

## QUESTIONS AND ANSWERS Special Cash Dividend

(Updated July 7, 2016)

### Preface

On July 6, 2016, EMCORE Corporation announced that its Board of Directors has declared a special cash dividend of \$1.50 per share of EMCORE common stock, payable July 29, 2016 to shareholders of record on July 18, 2016. The aggregate dividend payment will total approximately \$40 million based on the number of shares of EMCORE common stock outstanding as of July 5, 2016.

### Trading of EMCORE Common Stock

#### 1. How will trading in EMCORE's common stock be impacted by the dividend?

At \$1.50 per share, the dividend declared by EMCORE's Board of Directors represented approximately 26% of EMCORE's closing stock price on July 5, 2016. Pursuant to NASDAQ rules, when a dividend is declared in a per share amount that exceeds 25% of a company's stock price, the date on which that company's shares will begin to trade without the right to receive the dividend, or ex-dividend, is generally the first business day following the payable date (rather than the second business day preceding the record date for cash distributions representing less than 25% of the value of the common stock). NASDAQ has applied this rule and has designated August 1, 2016, the first business day following the payable date for the dividend, as the ex-dividend date. Shareholders who hold shares of EMCORE common stock at the close of business on the record date will be entitled to receive the special cash dividend, but shares of EMCORE common stock will trade with the entitlement to the dividend until the ex-dividend date. **Therefore, if you own shares of EMCORE common stock at the close of business on the record date and you sell those shares prior to the ex-dividend date, you will not receive the special cash dividend.**

### Tax Treatment of Special Cash Dividend

#### 1. What are the U.S. federal income tax consequences of the special cash dividend?

For U.S. federal income tax purposes, the distribution will be a dividend to the extent it is paid out of the EMCORE's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Based on these rules, EMCORE currently estimates that 7% to 12% of the payment will be treated as a dividend for tax purposes, with the balance treated as a nontaxable return of capital for U.S. federal income tax purposes. This estimate is preliminary and subject to change based upon a comprehensive review and analysis of EMCORE's history as well as actual results for the entire 2016 taxable year.

An EMCORE shareholder's tax basis in shares of EMCORE common stock will be reduced by the amount of the distribution that is a return of capital. If the return of capital exceeds the shareholder's tax basis in EMCORE common stock, the remainder of the distribution in excess of the shareholder's basis will be treated as a capital gain. Shareholders are encouraged to consult their tax advisors to determine the tax treatment for their particular shares.

**2. Does a return of capital distribution receive similar tax treatment for state income tax purposes?**

Generally, yes, unless the state tax law specifically diverges. Again, shareholders are encouraged to consult their tax advisors for the tax treatment in their state.

**3. How is the special cash dividend tax treatment reported to shareholders?**

EMCORE is required to complete IRS Form 8937 for each distribution that affects a shareholder's tax basis and will post this form on the Investor Relations portion of its website ([www.emcore.com](http://www.emcore.com)) in September 2016. This form will include EMCORE's preliminary estimate of its accumulated earnings and profits for purposes of determining the approximate U.S. federal tax treatment for the cash dividend. Since the earnings and profits amount will not be finalized until EMCORE completes its corporate tax returns for its 2016 fiscal year, EMCORE expects to provide final information as soon as it is available, but no later than January 2017.

Upon receipt of the dividend tax information, the transfer agent for EMCORE's common stock and brokerage firms will report the tax treatment of the special cash dividend to EMCORE's U.S. shareholders on Form 1099DIV. We expect that these forms will be mailed to U.S. shareholders in February 2017.

**4. Where can I find further information regarding the U.S. tax treatment of return of capital distributions?**

See IRS Publication 550, Investment Income and Expenses.