EMCORE CORP
Form 10-Q
May 06, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2011

or

o 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 0-22175

EMCORE Corporation
(Exact name of registrant as specified in its charter)

New Jersey	22-2746503
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10420 Research Road, SE, Albuquerque, New Mexico	87123
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (505) 332-5000

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. x Yes o No

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

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

Non-accelerated filer o Smaller reporting company

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

The number of shares outstanding of the registrant's no par value common stock as of May 3, 2011 was 88,334,660.

CAUTIONARY STATEMENT
REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act of 1934. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are largely based on our current expectations and projections about future events and financial trends affecting the financial condition of our business. Such forward-looking statements include, in particular, projections about our future results included in our Exchange Act reports, statements about our plans, strategies, business prospects, changes and trends in our business and the markets in which we operate. These forward-looking statements may be identified by the use of terms and phrases such as “anticipates”, “believes”, “can”, “could”, “estimates”, “expects”, “forecasts”, “intends”, “may”, “plans”, “projects”, “targets”, “will”, and similar expressions or variations of these terms and sir phrases. Additionally, statements concerning future matters such as the development of new products, enhancements or technologies, sales levels, expense levels, and other statements regarding matters that are not historical are forward-looking statements. Management cautions that these forward-looking statements relate to future events or our future financial performance and are subject to business, economic, and other risks and uncertainties, both known and unknown, that may cause actual results, levels of activity, performance, or achievements of our business or our industry to be materially different from those expressed or implied by any forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include without limitation those discussed under Item 1A - Risk Factors in our Annual Report on Form 10-K for the fiscal year ended September 30, 2010, as updated by our subsequent periodic reports. These cautionary statements apply to all forward-looking statements wherever they appear in this Quarterly Report.

Neither management nor any other person assumes responsibility for the accuracy and completeness of any forward-looking statement. All forward-looking statements in this Quarterly Report are made as of the date hereof, based on information available to us as of the date hereof, and subsequent facts or circumstances may contradict, obviate, undermine, or otherwise fail to support or substantiate such statements. We caution you not to rely on these statements without also considering the risks and uncertainties associated with these statements and our business that are addressed in this Quarterly Report and our Annual Report. Certain information included in this Quarterly Report may supersede or supplement forward-looking statements in our other reports filed with the Securities and Exchange Commission. We assume no obligation to update any forward-looking statement to conform such statements to actual results or to changes in our expectations, except as required by applicable law or regulation.

EMCORE Corporation
FORM 10-Q
For The Quarterly Period Ended March 31, 2011

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PART I. FINANCIAL INFORMATION

ITEM I. Financial Statements

EMCORE CORPORATION
Condensed Consolidated Statements of Operations and Comprehensive Loss
For the three and six months ended March 31, 2011 and 2010
(in thousands, except loss per share)
(unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2011	2010	2011	2010
Revenue	$ 47,218	$ 48,194	$ 99,325	$ 90,596
Cost of revenue	36,638	32,436	76,065	65,525
Gross profit	10,580	15,758	23,260	25,071
Operating expenses (income):				
Selling, general, and administrative	9,380	9,023	17,644	21,250
Research and development	7,984	7,596	15,175	15,109
Litigation settlement	(2,590)	-	(2,590)	-
Total operating expenses	14,774	16,619	30,229	36,359
Operating loss	(4,194)	(861)	(6,969)	(11,288)
Other expense (income):				
Interest income	-	(17)	-	(19)
Interest expense	130	103	388	219
Foreign exchange loss (gain)	(749)	729	(414)	961
Loss from equity method investment	587	-	587	-
Change in fair value of financial instruments	1,038	(322)	1,310	810
Cost of financing instruments	5	108	10	336
Total other expense	1,011	601	1,881	2,307
Net loss	$ (5,205)	$ (1,462)	$ (8,850)	$ (13,595)
Foreign exchange translation adjustment	(414)	288	(308)	366
Comprehensive loss	$ (5,619)	$ (1,174)	$ (9,158)	$ (13,229)
Per share data:				
Net loss per basic and diluted share	$ (0.06)	$ (0.02)	$ (0.10)	$ (0.17)

Weighted-average number of basic and diluted shares outstanding	87,216	82,459	86,221	81,758

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

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EMCORE CORPORATION
Condensed Consolidated Balance Sheets
As of March 31, 2011 and September 30, 2010
(in thousands)
(unaudited)

ASSETS	As of March 31, 2011	As of September 30, 2010
Current assets:		
Cash and cash equivalents	$ 14,338	$ 19,944
Restricted cash	2,635	1,298
Accounts receivable, net of allowance of $3,396 and $8,399, respectively	38,088	40,125
Inventory	31,361	32,056
Prepaid expenses and other current assets	5,972	5,312
Total current assets	92,394	98,735
Property, plant and equipment, net	44,827	46,990
Goodwill	20,384	20,384
Other intangible assets, net	9,734	10,738
Other non-current assets, net of allowance of $5,254 and $0, respectively	3,904	991
Total assets	$ 171,243	$ 177,838
LIABILITIES and SHAREHOLDERS' EQUITY		
Current liabilities:		
Borrowings from credit facility	$ 13,710	$ 10,573
Accounts payable	24,399	26,156
Warrant liability	1,981	-
Equity method investment	1,195	-
Accrued expenses and other current liabilities	22,206	27,115
Total current liabilities	63,491	63,844
Warrant liability	-	475
Other long-term liabilities	38	87
Total liabilities	63,529	64,406
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $0.0001 par, 5,882 shares authorized; no shares outstanding	-	-
	697,415	701,997

Common stock, no par value, 200,000 shares authorized; 88,517 shares issued and 88,358 shares outstanding as of March 31, 2011; 85,346 shares issued and 85,187 shares outstanding as of September 30, 2010				
Accumulated deficit		(588,087)		(587,259)
Accumulated other comprehensive income		469		777
Treasury stock, at cost; 159 shares as of March 31, 2011 and September 30, 2010		(2,083)		(2,083)
Total shareholders' equity		107,714		113,432
Total liabilities and shareholders' equity	$	171,243	$	177,838

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

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EMCORE CORPORATION
Condensed Consolidated Statements of Cash Flows
For the six months ended March 31, 2011 and 2010
(in thousands)
(unaudited)

	Six Months Ended March 31,	
	2011	2010
Cash flows from operating activities:		
Net loss	$ (8,850)	$ (13,595)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	5,970	6,236
Stock-based compensation expense	2,024	5,250
Change in fair value of financial instruments	1,310	810
Compensatory stock issuances	587	528
Loss from equity method investment	587	-
Provision for product warranty	144	726
Provision for doubtful accounts	79	(410)
Cost of financing instruments	-	322
Loss on disposal of equipment	-	89
Total non-cash adjustments	10,701	13,551
Changes in operating assets and liabilities:		
Accounts receivable	2,059	(3,472)
Inventory	722	55
Other assets	(3,504)	236
Accounts payable	(1,766)	5,333
Accrued expenses and other current liabilities	(371)	(2,279)
Total change in operating assets and liabilities	(2,860)	(127)
Net cash used in operating activities	(1,009)	(171)
Cash flows from investing activities:		
Investment in unconsolidated affiliate	(4,000)	-
Purchase of plant and equipment	(1,685)	(243)
(Increase) release of restricted cash	(1,338)	1,096
Purchase of business	(750)	-
Investment in patents	(331)	(358)
Sales of available-for-sale securities	-	100
Net cash (used in) provided by investing activities	(8,104)	595
Cash flows from financing activities:		
Net proceeds from (payments on) borrowings from credit facilities	3,137	(671)
Proceeds from employee stock purchase plan	555	505
Proceeds from exercise of employee stock options	248	-
Proceeds related to officer and director purchase plan	17	-
Payments on capital lease obligations	(3)	-
Net proceeds from equity line of credit	-	1,980
Net payments on short-term debt	-	(114)

Net cash provided by financing activities		3,954		1,700
Effect of foreign currency		(447)		1,029
Net (decrease) increase in cash and cash equivalents		(5,606)		3,153
Cash and cash equivalents at beginning of period		19,944		14,028
Cash and cash equivalents at end of period	$	14,338	$	17,181
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid during the period for interest	$	701	$	148
Cash paid during the period for income taxes	$	-	$	-
NON-CASH INVESTING AND FINANCING ACTIVITIES				
Issuance of common stock under equity line of credit	$	-	$	228

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

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EMCORE Corporation
Notes to Condensed Consolidated Financial Statements

NOTE 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of EMCORE Corporation and its subsidiaries (the "Company" or "EMCORE"). All intercompany accounts and transactions have been eliminated in consolidation.

These statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim information, and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for annual financial statements. In the opinion of management, the interim financial statements reflect all normal adjustments that are necessary to provide a fair presentation of the financial results for the interim periods presented. Operating results for interim periods are not necessarily indicative of results that may be expected for an entire fiscal year. The condensed consolidated balance sheet as of September 30, 2010 has been derived from the audited consolidated financial statements as of such date. For a more complete understanding of the Company's financial position, operating results, risk factors, and other matters, please refer to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2010.

Certain prior period information has been reclassified to conform to the current period presentation. These changes had no impact on the Company's previously reported financial position, results of operations, or cash flows.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP for interim information requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as of the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. The accounting estimates that require our most significant, difficult, and subjective judgments include:

- the valuation of inventory, goodwill, intangible assets, warrants, and stock based compensation;
- assessment of recovery of long-lived assets;
- revenue recognition associated with the percentage of completion method; and,
- the allowance for doubtful accounts and warranty accruals.

Management develops estimates based on historical experience and on various assumptions about the future that are believed to be reasonable based on the best information available. The Company's reported financial position or results of operations may be materially different under changed conditions or when using different estimates and assumptions, particularly with respect to significant accounting policies. In the event that estimates or assumptions prove to differ from actual results, adjustments are made in subsequent periods to reflect more current information.

Liquidity and Capital Resources

As of March 31, 2011, cash and cash equivalents was approximately $14.3 million and working capital totaled $28.9 million. For the six months ended March 31, 2011, net cash used in operating activities totaled $1.0 million.

With respect to measures taken to improve liquidity, in November 2010, the Company entered into a three-year $35 million asset-backed revolving credit facility with Wells Fargo Bank ("Wells Fargo"), which can be used for working

capital, letters of credit, and other general corporate purposes. The credit facility is secured by substantially all of the Company's assets and is subject to a borrowing base formula based on the Company's eligible accounts receivable and inventory accounts. The Company expects at least 40% of the total amount of credit under the credit facility to be available for use based on the borrowing base formula during fiscal year 2011. As of March 31, 2011, the Company had a $13.7 million LIBOR rate loan outstanding, with an interest rate of 3.4%, and approximately $1.0 million reserved under six outstanding standby letters of credit under the credit facility. As of April 30, 2011, the Company partially paid down the outstanding loan to $4.1 million.

The credit facility contains customary representations and warranties, affirmative and negative covenants, and certain events of default, including a subjective acceleration clause. Under this clause, Wells Fargo may declare an event of default if it believes in good faith that the Company's ability to pay all or any portion of its indebtedness with Wells Fargo or to perform any of its material obligations under the credit facility has been impaired, or if it believes in good faith that there has been a material adverse change in the business or financial condition of the Company. If an event of default is not cured within the grace period (if applicable), then Wells Fargo may, among other things, accelerate repayment of amounts borrowed under the credit facility, cease making advances under the credit facility or take possession of the Company's assets that secure its obligations under the credit facility. The Company does not anticipate at this time any change in the business or financial condition of the Company that could be deemed a material adverse change by Wells Fargo.

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In addition, in April 2011, the Company announced that it entered into a stock purchase agreement with Shanghai Di Feng Investment Co. Ltd. pursuant to which the Company will issue and sell an aggregate of 4.4 million shares of its common stock for approximately $9.7 million. The Company intends to use the proceeds for working capital and general corporate purposes. The closing of the private placement is subject to the completion of customary closing conditions for transactions of this type, including approval of applicable Chinese government agencies. See Footnote 16 – Subsequent Event for details related to this private placement transaction.

We believe that our existing balances of cash and cash equivalents, together with the cash expected to be generated from operations and amounts expected to be available under our credit facility with Wells Fargo will provide us with sufficient financial resources to meet our cash requirements for operations, working capital, and capital expenditures for the next 12 months.

However, in the event of unforeseen circumstances, unfavorable market or economic developments, unfavorable results from operations, or if Wells Fargo declares an event of default on the credit facility, the Company may have to raise additional funds by any one or a combination of the following: issuing equity, debt or convertible debt, or selling certain product lines and/or portions of our business. There can be no guarantee that the Company will be able to raise additional funds on terms acceptable to us, or at all. A significant contraction in the capital markets, particularly in the technology sector, may make it difficult for us to raise additional capital if or when it is required, especially if the Company experiences negative operating results. As a result of the delay in filing our Annual Report on Form 10-K for the fiscal year ended September 30, 2010, we are currently ineligible to register our securities on Form S-3. As a result it may be more difficult and costly for us to access the capital markets until we regain Form S-3 eligibility. If adequate capital is not available to us as required, or is not available on favorable terms, our business, financial condition, and results of operations may be adversely affected.

Correction of Prior Period Financial Statements

During the quarter ended June 30, 2010, management determined that approximately $2.5 million of excess and obsolete inventory reserves related to the Company’s Fiber Optics segment and $0.2 million of compensation expense should have been recorded in the quarter ended September 30, 2009. The impact from correcting prior period financial statements resulted in the reduction of cost of revenue of approximately $1.3 million and $0.3 million from amounts previously reported in the quarters ended December 31, 2009 and March 31, 2010, respectively, which improved profitability in these reporting periods. These corrections had no impact to net cash provided by (used in) operating activities or other subtotals as reported on the condensed consolidated statements of cash flows for the six months ended March 31, 2010.

NOTE 2. Accounting Policies and Recent Accounting Pronouncements

Multiple-Element Arrangements

Contracts with our customers usually relate to either the delivery of product or the completion of technology or engineering research and development contracts. In a very limited number of cases, a research contract may involve the creation and delivery of a customer-designed product sample based upon the research and development efforts completed. Based on the following criteria in ASC 605-25-25-5, Revenue Recognition – Multiple-Element Arrangements, we have concluded that product revenue should not be considered a unit of accounting separate from the service revenue for these types of research contracts.

Contract Manufacturers

In the Fiber Optics segment, prior to certain customers accepting product that is manufactured at one of our contract manufacturers, these customers require that they first qualify the product and manufacturing processes at our contract manufacturer. The customers' qualification process determines whether the product manufactured at our contract manufacturer achieves their quality, performance, and reliability standards. After a customer completes the initial qualification process, the Company receives approval to ship qualified product to that customer. As part of the manufacturing process at our contract manufacturers, the finished product is tested prior to shipment to the customer using the same criteria that our customer uses to test product it receives. Revenue is recognized upon shipment of customer qualified product, provided persuasive evidence of a contract exists, the price is fixed, the product meets its specifications, title and ownership have transferred to the customer, and there is reasonable assurance of collection of the sales proceeds.

There have been no recent accounting pronouncements or changes in accounting pronouncements since September 30, 2010 that are of significance, or potential significance, to the Company. The Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on the Company's consolidated financial position, results of operations, or cash flows upon adoption.

NOTE 3. Equity

The Company provides long-term incentives to eligible officers, directors, and employees in the form of stock-based awards. The Company maintains two stock award plans: the 2000 Stock Option Plan (the "2000 Plan") and the 2010 Equity Incentive Plan (the "2010 Equity Plan" and, together with the 2000 Plan, the "Stock Plans"). The 2000 Plan expired in February 2010 and no additional shares are available for grant under this plan. The Company issues new shares of common stock to satisfy awards issued under the 2010 Equity Plan.

Stock Options

Most of the Company's stock options vest and become exercisable over four to five years and have a contractual life of ten years. Certain stock options awarded by the Company are intended to qualify as incentive stock options pursuant to Section 422A of the Internal Revenue Code.

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The following tables summarize the activity related to stock options under the Company's Stock Plans:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)
Outstanding as of September 30, 2010	8,722,125	$ 4.70	7.02
Granted	724,000		
Exercised	(181,550)		
Forfeited	(82,326)		
Cancelled	(124,268)		
Outstanding as of March 31, 2011	9,057,981	$ 4.49	6.81
Exercisable as of March 31, 2011	4,890,612	$ 5.52	5.71
Vested and expected to vest as of March 31, 2011	6,150,249	$ 4.98	6.23

As of March 31, 2011	Number of Stock Options Outstanding			Options Exercisable	
Exercise Price of Stock Options	Number Outstanding	Weighted-Average Remaining Contractual Life (years)	Weighted - -Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$<5.00	4,920,783	7.17	$ 1.85	1,997,175	$ 2.61
>=$5.01 to <$10.00	4,106,498	6.38	7.61	2,873,437	7.49
=>$10.00	30,700	6.30	11.34	20,000	11.32
Total	9,057,981	6.81	$ 4.49	4,890,612	$ 5.52

As of March 31, 2011, there was approximately $2.2 million of unrecognized stock-based compensation expense related to non-vested stock options granted under the Stock Plans which is expected to be recognized over an estimated weighted average life of 2.2 years.

Intrinsic value for stock options represents the "in-the-money" portion or the positive variance between a stock option's exercise price and the underlying stock price. The total intrinsic value related to stock options exercised during the three and six months ended March 31, 2011 was approximately $151,000 and $156,000, respectively. No stock options were exercised during the six months ended March 31, 2010. The intrinsic value related to fully vested and expected to vest stock options as of March 31, 2011 and 2010 was approximately $2.2 million and $22,000, respectively. The intrinsic value related to exercisable stock options as of March 31, 2011 and 2010 was approximately $917,000 and $8,000, respectively.

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Restricted Stock

The following tables summarize the activity related to restricted stock awards under the 2010 Equity Plan for the six months ended March 31, 2011:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested as of September 30, 2010	-	$ -
Granted	1,665,900	1.42
Vested	-	-
Cancelled	(4,000)	1.42
Non-vested as of March 31, 2011	1,661,900	$ 1.42

As of March 31, 2011, there was approximately $1.0 million of remaining unamortized stock-based compensation expense associated with restricted stock awards, which will be expensed over a weighted average remaining service period of approximately 2.8 years. Pre-vesting forfeitures were estimated at 32.5%.

Employee Stock Purchase Plan

The Company maintains an Employee Stock Purchase Plan (“ESPP”) that provides employees of the Company an opportunity to purchase common stock through payroll deductions. The ESPP is a 6-month duration plan and the purchase price is set at 85% of the average high and low market price of the Company's common stock on either the first or last day of the participation period, whichever is lower, and contributions are limited to the lower of 10% of an employee's compensation or $25,000. The Company issues new shares of common stock to satisfy the issuance of shares under this stock-based compensation plan.

The amounts of shares issued for the ESPP are as follows:

	Number of Common Stock Shares	Purchase Price per Share of Common Stock
Amount of shares reserved for the ESPP	4,500,000	
Number of shares issued for calendar years 2000 through 2008	(1,716,446)	$0.88 - $40.93
Number of shares issued for calendar year 2009	(1,073,405)	$ 0.92
Number of shares issued for calendar year 2010	(651,700)	$ 0.74
	(781,802)	$ 0.71

Number of shares issued for calendar year 2011	
Remaining shares reserved for the ESPP	276,647

Officer and Director Share Purchase Plan

On January 21, 2011, the Compensation Committee of the Board of Directors approved an Officer and Director Share Purchase Plan ("ODPP"), which allows executive officers and directors of the Company to purchase shares of the Company's common stock at fair market value in lieu of salary or, in the case of directors, director fees. Eligible individuals may voluntarily participate in the ODPP by authorizing payroll deductions or, in the case of directors, deductions from director fees for the purpose of purchasing Company common stock. Elections to participate in the ODPP may only be made during open trading windows under the Company's insider trading policy when the participant does not otherwise possess material non-public information concerning the Company. The Board of Directors has authorized 500,000 shares to be made available for purchase by officers and directors under the ODPP. As of March 31, 2011, 6,015 shares had been purchased under the ODPP.

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Stock-based compensation

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

(in thousands, except per share data)	For the Three Months Ended March 31, 2011	For the Three Months Ended March 31, 2010	For the Six Months Ended March 31, 2011	For the Six Months Ended March 31, 2010
Stock-based compensation expense by award type:				
Employee stock options	$1,040	$ 1,927	$1,722	$ 4,933
Restricted stock awards	90	-	90	-
Employee stock purchase plan	77	137	212	317
Total stock-based compensation expense	$1,207	$ 2,064	$2,024	$ 5,250
Stock-based compensation expense by expense category:				
Cost of revenue	$143	$ 387	$256	$ 876
Selling, general, and administrative	817	1,386	1,324	3,676
Research and development	247	291	444	698
Total stock-based compensation expense	$1,207	$ 2,064	$2,024	$ 5,250
Net effect on net loss per basic and diluted share	$(0.01)	$ (0.03)	$(0.02)	$ (0.06)

Valuation Assumptions

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option valuation model and the straight-line attribution approach using the following weighted-average assumptions. The option-pricing model requires the input of highly subjective assumptions, including the option's expected life and the price volatility of the underlying stock. The weighted-average grant date fair value of stock options granted during the three and six months ended March 31, 2011 was $1.58 and $0.88, respectively. The weighted-average grant date fair value of stock options granted during the three and six months ended March 31, 2010 was $0.78 and $0.77, respectively.

Assumptions used in Black-Scholes Option Valuation Model	For the Three Months Ended March 31, 2011	For the Three Months Ended March 31, 2010	For the Six Months Ended March 31, 2011	For the Six Months Ended March 31, 2010
Expected dividend yield	-	-	-	-
Expected stock price volatility	101.0%	97.3%	98.6%	97.1%
Risk-free interest rate	1.9%	2.5%	1.4%	2.4%
Expected term (in years)	4.7	4.5	4.9	4.6
Estimated pre-vesting forfeitures	32.5%	32.7%	32.5%	32.7%

Warrants

As of March 31, 2011 and September 30, 2010, the Company had 3,000,003 warrants outstanding. On February 20, 2008, in conjunction with a private placement transaction, the Company issued 1,400,003 warrants representing the right to purchase up to an aggregate of 1,400,003 shares of the Company's common stock (the "2008 Warrants") and on October 1, 2009, the Company entered into an equity line of credit arrangement with Commerce Court Small Cap Value Fund, Ltd. wherein the Company issued three warrants representing the right to purchase up to an aggregate of 1,600,000 shares of the Company's common stock (the "2009 Warrants" and together with the 2008 Warrants, "the "2008 & 2009 Warrants").

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During the quarter ended March 31, 2011, management determined that the 2008 Warrants should have been accounted for as a liability transaction since these warrants met the definition of a derivative instrument and did not qualify for equity classification. The Company's valuation of the warrants based on a Monte Carlo option pricing model resulted in a valuation of approximately $8.2 million, $1.8 million, $0.4 million, $0.1 million, and $0.2 million as of February 20, 2008, September 30, 2008, September 30, 2009, September 30, 2010 and December 31, 2010, respectively. In this Quarterly Report on Form 10-Q, the Company adjusted common stock and accumulated deficit, both equity-related accounts, by $8,218,000 and $8,022,000, respectively, and recorded the liability related to the fair value of the warrants as of January 1, 2011 of $196,000 to correct the initial accounting treatment of the warrants from equity to liability accounting as an out-of-period adjustment. The Company also reclassified the 2008 and 2009 Warrants from a non-current liability to a current liability during the quarter ended March 31, 2011 since these warrants include a fundamental transaction clause whereby, in the event that another person becomes the beneficial owner of 50% of the outstanding shares of the Company's common stock, and if other conditions are met, the Company may be required to purchase the warrants from the holders by paying cash in an amount equal to the Black Scholes value of the remaining unexercised portion of the warrants on the date of such fundamental transaction. A change of control is not within the Company's control and the net cash settlement to the warrant holders would represent an additional form of consideration that may not be available to holders of the Company's common stock.

See Footnote 15 – Fair Value Accounting for details related to the valuation of the 2008 and 2009 Warrants.

Future Issuances

As of March 31, 2011, the Company had reserved 14.4 million shares of its common stock for future issuances as follows:

	Number of Common Stock Shares Available for Future Issuances
For exercise of outstanding stock options	9,057,981
For future issuances to employees under the ESPP	276,647
For future stock option or restricted stock awards under the 2010 Equity Incentive Plan	1,616,100
For future exercise of warrants	3,000,003
For future issuance under the ODPP	493,985
Total reserved	14,444,716

NOTE 4. Receivables

The components of accounts receivable consisted of the following:

(in thousands)	As of March 31, 2011	As of September 30, 2010
Accounts receivable	$ 35,577	$ 37,574
Accounts receivable – unbilled	5,907	10,950
Accounts receivable, gross	41,484	48,524

Allowance for doubtful accounts		(3,396)		(8,399)
Accounts receivable, net	$	38,088	$	40,125

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Pursuant to ASC 605-35, Revenue Recognition – Construction–Type and Production, the Company records revenue on long-term solar panel and solar power system contracts using either the percentage-of-completion method or the completed contract method. In general, the performance of these types of contracts involves the design, development, and manufacture of complex aerospace or electronic equipment to our customer's specifications. The percentage-of-completion method is used by the Company in circumstances in which all the following conditions exist:

- The contract includes enforceable rights regarding goods or services to be provided to the customer, the consideration to be exchanged, and the manner and terms of settlement;
- Both the Company and the customer are expected to satisfy all of the contractual obligations; and,
- Reasonably reliable estimates of total revenue, total cost, and the progress toward completion can be made.

The percentage-of-completion method recognizes estimates for contract revenue and costs in progress as work on the contract continues. Estimates are revised as additional information becomes available. If estimates of costs to complete a contract indicate a loss, a provision is made at that time for the total loss anticipated on the contract.

The Company uses the completed contract method if reasonably dependable estimates cannot be made or for which inherent hazards make estimates doubtful. Under the completed contract method, contract revenue and costs in progress are deferred as work on the contract continues. If a loss becomes evident on the contract, a provision is made at that time for the total loss anticipated on the contract. Total contract revenue and related costs are recognized upon the completion of the contract.

As of March 31, 2011 and September 30, 2010, the Company had $6.6 million and $18.4 million, respectively, of accounts receivable recorded using the percentage of completion method. Of these amounts, $1.9 million was invoiced and $4.7 million was unbilled as of March 31, 2011 and $8.8 million was invoiced and $9.6 million was unbilled as of September 30, 2010. Unbilled accounts receivable represents revenue recognized but not yet billed or accounts billed after the period ended. Billings on contracts using the percentage-of-completion method usually occur upon completion of predetermined contract milestones or other contract terms, such as customer approval.

The allowance for doubtful accounts is based on the age of receivables and a specific identification of receivables considered at risk of collection. The allowance for doubtful accounts specifically related to receivables recorded using the percentage-of-completion method totaled $5.1 million as of September 30, 2010 and as noted below, this allowance was reclassified to a non-current receivable account as of March 31, 2011.

During the three months ended March 31, 2011, the Company entered into an accounts receivable settlement agreement related to a large fixed-priced international solar power system contract that was accounted for using the percentage-of-completion method. Based upon the terms of the settlement agreement, the Company reclassified a net accounts receivable balance of approximately $2.0 million from a current receivable account to a long-term receivable account within other non-current assets, leaving approximately $0.2 million as a current receivable which is expected to be paid within the next twelve months. The reclass of accounts receivable consisted of a billed accounts receivable balance of $5.8 million, unbilled accounts receivable balance of $1.5 million, along with an allowance for doubtful accounts associated with this receivable that totaled $5.3 million.

The following table summarizes the changes in the allowance for doubtful accounts:

(in thousands)	Six Months Ended March 31,

	2011	2010
Balance at beginning of period	$ 8,399	$ 7,125
Expense - charge to provision, net of (recoveries)	79	(410)
Reclass of a specific allowance for doubtful accounts to a long-term receivables account	(5,254)	-
Impact from foreign exchange translation adjustment	181	(200)
Write-offs - deductions against receivables	(9)	(1,065)
Balance at end of period	$ 3,396	$ 5,450

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NOTE 5. Inventory

The components of inventory consisted of the following:

(in thousands)	As of March 31, 2011	As of September 30, 2010
Raw materials	$ 13,703	$ 13,632
Work in-process	6,529	6,496
Finished goods	11,129	11,928
Inventory	$ 31,361	$ 32,056

NOTE 6. Property, Plant, and Equipment

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

(in thousands)	As of March 31, 2011	As of September 30, 2010
Land	$ 1,502	$ 1,502
Building and improvements	34,910	34,854
Equipment	103,389	101,310
Furniture and fixtures	3,065	3,065
Computer hardware and software	3,647	3,616
Leasehold improvements	832	854
Construction in progress	1,334	992
Property, plant, and equipment, gross	148,679	146,193
Accumulated depreciation	(103,852)	(99,203)
Property, plant, and equipment, net	$ 44,827	$ 46,990

On March 28, 2011, the Company acquired certain assets of Soliant Energy, Inc. of Monrovia, CA for $750,000. On a preliminary basis, the Company allocated the entire purchase price to equipment as of March 31, 2011.

As of March 31, 2011 and September 30, 2010, the Company did not have any significant capital lease agreements.

Depreciation expense was $2.3 million and $4.6 million for the three and six months ended March 31, 2011, respectively.
Depreciation expense was $2.4 million and $4.8 million for the three and six months ended March 31, 2010, respectively.

NOTE 7. Goodwill

The Company's goodwill is associated with the Photovoltaics segment. As of September 30, 2010, the Company performed an interim impairment test on its goodwill. The impairment test indicated that no impairment existed and that fair value exceeded carrying value by approximately 40%. As of December 31, 2010, the Company performed an annual impairment test on its goodwill and the impairment test indicated that no impairment existed. As of March 31, 2011, there have been no significant changes in the underlying assumptions used to prepare this test, nor have we identified any indications of impairment or triggering events through the six months ended March 31, 2011. However, the Company will continue to monitor any changes in circumstances or triggering events that might indicate impairment of our goodwill. If there is erosion of the Company's market capitalization or the Photovoltaics reporting unit is unable to achieve its projected cash flows, management may be required to perform additional impairment tests. The outcome of these additional tests may result in the Company recording goodwill impairment charges.

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NOTE 8. Intangible Assets

The following table sets forth changes in the carrying value of intangible assets by reporting segment:

(in thousands)	As of March 31, 2011			As of September 30, 2010		
	Gross Assets	Accumulated Amortization	Net Assets	Gross Assets	Accumulated Amortization	Net Assets
Fiber Optics:						
Core Technology	$15,555	$ (10,094)	$5,461	$15,555	$ (9,275)	$6,280
Customer Relations	4,381	(1,858)	2,523	4,381	(1,644)	2,737
Patents	4,821	(4,144)	677	4,725	(4,021)	704
	24,757	(16,096)	8,661	24,661	(14,940)	9,721
Photovoltaics:						
Patents	2,177	(1,104)	1,073	1,941	(924)	1,017
Total	$26,934	$ (17,200)	$9,734	$26,602	$ (15,864)	$10,738

As of September 30, 2010, the Company performed an impairment test on its long-lived assets related to the Fiber Optics segment. The impairment test indicated that the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the asset group exceeded the carrying amount of the asset group by over 150%. As of March 31, 2011, there have been no significant changes in the underlying assumptions used to prepare this test, nor have we identified any indications of impairment or triggering events through the six months ended March 31, 2011. However, the Company will continue to monitor any changes in circumstances or triggering events that might indicate impairment of our long-lived assets. If the Company is unable to achieve its projected cash flows, the Company may be required to perform impairment tests of its remaining long-lived assets. The outcome of these tests may result in the Company recording impairment charges.

Amortization expense related to intangible assets is generally included in sales, general, and administrative expense on the condensed consolidated statements of operations. Amortization expense was $0.7 million and $1.4 million for the three and six months ended March 31, 2011. Amortization expense was $0.7 million and $1.4 million for the three and six months ended March 31, 2010.

Based on the carrying amount of the intangible assets as of March 31, 2011, the estimated future amortization expense is as follows:

(in thousands)	Estimated Future Amortization Expense
Six months ended September 30, 2011	$ 1,281
Fiscal year ended September 30, 2012	2,304
Fiscal year ended September 30, 2013	1,968
Fiscal year ended September 30, 2014	1,433
Fiscal year ended September 30, 2015	1,008
Thereafter	1,740
Total future amortization expense	$ 9,734

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NOTE 9. Accrued Expenses and Other Current Liabilities

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

(in thousands)	As of March 31, 2011	As of September 30, 2010
Compensation-related	$ 4,880	$ 4,001
Warranty	4,683	4,851
Advanced payments	3,996	7,437
Tangshan termination fee	2,775	2,775
Royalty	1,706	1,772
Income and other taxes	895	747
Self insurance	878	957
Professional fees	647	2,530
Restructuring accrual	583	780
Loss on sale commitments	449	561
Loss on purchase commitments	192	86
Other	522	618
Accrued expenses and other current liabilities	$ 22,206	$ 27,115

The Company provides its customers with limited rights of return for non-conforming shipments and warranty claims for certain products. In accordance with ASC 450, Contingencies, the Company makes estimates of product warranty expense using historical experience rates as a percentage of revenue and/or costs of revenue and accrues estimated warranty expense as a cost of revenue. The Company estimates the costs of its warranty obligations based on historical experience of known product failure rates and anticipated rates of warranty claims, use of materials to repair or replace defective products, and service delivery costs incurred in correcting product issues. In addition, from time to time, specific warranty accruals may be made if unforeseen technical problems arise. Should our actual experience relative to these factors differ from our estimates, the Company may be required to record additional warranty reserves. Alternatively, if the Company provides more reserves than needed, the Company may reverse a portion of such provisions in future periods. The following table summarizes the changes in the product warranty accrual accounts:

(in thousands)	Six Months Ended March 31, 2011	2010
Balance at beginning of period	$ 4,851	$ 4,287
Expense - charge to provision	144	726
Utilization of warranty accrual	(312)	(351)
Balance at end of period	$ 4,683	$ 4,662

The Company's restructuring-related accrual specifically relates to non-cancelable lease payments on an abandoned facility. The following table summarizes the changes in the severance and restructuring-related accrual accounts:

	Severance-related accruals	Restructuring-related accruals	Total
Balance as of September 30, 2010	$ 180	$ 600	$ 780
Expense - charge to accrual	20	-	20
Payments on accrual	(118)	(99)	(217)
Balance as of March 31, 2011	$ 82	$ 501	$ 583

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NOTE 10. Credit Facilities

On November 11, 2010, the Company entered into a Credit and Security Agreement (the "credit facility") with Wells Fargo. The credit facility provides the Company with a three-year revolving credit facility of up to $35 million that can be used for working capital requirements, letters of credit, and other general corporate purposes. The credit facility is secured by substantially all of the Company's assets and is subject to a borrowing base formula based on the Company's eligible accounts receivable and inventory accounts. The Company expects at least 40% of the total amount of credit under the credit facility to be available for use based on the borrowing base formula during fiscal year 2011. The Company capitalized $0.5 million as financing costs associated with the credit facility which will be amortized over a three-year period.

The credit facility contains customary representations and warranties, and affirmative and negative covenants, including, among other things, cash balance and excess availability requirements, minimum tangible net worth and EBITDA covenants and limitations on liens and certain additional indebtedness and guarantees. As of March 31, 2011, the Company was in compliance with the financial covenants contained in the credit facility since the Company's cash on deposit and excess availability exceeded the $7.5 million financial covenant requirement.

The credit facility also contains certain events of default, including a subjective acceleration clause. Under this clause, Wells Fargo may declare an event of default if it believes in good faith that the Company's ability to pay all or any portion of its indebtedness with Wells Fargo or to perform any of its material obligations under the credit facility has been impaired, or if it believes in good faith that there has been a material adverse change in the business or financial condition of the Company. If an event of default is not cured within the grace period (if applicable), then Wells Fargo may, among other things, accelerate repayment of amounts borrowed under the credit facility, cease making advances under the credit facility or take possession of the Company's assets that secure its obligations under the credit facility. The Company does not anticipate at this time any change in the business or financial condition of the Company that could be deemed a material adverse change by Wells Fargo.

On November 12, 2010, the Company borrowed $5.6 million under the credit facility and used the proceeds to repay the entire $5.2 million debt outstanding under the Company's Loan and Security Agreement, dated as of September 29, 2008, with Bank of America, N.A. (the "Prior Credit Agreement"). Afterwards, the Company terminated the Prior Credit Agreement. The Company wrote off $120,000 related to unamortized financing costs associated with the Prior Credit Agreement. The guarantees provided by the Company and certain of its subsidiaries under the Prior Credit Agreement terminated simultaneously with the Prior Credit Agreement. The Company did not incur any penalties from Bank of America in connection with the termination of the Prior Credit Agreement.

As of March 31, 2011, the Company had a $13.7 million LIBOR rate loan outstanding, with an interest rate of 3.4%, and approximately $1.0 million reserved under six outstanding standby letters of credit under the credit facility. As of April 30, 2011, the Company partially paid down the outstanding loan to $4.1 million.

NOTE 11. Taxes

During the three months ended March 31, 2011 and 2010, there were no material increases or decreases in unrecognized tax benefits and management does not anticipate any material increases or decreases in the amounts of unrecognized tax benefits over the next twelve months. As of March 31, 2011, the Company had approximately $185,000 of interest and penalties accrued as tax liabilities on the balance sheet. As of March 31, 2011 and September 30, 2010, the Company's unrecognized gross tax benefit totaled $338,000.

The Company files income tax returns in the U.S. federal, state, and local jurisdictions and, currently, no federal, state, and local income tax returns are under examination. The following tax years remain open to income tax examination

for each of the more significant jurisdictions where the Company is subject to income taxes: after fiscal year 2007 for U.S. federal, after fiscal year 2006 for the state of California, and after fiscal year 2007 for the state of New Mexico.

NOTE 12. Commitments and Contingencies

Operating Leases

The Company leases certain land, facilities, and equipment under non-cancelable operating leases. The leases typically provide for rental adjustments for increases in base rent (up to specific limits), property taxes, insurance and general property maintenance that would be recorded as rent expense. Net facility and equipment rent expense under such leases was approximately $0.7 million for both the three months ended March 31, 2011 and 2010 and approximately $1.3 million for both the six months ended March 31, 2011 and 2010.

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Estimated future minimum rental payments under the Company's non-cancelable operating leases with an initial or remaining term of one year or more as of March 31, 2011 are as follows:

(in thousands)		Estimated Future Minimum Lease Payments
Six months ended September 30, 2011	$	985
Fiscal year ended September 30, 2012		1,238
Fiscal year ended September 30, 2013		892
Fiscal year ended September 30, 2014		182
Fiscal year ended September 30, 2015		182
Thereafter		2,670
Total minimum lease payments	$	6,149

Suncore Joint Venture

The registered capital of Suncore is $30 million, among which, San'an will contribute $18 million in cash, accounting for sixty percent (60%) of the registered capital of Suncore, and the Company will contribute $12 million in cash, accounting for forty percent (40%) of the registered capital of Suncore. The first installment consisting of one-third of the subscribed registered capital contribution amount was paid by both parties in February 2011. The second installment consisting of the remaining two thirds of the subscribed registered capital contribution amount is due from both parties in July 2011. The Company intends to fund most of its July 2011 capital contribution requirements to Suncore using consulting fees paid by an affiliate of San'an, with the remaining portion being funded by the Company's cash flow from operations and borrowings under the Company's credit facility with Wells Fargo.

The Company is not required by the joint venture agreement to contribute additional funds in excess of the initial $12 million investment, and, at this time, management does not anticipate contributing any additional funds to Suncore. The joint venture agreement provides for any working capital needs to be provided by San'an. See Footnote 14 – Suncore Joint Venture for further details related to this joint venture.

U.S. Government Contracts

Our U.S. government contracts are subject to audits by U.S. government agencies. Such audits could result in adjustments to our contract costs. We have recorded contract revenue based upon costs we expect to realize upon final audit. We have been audited in the past by the U.S. government and expect that we will be in the future. Management believes that the outcome of any ongoing government audits will not have a material adverse effect on the Company's results of operations, financial condition, or cash flow.

Restricted Cash

As of March 31, 2011, the Company had 3 standby letters totaling $1.7 million that are included on the Company's balance sheet as restricted cash since these agreements are collateralized by cash.

Legal Proceedings

The Company is subject to various legal proceedings, claims, and litigation arising in the ordinary course of business. While the outcome of these matters is currently not determinable, we do not expect these matters will have

a material adverse effect on our business, financial position, results of operations, or cash flows. However, the results of these matters cannot be predicted with certainty. Should the Company fail to prevail in any legal matter or should several legal matters be resolved against the Company in the same reporting period, then the financial results of that particular reporting period could be materially adversely affected.

a) Intellectual Property Lawsuits

We protect our proprietary technology by applying for patents where appropriate and, in other cases, by preserving the technology, related know-how and information as trade secrets. The success and competitive position of our product lines are significantly impacted by our ability to obtain intellectual property protection for our research and development efforts.

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We have, from time to time, exchanged correspondence with third parties regarding the assertion of patent or other intellectual property rights in connection with certain of our products and processes.

Additionally, on September 11, 2006, the Company filed a lawsuit against Optium Corporation, currently part of Finisar Corporation (Optium) in the U.S. District Court for the Western District of Pennsylvania for patent infringement of certain patents associated with our Fiber Optics segment. On March 28, 2011, the Company received a cash payment of approximately $2.6 million in satisfaction of the judgment for damages that the Company was previously awarded, net of legal fees which were incurred on a contingency basis. The patent infringement award is listed as a gain from a litigation settlement on the consolidated statement of operations.

b) Avago-related Litigation

On July 15, 2008, the Company was served with a complaint filed by Avago Technologies and what appear to be affiliates thereof in the United States District Court for the Northern District of California, San Jose Division (Avago Technologies U.S., Inc., et al., EMCORE Corporation, et al., Case No.: C08-3248 JW) (the "Commercial Case"). In this complaint, Avago asserts claims for breach of contract and breach of express warranty against Venture Corporation Limited (one of the Company's customers) and asserts a tort claim for negligent interference with prospective economic advantage against the Company. Discovery in this matter is proceeding.

On December 5, 2008, the Company was also served with a complaint by Avago Technologies filed in the United States District Court for the Northern District of California, San Jose Division alleging infringement of two patents by the Company's VCSEL products. (Avago Technologies Singapore et al., EMCORE Corporation, et al., Case No.: C08-5394 EMC) (the N.D. CA Patent Case"). This matter has been stayed pending final resolution of the International Trade Commission matter described immediately below.

On March 5, 2009, the Company was notified that, based on a complaint filed by Avago alleging the same patent infringement that formed the basis of the complaint previously filed in the Northern District of California, the U.S. International Trade Commission (the "ITC") had determined to begin an investigation titled "In the Matter of Certain Optoelectronic Devices, Components Thereof and Products Containing the Same", Inv. No. 337-TA-669. This matter was tried before an administrative law judge of the ITC from November 16-20, 2009.

On March 12, 2010, the Company was advised that an initial determination had been issued by the administrative law judge of the ITC that found that one of the two patent claims asserted against the Company related to certain of the Company's products was both valid and infringed. This initial determination was subject to review and confirmation by the ITC itself. On March 29, 2010, the Company filed a petition with the ITC for a review of certain portions of the initial determination that were adverse to the Company. The ITC declined to review the initial determination.

On July 12, 2010, the ITC issued its final determination, as well as a limited exclusion order and cease and desist order directed to the Company's infringing products which prohibits importation of those products into the United States. Those remedial orders were reviewed by the President of the United States and his decision to approve those orders was issued on September 10, 2010, thereby prohibiting further importation of the infringing products. These remedial orders do not apply to any of the products sold by the Company's customers that may contain infringing products.

The ITC does not have the authority to award damages for patent infringement; therefore, there was no financial penalty as a result of the final determination by the ITC. The Company has formulated and implemented a product redesign intended to eliminate the impact of the accused infringement, the exclusion, and the cease and desist orders issued by the ITC. The Company continues to actively pursue its re-design strategy, including qualifying the newly re-designed products with certain of its major customers. The ITC decision will also not be binding in the N.D. CA

Patent Case which will remain stayed until all appeals of the ITC decision have been exhausted. The Company is appealing the ITC's decision, and on November 8, 2010, the Company filed its notice of appeal with the United States Court of Appeals for the Federal Circuit.

The Company intends to continue to vigorously defend against the allegations in the ITC case, the N.D. CA Patent Case, and the Commercial Case.

c) Green and Gold-related litigation

On December 23, 2008, Plaintiffs Maurice Prissert and Claude Prissert filed a purported stockholder class action (the "Prissert Class Action") pursuant to Federal Rule of Civil Procedure 23 allegedly on behalf of a class of Company shareholders against the Company and certain of its present and former directors and officers (the "Individual Defendants") in the United States District Court for the District of New Mexico captioned, Maurice Prissert and Claude Prissert v. EMCORE Corporation, Adam Gushard, Hong Q. Hou, Reuben F. Richards, Jr., David Danzilio and Thomas Werthan, Case No. 1:08cv1190 (D.N.M.). The Complaint alleges that the Company and the Individual Defendants violated certain provisions of the federal securities laws, including Section 10(b) of the Securities Exchange Act of 1934, arising out of the Company's disclosure regarding its customer Green and Gold Energy ("GGE") and the associated backlog of GGE orders with the Company's Photovoltaics business segment. The Complaint in the Prissert Class Action seeks, among other things, an unspecified amount of compensatory damages and other costs and expenses associated with the maintenance of the action. On or about February 12, 2009, a second purported stockholder class action (Mueller v. EMCORE Corporation et al., Case No. 1:09cv 133 (D.N.M.)) ((the "Mueller Class Action"), together with the Prissert Class Action, the "Class Actions") was filed in the United States District Court for the District of New Mexico against the same defendants named in the Prissert Class Action, based on substantially the same facts and circumstances, containing substantially the same allegations and seeking substantially the same relief.

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Plaintiffs in both class actions have moved to consolidate the matters into a single action. On September 25, 2009, the court issued an order consolidating both the Prissert and Mueller actions into one consolidated proceeding, but denied plaintiffs motions for appointment of a lead plaintiff or lead plaintiff's counsel. On July 15, 2010, the court appointed IBEW Local Union No. 58 Annuity Fund to serve as lead plaintiff ("IBEW"), but denied, without prejudice, IBEW's motion to appoint lead counsel. On August 24, 2010, IBEW filed a renewed motion for appointment as lead plaintiff and for approval of its selection of counsel. That motion remains pending.

On January 23, 2009, Plaintiff James E. Stearns filed a purported stockholder derivative action (the "Stearns Derivative Action") on behalf of the Company against the Individual Defendants, as well as the Company as nominal defendant in the Superior Court of New Jersey, Atlantic County, Chancery Division (James E. Stearns, derivatively on behalf of EMCORE Corporation v. Thomas J. Russell, Robert Bogomolny, Charles Scott, John Gillen, Reuben F. Richards, Jr., Hong Q. Hou, Adam Gushard, David Danzilio and Thomas Werthan, Case No. Atl-C-10-09). This action is based on essentially the same factual contentions as the Prissert Class Action, and alleges that the Individual Defendants engaged in improprieties and violations of law in connection with the reporting of the GGE backlog. The Stearns Derivative Action seeks several forms of relief, allegedly on behalf of the Company, including, among other things, damages, equitable relief, corporate governance reforms, an accounting of, rescission of, restitution of, and costs and disbursements of the lawsuit.

On March 11, 2009, Plaintiff Gary Thomas filed a second purported shareholder derivative action (the "Thomas Derivative Action"; together with the Stearns Derivative Action, the "Derivative Actions") in the U.S. District Court for the District of New Mexico against the Company and certain of the Individual Defendants (Gary Thomas, derivatively on behalf of EMCORE Corporation v. Thomas J. Russell, Robert Bogomolny, Charles Scott, John Gillen, Reuben F. Richards, Jr., Hong Q. Hou, and EMCORE Corporation, Case No. 1.09-cv-00236, (D.N.M.)). The Thomas Derivative Action makes the same allegations as the Stearns Derivative Action and seeks essentially the same relief.

The Stearns Derivative Action and the Thomas Derivative action have been consolidated before a single judge in Somerset County, New Jersey, and have been stayed pending resolution of the Class Actions.

The Company intends to vigorously defend against the allegations of both the Class Actions and the Derivative Actions.

As of March 31, 2011 and the filing date of this Quarterly Report on Form 10-Q, no amounts have been accrued for any litigation item discussed above since losses, if any, are not considered probable.

NOTE 13. Segment Data and Related Information

The Company has five operating divisions and two reporting segments. EMCORE Digital Fiber Optics Products and EMCORE Broadband Fiber Optics Products are aggregated as a separate reporting segment, Fiber Optics. Fiber Optics revenue is derived primarily from sales of optical components and subsystems for CATV, FTTP, enterprise routers and switches, telecom grooming switches, core routers, high performance servers, supercomputers, and satellite communications data links. EMCORE Photovoltaics and EMCORE Solar Power are aggregated as a separate reporting segment, Photovoltaics. Photovoltaics revenue is derived primarily from the sales of solar power generation products for the space and terrestrial markets, including solar cells, covered interconnected solar cells, satellite solar panels, and CPV solar cells, receiver assemblies, and systems. EMCORE Hong Kong supports both the Fiber Optics and Photovoltaics segments.

The Company evaluates its reportable segments in accordance with ASC 280, Segment Reporting. The Company's Chief Executive Officer is the chief operating decision maker pursuant to ASC 280, and he allocates resources to segments based on their business prospects, competitive factors, net revenue, operating results and other non-GAAP

financial ratios. Operating income or expense that is not specifically related to an operating segment may be charged to a separate unallocated corporate division.

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The following tables set forth the revenue and percentage of total revenue attributable to each of the Company's reporting segments.

Segment Revenue (in thousands)	For the Three Months Ended March 31,			
	2011		2010	
	Revenue	% of Revenue	Revenue	% of Revenue
Fiber Optics	$ 30,032	64 %	$ 30,204	63 %
Photovoltaics	17,186	36	17,990	37
Total revenue	$ 47,218	100 %	$ 48,194	100 %

Segment Revenue (in thousands)	For the Six Months Ended March 31,			
	2011		2010	
	Revenue	% of Revenue	Revenue	% of Revenue
Fiber Optics	$ 61,484	62 %	$ 55,812	62 %
Photovoltaics	37,841	38	34,784	38
Total revenue	$ 99,325	100 %	$ 90,596	100 %

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The following tables set forth the Company's consolidated revenue by geographic region with revenue assigned to geographic regions based on our customers' billing address.

Geographic Revenue (in thousands)	For the Three Months Ended March 31,			
	2011		2010	
	Revenue	% of Revenue	Revenue	% of Revenue
North America	$ 34,955	74 %	$ 32,135	67 %
Far East Asia	9,669	21	11,714	24
Europe	2,115	4	3,977	8
Other	479	1	368	1
Total revenue	$ 47,218	100 %	$ 48,194	100 %

Geographic Revenue (in thousands)	For the Six Months Ended March 31,			
	2011		2010	
	Revenue	% of Revenue	Revenue	% of Revenue
North America	$ 70,171	70 %	$ 66,496	73 %
Far East Asia	23,898	24	17,984	16
Europe	4,606	5	5,254	6
Other	650	1	862	5
Total revenue	$ 99,325	100 %	$ 90,596	100 %

The following table sets forth our significant customers, defined as customers that represented greater than 10% of total consolidated revenue, by reporting segment.

Significant Customers
As a percentage of total
consolidated revenue