occurs other than within a period ending on the first anniversary of a Change of Control you will receive a cash severance equal to the sum of eighteen (18) months base pay as well as payments for continued healthcare for a period of eighteen (18) months following the termination date or such lesser period as you remain eligible (the "COBRA Payment Period") under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), the Company shall reimburse you each month for an amount equal to the difference between (i) the monthly cost of COBRA health and dental benefit (assuming you are eligible for such coverage), less (ii) the monthly amount that you would be required to contribute for health and dental coverage if you were an active employee of the Company (the "COBRA Premium Subsidy"). Notwithstanding the foregoing, if the Company determines, in its sole discretion, that the reimbursement of such COBRA Premium Subsidy would result in a violation of the nondiscrimination rules of Section 105(h)(2) of the Code or any statute or regulation of similar effect, then in lieu of providing such COBRA Premium Subsidy, the Company its sole discretion, may elect to instead pay you on the first day of each month of the COBRA Payment Period, a fully taxable cash payment equal to the COBRA Premium Subsidy for that month, subject to applicable tax withholdings if any, for the remainder of the COBRA Payment Period. You may, but you are not obligated to, use such taxable cash payment toward the cost of COBRA premiums.

An Employment Eligibility Verification, or I-9, form is required under the Immigration Reform and Control Act of 1986. All employees must complete this form within three days of their start date.

If the terms and conditions of this employment offer as summarized above are acceptable to you, please indicate your acceptance by signing and returning the following documents to us:

Signed duplicate copy of this letter,
Executed Employee Proprietary Information and Inventions Agreement
Executed Indemnification Agreement.

Ilan, we are pleased to provide you with this offer of employment and look forward to you joining our team. Should you have any questions regarding the terms of the employment offer, compensation, or benefits package please contact me directly.

Sincerely,

/s/ Petra Nagel
Petra Nagel
Senior Vice President, Human Resources
Viavi Solutions

I accept this offer of employment with Viavi under the terms described in this letter. I acknowledge that this letter contains the terms and conditions of my employment and supersedes all prior or concurrent agreements and representations and may not be modified in any way except in writing executed by an authorized agent of Viavi.

/s/ Ilan Daskal October 13, 2023

Ilan Daskal Date

Anticipated start date: November 7, 2023

Enclosures:
Employee Proprietary Information and Inventions Agreement
Executed Indemnification Agreement

VIAVI SOLUTIONS INC.

NON-EMPLOYEE DIRECTOR COMPENSATION POLICY

(Adopted and approved on November 8, 2023)

Each member of the Board of Directors (the "Board") of Viavi Solutions Inc. (the "Company") who is not an employee of the Company (each such member, a "Non-Employee Director") will receive the compensation described in this Non-Employee Director Compensation Policy (the "Director Compensation Policy") for his or her Board service following the date set forth above (the "Effective Date").

The Director Compensation Policy will become effective upon the Effective Date. The Director Compensation Policy may be amended at any time in the sole discretion of the Board.

Annual Cash Compensation

Each Non-Employee Director will receive the cash compensation set forth below for service on the Board. The annual cash compensation amounts will be payable in arrears, in equal quarterly installments following the end of each fiscal quarter of the Company in which the service occurred (but in no event later than the 8th of the month following the end of the applicable fiscal quarter). Any amount payable for a partial quarter of service will be pro-rated by multiplying such amount by a fraction, the numerator of which will be the number of days of service that the Non-Employee Director provided in such quarter and the denominator of which will be the number of days in such quarter inclusive. All annual cash fees are vested upon payment. For purposes of clarity, the first quarterly installment of the annual retainers set forth below shall be paid for the first quarter that ends on or after the Effective Date, with the amount of such payment equal to the full quarterly installment, pro-rated as applicable based on the days of service that the Non-Employee Director provided in such quarter.

1. **Annual Board Member Service Retainer**:

    a. All Non-Employee Directors: **$70,000**.

    b. Non-Employee Director serving as Chairperson: **$75,000** (in addition to above).

2. **Annual Committee Member Service Retainer**:

    a. Member of the Audit Committee: **$15,000**.

    b. Member of the Compensation Committee: **$10,000**.

    c. Member of the Corporate Development Committee: **$7,500**.

    d. Member of the Governance Committee: **$7,500**.

    e. Member of the Cyber Security Steering Committee: **$7,500**.

3. **Annual Committee Chair Service Retainer (in lieu of Annual Committee Member Service Retainer)**:

    a. Chairperson of the Audit Committee: **$32,000**.

    b. Chairperson of the Compensation Committee: **$24,000**.

    c. Chairperson of the Corporate Development Committee: **$15,000**.

d. Chairperson of the Governance Committee: **$15,000**.

e. Chairperson of the Cyber Security Steering Committee: **$15,000**.

Equity Compensation

Equity awards will be granted under the Company's Amended and Restated 2003 Equity Incentive Plan or any successor equity incentive plan adopted by the Board and the stockholders of the Company (the "Plan").

1. **Automatic Equity Grants**. Annual and initial grants made on or after the Effective Date shall be made as follows:

a. Annual Grant for Non-Employee Directors Elected at Annual Meetings. Without any further action of the Board, on the first business day (the "Annual Award Grant Date") following the date of each annual meeting of the Company's stockholders (each, an "Annual Meeting") beginning with the Annual Meeting during 2023 (the "2023 Annual Meeting"), each person who is serving as a Non-Employee Director as of the Annual Award Grant Date (which includes persons who are appointed for the first time to be a Non-Employee Director on the date of the Annual Meeting preceding the Annual Award Grant Date), shall be granted a restricted stock unit award ("RSU Award") under the Plan covering shares ("Shares") of the Company's Common Stock (as defined in the Plan) having an RSU Value (as calculated below) of **$210,000** (an "Director Annual RSU Award"); provided that the number of Shares covered by each Director Annual RSU Award will be rounded down to the nearest whole Share. Each Director Annual RSU Award shall vest in full on the earlier of the date of the next Annual Meeting and the one-year anniversary of the grant date, subject to the applicable Non-Employee Director's continued service as a member of the Board through such date.

b. Annual Grant for Non-Employee Directors Appointed between Annual Meetings. Without any further action of the Board, each person who, on or after the Effective Date, is elected or appointed for the first time to be a Non-Employee Director between Annual Meetings (including, for the avoidance of doubt, between the 2023 Annual Meeting and the 2024 Annual Meeting) will automatically, upon the date of his or her initial appointment to be a Non-Employee Director, be granted a RSU Award under the Plan covering Shares having an RSU Value equal to (i) **$210,000**, multiplied by (ii) a fraction, the numerator of which will be the number of days between the Non-Employee Director's appointment to the Board and the one-year anniversary of the prior Annual Meeting (a "Pro-rated Director Annual RSU Award") and the denominator of which will be 365; provided that the number of Shares covered by each Prorated Director Annual RSU Award will be rounded down to the nearest whole Share. Each Prorated Director Annual RSU Award shall vest in full on the earlier of the date of the next Annual Meeting and the one-year anniversary of the prior Annual Meeting, subject to the Non-Employee Director's continued service as a member of the Board through such date.

2. **Change in Control**. All vesting is subject to the Non-Employee Director's continued service as a member of the Board through the vesting date. Notwithstanding the foregoing, if a Non-Employee Director remains in continuous service as a member of the Board until immediately prior to: (a) the Non-Employee Director's death, (b) the Non-Employee Director's "Disability" (as defined in the applicable award agreement or, absent such definition in the applicable award agreement, as defined in the Plan) or (c) the closing of a "Corporate Transaction" (as defined in the Plan) (each an "Acceleration Event"), any unvested portion of any RSU Award granted in consideration of such Non-Employee Director's service as a member of the Board shall vest in full immediately upon the applicable Acceleration Event.

3. **Calculation of RSU Value**. The "RSU Value" of a RSU Award to be granted under this policy will equal the number of Shares subject to the restricted stock unit award multiplied by the average closing price of a Share over the 30 calendar days immediately preceding the grant date, unless otherwise determined by the Compensation Committee.

4. **Remaining Terms**. The remaining terms and conditions of each RSU Award granted under this policy will be as set forth in the Plan and the Company's standard form of RSU Award agreement, as amended from time to time by the Board or the Compensation Committee of the Board, as applicable.

Expenses

The Company will reimburse each Non-Employee Director for ordinary, necessary and reasonable out-of-pocket travel expenses to cover in-person attendance at, and participation in, Board and committee meetings as well as for fees of up to $5,000 per year related to attendance at relevant continuing education seminars or conferences, *provided*, that the Non-Employee Director timely submits to the Company appropriate documentation substantiating such expenses in accordance with the Company's travel and expense policy, as in effect from time to time.

Exhibit 31.1

VIAVI SOLUTIONS INC.
CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Oleg Khaykin, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 2, 2024

/s/ OLEG KHAYKIN

Oleg Khaykin
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

VIAVI SOLUTIONS INC.
CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Ilan Daskal, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 2, 2024

/s/ ILAN DASKAL

Ilan Daskal
Executive Vice President and Chief Financial Officer
(Duly Authorized Officer and Principal Financial and Accounting Officer)

Exhibit 32.1

VIAVI SOLUTIONS INC.
CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Viavi Solutions Inc. (the “Company”) on Form 10-Q for the quarter ended December 30, 2023 as filed with the Securities and Exchange Commission (the “Report”), I, Oleg Khaykin, Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

1.The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

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

Dated: February 2, 2024

/s/ OLEG KHAYKIN
Oleg Khaykin
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

VIAVI SOLUTIONS INC.
CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Viavi Solutions Inc. (the “Company”) on Form 10-Q for the quarter ended December 30, 2023 as filed with the Securities and Exchange Commission (the “Report”), I, Ilan Daskal, Executive Vice President and Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

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

Dated: February 2, 2024

/s/ ILAN DASKAL

Ilan Daskal
Executive Vice President and Chief Financial Officer
(Duly Authorized Officer and Principal Financial and Accounting Officer)