

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

FORM 10-Q

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

For the quarterly period ended: March 31, 2008

Commission File Number: 0-22175

**EMCORE Corporation**

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

**New Jersey**

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

**22-2746503**

*(IRS Employer Identification No.)*

**10420 Research Road SE, Albuquerque, NM 87123**

*(Address of principal executive offices) (Zip Code)*

**(505) 332-5000**

*(Registrant's telephone number, including area code)*

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

☐ Large accelerated filer

☒ **Accelerated filer**

☐ Non-accelerated filer

☐ Smaller

reporting company

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

The number of shares outstanding of the registrant's no par value common stock as of May 5, 2008 was 77,307,704.

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**EMCORE Corporation**  
**FORM 10-Q**  
**For the Quarterly Period Ended March 31, 2008**  
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**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

**EMCORE CORPORATION**  
**Condensed Consolidated Statements of Operations**  
**For the three and six months ended March 31, 2008 and 2007**  
**(in thousands, except per share data)**  
**(unaudited)**

	<b>Three Months Ended March 31,</b>		<b>Six Months Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Product revenue	\$ 48,260	\$ 33,716	\$ 92,761	\$ 69,342
Service revenue	8,019	5,882	10,405	8,852
Total revenue	56,279	39,598	103,166	78,194
Cost of product revenue	42,133	28,170	77,445	59,111
Cost of service revenue	7,498	4,459	8,970	6,618
Total cost of revenue	49,631	32,629	86,415	65,729
Gross profit	6,648	6,969	16,751	12,465
Operating expenses:				
Selling, general, and administrative	10,263	13,143	22,126	25,682
Research and development	9,330	7,528	16,750	14,139
Total operating expenses	19,593	20,671	38,876	39,821
Operating loss	(12,945)	(13,702)	(22,125)	(27,356)
Other expense (income):				
Interest income	(227)	(1,169)	(654)	(2,820)
Interest expense	375	1,260	1,580	2,522
Loss from conversion of subordinated notes	4,658	-	4,658	-
Stock-based compensation expense from tolled options (income from expired tolled options)	(58)	-	4,316	-
Gain from insurance proceeds	-	(357)	-	(357)
Loss on disposal of equipment	-	-	86	-
Foreign exchange gain	(186)	-	(198)	-
Total other expense (income)	4,562	(266)	9,788	(655)
Net loss	\$ (17,507)	\$ (13,436)	\$ (31,913)	\$ (26,701)
<b>Per share data:</b>				
Basic and diluted per share data:				
Net loss	\$ (0.27)	\$ (0.26)	\$ (0.55)	\$ (0.52)
Weighted-average number of basic and diluted shares Outstanding	64,560	50,947	57,975	50,911

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

**EMCORE CORPORATION**  
**Condensed Consolidated Balance Sheets**  
**As of March 31, 2008 and September 30, 2007**  
**(In thousands)**  
**(unaudited)**

	<b>As of March 31, 2008</b>	<b>As of September 30, 2007</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 22,734	\$ 12,151
Restricted cash	2,148	1,538
Short-term investments	988	29,075
Accounts receivable, net of allowance of \$820 and \$802, respectively	52,801	38,151
Receivables, related party	287	332
Income tax receivable	130	-
Inventory, net	43,521	29,205
Prepaid expenses and other current assets	4,948	4,350
	<u>127,557</u>	<u>114,802</u>
Total current assets	127,557	114,802
Property, plant, and equipment, net	74,165	57,257
Goodwill	89,739	40,990
Other intangible assets, net	12,753	5,275
Investments in unconsolidated affiliates	14,917	14,872
Long-term investments and restricted cash	4,655	-
Other non-current assets, net	533	1,540
	<u>\$ 324,319</u>	<u>\$ 234,736</u>
Total assets	<u>\$ 324,319</u>	<u>\$ 234,736</u>
<b>LIABILITIES and SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 27,943	\$ 22,685
Accrued expenses and other current liabilities	26,430	28,776
Income tax payable	594	137
	<u>54,967</u>	<u>51,598</u>
Total current liabilities	54,967	51,598
Convertible senior subordinated notes	-	84,981
	<u>54,967</u>	<u>136,579</u>
Total liabilities	54,967	136,579
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Preferred stock, \$0.0001 par, 5,882 shares authorized, no shares outstanding	-	-
Common stock, no par value, 100,000 shares authorized, 73,735 shares issued and 73,576 outstanding at March 31, 2008; 51,208 shares issued and 51,049 shares outstanding at September 30, 2007	647,346	443,835
Accumulated deficit	(375,817)	(343,578)
Accumulated other comprehensive loss	(94)	(17)
Treasury stock, at cost; 159 shares	(2,083)	(2,083)
	<u>269,352</u>	<u>98,157</u>
Total shareholders' equity	269,352	98,157
Total liabilities and shareholders' equity	<u>\$ 324,319</u>	<u>\$ 234,736</u>

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

**EMCORE CORPORATION**  
**Condensed Consolidated Statements of Cash Flows**  
**For the six months ended March 31, 2008 and 2007**  
(in thousands)  
(unaudited)

	<b>Six Months Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (31,913)	\$ (26,701)
Adjustments to reconcile net loss to net cash used for operating activities:		
Stock-based compensation expense	6,964	3,670
Depreciation and amortization expense	4,842	4,880
Accretion of loss from convertible senior subordinated notes exchange offer	41	98
Provision for doubtful accounts	101	266
Compensatory stock issuances	545	412
Loss from disposal of property, plant and equipment	86	-
Loss from conversion of convertible senior subordinated notes	1,169	-
Forgiveness of shareholders' note receivable	-	82
Reduction of note receivable due for services received	260	261
Total non-cash adjustments	14,008	9,669
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable	(14,714)	(9,323)
Inventory	3,624	(3,992)
Prepaid expenses and other current assets	(590)	241
Other assets	(678)	(281)
Accounts payable	5,258	(1,090)
Accrued expenses and other current liabilities	(4,004)	(644)
Total change in operating assets and liabilities	(11,104)	(15,089)
Net cash used for operating activities	(29,009)	(32,121)
<b>Cash flows from investing activities:</b>		
Purchase of plant and equipment	(9,624)	(2,731)
Proceeds from insurance recovery	1,189	362
Investment in unconsolidated affiliate	(45)	(13,873)
Proceeds from employee notes receivable	-	121
Purchase of Intel's Optical Platform Division	(75,546)	-
Proceeds from notes receivable	-	1,500
Funding of restricted cash	(1,153)	(420)
Purchase of short and long term investments	(7,000)	(22,150)
Sale of short and long term investments	30,800	75,100
Net cash (used for) provided by investing activities	(61,379)	37,909
<b>Cash flows from financing activities:</b>		
Payments on capital lease obligations	(10)	(32)
Proceeds from exercise of stock options	6,800	274
Proceeds from employee stock purchase plan	485	202
Proceeds from private placement transaction	93,773	-
Net cash provided by financing activities	101,048	444
Effect of foreign currency	(77)	-
Net increase (decrease) in cash and cash equivalents	10,583	6,232
Cash and cash equivalents, beginning of period	12,151	22,592
Cash and cash equivalents, end of period	\$ 22,734	\$ 28,824
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the period for interest	\$ 3,314	\$ 2,421
Cash paid for income taxes	\$ -	\$ 2,351

**NON-CASH DISCLOSURE**

Issuance of common stock for purchase of Intel Optical Platform Division	<u>\$ 10,000</u>	<u>\$ -</u>
Issuance of common stock for conversion of convertible senior subordinated notes	<u>\$ 85,428</u>	<u>\$ -</u>

**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**  
**(unaudited)**

**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, all information considered necessary for a fair presentation of the financial statements has been included. 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, 2007 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, 2007.

The preparation of the consolidated financial statements in conformity with U.S. GAAP 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. 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. In the event that estimates or assumptions prove to differ from actual results, adjustments are made in subsequent periods to reflect more current information.

Certain amounts in prior period financial statements have been reclassified to conform to the current year presentation. The reclassification consists of a reduction to revenue of \$78,000, a reduction to cost of goods sold of \$64,000, and a reduction to research and development expense of \$14,000 from the amounts previously recognized in first quarter of fiscal 2007. This reclassification relates to a cost-sharing R&D arrangement, under which the actual costs of performance are divided between the U.S. Government and the Company, no revenue is recorded and the Company’s R&D expense is reduced for the amount of the cost-sharing receipts. The Company also reclassified approximately \$4.3 million of stock-based compensation expense from tolled options, related to former employees that were incurred in the first quarter of fiscal 2008 from selling, general and administrative expenses to other expense.

For the three and six months ended March 31, 2008, stock options representing 4,674,401 and 4,632,759 shares, respectively, of common stock were excluded from the diluted earnings per share calculations. For the three and six months ended March 31, 2007, stock options representing 2,912,823 and 2,961,337 shares, respectively, of common stock were excluded from the diluted earnings per share calculations. These stock options, and the shares underlying the Company’s convertible senior subordinated notes for the three and six months ended March 31, 2007, were not included in the computation of diluted earnings per share since the Company incurred a net loss for the periods presented and any effect would have been anti-dilutive.

**NOTE 2. Recent Accounting Pronouncements**

SFAS 141(R) - In December 2007, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standard (“SFAS”) 141(R), *Business Combinations*. This statement replaces SFAS 141, *Business Combinations*, and requires an acquirer to recognize the assets acquired, the liabilities assumed, including those arising from contractual contingencies, any contingent consideration, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions specified in the statement. SFAS 141(R) also requires the acquirer in a business combination achieved in stages (sometimes referred to as a step acquisition) to recognize the identifiable assets and liabilities, as well as the noncontrolling interest in the acquiree, at the full amounts of their fair values (or other amounts determined in accordance with SFAS 141(R)). In addition, SFAS 141(R)’s requirement to measure the noncontrolling interest in the acquiree at fair value will result in recognizing the goodwill attributable to the noncontrolling interest in addition to that attributable to the acquirer. SFAS 141(R) amends SFAS No. 109, *Accounting for Income Taxes*, to require the acquirer to recognize changes in the amount of its deferred tax benefits that are recognizable because of a business combination either in income from continuing operations in the period of the combination or directly in contributed capital, depending on the circumstances. It also amends SFAS 142, *Goodwill and Other Intangible Assets*, to, among other things, provide guidance on the impairment testing of acquired research and development intangible assets and assets that the acquirer intends not to use. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Management is currently assessing the potential impact that the adoption of SFAS 141(R) could have on our financial statements.

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**SFAS 157** - In September 2006, the FASB issued SFAS 157, *Fair Value Measurements*, which defines fair value, providing a framework for measuring fair value, and expands the disclosures required for fair value measurements. SFAS 157 applies to other accounting pronouncements that require fair value measurements; it does not require any new fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. However, in December 2007, the FASB issued FASB Staff Position FAS 157-b, which deferred the effective date of SFAS No. 157 for one year, as it relates to nonfinancial assets and liabilities. Although the Company continues to evaluate the application of SFAS 157, management does not currently believe adoption of this pronouncement will have a material impact on the Company's results of operations or financial position.

**SFAS 159** - In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115*. The fair value option permits entities to choose to measure eligible financial instruments at fair value at specified election dates. The entity will report unrealized gains and losses on the items on which it has elected the fair value option in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007 and is required to be adopted by the Company on October 1, 2008. Although the Company continues to evaluate the application of SFAS 159, management does not currently believe adoption of this pronouncement will have a material impact on the Company's results of operations or financial position.

**SFAS 160** - In December 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements*. SFAS 160 amends Accounting Research Bulletin 51, *Consolidated Financial Statements*, to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It also clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 also changes the way the consolidated income statement is presented by requiring consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. SFAS 160 requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated and requires expanded disclosures in the consolidated financial statements that clearly identify and distinguish between the interests of the parent owners and the interests of the noncontrolling owners of a subsidiary. SFAS 160 is effective for fiscal periods, and interim periods within those fiscal years, beginning on or after December 15, 2008. Management is currently assessing the potential impact that the adoption of SFAS 160 could have on our financial statements.

**SFAS 161** - In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133*. SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedge items are accounted for under Statement 133, *Accounting for Derivative Instruments and Hedging Activities*, and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 is intended to enhance the current disclosure framework in SFAS 133 and requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit-risk related contingent features in derivative agreements. The provisions of SFAS 161 are effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. Management is currently assessing the potential impact that the adoption of SFAS 161 could have on our financial statements.

### **NOTE 3. Equity**

#### **Stock Options**

The Company has stock option plans to provide long-term incentives to eligible employees, officers, and directors in the form of stock options. Most of the stock options vest and become exercisable over four to five years and have ten-year terms. The Company maintains two incentive stock option plans: the 2000 Stock Option Plan ("2000 Plan") and the 1995 Incentive and Non-Statutory Stock Option Plan ("1995 Plan" and, together with the 2000 Plan, the "Option Plans"). The 1995 Plan authorizes the grant of stock options to purchase up to 2,744,118 shares of the Company's common stock. On March 31, 2008, the 2000 Plan was amended to authorize an additional grant of 3,500,000 stock options for a total of 12,850,000 shares of the Company's common stock. As of March 31, 2008, no stock options were available for issuance under the 1995 Plan and 3,649,417 stock options were available for issuance under the 2000 Plan. Certain options under the Option Plans are intended to qualify as incentive stock options pursuant to Section 422A of the Internal Revenue Code.

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The following table summarizes the activity under the Option Plans for the six months ended March 31, 2008:

	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Life (in years)</b>
Outstanding as of October 1, 2007	5,697,766	\$ 5.46	
Granted	1,054,750	6.56	
Exercised	(1,559,603)	4.34	
Tolled	658,989	5.19	
Cancelled and expired	(185,743)	8.34	
Outstanding as of March 31, 2008	<u>5,666,159</u>	<u>\$ 5.85</u>	<u>7.72</u>
Vested as of March 31, 2008	<u>3,959,717</u>	<u>\$ 5.60</u>	<u>7.31</u>
Exercisable as of March 31, 2008	<u>2,407,102</u>	<u>\$ 5.06</u>	<u>6.31</u>

The weighted-average grant date fair value of stock options granted during the six months ended March 31, 2008 and 2007 was \$4.34 and \$3.99, respectively. The total intrinsic value of stock options exercised during the six months ended March 31, 2008 and 2007 was \$11.3 million and \$0.2 million, respectively. The total fair value of stock options vested during the six months ended March, 31 2008 and 2007 was \$4.6 million and \$2.6 million, respectively. The aggregate intrinsic value of fully vested and expected to vest stock options as of March 31, 2008 was \$5.0 million. The aggregate intrinsic value of exercisable stock options as of March 31, 2008 was \$4.3 million.

The following table summarizes the Company's nonvested shares for the six months ended March 31, 2008:

	<b>Number of Shares</b>	<b>Weighted- Average Grant Date Fair Value</b>
Nonvested as of October 1, 2007	2,979,486	4.82
Granted	1,054,750	4.34
Vested	(591,346)	2.49
Forfeited	(183,833)	6.57
Nonvested as of March 31, 2008	<u>3,259,057</u>	<u>\$ 4.99</u>

As of March 31, 2008 there was \$7.9 million of total unrecognized compensation expense related to non-vested stock-based compensation arrangements granted under the Option Plans. This expense is expected to be recognized over an estimated weighted-average life of 3.0 years.

Stock-based compensation expense is measured at grant date, based on the fair value of the award, over the requisite service period. As required by SFAS 123(R), *Share-Based Payment (revised 2004)*, management has made an estimate of expected forfeitures and is recognizing compensation expense only for those equity awards expected to vest. The effect of recording stock-based compensation expense during the three and six months ended March 31, 2008 and 2007 was as follows:

(in thousands, except per share data)	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2008	2007	2008	2007
Stock-based compensation expense by award type:				
Employee stock options	\$ 1,405	\$ 1,344	\$ 2,480	\$ 3,670
Employee stock purchase plan	168	-	168	-
Former employee stock options tolled	(58)	-	4,316	-
Total stock-based compensation expense	<u>\$ 1,515</u>	<u>\$ 1,344</u>	<u>\$ 6,964</u>	<u>\$ 3,670</u>
Net effect on net loss per basic and diluted share	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>	<u>\$ (0.12)</u>	<u>\$ (0.07)</u>

#### Former Employee Stock Options Tolled

Under the terms of stock option agreements issued under the 2000 Plan, terminated employees who have vested and exercisable stock options have 90 days after the date of termination to exercise stock options. In November 2006, the Company announced suspension of reliance on previously issued financial statements, which in turn caused the Company's Form S-8 registration statements for shares of common stock issuable under the Option Plans not to be available. Therefore, terminated employees were precluded from exercising their stock options during the remaining contractual term (the "Blackout Period"). To address this issue, the Company's Board of Directors agreed in April 2007 to approve a stock option grant "modification" for these individuals by extending the normal 90-day exercise period after termination date to a date after which the Company became compliant with its SEC filings and the registration of the stock option shares was once again effective. The Company communicated the terms of the tolling agreement with its terminated employees in November 2007. The Company's Board of Directors approved an extension of the stock option expiration date equal to the number of calendar days during the Blackout Period before such stock option would have otherwise expired (the "Tolling Period"). Former employees were able to exercise their vested stock options beginning on the first day after the lifting of the Blackout Period for a period equal to the Tolling Period. The Company accounted for the modification of stock options issued to terminated employees as additional compensation expense in accordance with SFAS 123(R) in the first quarter of fiscal 2008 and adjusted the stock options to market value in the first quarter of 2008 and recognized income on expired options in first and second quarter of 2008. All tolled options were either exercised or expired by January 29, 2008. No tolled stock options were outstanding as of March 31, 2008.

#### Valuation Assumptions

The Company estimated the fair value of stock options using a Black-Scholes model. 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.

Black-Scholes Weighted-Average Assumptions:	For the Six Months Ended March 31, 2008
Expected dividend yield	0%
Expected stock price volatility	78.5%
Risk-free interest rate	2.62%
Expected term (in years)	5.40
Estimated pre-vesting forfeitures	23.3%

*Expected Dividend Yield:* The Black-Scholes valuation model calls for a single expected dividend yield as an input. The Company has not issued any dividends.

*Expected Stock Price Volatility:* The fair value of stock-based payments were valued using the Black-Scholes valuation method with a volatility factor based on the Company's historical stock prices.

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

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

*Estimated Pre-vesting Forfeitures:* When estimating forfeitures, the Company considers voluntary termination behavior as well as future workforce reduction programs, if any.

### Preferred Stock

The Company's Restated Certificate of Incorporation authorizes the Board of Directors to issue up to 5,882,352 shares of preferred stock of the Company upon such terms and conditions having such rights, privileges and preferences as the Board of Directors may determine. As of March 31, 2008 and September 30, 2007, no shares of preferred stock are issued or outstanding.

### Warrants

As of March 31, 2008, the Company had 1,400,003 warrants outstanding and exercisable. No warrants were outstanding as of September 30, 2007.

### Employee Stock Purchase Plan

In fiscal 2000, the Company adopted an Employee Stock Purchase Plan (the "ESPP"). The ESPP provides employees of the Company an opportunity to purchase common stock through payroll deductions. The ESPP is a 6-month duration plan, with new participation periods beginning the first business day of January and July of each year. The purchase price is set at 85% of the average high and low market price for the Company's common stock on either the first or last day of the participation period, whichever is lower, and annual contributions are limited to the lower of 10% of an employee's compensation or \$25,000. In November 2006, the Company suspended the ESPP due to its review of historical stock option granting practices. The Company reinstated the ESPP on January 1, 2008. The number of shares of common stock available for issuance under the ESPP is 2,000,000 shares.

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

	<b>Number of Common Stock Shares Issued</b>	<b>Purchase Price per Common Stock Share</b>
Amount of shares reserved for the ESPP	2,000,000	
Number of shares issued in calendar years 2000 through 2003	(398,159)	\$ 1.87 - \$40.93
Number of shares issued in June 2004 for first half of calendar year 2004	(166,507)	\$ 2.73
Number of shares issued in December 2004 for second half of calendar year 2004	(167,546)	\$ 2.95
Number of shares issued in June 2005 for first half of calendar year 2005	(174,169)	\$ 2.93
Number of shares issued in December 2005 for second half of calendar year 2005	(93,619)	\$ 3.48
Number of shares issued in June 2006 for first half of calendar year 2006	(123,857)	\$ 6.32
Remaining shares reserved for the ESPP as of March 31, 2008	<u>876,143</u>	

## Future Issuances

As of March 31, 2008, the Company had reserved a total of 12,891,722 shares of its common stock for future issuances as follows:

	<b>Number of Common Stock Shares Available</b>
For exercise of outstanding common stock options	5,666,159
For future issuances to employees under the ESPP plan	876,143
For future common stock option awards	3,649,417
For future exercise of warrants	1,400,003
For future issuance in relation to the Intel's Optical Platform Division Acquisition	1,300,000
<b>Total reserved</b>	<b>12,891,722</b>

## Private Placement of Common Stock and Warrants

On February 20, 2008, the Company consummated the sale of \$100 million of restricted common stock and warrants. In this transaction, investors purchased 8 million shares of our common stock, no par value, and warrants to purchase an additional 1.4 million shares of our common stock. The purchase price was \$12.50 per share, priced at the 20 day volume-weighted average price. The warrants grant the holder the right to purchase one share of our common stock at a price of \$15.06 per share, representing a 20.48% premium over the purchase price. The warrants are immediately exercisable and remain exercisable until February 20, 2013. In addition, the Company entered into a registration rights agreement with the investors to register for resale the shares of common stock issued in this transaction and the shares of common stock to be issued upon exercise of the warrants. Beginning two years after their issuance, the warrants may be called by the Company for a price of \$0.01 per underlying share if the closing price of its common stock has exceeded 150% of the exercise price for at least 20 trading days within a period of any 30 consecutive trading days and other conditions are met. Total agent fees incurred were 5.75% of the gross proceeds, or \$5.8 million. The Company used a substantial portion of the net proceeds to acquire the telecom assets of Intel's Optical Platform Division and is using the remainder for working capital requirements.

In the registration rights agreement, the Company agreed that if (i) a registration statement covering all of the registrable securities required to be covered thereby and required to be filed by the Company is (A) not filed with the SEC on or before March 22, 2008 (the Company filed a registration statement on March 21, 2008 and has therefore met this deadline) or (B) not declared effective by the SEC on or before May 21, 2008 (or June 20, 2008 if the SEC elects to review the registration statement) (ii) on any day after the date such registration statement is declared effective (the "Effective Date") sales of all of the registrable securities required to be included on such Registration Statement cannot be made; or (iii) after the date six months following the date of the private placement, EMCORE fails to file with the SEC any required reports under Section 13 or 15(d) of the 1934 Act such that it is not in compliance with Rule 144(c)(1) as a result of which holders are unable to sell registrable securities without restriction under Rule 144 then, EMCORE shall pay as liquidated damages to each holder of registrable securities relating an amount in cash equal to one (1) percent (1%) of the aggregate purchase price of such holder's registrable securities included in such registration statement on the day that such a failure first occurs and on every thirtieth day thereafter until such failure is cured. Liquidated damages shall be paid on the earlier of (i) the last day of the calendar month during which such damages are incurred and (ii) the third business day after the event or failure giving rise to the damages is cured. In the event the Company fails to make such payments in a timely manner, such liquidated damages shall bear simple interest at the rate of four (4) percent (4%) per month until paid in full. In no event shall the aggregate amount of liquidated damages exceed, in the aggregate, ten (10) percent (10%) of the aggregate purchase price of the common stock sold in the private placement. The Company also agreed not to issue shares in certain capital raising transactions or file registration statements relating to the same until 45 days after the earlier of the Effective Date and six months after the private placement.

The Company accounted for the various components of the private placement transaction using the provisions of EITF Issue No. 00-19 *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*; and FASB Staff Position EITF 00-19-2, *Accounting for Registration Payment Arrangements*. Warrants issued to the investors were accounted for as an equity transaction with a value of \$9.8 million recorded to common stock. The potential future payments to the investors are considered as a contingent liability in accordance with SFAS No. 5 *Accounting for Contingencies*. As of March 31, 2008, the Company did not record any contingent liability associated with the liquidated damages clause.

The costs associated with this offering were \$6.1 million which was recorded as an offset to common stock.

## Share Dilution

A following table summarizes the Company's equity transactions and effect on share dilution for the six months ended March 31, 2008:

	<b>Number of Common Stock Shares Outstanding</b>
Common stock shares outstanding – as of October 1, 2007	51,048,481
Conversion of convertible senior subordinated notes to equity (see Note 11 - Debt)	12,186,656
Private placement transaction	8,000,000
Acquisition of Intel's Optical Platform Division (see Note 4 – Acquisitions)	722,688
Stock option exercises and other compensatory stock issuances	1,617,863
<b>Common stock shares outstanding – as of March 31, 2008</b>	<b>73,575,688</b>

See Note 15 – Subsequent Event for further discussion of shares of common stock issued subsequent to March 31, 2008.

On March 31, 2008, the Board of Directors authorized an additional 100,000,000 shares of common stock available for issuance for a total of 200,000,000 shares authorized.

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NOTE 4. Acquisitions

Intel Corporation’s Optical Platform Division

On February 22, 2008, the Company acquired assets of the telecom portion of Intel Corporation’s Optical Platform Division. The telecom assets acquired include inventory, fixed assets, intellectual property, and technology comprised of tunable lasers, tunable transponders, 300-pin transponders, and integrated tunable laser assemblies. The purchase price was \$75 million in cash and \$10 million in the Company’s common stock, priced at a volume-weighted average price of \$13.84 per share. Under the terms of the asset purchase agreement, the purchase price of \$85 million is subject to adjustment based on an inventory true-up, plus specifically assumed liabilities. Direct transaction costs totaled \$0.5 million. This acquisition was financed through proceeds received from the \$100 million private placement of common stock and warrants (see Note 3).

The purchase price allocation for the business has been prepared on a preliminary basis and is subject to change as new facts and circumstances emerge. The Company is currently completing the purchase price allocation and valuation of the acquired assets. The Company will adjust the preliminary purchase price allocation to reflect changes in the final valuation report, which is expected to be completed by September 2008. Amortization expense totaled \$0.1 million for both the three and six months ended March 31, 2008. Of the total goodwill recognized, approximately \$47.9 million is expected to be deductible for tax purposes over a 15 year life.

The preliminary purchase price was allocated as follows:

(in thousands)

Intel Corporation’s Optical Platform Division	
Net purchase price	\$ 85,546
Net assets acquired	(37,627)
Excess purchase price allocated to goodwill	<u>\$ 47,919</u>

Net assets acquired in the acquisition were as follows:

Inventory	\$ 17,940
Fixed assets	11,187
Intangible assets	8,500
Net assets acquired	<u>\$ 37,627</u>



In connection with this acquisition, Intel and the Company entered into a Transition Services Agreement (the “TSA”), which allows Intel to carve-out the business and deliver those assets to the Company. Pursuant to the terms of the TSA, Intel intends to manufacture, assemble, test, and supply products that are sold by the business. Intel will also provide certain transition services to the Company, including financial services, supply chain support, data extraction, conversion services, facilities and site computing support, and office space services. The fees associated with the TSA are being expensed as incurred. For the quarter ended March 31, 2008, the Company incurred approximately \$1.1 million of expense associated with the TSA. The TSA is expected to continue through June 2008 or until such time when the Company can arrange its own resources to operate the acquired business.

The following unaudited condensed consolidated pro forma financial data has been prepared to give effect to the Company’s acquisition of certain assets and liabilities of Intel’s Optical Products Division (“OPD”). The pro forma financial information has been developed by the application of pro forma adjustments to the estimated results of operations of OPD, and the historical Condensed Consolidated Statements of Operations of the Company as if OPD had been acquired as of October 1, 2006. The pro forma financial information is based upon available information and assumptions that management believes are reasonable. The pro forma financial information does not purport to represent what our consolidated results of operations would have been had the Company’s acquisition of OPD occurred on the dates indicated, or to project our consolidated financial performance for any future period.

**Condensed Consolidated Pro Forma Statement of Operations**  
(unaudited)

<i>(in thousands, except per share data)</i>	<b>Three Months Ended</b>		<b>Three Months Ended</b>	
	<b>March 31, 2008</b>		<b>March 31, 2007</b>	
	<b>EMCORE</b>	<b>PRO FORMA</b>	<b>EMCORE</b>	<b>PRO FORMA</b>
Revenues	\$ 56,279	\$ 63,183	\$ 39,598	\$ 60,998
Net loss	(17,507)	(17,162)	(13,436)	(12,366)
Net loss per basic and diluted shares	\$ (0.27)	\$ (0.25)	\$ (0.26)	\$ (0.22)

<i>(in thousands, except per share data)</i>	<b>Six Months Ended</b>		<b>Six Months Ended</b>	
	<b>March 31, 2008</b>		<b>March 31, 2007</b>	
	<b>EMCORE</b>	<b>PRO FORMA</b>	<b>EMCORE</b>	<b>PRO FORMA</b>
Revenues	\$ 103,166	\$ 122,270	\$ 78,194	\$ 111,794
Net loss	(31,913)	(30,958)	(26,701)	(25,021)
Net loss per basic and diluted shares	\$ (0.55)	\$ (0.50)	\$ (0.52)	\$ (0.45)

On April 20, 2008, the Company completed its acquisition of the enterprise and storage assets of Intel Corporation’s Optical Platform Division as well as the Intel Connects Cables business (See Note 15 – Subsequent Event). The above pro forma statements do not include results of this acquisition.

Opticomm Corporation

In April 2007, the Company acquired privately-held Opticomm Corporation of San Diego, California, including its fiber optic video, audio and data networking business, technologies, and intellectual property. Opticomm is one of the leading specialists in the field of fiber optic video, audio and data networking for the commercial, governmental and industrial sectors. The Company paid \$4.2 million initial consideration, less \$0.1 million cash received at acquisition, for all of the shares of Opticomm. The Company also agreed to an additional earn-out payment based on Opticomm’s 2007 revenue which amounted to approximately \$0.7 million.

The Company completed the valuation of Opticomm's inventory, property and equipment, and identifiable intangible assets and adjusted the preliminary purchase price allocation in March 2008 to reflect the final valuation of acquired assets. Goodwill was adjusted by approximately \$0.1 million to properly reflect purchased goodwill. The purchase price allocation identified \$2.2 million of intangible assets with a five year weighted average amortization period, which included \$1.4 million in customer lists, \$0.7 million in patents and \$0.1 million in order backlog. Amortization expense totaled \$0.4 million and \$0.5 million, for the three and six months ended March 31, 2008, respectively, and \$0.1 million and \$0.2 million for the three and six months ended March 31, 2007, respectively.

The final purchase price was allocated as follows:

<i>(in thousands)</i>	<b>Preliminary</b>	<b>Adjustments</b>	<b>Final</b>
<b>Opticomm Corporation Acquisition</b>			
Net purchase price	\$ 4,097	\$ 722	\$ 4,819
Net assets acquired	(3,573)	103	(3,470)
Excess purchase price allocated to goodwill	\$ 524	\$ 825	\$ 1,349

Net assets acquired in the acquisition were as follows:

Working capital	\$	1,058	\$	223	\$	1,281
Fixed assets		81		-		81
Intangible assets		2,504		(326)		2,178
Current liabilities		(70)		-		(70)
Net assets acquired	\$	<u>3,573</u>	\$	<u>(103)</u>	\$	<u>3,470</u>

All of these transactions were accounted for as purchases in accordance with SFAS 141, *Business Combinations*; therefore, the tangible assets acquired and liabilities assumed were recorded at fair value on the acquisition date. The operating results of the businesses acquired are included in the accompanying consolidated statement of operations from the date of acquisition. All of these acquired businesses are part of the Company's Fiber Optics operating segment.

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**NOTE 5. Receivables, net**

The components of accounts receivable consisted of the following:

<i>(in thousands)</i>	<b>As of March 31, 2008</b>	<b>As of September 30, 2007</b>
Accounts receivable	\$ 47,234	\$ 35,558
Accounts receivable – unbilled	6,387	3,395
Accounts receivable, gross	53,621	38,953
Allowance for doubtful accounts	(820)	(802)
Total accounts receivable, net	<u>\$ 52,801</u>	<u>\$ 38,151</u>

Related party receivables consist of amounts owed from Velox Corporation, in which the Company has an insignificant ownership.

**NOTE 6. Inventory, net**

Inventory is stated at the lower of cost or market, with cost being determined using the standard cost method that includes material, labor and manufacturing overhead costs. The components of inventory consisted of the following:

<i>(in thousands)</i>	<b>As of March 31, 2008</b>	<b>As of September 30, 2007</b>
Raw materials	\$ 22,892	\$ 19,884
Work-in-process	9,605	6,842
Finished goods	26,624	10,891
Inventory, gross	59,121	37,617
Less: provisions for inventory	(15,600)	(8,412)
Total inventory, net	<u>\$ 43,521</u>	<u>\$ 29,205</u>

In February 2008, as part of our asset acquisition of Intel's Optical Platform Division, the Company acquired inventory of approximately \$17.9 million (see Note 4 - Acquisitions).

**NOTE 7. Property, Plant, and Equipment, net**

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

<i>(in thousands)</i>	<b>As of March 31, 2008</b>	<b>As of September 30, 2007</b>
Land	\$ 1,502	\$ 1,502
Building and improvements	44,423	43,397
Equipment	93,113	75,631
Furniture and fixtures	5,278	5,643
Leasehold improvements	-	2,141
Construction in progress	6,144	3,744
Property, plant and equipment, gross	150,460	132,058
Less: accumulated depreciation and amortization	(76,295)	(74,801)
Total property, plant and equipment, net	<u>\$ 74,165</u>	<u>\$ 57,257</u>

In February 2008, as part of our asset acquisition of Intel's Optical Platform Division, the Company acquired fixed assets of approximately \$11.2 million (see Note 4 - Acquisitions).

As of March 31, 2008 and September 30, 2007, the Company did not have any significant capital lease agreements.

Depreciation expense was \$2.1 million and \$3.8 million for the three and six months ended March 31, 2008, respectively, and \$1.8 million and \$3.7 million for the three and six months ended March 31, 2007, respectively.

**NOTE 8. Goodwill and Intangible Assets, net**

The following table sets forth changes in the carrying value of goodwill by reportable segment during the six months ended March 31, 2008:

<i>(in thousands)</i>	<b>Fiber Optics</b>	<b>Photovoltaics</b>	<b>Total</b>
Balance as of October 1, 2007	\$ 20,606	\$ 20,384	\$ 40,990
Acquisition – earn-out payments	712	-	712
Acquisition – Intel’s Optical Platform Division	47,919	-	47,919
Final purchase price allocation adjustment: Opticomm acquisition	118	-	118
Balance as of March 31, 2008	<u>\$ 69,355</u>	<u>\$ 20,384</u>	<u>\$ 89,739</u>

The following table sets forth the carrying value of intangible assets, consisting of patents and acquired intellectual property (“IP”), as of March 31, 2008 and September 30, 2007, by reportable segment:

<i>(in thousands)</i>	<b>As of March 31, 2008</b>			<b>As of September 30, 2007</b>		
	<b>Gross Assets</b>	<b>Accumulated Amortization</b>	<b>Net Assets</b>	<b>Gross Assets</b>	<b>Accumulated Amortization</b>	<b>Net Assets</b>
<b>Fiber Optics:</b>						
Patents	\$ 949	\$ (449)	\$ 500	\$ 845	\$ (358)	\$ 487
Ortel acquired IP	3,274	(3,031)	243	3,274	(2,893)	381
JDSU acquired IP	1,040	(611)	429	1,040	(512)	528
Alvesta acquired IP	193	(193)	-	193	(187)	6
Molex acquired IP	558	(502)	56	558	(446)	112
Phasebridge acquired IP	603	(388)	215	603	(347)	256
Force acquired IP	1,075	(541)	534	1,075	(443)	632
K2 acquired IP	583	(299)	284	583	(248)	335
Opticomm acquired IP	2,178	(478)	1,700	2,504	(321)	2,183
Intel acquired IP	8,500	(142)	8,358	-	-	-
Subtotal	18,953	(6,634)	12,319	10,675	(5,755)	4,920
<b>Photovoltaics:</b>						
Patents	766	(332)	434	615	(260)	355
Tecstar acquired IP	1,900	(1,900)	-	1,900	(1,900)	-
Subtotal	2,666	(2,232)	434	2,515	(2,160)	355
<b>Total</b>	<u>\$ 21,619</u>	<u>\$ (8,866)</u>	<u>\$ 12,753</u>	<u>\$ 13,190</u>	<u>\$ (7,915)</u>	<u>\$ 5,275</u>

Amortization expense was \$0.4 million and \$1.0 million for the three and six months ended March 31, 2008, respectively, and \$0.5 million and \$1.1 million for the three and six months ended March 31, 2007, respectively.

Based on the carrying amount of the intangible assets, and assuming no future impairment of the underlying assets, the estimated future amortization expense is as follows:

(in thousands)

Period ending:	
Six-month period ended September 30, 2008	\$ 1,617
Year ended September 30, 2009	2,974
Year ended September 30, 2010	2,861
Year ended September 30, 2011	2,400
Year ended September 30, 2012	2,028
Thereafter	873
Total future amortization expense	<u>\$ 12,753</u>

#### 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, 2008	As of September 30, 2007
Compensation-related	\$ 7,480	\$ 8,398
Interest	-	1,775
Warranty	1,579	1,310
Professional fees	4,661	6,213
Royalty	1,385	705
Self insurance	837	794
Deferred revenue and customer deposits	3,221	687
Tax-related	4,016	3,460
Restructuring accrual	502	2,112
Inventory obligation	1,499	1,499
Other	<u>1,250</u>	<u>1,823</u>
Total accrued expenses and other current liabilities	<u>\$ 26,430</u>	<u>\$ 28,776</u>

In the second quarter of fiscal 2008, the Company converted all of its convertible senior subordinated notes into shares of common stock (see Note 11 – Debt). As of March 31, 2008, the Company did not have any debt or related accrued interest.

The Company entered into two Solar Power System contracts for a total loss accrual of \$1.8 million as of March 31, 2008.

#### NOTE 10. Restructuring Charges

As the Company has historically acquired businesses and consolidated them into its existing operations, the Company has incurred charges associated with the transition and integration of those activities. In accordance with SFAS 146, *Accounting for Costs Associated with Exit or Disposal Activities*, expenses recognized as restructuring charges include costs associated with the integration of several business acquisitions and the Company's overall cost-reduction efforts. Restructuring charges are included in SG&A. These charges primarily relate to our Fiber Optics operating segment. These restructuring efforts are expected to be completed in calendar year 2008. Costs incurred and expected to be incurred consist of the following:

(in thousands)	Amount Incurred in Period	Cumulative Amount Incurred to Date	Amount Expected in Future Periods	Total Amount Expected to be Incurred
One-time termination benefits	\$ 402	\$ 3,581	\$ -	\$ 3,581

The following table sets forth changes in the accrual for restructuring charges during the six months ended March 31, 2008:

(in thousands)

Balance at October 1, 2007	\$ 2,112
Increase in liability due to relocation of corporate headquarters	275
Costs paid or otherwise settled	<u>(1,885)</u>
Balance at March 31, 2008	<u>\$ 502</u>

#### NOTE 11. Debt

In January 2008, the Company entered into agreements with holders of approximately 97.5%, or approximately \$83.3 million of its outstanding 5.50% convertible senior subordinated notes due 2011 (the "Notes") pursuant to which the holders converted their Notes into the Company's common stock. In addition, the Company called for redemption of all of its remaining outstanding Notes. Upon conversion of the Notes, the Company issued shares of its common stock, based on a conversion price of \$7.01, in accordance with the terms of the Notes. To incentivize certain holders to convert their Notes, the Company made cash payments to such holders equal to 4% of the principal amount of the Notes converted, plus accrued interest. By February 20, 2008, all Notes were redeemed and converted into the Company common stock. As a result of these transactions, 12.2 million shares of the Company common stock were issued. The Company recognized a loss totaling \$4.7 million on the conversion of Notes to equity of which \$3.5 million was paid in cash. Interest expense incurred on the Notes totaled \$0.4 million and \$1.6 million for the three and six months ended March 31, 2008, respectively, and \$1.3 million and \$2.5 million for the three and six months ended March 31, 2007, respectively.

#### NOTE 12. Commitments and Contingencies

The Company's contractual obligations and commitments over the next five years are summarized in the table below:

As of March 31, 2008  
(in millions)

	Total	2008	2009 to 2010	2011 to 2012	2013 and later
Operating lease obligations	\$ 7.1	\$ 0.7	\$ 2.2	\$ 1.3	\$ 2.9
Letters of credit	2.7	2.7	-	-	-
Purchase commitments (1)	<u>259.9</u>	<u>34.3</u>	<u>134.9</u>	<u>90.7</u>	<u>-</u>
Total contractual cash obligations and Commitments	<u>\$ 269.7</u>	<u>\$ 37.7</u>	<u>\$ 137.1</u>	<u>\$ 92.0</u>	<u>\$ 2.9</u>

(1) The purchase commitments primarily represent the value of purchase agreements issued for raw materials and services that have been scheduled for fulfillment over the next three to five years.

Operating leases include non-cancelable terms and exclude renewal option periods, property taxes, insurance and maintenance expenses on leased properties.

The Company leases certain land, facilities, and equipment under non-cancelable operating leases. The leases 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 amounted to approximately \$0.3 million and \$0.6 million for the three and six months ended March 31, 2008, respectively, and approximately \$0.4 million and \$0.8 million for the three and six months ended March 31, 2007, respectively.

As of March 31, 2008, the Company had twelve standby letters of credit issued totaling approximately \$2.7 million.

## ***Credit Market Conditions***

Currently, the U.S. capital markets are experiencing turbulent conditions in the credit markets, as evidenced by tightening of lending standards, reduced availability of credit vehicles, and reduction of certain asset values. This potentially impacts the Company's ability to obtain additional funding through financing or asset sales.

## ***Auction Rate Securities***

Historically, the Company has invested in securities with an auction reset feature ("auction rate securities"). In February 2008, the auction market failed for the Company's auction rate securities, which meant the Company was unable to sell its investments. At March 31, 2008, the Company had invested approximately \$5.3 million in auction rate securities, of which the underlyings for \$4.0 million are currently AAA rated, the highest rating by a rating agency. The remaining \$1.3 million of investments are securities whose underlying assets are primarily student loans which are substantially backed by the federal government.

As of March 31, 2008, approximately \$1.0 million of the Company's auction rate securities are classified as a current asset since the underlying securities are expected to be redeemed at par value within several months. The remaining \$4.3 million of securities are classified as non-current assets. The Company also recorded a temporary unrealized loss of approximately \$0.2 million to accumulated other comprehensive loss, a component of shareholders' equity, primarily due to these liquidity factors. Based on expected operating cash flows, and our other sources of cash, the Company does not anticipate the potential lack of liquidity on these investments will affect its ability to execute on its current business plan.

## ***Legal Proceedings***

The Company is subject to various legal proceedings and claims that are discussed below. The Company is also subject to certain other legal proceedings and claims that have arisen in the ordinary course of business and which have not been fully adjudicated. The Company does not believe it has a potential liability related to current legal proceedings and claims that could individually or in the aggregate have a material adverse effect on its financial condition, liquidity or results of operations. However, the results of legal proceedings cannot be predicted with certainty. Should the Company fail to prevail in any legal matters or should several legal matters be resolved against the Company in the same reporting period, the operating results of a particular reporting period could be materially adversely affected.

## ***Shareholder Derivative Litigation Relating to Historical Stock Option Practices***

On February 1, 2007, Plaintiff Lewis Edelstein filed a purported stockholder derivative action (the "Federal Court Action") on behalf of the Company against certain of its present and former directors and officers (the "Individual Defendants"), as well as the Company as nominal defendant, in the U.S. District Court for the District of New Jersey, Edelstein v. Brodie, et. al., Case No. 3:07-cv-00596-FLW-JJH (D.N.J.). On May 22, 2007, Plaintiffs Kathryn Gabaldon and Michael Sackrison each filed a purported stockholder derivative action against the Individual Defendants, and the Company as nominal defendant, in the Superior Court of New Jersey, Somerset County, Gabaldon v. Brodie, et. al., Case No. 3:07-cv-03185-FLW-JJH (D.N.J.) and Sackrison v. Brodie, et. al., Case No. 3:07-cv-00596-FLW-JJH (D.N.J.) (collectively, the "State Court Actions").

Both the Federal Court Action and the State Court Actions alleged, using essentially identical contentions that the Individual Defendants engaged in improprieties and violations of law in connection with the Company's historical issuances of stock options. Each of the actions seeks the same relief on behalf of the Company, including, among other things, damages, equitable relief, corporate governance reforms, an accounting, rescission, restitution and costs and disbursements of the lawsuit. On July 10, 2007, the State Court Actions were removed to the U.S. District Court for the District of New Jersey.

On September 26, 2007, the plaintiff in the Federal Court Action signed an agreement in principle with the Individual Defendants and the Company to settle that litigation in accordance with the Memorandum of Understanding (the "MOU") filed as Exhibit 10.10 to the Annual Report on Form 10-K for the year ended September 30, 2006. That same day, the plaintiffs in the State Court Actions advised the Federal Court that the settlement embodied in the MOU would also constitute the settlement of the State Court Actions.

The MOU provides that the Company will adhere to certain policies and procedures relating to the issuance of stock options, stock trading by directors, officers and employees, the composition of its Board of Directors, and the functioning of the Board's Audit and Compensation Committees. The MOU also provides for the payment of \$700,000 relating to plaintiff's attorneys' fees, costs and expenses, which the Company's insurance carrier has committed to pay on behalf of the Company.

On November 28, 2007, a Stipulation of Compromise and Settlement (the "Stipulation") substantially embodying the terms previously contained in the MOU was fully executed by the Company and the other defendants and the plaintiffs in the Federal Court Action and the State Court Actions. The Stipulation was filed as Exhibit 10.19 to the Annual Report on Form 10-K for the year ended September 30, 2007.

The Stipulation provides that the Company will adhere to certain policies and procedures relating to the issuance of stock options, stock trading by directors, officers and employees, the composition of its Board of Directors, and the functioning of the Board's Audit and Compensation Committees. The Stipulation also provides for the payment of \$700,000 relating to plaintiffs' attorneys' fees, costs and expenses, which the Company's insurance carrier has committed to pay on behalf of the Company. A motion to approve the settlement reflected in the Stipulation was filed with the U.S. District Court for the District of New Jersey on December 3, 2007. The Court granted the motion for preliminary approval of the settlement on January 3, 2008, and, at a hearing held on March 28, 2008, the Court issued an order giving final approval to the settlement. The settlement has become final and effective upon the expiration of the appeal period on April 30, 2008. Thus, the settlement is now binding on all parties and represents a final settlement of both the Federal Court Action and the State Court Actions.

## ***SEC Investigation***

On February 27, 2008, the Company received a letter from the SEC's Division of Enforcement stating that the staff had completed its informal investigation of EMCORE Corporation regarding the Company's historical stock option granting practices. The letter further advised the Company that the staff of the

Division of Enforcement did not intend to recommend any enforcement action against the Company.

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## Indemnification Obligations

Subject to certain limitations, we are obligated to indemnify our current and former directors, officers and employees in connection with the Special Committee's investigation of our historical stock option practices, the related SEC non-public investigation and shareholder litigation. These obligations arise under the terms of our restated certificate of incorporation, our bylaws, applicable contracts, and New Jersey law. The obligation to indemnify generally means that we are required to pay or reimburse the individuals' reasonable legal expenses and possibly damages and other liabilities incurred in connection with these matters. We are currently paying or reimbursing legal expenses being incurred in connection with these matters by a number of our current and former directors, officers and employees. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a director and officer liability insurance policies that limits its exposure and enables it to recover a portion of any future amounts paid.

## 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 is significantly impacted by our ability to obtain intellectual property protection for our R&D efforts.

We have, from time to time, exchanged correspondence with third parties regarding the assertion of patent or other intellectual property rights in connection with certain of our products and processes. Additionally, on September 11, 2006, we filed a lawsuit against Optium Corporation (Optium) in the U.S. District Court for the Western District of Pennsylvania for patent infringement. In the suit, the Company and JDS Uniphase Corporation (JDSU) allege that Optium is infringing on U.S. patents 6,282,003 and 6,490,071 with its Prisma II 1550nm transmitters. On March 14, 2007, following denial of a motion to add additional claims to its existing lawsuit, the Company and JDSU filed a second patent suit in the same court against Optium alleging infringement of JDSU's patent 6,519,374 ("the '374 patent"). On March 15, 2007, Optium filed a declaratory judgment action against the Company and JDSU. Optium sought in this litigation a declaration that certain products of Optium do not infringe the '374 patent and that the patent is invalid, but the District Court dismissed the action on January 3, 2008 without addressing the merits. The '374 patent is assigned to JDSU and licensed to the Company.

On December 20, 2007, the Company was served with a complaint in another declaratory relief action which Optium had filed in the Federal District Court for the Western District of Pennsylvania. This action seeks to have U.S. patents 6,282,003 and 6,490,071 declared invalid or unenforceable because of certain conduct alleged to have occurred in connection with the grant of these patents. These allegations are substantially the same as those brought by Optium by motion in the Company's own case against Optium, which motion had been denied by the Court. On January 30, 2008, the Company and JDSU moved to dismiss the declaratory judgment action, and the parties are presently awaiting a ruling from the Court on that motion to dismiss.

## NOTE 13. Segment Data and Related Information

The Company has four operating segments: (1) EMCORE Fiber Optics and (2) EMCORE Broadband, which are aggregated as a separate reporting segment, Fiber Optics, and (3) EMCORE Photovoltaics and (4) EMCORE Solar Power, which are aggregated as a separate reporting segment, Photovoltaics. The Company's Fiber Optics revenue is derived primarily from sales of optical components and subsystems for cable television ("CATV"), fiber to the premise ("FTTP"), enterprise routers and switches, telecom grooming switches, core routers, high performance servers, supercomputers, and satellite communications data links. The Company's Photovoltaics revenue is derived primarily from the sales of solar power conversion products, including solar cells, covered interconnect solar cells, and solar panels. The Company evaluates its reportable segments in accordance with SFAS 131, *Disclosures About Segments of an Enterprise and Related Information*. The Company's Chief Executive Officer is the Company's Chief Operating Decision Maker pursuant to SFAS 131, and he allocates resources to segments based on their business prospects, competitive factors, net revenue, operating results and other non-GAAP financial ratios. The Company's recent acquisition of assets from Intel will reside in the Company's Fiber Optics reporting segment.

The following table sets forth the revenue and percentage of total revenue attributable to each of the Company's reporting segments for the three and six months ended March 31, 2008 and 2007.

<i>(in thousands)</i>	Three Months Ended		Three Months Ended	
Segment Revenue	March 31, 2008		March 31, 2007	
		% of		% of
	Revenue	Revenue	Revenue	Revenue
Fiber Optics	\$ 37,630	67%	\$ 26,237	66%
Photovoltaics	18,649	33	13,361	34
Total revenue	<u>\$ 56,279</u>	<u>100%</u>	<u>\$ 39,598</u>	<u>100%</u>

  

<i>(in thousands)</i>	Six Months Ended		Six Months Ended	
Segment Revenue	March 31, 2008		March 31, 2007	
		% of		% of
	Revenue	Revenue	Revenue	Revenue
Fiber Optics	\$ 71,590	69%	\$ 51,560	66%
Photovoltaics	31,576	31	26,634	34
Total revenue	<u>\$ 103,166</u>	<u>100%</u>	<u>\$ 78,194</u>	<u>100%</u>

The following table sets forth the Company's consolidated revenues by geographic region for the three and six months ended March 31, 2008 and 2007. Revenue was assigned to geographic regions based on the customers' or contract manufacturers' billing address.

<i>(in thousands)</i> <b>Geographic Revenue</b>	<b>Three Months Ended March 31, 2008</b>		<b>Three Months Ended March 31, 2007</b>	
	% of		% of	
	<b>Revenue</b>	<b>Revenue</b>	<b>Revenue</b>	<b>Revenue</b>
North America	\$ 40,246	72%	\$ 28,522	72%
Asia and South America	8,123	14	8,267	21
Europe	7,732	14	2,809	7
Other	178	-	-	-
Total revenue	<u>\$ 56,279</u>	<u>100%</u>	<u>\$ 39,598</u>	<u>100%</u>

<i>(in thousands)</i> <b>Geographic Revenue</b>	<b>Six Months Ended March 31, 2008</b>		<b>Six Months Ended March 31, 2007</b>	
	% of		% of	
	<b>Revenue</b>	<b>Revenue</b>	<b>Revenue</b>	<b>Revenue</b>
North America	\$ 67,069	65%	\$ 54,268	69%
Asia and South America	23,464	23	19,303	25
Europe	12,318	12	4,623	6
Other	315	-	-	-
Total revenue	<u>\$ 103,166</u>	<u>100%</u>	<u>\$ 78,194</u>	<u>100%</u>

The following table sets forth operating losses attributable to each of the Company's reporting segments and corporate for the three and six months ended March 31, 2008 and 2007.

<i>(in thousands)</i> <b>Statement of Operations Data</b>	<b>Three Months Ended March 31,</b>		<b>Six Months Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Operating loss by segment and corporate:				
Fiber Optics	\$ (3,974)	\$ (6,409)	\$ (7,501)	\$ (12,614)
Photovoltaics	(9,787)	(2,381)	(13,338)	(6,376)
Corporate income (loss)	816	(4,912)	(1,286)	(8,366)
Operating loss	<u>\$ (12,945)</u>	<u>\$ (13,702)</u>	<u>\$ (22,125)</u>	<u>\$ (27,356)</u>

Long-lived assets (consisting of property, plant and equipment, goodwill and intangible assets) for each reporting segment are as follows:

<i>(in thousands)</i> <b>Long-lived Assets</b>	<b>As of March 31, 2008</b>	<b>As of September 30, 2007</b>
Fiber Optics	\$ 124,612	\$ 56,816
Photovoltaics	52,045	46,706
Total	<u>\$ 176,657</u>	<u>\$ 103,522</u>

#### **NOTE 14. Income Taxes**

Effective October 1, 2007, the Company adopted Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes, an interpretation of FASB 109*. As a result of the adoption of FIN 48, the Company recorded an increase in accumulated deficit and an increase in the liability for unrecognized state tax benefits of approximately \$326,000 (net of the federal benefit for state tax liabilities). All of this amount, if recognized, would reduce future income tax provisions and favorably impact effective tax rates. During the quarter ended March 31, 2008, there were no material increases or decreases in unrecognized tax benefits. Management expects that over the next twelve months the liability for unrecognized state tax benefits will substantially decrease and does not anticipate any material increases over the next twelve months.

The Company's historical accounting policy with respect to interest and penalties related to tax uncertainties has been to classify these amounts as income taxes, and the Company continued this classification upon the adoption of FIN 48. At March 31, 2008, the Company had approximately \$117,000 of interest and penalties accrued as tax liabilities in the Condensed Consolidated Balance Sheet.

The Company files income tax returns in the U.S. federal, state and local jurisdictions. No federal, state and local income tax returns are currently under examination. Certain income tax returns for fiscal years 2004 through 2006 remain open to examination by U.S. federal, state and local tax authorities.

## **NOTE 15. Subsequent Event**

On April 20, 2008, the Company completed its acquisition of the enterprise and storage assets of Intel Corporation's Optical Platform Division as well as the Intel Connects Cables business. The assets acquired include inventory, fixed assets, intellectual property, and technology relating to optical transceivers for enterprise and storage customers, as well as optical cable interconnects for high-performance computing clusters.

As consideration for the purchase of assets, the Company issued 3.7 million restricted shares of the Company's common stock to Intel. In addition, the Company may be required to make an additional payment to Intel based on the Company's stock price twelve months after the closing of the transaction. In the event that the Company is required to make an additional payment, it has the option to make that payment in cash, common stock or both (but not to exceed the equivalent value of 1.3 million shares).

Intel and the Company also entered into a transition services agreement under which Intel will provide selected services to the Company for a limited period after closing. The parties have also entered into an intellectual property agreement under which Intel will license, subject to certain conditions, certain related intellectual property to the Company in connection with the Company's use and development of the assets being transferred to it.

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*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 based largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. These forward-looking statements may be identified by the use of terms and phrases such as "expects," "anticipates," "intends," "plans," "believes," "estimates," "targets," "can," "may," "could," "will" and variations of these terms and similar phrases. Management cautions that these forward-looking statements are subject to business, economic, and other risks and uncertainties, both known and unknown, that may cause actual results to be materially different from those discussed in these forward-looking statements. The cautionary statements made in this Report should be read as being applicable to all forward-looking statements wherever they appear in this Report. This discussion should be read in conjunction with the consolidated financial statements, including the related notes.*

*These forward-looking statements include, without limitation, any and all statements or implications regarding:*

- The ability of EMCORE Corporation (the "Company," "we" or "EMCORE") to remain competitive and a leader in its industry and the future growth of the company, the industry, and the economy in general;*
- Difficulties in integrating recent or future acquisitions into our operations;*
- The expected level and timing of benefits to the Company from on-going cost reduction efforts, including (i) expected cost reductions and their impact on our financial performance, (ii) our continued leadership in technology and manufacturing in its markets, and (iii) our belief that the cost reduction efforts will not impact product development or manufacturing execution;*
- Expected improvements in our product and technology development programs;*
- Whether our products will (i) be successfully introduced or marketed, (ii) be qualified and purchased by our customers, or (iii) perform to any particular specifications or performance or reliability standards; and/or*
- Guidance provided by the Company regarding our expected financial performance in current or future periods, including, without limitation, with respect to anticipated revenues, income, or cash flows for any period in fiscal 2008 and subsequent periods.*

*These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected, including without limitation, the following:*

- The Company's cost reduction efforts may not be successful in achieving their expected benefits, or may negatively impact our operations;*
- The failure of our products (i) to perform as expected without material defects, (ii) to be manufactured at acceptable volumes, yields, and cost, (iii) to be qualified and accepted by our customers, and (iv) to successfully compete with products offered by our competitors; and/or*
- Other risks and uncertainties described in the Company's filings with the Securities and Exchange Commission ("SEC") such as: cancellations, rescheduling, or delays in product shipments; manufacturing capacity constraints; lengthy sales and qualification cycles; difficulties in the production process; changes in semiconductor industry growth; increased competition; delays in developing and commercializing new products; and other factors.*

*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 assume no obligation to update the matters discussed in this Quarterly Report on Form 10-Q to conform such statements to actual results or to changes in our expectations, except as required by applicable law or regulation.*

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## Business Overview

EMCORE is a leading provider of compound semiconductor-based components and subsystems for the broadband, fiber optic, satellite and terrestrial solar power markets. We have two reporting segments: Fiber Optics and Photovoltaics. The Company's Fiber Optics segment offers optical components, subsystems and systems that enable the transmission of video, voice and data over high-capacity fiber optic cables for high-speed data and telecommunications, cable television ("CATV") and fiber-to-the-premises ("FTTP") networks. The Company's Photovoltaics segment provides solar products for satellite and terrestrial applications. For satellite applications, the Company offers high-efficiency compound semiconductor-based gallium arsenide ("GaAs") solar cells, covered interconnect cells ("CICs") and fully integrated solar panels. For terrestrial applications, the Company offers its high-efficiency GaAs solar cells and integrated PV components for use in solar power concentrator systems. For specific information about our company, our products or the markets we serve, please visit our website at <http://www.emcore.com>. The information on our website is not incorporated into this Quarterly Report on Form 10-Q. We were established in 1984 as a New Jersey corporation.

Our principal objective is to maximize shareholder value by leveraging our expertise in advanced compound semiconductor technologies to be a leading provider of high-performance, cost-effective product solutions in each of the markets we serve.

We target market opportunities that we believe have large potential growth and where the favorable performance characteristics of our products and high volume production efficiencies may give us a competitive advantage over our competitors. We believe that as compound semiconductor production costs continue to be reduced, existing and new customers will be compelled to increase their use of these products because of their attractive performance characteristics and superior value.

On April 4, 2008, the Company announced that its Board of Directors had authorized management of the Company to prepare a comprehensive operational and strategic plan for the separation of the Company's Fiber Optics and Photovoltaic businesses into separate corporations.

## Quarterly Highlights

- January 23, 2008 – EMCORE announced that it will supply its solar CPV components and systems to the Spanish market through several agreements.
    - EMCORE was awarded a 300-kilowatt (kW) CPV system contract by Spain's Institute of Concentrator Photovoltaics Systems (ISFOC). EMCORE expects to have its CPV systems installed in Castilla-La Mancha, Spain by December 2008.
    - EMCORE reached an agreement to construct an 850-kW solar power park in Extremadura, Spain. EMCORE will be utilizing its CPV solar power system and provide a turn-key solution with a scope of work including engineering, procurement, and construction. This project is expected to be completed before July 2008 in order to take advantage of the current high feed-in tariff.
    - EMCORE received a purchase order for one million CPV components from a prominent CPV system integrator. This order is expected to be completed by March 2009 with CPV products being deployed in projects within the Spanish market.
  - January 31, 2008 – EMCORE announced that it has signed a memorandum of understanding for the supply of between 200 megawatts (MW) and 700 MW of solar power systems that are scheduled for deployment in utility scale solar power projects under development in the southwestern region of the United States. EMCORE will supply and install turn-key solar power systems utilizing EMCORE's CPV systems developed at its Albuquerque, NM facility. The project developer, SunPeak Solar, is securing land and grid access throughout 2008 and project construction is expected to begin in early 2009. This agreement is not expected to contribute revenues until 2009 and is dependant on the renewal of the federal investment tax credit (ITC) extending into 2009 and beyond.
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- February 15, 2008 – EMCORE entered into a securities purchase agreement for the sale of \$100 million of restricted common stock and warrants. Under this agreement, investors purchased 8 million shares of our common stock, no par value, and warrants to purchase an additional 1.4 million shares of our common stock. The purchase price was \$12.50 per share, priced at the 20 day volume-weighted average price. The warrants grant the holder the right to purchase one share of our common stock at a price of \$15.06 per share. The warrants are immediately exercisable and remain exercisable for a period of 5 years from the closing date. In addition, EMCORE entered into a registration rights agreement with the investors to register for resale the shares of common stock issued in this transaction and the shares of common stock to be issued upon exercise of the warrants. Total agent fees incurred were 5.75% of the gross proceeds, or \$5.8 million. EMCORE used the net proceeds to acquire the telecom assets of Intel's Optical Platform Division and for working capital requirements.
- February 22, 2008 – EMCORE announced completion of the acquisition of the telecom-related portion of Intel's Optical Platform Division. The telecom assets EMCORE acquired include intellectual property, assets and technology comprised of tunable lasers, tunable transponders, 300-pin transponders, and integrated tunable laser assemblies. The acquisition agreement was signed and announced on December 18, 2007. The purchase price was \$75 million in cash and \$10 million in the Company's common stock, priced at a volume-weighted average price of \$13.84 per share, or 722,688 shares. This acquisition enhances EMCORE's presence in the telecommunications market segment and expands its fiber optics product portfolio. The acquired assets will be integrated into EMCORE's Digital Products Division (EDP).
- February 26, 2008 – EMCORE announced new features to its 1550nm broadband transmitter and optical amplifier product lines. In order to support the requirements for extended bandwidth CATV systems and RF overlay for PON networks, these new products offer 1GHz RF performance, dual hot swappable power supplies and SNMP management capabilities.
- February 27, 2008 – EMCORE announced the introduction of a new line of un-cooled coaxial DFB lasers. EMCORE's 1933 DFB laser family offers a low cost solution for 1310nm linear fiber optic links. With an innovative design, the 1933 series requires no additional cooling since it can maintain performance even with case temperatures ranging from -40°C to +80°C. The 1933 also features exceptionally high slope efficiency and linearity even with optical output powers up to 12dBm.
- April 2, 2008 – EMCORE announced that it had been awarded a \$4.6 million follow-on production order for solar cell receiver assemblies from Concentration Solar la Mancha of Manzanares (Ciudad Real), Spain. The receivers will be incorporated into CS la Mancha's 500X concentrator photovoltaic (CPV) system and will be deployed throughout Spain and other locations in fully licensed and funded projects. Shipments are scheduled to commence in the September quarter and complete in early 2009. CS la Mancha, part of Renovalia Energy, a renewable energy company in Spain, has been developing the CPV system for nearly two years, and has recently started production and volume deployment.
- April 10, 2008 – EMCORE announced that it agreed to supply CPV systems to XinAo Group in China. XinAo Group is one of China's largest energy companies and is well known for its clean-energy technologies. The program will start with the delivery of a 50 kilowatt (kW) concentrator photovoltaic (CPV) system to be installed in Langfang, China. This system will be used for test and evaluation purposes. Once the expected reliability and performance metrics have been demonstrated, XinAo plans to install CPV systems to provide electric power for its innovative coal gasification project, which is estimated to have a requirement of 60 megawatts (MW) of power. XinAo believes that EMCORE's CPV technology will provide a cost-effective solution for its energy needs. In addition, XinAo intends to build a manufacturing plant in China, jointly owned by EMCORE, to manufacture CPV systems designed and certified by EMCORE for the Chinese market.
- April 21, 2008 – EMCORE announced completion of the acquisition of the enterprise and storage assets of Intel's Optical Platform Division (OPD) and the Intel Connects Cable (ICC) business for high-performance computing under the terms signed and announced previously. The assets include intellectual property, inventory, fixed assets and technology relating to XENPAK, X2, SFP, and SFP+ optical transceivers for enterprise and storage customers, as well as the Intel Connects Cables (ICC) active cable interconnects for high-performance computing clusters. This acquisition will further enhance EMCORE's presence in the local area and storage area network market segments. These assets, along with the Telecom assets acquired in February 2008 from Intel OPD, make EMCORE one of the major companies in the world with the most comprehensive product portfolio, vertically-integrated capability and infrastructure, and strong commitment to Telecom, Datacom, and Broadband fiber optics businesses. The acquired assets will be integrated into the EMCORE Digital Products (EDP) division.

With several strategic acquisitions and divestitures in the past year, the Company has developed a strong business focus and comprehensive product portfolios in two main sectors: Fiber Optics and Photovoltaics.

## **Fiber Optics**

Our fiber optics products enable information that is encoded on light signals to be transmitted, routed (switched) and received in communication systems and networks. Our fiber optics products provide our customers with increased capacity to offer more services, at increased data transmission distance, speed and bandwidth with lower noise video receive and lower power consumption. Our Fiber Optics segment primarily targets the following markets:

- Cable Television (CATV) Networks** - We are a market leader in providing radio frequency (RF) over fiber products for the CATV industry. Our products are used in hybrid fiber coaxial (HFC) networks that enable cable service operators to offer multiple advanced services to meet the expanding demand for high-speed Internet, on-demand and interactive video and other advanced services, such as high-definition television (HDTV) and voice over IP (VoIP).
- Fiber-to-the-Premises (FTTP) Networks** - Telecommunications companies are increasingly extending their optical infrastructure to the customer's location in order to deliver higher bandwidth services. We have developed and maintain customer qualified FTTP components and subsystem products to support plans by telephone companies to offer voice, video and data services through the deployment of new fiber-based access networks.
- Data Communications Networks** - We provide leading-edge optical components and modules for data applications that enable switch-to-switch, router-to-router and server-to-server backbone connections at aggregate speeds of 10 gigabits per second (G) and above.
- Telecommunications Networks** - Our leading-edge optical components and modules enable high-speed (up to an aggregate 40G) optical

interconnections that drive advanced architectures in next-generation carrier class switching and routing networks. Our products are used in equipment in the network core and key metro optical nodes of voice telephony and Internet infrastructures.

- **Satellite Communications (Satcom) Networks** - We are a leading provider of optical components and systems for use in equipment that provides high-performance optical data links for the terrestrial portion of satellite communications networks.
  - **Storage Area Networks** - Our high performance optical components are also used in high-end data storage solutions to improve the performance of the storage infrastructure.
  - **Video Transport** - Our video transport product line offers solutions for broadcasting, transportation, IP television (IPTV), mobile video and security & surveillance applications over private and public networks. the Company's video, audio, data and RF transmission systems serve both analog and digital requirements, providing cost-effective, flexible solutions geared for network reconstruction and expansion.
  - **Defense and Homeland Security** - Leveraging our expertise in RF module design and high-speed parallel optics, we provide a suite of ruggedized products that meet the reliability and durability requirements of the U.S. Government and defense markets. Our specialty defense products include fiber optic gyro components used in precision guided munitions, ruggedized parallel optic transmitters and receivers, high-frequency RF fiber optic link components for towed decoy systems, optical delay lines for radar systems, EDFAs, terahertz spectroscopy systems and other products.
  - **Consumer Products** - We intend to extend our optical technology into the consumer market by integrating our Vertical Cavity Surface-Emitting Lasers ("VCSELs") into optical computer mice and ultra short data links. We are in production with customers on several products and currently qualifying our products with additional customers. An optical computer mouse with laser illumination is superior to LED-based illumination in that it reveals surface structures that a LED light source cannot uncover. VCSELs enable computer mice to track with greater accuracy, on more surfaces and with greater responsiveness than existing LED-based solutions.
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## **Photovoltaics**

We believe our high-efficiency compound semiconductor-based multi-junction solar cell products provide our customers with compelling cost and performance advantages over traditional silicon-based solutions. These include higher solar cell efficiency allowing for greater conversion of light into electricity, an increased ability to benefit from use in solar concentrator systems, ability to withstand high heat environments and reduced overall footprint. Our Photovoltaics segment primarily targets the following markets:

- **Satellite Solar Power Generation.** We are a leader in providing solar power generation solutions to the global communications satellite industry and U.S. Government space programs. A satellite's operational success and corresponding revenue depend on its available power and its capacity to transmit data. We manufacture advanced compound semiconductor-based solar cell and solar panel products, which are more resistant to radiation levels in space and generate substantially more power from sunlight than silicon-based solutions. Space power systems using our multi-junction solar cells weigh less per unit of power than traditional silicon-based solar cells. These performance characteristics increase satellite useful life, increase satellites' transmission capacity and reduce launch costs. Our products provide our customers with higher sunlight to electrical power conversion efficiency for reduced size and launch costs; higher radiation tolerance; and longer lifetime in harsh space environments. We design and manufacture multi-junction compound semiconductor-based solar cells for both commercial and military satellite applications. We currently manufacture and sell one of the most efficient and reliable, radiation resistant advanced triple-junction solar cells in the world, with an average "beginning of life" efficiency of 28.5%. In May 2007, the Company announced that it has attained solar conversion efficiency of 31% for an entirely new class of advanced multi-junction solar cells optimized for space applications. The Company is also the only manufacturer to supply true monolithic bypass diodes for shadow protection, utilizing several the Company patented methods. The Company also provides covered interconnect cells (CICs) and solar panel lay-down services, giving us the capability to manufacture complete solar panels. We can provide satellite manufacturers with proven integrated satellite power solutions that considerably improve satellite economics. Satellite manufacturers and solar array integrators rely on the Company to meet their satellite power needs with our proven flight heritage.
- **Terrestrial Solar Power Generation.** Solar power generation systems use photovoltaic cells to convert sunlight to electricity and have been used in space programs and, to a lesser extent, in terrestrial applications for several decades. The market for terrestrial solar power generation solutions has grown significantly as solar power generation technologies improve in efficiency, as global prices for non-renewable energy sources (i.e., fossil fuels) continue to rise, and as concern has increased regarding the effect of carbon emissions on global warming. Terrestrial solar power generation has emerged as one of the most rapidly expanding renewable energy sources due to certain advantages solar power holds over other energy sources, including reduced environmental impact, elimination of fuel price risk, installation flexibility, scalability, distributed power generation (i.e., electric power is generated at the point of use rather than transmitted from a central station to the user), and reliability. The rapid increase in demand for solar power has created a growing need for highly efficient, reliable and cost-effective solar power concentrator systems.

The Company has adapted its high-efficiency compound semiconductor-based multi-junction solar cell products for terrestrial applications, which are intended for use with solar concentrator systems in utility-scale installations. In August 2007, the Company announced that it has obtained 39% peak conversion efficiency on its terrestrial concentrating solar cell products currently in volume production. This compares favorably to typical efficiency of 15-21% on silicon-based solar cells and 35% for competing multi-junction concentrating solar cells. We believe that solar concentrator systems assembled using our compound semiconductor-based solar cells will be competitive with silicon-based solar power generation systems because they are more efficient and, when combined with the advantages of concentration, we believe will result in a lower cost of power generated. Our multi-junction solar cell technology is not subject to silicon shortages, which have led to increasing prices in the raw materials required for silicon-based solar cells. While the terrestrial power generation market is still developing, we have received production orders from multiple CPV systems integrators and provided samples to several others, including major system manufacturers in the United States, Europe and Asia.

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We are committed to the ongoing evaluation of strategic opportunities that can expand our addressable markets and strengthen our competitive position. Where appropriate, we will acquire additional products, technologies, or businesses that are complementary to, or broaden the markets in which we operate. We plan to pursue strategic acquisitions, investments, and partnerships to increase revenue and allow for higher overhead absorption that will improve our gross margins. Recent acquisition activity includes:

- On February 22, 2008, the Company acquired certain assets of the telecom portion of Intel Corporation's Optical Platform Division.
- On April 20, 2008, the Company acquired certain assets of the enterprise portion of Intel Corporation's Optical Platform Division.

The Company is committed to achieving profitability by increasing revenue through the introduction of new products, reducing our cost structure and lowering the breakeven points of our product lines. We have significantly streamlined our manufacturing operations by focusing on core competencies to identify cost efficiencies. Where appropriate, we transferred the manufacturing of certain product lines to contract manufacturers.

In May 2007, the Company announced the opening of a new manufacturing facility in Langfang, China. Our new company, Langfang EMCORE Optoelectronics Co. Ltd., is located approximately 20 miles southeast of Beijing and currently occupies a space of 22,000 square feet with a Class-10,000 clean room for optoelectronic device packaging. Another 60,000 square feet is available for future expansion. We will transfer our most cost sensitive optoelectronic devices to this facility. This facility, along with a strategic alignment with our existing contract-manufacturing partners, should enable us to improve our cost structure and gross margins. We also expect to develop and provide improved service to our global customers using a local presence in Asia.

The Company's restructuring programs are designed to further reduce the number of manufacturing facilities, in addition to the divestiture or exit from selected businesses and product lines that were not strategic and/or were not capable of achieving desired revenue or profitability goals. Our results of operations and financial condition have and will continue to be significantly affected by severance and restructuring charges, impairment of long-lived assets and idle facility expenses incurred during facility closing activities. Please refer to Risk Factors under Item 1A and Financial Statements and Supplemental Data under Item 8 in our Annual Report on Form 10-K for the fiscal year ended September 30, 2007, for further discussion of these items.

## **Critical Accounting Policies**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. 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, which are discussed below. In the event that estimates or assumptions prove to differ from actual results, adjustments are made in subsequent periods to reflect more current information. The Company's most significant estimates relate to accounts receivable, inventory, goodwill, intangibles, other long-lived assets, warranty accruals, revenue recognition, and valuation of stock-based compensation.

**Valuation of Accounts Receivable.** The Company regularly evaluates the collectibility of its accounts receivable and accordingly maintains allowances for doubtful accounts for estimated losses resulting from the inability of our customers to meet their financial obligations to us. The allowance is based on the age of receivables and a specific identification of receivables considered at risk. The Company classifies charges associated with the allowance for doubtful accounts as SG&A expense. If the financial condition of our customers were to deteriorate, additional allowances may be required.

**Valuation of Inventory.** Inventory is stated at the lower of cost or market, with cost being determined using the standard cost method. The Company reserves against inventory once it has been determined that: (i) conditions exist that may not allow the inventory to be sold for its intended purpose, (ii) the inventory's value is determined to be less than cost, or (iii) the inventory is determined to be obsolete. The charge related to inventory reserves is recorded as a cost of revenue. The majority of the inventory write-downs are related to estimated allowances for inventory whose carrying value is in excess of net realizable value and on excess raw material components resulting from finished product obsolescence. In most cases where the Company sells previously written down inventory, it is typically sold as a component part of a finished product. The finished product is sold at market price at the time resulting in higher average gross margin on such revenue. The Company does not track the selling price of individual raw material components that have been previously written down or written off, since such raw material components usually are only a portion of the resultant finished products and related sales price. The Company evaluates inventory levels at least quarterly against sales forecasts on a significant part-by-part basis, in addition to determining its overall inventory risk. Reserves are adjusted to reflect inventory values in excess of forecasted sales, as well as overall inventory risk assessed by management. We have incurred, and may in the future incur, charges to write-down our inventory. While we believe, based on current information, that the amount recorded for inventory is properly reflected on our balance sheet, if market conditions are less favorable than our forecasts, our future sales mix differs from our forecasted sales mix, or actual demand from our customers is lower than our estimates, we may be required to record additional inventory write-downs.

**Valuation of Goodwill and Intangible Assets.** Goodwill represents the excess of the purchase price of an acquired business or assets over the fair value of the identifiable assets acquired and liabilities assumed. Intangible assets consist primarily of intellectual property that has been internally developed or purchased. Purchased intangible assets include existing and core technology, trademarks and trade names, and customer contracts. Intangible assets are amortized using the straight-lined method over estimated useful lives ranging from one to fifteen years.

The Company evaluates its goodwill and intangible assets for impairment on an annual basis, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Management has elected December 31 as its annual assessment date. Circumstances that could trigger an impairment test include but are not limited to: a significant adverse change in the business climate or legal factors; an adverse action or assessment by a regulator; unanticipated competition; loss of key personnel; the likelihood that a reporting unit or significant portion of a reporting unit will be sold or otherwise disposed; results of testing for recoverability of a significant asset group within a reporting unit; and recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of a reporting unit. The determination as to whether a write-down of goodwill or intangible assets is necessary involves significant judgment based on the short-term and long-term projections of the future performance of the reporting unit to which the goodwill or intangible assets are attributed. As of December 31, 2008 and 2007, we tested for impairment on our goodwill and intangible assets and based on that analysis, we determined that the carrying amount of the reporting units

did not exceed their fair value, and therefore, no impairment was recognized for any period presented in the condensed consolidated financial statements.

Valuation of Long-lived Assets. The Company reviews long-lived assets on an annual basis or whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. A long-lived asset is considered impaired when its anticipated undiscounted cash flow is less than its carrying value. In making this determination, the Company uses certain assumptions, including, but not limited to: (a) estimates of the fair market value of these assets; and (b) estimates of future cash flows expected to be generated by these assets, which are based on additional assumptions such as asset utilization, length of service that assets will be used in our operations, and estimated salvage values.

Product Warranty Reserves. The Company provides its customers with limited rights of return for non-conforming shipments and warranty claims for certain products. In accordance with SFAS 5, *Accounting for Contingencies*, the Company makes estimates of product warranty expense using historical experience rates as a percentage of revenue and accrues estimated warranty expense as a cost of revenue. We estimate the costs of our warranty obligations based on our historical experience of known product failure rates, use of materials to repair or replace defective products and service delivery costs incurred in correcting product failures. 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, we may be required to record additional warranty reserves. Alternatively, if we provide more reserves than we need, we may reverse a portion of such provisions in future periods.

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**Revenue Recognition.** Revenue is recognized upon shipment provided persuasive evidence of a contract exists, (such as when a purchase order or contract is received from a customer), 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. In those few instances where a given sale involves post shipment obligations, formal customer acceptance documents, or subjective rights of return, revenue is not recognized until all post-shipment conditions have been satisfied and there is reasonable assurance of collection of the sales proceeds. The majority of our products have shipping terms that are free on board (FOB) or free carrier alongside (FCA) shipping point, which means that the Company fulfills its delivery obligation when the goods are handed over to the freight carrier at our shipping dock. This means the buyer bears all costs and risks of loss or damage to the goods from that point. In certain cases, the Company ships its products cost insurance and freight (CIF). Under this arrangement, revenue is recognized under FCA shipping point terms, but the Company pays (and bills the customer) for the cost of shipping and insurance to the customer's designated location. The Company accounts for shipping and related transportation costs by recording the charges that are invoiced to customers as revenue, with the corresponding cost recorded as cost of revenue. In those instances where inventory is maintained at a consigned location, revenue is recognized only when our customer pulls product for its use and title and ownership have transferred to the customer. Revenue from time and material contracts is recognized at the contractual rates as labor hours and direct expenses are incurred. The Company also generates service revenue from hardware repairs and calibrations that is recognized as revenue upon completion of the service. Any cost of warranties and remaining obligations that are inconsequential or perfunctory are accrued when the corresponding revenue is recognized.

*Distributors* - The Company uses a number of distributors around the world. In accordance with Staff Accounting Bulletin No. 104, *Revenue Recognition*, the Company recognizes revenue upon shipment of product to these distributors. Title and risk of loss pass to the distributors upon shipment, and our distributors are contractually obligated to pay the Company on standard commercial terms, just like our other direct customers. The Company does not sell to its distributors on consignment and, except in the event of product discontinuance, does not give distributors a right of return.

*Solar Panel and Solar Power Systems Contracts* - The Company records revenues from certain solar panel and solar power systems contracts using the percentage-of-completion method in accordance with AICPA Statement of Position 81-1 ("SOP 81-1"), *Accounting for Performance of Construction-Type and Certain Production-Type Contracts*. Revenue is recognized in proportion to actual costs incurred compared to total anticipated costs expected to be incurred for each contract. If estimates of costs to complete long-term contracts indicate a loss, a provision is made for the total loss anticipated. The Company has numerous contracts that are in various stages of completion. Such contracts require estimates to determine the appropriate cost and revenue recognition. The Company uses all available information in determining dependable estimates of the extent of progress towards completion, contract revenues, and contract costs. Estimates are revised as additional information becomes available. Due to the fact that the Company accounts for these contracts under the percentage-of-completion method, unbilled accounts receivable represent revenue recognized but not yet billed pursuant to contract terms or accounts billed after the period end.

*Government R&D Contracts* - R&D contract revenue represents reimbursement by various U.S. Government entities, or their contractors, to aid in the development of new technology. The applicable contracts generally provide that the Company may elect to retain ownership of inventions made in performing the work, subject to a non-exclusive license retained by the U.S. Government to practice the inventions for governmental purposes. The R&D contract funding may be based on a cost-plus, cost reimbursement, or a firm fixed price arrangement. The amount of funding under each R&D contract is determined based on cost estimates that include both direct and indirect costs. Cost-plus funding is determined based on actual costs plus a set margin. As we incur costs under cost reimbursement type contracts, we record revenue. Contract costs include material, labor, special tooling and test equipment, subcontracting costs, as well as an allocation of indirect costs. An R&D contract is considered complete when all significant costs have been incurred, milestones have been reached, and any reporting obligations to the customer have been met. Government contract revenue is primarily recognized as service revenue.

The Company also has certain cost-sharing R&D arrangements. Under such arrangements in which the actual costs of performance are divided between the U.S. Government and the Company on a best efforts basis, no revenue is recorded and the Company's R&D expense is reduced for the amount of the cost-sharing receipts.

The U.S. Government may terminate any of our government contracts at their convenience as well as for default based on our failure to meet specified performance measurements. If any of our government contracts were to be terminated for convenience, we generally would be entitled to receive payment for work completed and allowable termination or cancellation costs. If any of our government contracts were to be terminated for default, generally the U.S. Government would pay only for the work that has been accepted and can require us to pay the difference between the original contract price and the cost to re-procure the contract items, net of the work accepted from the original contract. The U.S. Government can also hold us liable for damages resulting from the default.

**Stock-Based Compensation.** The Company uses the Black-Scholes option-pricing model and the straight-line attribution approach to determine the fair-value of stock-based awards under SFAS 123(R), *Share-Based Payment (revised 2004)*. The Company elected to use the modified prospective transition method as permitted by SFAS 123(R) and accordingly prior periods were not restated to reflect the impact of SFAS 123(R). The modified prospective transition method requires that stock-based compensation expense be recorded for all new and unvested stock options and employee stock purchase plan shares that are ultimately expected to vest as the requisite service is rendered beginning on October 1, 2005, the first day of the Company's fiscal year 2006. 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 Company's expected term represents the period that stock-based awards are expected to be outstanding and is determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior as influenced by changes to the terms of its stock-based awards. The expected stock price volatility is based on the Company's historical stock prices (see Note 3 - Equity).

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The above listing is not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by U.S. GAAP. There also are areas in which management's judgment in selecting any available alternative would not produce a materially different result. For complete discussion of our accounting policies and other required U.S. GAAP disclosures, we refer you to our Annual Report on Form 10-K for the fiscal year ended September 30, 2007.

## **Results of Operations**

The following table sets forth the condensed consolidated statements of operations data of the Company expressed as a percentage of total revenues for the three and six months ended March 31, 2008.

<b>Condensed Statement of Operations Data</b>	<b>Three Months Ended March 31,</b>		<b>Six Months Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Product revenue	85.8%	85.1%	89.9%	88.7%
Service revenue	14.2	14.9	10.1	11.3
Total revenue	100.0	100.0	100.0	100.0
Cost of product revenue	74.9	71.1	75.1	75.6
Cost of service revenue	13.3	11.3	8.7	8.5
Total cost of revenue	88.2	82.4	83.8	84.1
Gross profit	11.8	17.6	16.2	15.9
Operating expenses:				
Selling, general, and administrative	18.2	33.2	21.4	32.8
Research and development	16.6	19.0	16.2	18.1
Total operating expenses	34.8	52.2	37.6	50.9
Operating loss	(23.0)	(34.6)	(21.4)	(35.0)
Other expense (income):				
Interest income	(0.4)	(3.0)	(0.6)	(3.6)
Interest expense	0.7	3.2	1.5	3.2
Loss from conversion of subordinated notes	8.3	-	4.5	-
Stock-based compensation expense from tolled options (income from expired tolled options)	(0.1)	-	4.2	-
Gain from insurance proceeds	-	(0.9)	-	(0.5)
Loss on disposal of equipment	-	-	0.1	-
Foreign exchange gain	(0.3)	-	(0.2)	-
Total other expense (income)	8.2	(0.7)	9.5	(0.9)
Net loss	(31.1)%	(33.9)%	(30.9)%	(34.1)%

## **Comparison of three and six months ended March 31, 2008 and 2007**

### **Consolidated Revenue**

Consolidated revenue for the quarter ended March 31, 2008 totaled approximately \$56.3 million. This represents a revenue increase of over 42% when compared to \$39.6 million of revenue reported in the same period last year. This also represents a revenue increase of 20% when compared to the prior quarter. Consolidated revenue for the six months ended March 31, 2008 totaled approximately \$103.2 million. Both of the Company's operating segments posted increases in quarterly revenue when compared year-over-year and quarter-over-quarter. For the three months ended March 31, 2008, international sales increased \$5.0 million or 45%, when compared to the same period last year. For the three months ended March 31, 2008, revenue from government contracts, which are primarily service contracts, decreased \$3.9 million or 66% to \$2.0 million from \$5.9 million, as reported in the same period last year. For the six months ended March 31, 2008, international sales increased \$12.2 million or 51% when compared to the same period last year. For the six months ended March 31, 2008, revenue from government contracts, decreased \$3.6 million or 40% to \$5.3 million from \$8.9 million, as reported in the same period last year. A comparison of revenue achieved at each of the Company's reportable segments follows:

### *Fiber Optics.*

Over the past several years, communications networks have experienced dramatic growth in data transmission traffic due to worldwide Internet access, e-mail, and e-commerce. As Internet content expands to include full motion video on-demand, HDTV, multi-channel high quality audio, online video conferencing, image transfer, online multi-player gaming, and other broadband applications, the delivery of such data will place a greater demand on available bandwidth and require the support of higher capacity networks. The bulk of this traffic, which continues to grow at a very high rate, is already routed through the optical networking infrastructure used by local and long distance carriers, as well as internet service providers. Optical fiber offers substantially greater bandwidth capacity, is less error prone, and is easier to administer than older copper wire technologies. As greater bandwidth capability is delivered closer to the end user, increased demand for higher content, real-time, interactive visual and audio content is expected. We believe that the Company is well positioned to benefit from the continued deployment of these higher capacity fiber optic networks. Customers for the Fiber Optics segment include: Avago Technologies, Inc., Alcatel, Aurora Networks, BUPT-GUOAN Broadband, C-Cor Electronics, Cisco Systems, Inc., Finisar, Hewlett-Packard Corporation, Intel Corporation, Jabil, JDSU, Motorola, Network Appliance, Sycamore Networks, Inc., and Tellabs.

For the three months ended March 31, 2008, revenue from the Company’s Fiber Optics segment increased \$11.4 million or 44% to \$37.6 million from \$26.2 million, as reported in the same period last year. For the six months ended March 31, 2008, Fiber Optics revenue increased \$20.0 million or 39% to \$71.6 million from \$51.6 million, as reported in the same period last year. The increase in revenue was due to our acquisition of the telecom related assets of Intel’s Optical Platform Division and a significant increase in quarterly revenue from the Company;s datacom product lines.

The communications industry in which we participate continues to be dynamic. The driving factor is the competitive environment that exists between cable operators, telephone companies, and satellite and wireless service providers. Each are rapidly investing capital to deploy a converging multi-service network capable of delivering “triple play services”, i.e. digitalized video, voice and data content, bundled as a service provided by a single communication provider. As a market leader in RF transmission over fiber products for the CATV industry, the Company enables cable companies to offer multiple forms of communications to meet the expanding demand for high-speed Internet, on-demand and interactive video, and other new services (such as HDTV and VOIP). Television is also undergoing a major transformation, as the U.S. Government requires television stations to broadcast exclusively in digital format, abandoning the analog format used for decades. Although the transition date for digital transmissions is not expected for several years, the build-out of these television networks has already begun. To support the telephone companies plan to offer competing video, voice and data services through the deployment of new fiber-based systems, the Company has developed and maintains customer qualified FTTP components and subsystem products. Our CATV and FTTP products include broadcast analog and digital fiber optic transmitters, quadrature amplitude modulation (QAM) transmitters, video receivers, and passive optical network (PON) transceivers.

There was no government contract revenue during the three and six months ended March 31, 2008 and 2007. Fiber optics revenue represented 67% and 66% of the Company's total revenue for the three months ended March 31, 2008 and 2007, respectively and 69% and 66% of the Company’s total revenue for the six months ended March 31, 2008 and 2007 respectively.

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## Photovoltaics.

The Company provides advanced compound semiconductor solar cell products and solar panels, which are more resistant to radiation levels in space and convert substantially more power from sunlight than silicon-based solutions. The Company's Photovoltaics segment designs and manufactures multi-junction compound semiconductor solar cells for both commercial and military satellite applications as well as for use in terrestrial concentrating photovoltaic solar power systems. Customers for the Photovoltaics segment include Boeing, General Dynamics, the Indian Space Research Organization ("ISRO"), Lockheed Martin, Space Systems/Loral, Green and Gold Energy, CS La Mancha and ES Systems.

Photovoltaics revenue for the three months ended March 31, 2008 increased \$5.2 million or 39% to \$18.6 million from \$13.4 million as reported in the same period last year. For the six months ended March 31, 2008, Photovoltaics revenue increased \$5.0 million or 19% to \$31.6 million from \$26.6 million, as reported in the same period last year. The significant increase in revenue was due to new product and business introduction of concentrator photovoltaics (CPV) for solar power applications. Total revenue from CPV components and systems was \$4.4 million for the three months ended March 31, 2008. During the quarter, the Company also experienced increased demand for its satellite solar cells and CICs products. Government contract revenues for photovoltaics products were \$2.0 million and \$5.6 million for the three months ended March 31, 2008 and 2007 respectively. Government contract revenues for photovoltaics products were \$5.3 million and \$8.5 million for the six months ended March 31, 2008 and 2007 respectively. Photovoltaics revenue represented 33% and 34% of the Company's total revenues for the three months ended March 31, 2008 and 2007, respectively. Photovoltaics revenues represented 31% and 34% of the Company's total revenues for the six months ended March 31, 2008 and 2007, respectively.

We see additional areas for growth resulting from the successful deployment of terrestrial solar power systems that rely on our multi-junction solar cells and CPV components. Concentrating PV systems have the potential to provide cost effective solar power in regions of high solar resource and several countries such as Italy, Spain and Greece have provided favorable feed in tariffs for utility-scale solar power installations. The Company has developed high efficiency multi-junction solar cells and integrated PV components that function as the engine in concentrating photovoltaic systems and we are well positioned to provide the enabling components in these large-scale deployments. In the satellite industry, we see increased opportunity in the commercial area as the number of geosynchronous communication satellite launches have recovered from the decline observed earlier in the decade, with Space Systems Loral winning a substantial share of the awards over the last several years. Government and military procurement remains steady, and we have succeeded in gaining market share in that area. We have recently been awarded solar panel government contracts for military and science missions, and this represents an expansion of our customer base.

## Gross Profit

Consolidated gross profit for the quarter ended March 31, 2008 decreased to \$6.6 million from \$7.0 million as reported in the same period last year. Consolidated gross profit for the six months ended March 31, 2008 totaled \$16.8 million, which represents an increase of \$4.3 million or 34% from gross profit of \$12.5 million as reported in the same period last year. Consolidated gross margin for the quarter ended March 31, 2008 was approximately 12%, which represents a decrease from 18% gross margin as reported in the same period last year. Consolidated gross margin for the six months ended March 31, 2008 was approximately 16%, which was slightly higher than gross margin reported in the same period last year. In fiscal 2008, gross margin in our fiber optics segment increased due to increased revenue, facility consolidation, and other restructuring efforts completed by the Company in the prior year. During the quarter ended March 31, 2008, the Company took one-time charges of approximately \$6.3 million in its Photovoltaics segment for inventory write-downs and start-up costs in our solar cell receiver line and CPV system business.

Actions designed to improve our gross margins (through product mix improvements, cost reductions associated with product transfers and product rationalization, maximizing production yields on high-performance devices and quality improvements, among other things) continue to be a principal focus for us. The establishment of a modern solar panel manufacturing facility, adjacent to our solar cell fabrication operations, should facilitate consistency, as well as reduce manufacturing costs. The benefit of having these operations located at one site is expected to provide high quality, high reliability and cost-effective solar components. We focus our activities on developing new process control and yield management tools that enable us to accelerate the adoption of new technologies into full-volume production, while minimizing their associated risks.

## Operating Expenses

*Selling, General, and Administrative.* For the three months ended March 31, 2008, SG&A expenses decreased \$2.8 million or 21% to \$10.3 million from \$13.1 million, as reported in the same period last year. For the six months ended March 31, 2008, SG&A expenses decreased \$3.6 million or 14% to \$22.1 million from \$25.7 million, as reported in the same period last year. Consistent with prior years, SG&A expense includes corporate overhead expenses. As a percentage of revenue for the three months ended March 31, 2008 and 2007, SG&A decreased to 18% from 33%, respectively. As a percentage of revenue for the six months ended March 31, 2008 and 2007, SG&A decreased to 21% from 33%, respectively. A significant portion of the quarter-over-quarter and year-over-year increase in operating expenses was due to acquisition-related and new product and business introduction costs. During the quarter ended March 31, 2008, the Company incurred over \$1.7 million in operating expenses associated with the acquisition of Intel's telecom division and transitional services being provided by Intel. Operating expenses also increased approximately \$1.3 million in the quarter due to costs incurred developing new business opportunities for the Company's new terrestrial solar power product lines.

*Research and Development.* Our R&D efforts have been sharply focused to maintain our technological leadership position by working to improve the quality and attributes of our product lines. We also invest significant resources to develop new products and production technology to expand into new market opportunities by leveraging our existing technology base and infrastructure. Our efforts are focused on designing new proprietary processes and products, on improving the performance of our existing materials, components, and subsystems, and on reducing costs in the product manufacturing process. In addition to using our internal capacity to develop and manufacture products for our target markets, the Company continues to expand its portfolio of products and technologies through acquisitions.

For the three months ended March 31, 2008, R&D expenses increased \$1.8 million or 24% to \$9.3 million from \$7.5 million, as reported in the same period last year. As a percentage of revenue, R&D decreased to 17% from 19% for the three months ended March 31, 2008 and 2007, respectively. As a percentage of revenue R&D decreased to 16% from 18% for the six months ended March 31, 2008 and 2007, respectively. We believe that recently completed R&D projects in our terrestrial solar power division have the potential to greatly improve our competitive position and drive revenue growth in the next few years.

As part of the ongoing effort to cut costs, many of our projects are to develop lower cost versions of our existing products and of our existing processes, while improving quality. Also, we have implemented a program to focus research and product development efforts on projects that we expect to generate returns within one year. Our technology and product leadership is an important competitive advantage. Driven by current and anticipated demand, we will continue to

invest in new technologies and products that offer our customers increased efficiency, higher performance, improved functionality, and/or higher levels of integration.

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## Other Income & Expenses

*Interest Income.* The Company realized a significant decrease of \$0.4 million and \$1.7 million for the three and six months ended March 31, 2008, respectively, in interest income due to its decreased cash, cash equivalents and marketable securities position.

*Interest Expense.* The Company realized a significant decrease of \$1.2 million and \$1.3 million for the three and six months ended March 31, 2008, respectively, in interest expense due to the conversion of its convertible senior subordinated notes to equity (see Note 11 – Debt).

*Loss from Conversion of Subordinated Notes.* In January 2008, the Company entered into agreements with holders of approximately 97.5%, or approximately \$83.3 million of its outstanding 5.50% convertible senior subordinated notes due 2011 (the "Notes") pursuant to which the holders converted their Notes into the Company's common stock. In addition, the Company called for redemption all of its remaining outstanding Notes. Upon conversion of the Notes, the Company issued shares of its common stock, based on a conversion price of \$7.01, in accordance with the terms of the Notes. To incentivize certain holders to convert their Notes, the Company made cash payments to such holders equal to 4% of the principal amount of the Notes converted, plus accrued interest. By February 20, 2008, all Notes were redeemed and converted into the Company common stock. As a result of this transaction, 12.2 million shares of the Company common stock were issued. The Company recognized a loss totaling \$4.7 million on the conversion of Notes to equity. The Notes conversion resulted in a reduction of future interest payments of approximately \$4.7 million, on an annual basis, through May 2011.

*Stock-based compensation expense from tolled options.* Under the terms of stock option agreements issued under the 2000 Plan, terminated employees who have vested and exercisable stock options have 90 days after the date of termination to exercise stock options. In November 2006, the Company announced suspension of reliance on previously issued financial statements, which in turn caused the Company's Form S-8 registration statements for shares of common stock issuable under the Option Plans not to be available. Therefore, terminated employees were precluded from exercising their stock options during the remaining contractual term (the "Blackout Period"). To address this issue, the Company's Board of Directors agreed in April 2007 to approve a stock option grant "modification" for these individuals by extending the normal 90-day exercise period after termination date to a date after which the Company became compliant with its SEC filings and the registration of the stock option shares was once again effective. The Company communicated the terms of the tolling agreement with its terminated employees in November 2007. The Company's Board of Directors approved an extension of the stock option expiration date equal to the number of calendar days during the Blackout Period before such stock option would have otherwise expired (the "Tolling Period"). Former employees were able to exercise their vested stock options beginning on the first day after the lifting of the Blackout Period for a period equal to the Tolling Period. The Company accounted for the modification of stock options issued to terminated employees as additional compensation expense in accordance with SFAS 123(R) in the first quarter of fiscal 2008 and adjusted the stock options to market value in the first and second quarters of 2008. All tolled options were either exercised or expired by January 29, 2008. No tolled stock options were outstanding as of March 31, 2008. The liability related to any unexercised options at the end of the tolling period was reversed to the statement of operations. The amount was approximately \$58,000.

*Foreign exchange gain.* The Company recognized a gain on foreign currency exchange primarily due to operations in Spain, the Netherlands and China.

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## **Liquidity and Capital Resources**

### ***Conclusion***

We believe that our current liquidity should be sufficient to meet our cash needs for working capital through the next twelve months. If cash generated from operations and cash on hand are not sufficient to satisfy the Company's liquidity requirements, the Company will seek to obtain additional equity or debt financing. Additional funding may not be available when needed, or on terms acceptable to the Company. If the Company is required to raise additional financing and if adequate funds are not available or not available on acceptable terms, our ability to continue to fund expansion, develop and enhance products and services, or otherwise respond to competitive pressures may be severely limited. Such a limitation could have a material adverse effect on the Company's business, financial condition, results of operations, and cash flow.

### ***Credit Market Conditions***

Currently, the U.S. capital markets are experiencing turbulent conditions in the credit markets, as evidenced by tightening of lending standards, reduced availability of credit vehicles, and reduction of certain asset values. This potentially impacts the Company's ability to obtain additional funding through financing or asset sales.

### ***Auction Rate Securities***

Historically, the Company has invested in securities with an auction reset feature ("auction rate securities"). In February 2008, the auction market failed for the Company's auction rate securities, which meant the Company was unable to sell its investments. At March 31, 2008, the Company had invested approximately \$5.3 million in auction rate securities, of which the underlyings for \$4.0 million are currently AAA rated, the highest rating by a rating agency. The remaining \$1.3 million of investments are securities whose underlying assets are primarily student loans which are substantially backed by the federal government.

As of March 31, 2008, approximately \$1.0 million of the Company's auction rate securities are classified as a current asset since the underlying securities are expected to be redeemed at par value within several months. The remaining \$4.3 million of securities are classified as non-current assets. The Company also recorded a temporary unrealized loss of approximately \$0.2 million to accumulated other comprehensive loss, a component of shareholders' equity, primarily due to these liquidity factors. Based on expected operating cash flows, and our other sources of cash, the Company does not anticipate the potential lack of liquidity on these investments will affect its ability to execute on its current business plan.

There are no assurances that successful auctions of these types of securities will resume, and as a result, the Company's ability to liquidate its securities and fully recover the carrying value of its investment in the near term may be limited or not exist. If the issuers are unable to successfully close future auctions and their credit ratings deteriorate, the Company may be required to record further temporary or permanent impairment charges on these securities.

### ***Working Capital***

As of March 31, 2008, the Company had working capital of approximately \$72.6 million compared to \$63.2 million as of September 30, 2007. Cash, cash equivalents, and marketable securities at March 31, 2008 totaled \$23.7 million, which reflects a net decrease of \$17.5 million from September 30, 2007. Including long-term investments and restricted cash, cash and cash equivalents totaled \$30.5 million as of March 31, 2008. The decrease is primarily due to payment of professional fees incurred with our review of historical stock option granting practices, legal costs associated with our patent infringement lawsuits against Optium Corporation, interest and redemption payments on our convertible senior subordinated notes, capital expenditures, and various other increases in net working capital requirements.

### ***Cash Flow***

#### **Net Cash Used for Operations**

For the six months ended March 31, 2008, net cash used by operations decreased \$3.1 million to \$29.0 million from net cash used for operations of \$32.1 million, as reported in the same period last year. For the six months ended March 31, 2008, significant changes in working capital include an increase in receivables of \$14.7 million, a decrease in inventory of \$3.6 million, an increase in accounts payable of \$5.3 million and a decrease in accrued expenses of \$4.0 million. For the six months ended March 31, 2007, significant changes in working capital include an increase in receivables of \$9.3 million, an increase in inventory of \$4.0 million, a decrease in accounts payable of \$1.1 million and a decrease in accrued expenses of \$0.6 million.

#### **Net Cash Used for Investing Activities**

For the six months ended March 31, 2008, net cash used for investing activities increased by \$99.3 million to \$61.4 million from net cash provided by investing activities of \$37.9 million, as reported in the same period last year. Changes in investing cash flows for the six months ended March 31, 2008 and 2007 consisted primarily of:

- Cash purchase of the telecom assets from Intel of \$75.0 million in fiscal 2008, plus direct transactions costs of \$0.5 million.
- An increase in capital expenditures to \$9.6 million from \$2.7 million, as reported in the prior year.
- An investment of \$13.7 million, inclusive of \$0.2 million in transaction costs, in WorldWater during fiscal 2007.
- Net sales of \$23.8 million in marketable securities compared to \$53.0 million for the same period in the prior year.

**Net Cash Provided by Financing Activities**

Cash provided by financing activities was \$101.0 million for the six months ended March 31, 2008 compared to \$0.4 million for the six months ended March 31, 2007. The increase in cash was due to proceeds from a private placement of common stock and warrants in fiscal 2008 of \$93.8 million, plus the proceeds from the exercise of stock options of \$6.8 million.

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## Private Placement of Common Stock and Warrants

On February 20, 2008, the Company consummated the sale of \$100 million of restricted common stock and warrants. In this transaction, investors purchased 8 million shares of our common stock, no par value, and warrants to purchase an additional 1.4 million shares of our common stock. The purchase price was \$12.50 per share, priced at the 20 day volume-weighted average price. The warrants grant the holder the right to purchase one share of our common stock at a price of \$15.06 per share, representing a 20.48% premium over the purchase price. The warrants are immediately exercisable and remain exercisable until February 20, 2013. In addition, the Company entered into a registration rights agreement with the investors to register for resale the shares of common stock issued in this transaction and the shares of common stock to be issued upon exercise of the warrants. Beginning two years after their issuance, the warrants may be called by the Company for a price of \$0.01 per underlying share if the closing price of its common stock has exceeded 150% of the exercise price for at least 20 trading days within a period of any 30 consecutive trading days and other conditions are met. In addition, in the event of certain fundamental transactions, principally the purchase of the Company's outstanding common stock for cash, the holders of the warrants may demand that EMCORE purchase the unexercised portions of their warrants for a price equal to the Black-Scholes Value of such unexercised portions as of the time of the fundamental transaction. Total agent fees incurred were 5.75% of the gross proceeds, or \$5.8 million. The Company used a substantial portion of the net proceeds to acquire the telecom assets of Intel's Optical Platform Division and is using the remainder for working capital requirements.

In the registration rights agreement, the Company agreed that if (i) a registration statement covering all of the registrable securities required to be covered thereby and required to be filed by the Company is (A) not filed with the SEC on or before March 22, 2008 (EMCORE filed a registration statement on March 21, 2008 and has therefore met this deadline) or (B) not declared effective by the SEC on or before May 21, 2008 (or June 20, 2008 if the SEC elects to review the registration statement) (ii) on any day after the date such registration statement is declared effective (the "Effective Date") sales of all of the registrable securities required to be included on such Registration Statement cannot be made; or (iii) after the date six months following the date of the private placement, EMCORE fails to file with the SEC any required reports under Section 13 or 15(d) of the 1934 Act such that it is not in compliance with Rule 144(c)(1) as a result of which holders are unable to sell registrable securities without restriction under Rule 144 then, EMCORE shall pay as liquidated damages to each holder of registrable securities relating an amount in cash equal to one (1) percent (1%) of the aggregate purchase price of such holder's registrable securities included in such registration statement on the day that such a failure first occurs and on every thirtieth day thereafter until such failure is cured. Liquidated damages shall be paid on the earlier of (i) the last day of the calendar month during which such damages are incurred and (ii) the third business day after the event or failure giving rise to the damages is cured. In the event EMCORE fails to make such payments in a timely manner, such liquidated damages shall bear simple interest at the rate of four (4) percent (4%) per month until paid in full. In no event shall the aggregate amount of liquidated damages exceed, in the aggregate, ten (10) percent (10%) of the aggregate purchase price of the common stock sold in the private placement. EMCORE also agreed not to issue shares in certain capital raising transactions or file registration statements relating to the same until 45 days after the earlier of the Effective Date and six months after the private placement.

The Company accounted for the various components of the private placement transaction using the provisions of EITF Issue No. 00-19 *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*; and FASB Staff Position EITF 00-19-2, *Accounting for Registration Payment Arrangements*. Warrants issued to the investors were accounted for as equity transaction with a value of \$9.8 million recorded to common stock. The potential future payments to the investors are considered as a contingent liability in accordance with SFAS No. 5 *Accounting for Contingencies*. As of March 31, 2008, the Company did not record any contingent liability associated with the liquidated damages clause.

The costs associated with this offering were \$6.1 million which was recorded as an offset to common stock.

## Share Dilution

A following table summarizes the Company's equity transactions and effect on share dilution for the six months ended March 31, 2008:

	<b>Number of Common Stock Shares Outstanding</b>
Common stock shares outstanding – as of October 1, 2007	51,048,481
Conversion of convertible senior subordinated notes to equity (see Note 11 - Debt)	12,186,656
Private placement transaction (see Note 3 - Equity)	8,000,000
Acquisition of Intel's Optical Platform Division (see Note 4 – Acquisitions)	722,688
Stock option exercises and other compensatory stock issuances	1,617,863
Common stock shares outstanding – as of March 31, 2008	<u>73,575,688</u>

See Note 15 – Subsequent Event for further discussion of shares of common stock issued subsequent to March 31, 2008.

## Contractual Obligations and Commitments

EMCORE's contractual obligations and commitments over the next five years are summarized in the table below:

<b>As of March 31, 2008</b> (in millions)	<b>Total</b>	<b>2008</b>	<b>2009 to 2010</b>	<b>2011 to 2012</b>	<b>2013 and later</b>
Operating lease obligations	\$ 7.1	\$ 0.7	\$ 2.2	\$ 1.3	\$ 2.9
Letters of credit	2.7	2.7	-	-	-
Purchase commitments (1)	259.9	34.3	134.9	90.7	-
	<u>\$ 269.7</u>	<u>\$ 37.7</u>	<u>\$ 137.1</u>	<u>\$ 92.0</u>	<u>\$ 2.9</u>

Total contractual cash obligations and

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(1) The purchase commitments primarily represent the value of purchase agreements issued for raw materials and services that have been scheduled for fulfillment over the next three to five years.

Operating leases include non-cancelable terms and exclude renewal option periods, property taxes, insurance and maintenance expenses on leased properties.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to financial market risks, including changes in currency exchange rates and interest rates. We do not use derivative financial instruments for speculative purposes.

*Currency Exchange Rates.* Although the Company enters into transactions denominated in foreign currencies from time to time, the total amount of such transactions is not material. Accordingly, fluctuations in foreign currency values would not have a material adverse effect on our future financial condition or results of operations. However, some of our foreign suppliers may adjust their prices (in \$US) from time to time to reflect currency exchange fluctuations, and such price changes could impact our future financial condition or results of operations. The Company does not currently hedge its foreign currency exposure.

*Interest Rates.* We maintain an investment portfolio in a variety of high-grade (AAA), short-term debt and money market instruments such as auction-rate securities, which carry a minimal degree of interest rate risk. Due in part to these factors, our future investment income may be slightly less than expected because of changes in interest rates, or we may suffer insignificant losses in principal if forced to sell securities that have experienced a decline in market value because of changes in interest rates. The Company does not currently hedge its interest rate exposure.

#### ***Credit Market Conditions***

Currently, the U.S. capital markets are experiencing turbulent conditions in the credit markets, as evidenced by tightening of lending standards, reduced availability of credit vehicles, and reduction of certain asset values. This potentially impacts the Company's ability to obtain additional funding through financing or asset sales.

#### ***Auction Rate Securities***

Historically, the Company has invested in securities with an auction reset feature ("auction rate securities"). In February 2008, the auction market failed for the Company's auction rate securities, which meant the Company was unable to sell its investments. At March 31, 2008, the Company had invested approximately \$5.3 million in auction rate securities, of which the underlyings for \$4.0 million are currently AAA rated, the highest rating by a rating agency. The remaining \$1.3 million of investments are securities whose underlying assets are primarily student loans which are substantially backed by the federal government.

As of March 31, 2008, approximately \$1.0 million of the Company's auction rate securities are classified as a current asset since the underlying securities are expected to be redeemed at par value within several months. The remaining \$4.3 million of securities are classified as non-current assets. The Company also recorded a temporary unrealized loss of approximately \$0.2 million to accumulated other comprehensive loss, a component of shareholders' equity, primarily due to these liquidity factors. Based on expected operating cash flows, and our other sources of cash, the Company does not anticipate the potential lack of liquidity on these investments will affect its ability to execute on its current business plan.

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## **ITEM 4. CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

The Company maintains disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed under the Securities Exchange Act of 1934 (the “Act”) is recorded, processed, summarized and reported within the specified time periods and accumulated and communicated to management, including its Chief Executive Officer (Principal Executive Officer) and Interim Chief Financial Officer (Principal Financial Officer), as appropriate to allow timely decisions regarding required disclosure.

Management, under the supervision and with the participation of its Chief Executive Officer (Principal Executive Officer) and Interim Chief Financial Officer (Principal Financial Officer), evaluated the effectiveness of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Act), as of the end of the period covered by this report. Based on that evaluation, management concluded that, as of that date, the Company’s disclosure controls and procedures were effective at the reasonable assurance level.

Attached as exhibits to this Quarterly Report on Form 10-Q are certifications of the Company’s Chief Executive Officer (Principal Executive Officer) and Interim Chief Financial Officer (Principal Financial Officer), which are required in accordance with Rule 13a-14 of the Act. This Disclosure Controls and Procedures section includes information concerning management’s evaluation of disclosure controls and procedures referred to in those certifications and, as such, should be read in conjunction with the certifications of the Company’s Chief Executive Officer (Principal Executive Officer) and Interim Chief Financial Officer (Principal Financial Officer).

### **Changes in Internal Control Over Financial Reporting**

There have been no changes in the Company’s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Management excluded from its assessment of the effectiveness of the Company’s disclosure controls and procedures and internal control over financial reporting, the disclosure controls and procedures and internal controls of the OPD business which was acquired on February 22, 2008. Management was unable to assess the effectiveness of the disclosure controls and procedures and internal control over financial reporting of the OPD business because of the timing of the acquisition. Management expects to update its assessment of the effectiveness of the disclosure controls and procedures and internal control over financial reporting to include the OPD business as soon as practicable but in any event, no later than in the Form 10-Q for the quarterly period ended March 31, 2009.

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## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

The Company is subject to various legal proceedings and claims that are discussed below. The Company is also subject to certain other legal proceedings and claims that have arisen in the ordinary course of business and which have not been fully adjudicated. The Company does not believe it has a potential liability related to current legal proceedings and claims that could individually or in the aggregate have a material adverse effect on its financial condition, liquidity or results of operations. However, the results of legal proceedings cannot be predicted with certainty. Should the Company fail to prevail in any legal matters or should several legal matters be resolved against the Company in the same reporting period, the operating results of a particular reporting period could be materially adversely affected.

#### Shareholder Derivative Litigation Relating to Historical Stock Option Practices

On February 1, 2007, Plaintiff Lewis Edelstein filed a purported stockholder derivative action (the “Federal Court Action”) on behalf of the Company against certain of its present and former directors and officers (the “Individual Defendants”), as well as the Company as nominal defendant, in the U.S. District Court for the District of New Jersey, Edelstein v. Brodie, et. al., Case No. 3:07-cv-00596-FLW-JJH (D.N.J.). On May 22, 2007, Plaintiffs Kathryn Gabaldon and Michael Sackrison each filed a purported stockholder derivative action against the Individual Defendants, and the Company as nominal defendant, in the Superior Court of New Jersey, Somerset County, Gabaldon v. Brodie, et. al., Case No. 3:07-cv-03185-FLW-JJH (D.N.J.) and Sackrison v. Brodie, et. al., Case No. 3:07-cv-00596-FLW-JJH (D.N.J.) (collectively, the “State Court Actions”).

Both the Federal Court Action and the State Court Actions alleged, using essentially identical contentions that the Individual Defendants engaged in improprieties and violations of law in connection with the Company’s historical issuances of stock options. Each of the actions seeks the same relief on behalf of the Company, including, among other things, damages, equitable relief, corporate governance reforms, an accounting, rescission, restitution and costs and disbursements of the lawsuit. On July 10, 2007, the State Court Actions were removed to the U.S. District Court for the District of New Jersey.

On September 26, 2007, the plaintiff in the Federal Court Action signed an agreement in principle with the Individual Defendants and the Company to settle that litigation in accordance with the Memorandum of Understanding (the “MOU”) filed as Exhibit 10.10 to the Annual Report on Form 10-K for the year ended September 30, 2006. That same day, the plaintiffs in the State Court Actions advised the Federal Court that the settlement embodied in the MOU would also constitute the settlement of the State Court Actions.

The MOU provides that the Company will adhere to certain policies and procedures relating to the issuance of stock options, stock trading by directors, officers and employees, the composition of its Board of Directors, and the functioning of the Board’s Audit and Compensation Committees. The MOU also provides for the payment of \$700,000 relating to plaintiff’s attorneys’ fees, costs and expenses, which the Company’s insurance carrier has committed to pay on behalf of the Company.

On November 28, 2007, a Stipulation of Compromise and Settlement (the “Stipulation”) substantially embodying the terms previously contained in the MOU was fully executed by the Company and the other defendants and the plaintiffs in the Federal Court Action and the State Court Actions. The Stipulation was filed as Exhibit 10.19 to the Annual Report on Form 10-K for the year ended September 30, 2007.

The Stipulation provides that the Company will adhere to certain policies and procedures relating to the issuance of stock options, stock trading by directors, officers and employees, the composition of its Board of Directors, and the functioning of the Board’s Audit and Compensation Committees. The Stipulation also provides for the payment of \$700,000 relating to plaintiffs’ attorneys’ fees, costs and expenses, which the Company’s insurance carrier has committed to pay on behalf of the Company. A motion to approve the settlement reflected in the Stipulation was filed with the U.S. District Court for the District of New Jersey on December 3, 2007. The Court granted the motion for preliminary approval of the settlement on January 3, 2008, and, at a hearing held on March 28, 2008, the Court issued an order giving final approval to the settlement. The settlement has become final and effective upon the expiration of the appeal period on April 30, 2008. Thus, the settlement is now binding on all parties and represents a final settlement of both the Federal Court Action and the State Court Actions.

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## **SEC Investigation**

On February 27, 2008, the Company received a letter from the SEC's Division of Enforcement stating that the staff had completed its informal investigation of EMCORE Corporation regarding the Company's historical stock option granting practices. The letter further advised the Company that the staff of the Division of Enforcement did not intend to recommend any enforcement action against the Company.

## **Indemnification Obligations**

Subject to certain limitations, we are obligated to indemnify our current and former directors, officers and employees in connection with the Special Committee's investigation of our historical stock option practices, the related SEC non-public investigation and shareholder litigation. These obligations arise under the terms of our restated certificate of incorporation, our bylaws, applicable contracts, and New Jersey law. The obligation to indemnify generally means that we are required to pay or reimburse the individuals' reasonable legal expenses and possibly damages and other liabilities incurred in connection with these matters. We are currently paying or reimbursing legal expenses being incurred in connection with these matters by a number of our current and former directors, officers and employees. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a director and officer liability insurance policies that limits its exposure and enables it to recover a portion of any future amounts paid.

## **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 is significantly impacted by our ability to obtain intellectual property protection for our R&D efforts.

We have, from time to time, exchanged correspondence with third parties regarding the assertion of patent or other intellectual property rights in connection with certain of our products and processes. Additionally, on September 11, 2006, we filed a lawsuit against Optium Corporation (Optium) in the U.S. District Court for the Western District of Pennsylvania for patent infringement. In the suit, the Company and JDS Uniphase Corporation (JDSU) allege that Optium is infringing on U.S. patents 6,282,003 and 6,490,071 with its Prisma II 1550nm transmitters. On March 14, 2007, following denial of a motion to add additional claims to its existing lawsuit, the Company and JDSU filed a second patent suit in the same court against Optium alleging infringement of JDSU's patent 6,519,374 ("the '374 patent"). On March 15, 2007, Optium filed a declaratory judgment action against the Company and JDSU. Optium sought in this litigation a declaration that certain products of Optium do not infringe the '374 patent and that the patent is invalid, but the District Court dismissed the action on January 3, 2008 without addressing the merits. The '374 patent is assigned to JDSU and licensed to the Company.

On December 20, 2007, the Company was served with a complaint in another declaratory relief action which Optium had filed in the Federal District Court for the Western District of Pennsylvania. This action seeks to have U.S. patents 6,282,003 and 6,490,071 declared invalid or unenforceable because of certain conduct alleged to have occurred in connection with the grant of these patents. These allegations are substantially the same as those brought by Optium by motion in the Company's own case against Optium, which motion had been denied by the Court. On January 30, 2008, the Company and JDSU moved to dismiss the declaratory judgment action, and the parties are presently awaiting a ruling from the Court on that motion to dismiss.

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## ITEM 1A. RISK FACTORS

***We have a history of incurring significant net losses and our future profitability is not assured.***

We commenced operations in 1984 and as of March 31, 2008, we had an accumulated deficit of \$375.8 million. We incurred a net loss of \$31.9 million in the six months ended March 31, 2008, net loss of \$58.7 million in fiscal 2007, net income of \$54.9 million in fiscal 2006 and a net loss of \$13.5 million in fiscal 2005. Fiscal 2006 results include the sale of our GELcore joint venture that resulted in a net gain, before tax, of \$88.0 million. Our operating results for future periods are subject to numerous uncertainties and we cannot assure you that we will not continue to experience net losses for the foreseeable future. Although our revenue has grown in recent years, we may be unable to sustain such growth rates in light of potential changes in market or economic conditions. In addition, if we are not able to increase revenue and reduce our costs, we may not be able to achieve profitability.

***Our future revenue is inherently unpredictable. As a result, our operating results are likely to fluctuate from period to period, which may cause volatility in our stock price and may cause our stock price to decline.***

Our quarterly and annual operating results have fluctuated substantially in the past and are likely to fluctuate significantly in the future due to a variety of factors, some of which are outside of our control. Factors that could cause our quarterly or annual operating results to fluctuate include:

- market acceptance of our products;
- market demand for the products and services provided by our customers;
- disruptions or delays in our manufacturing processes or in our supply of raw materials or product components;
- changes in the timing and size of orders by our customers;
- cancellations and postponements of previously placed orders;
- reductions in prices for our products or increases in the costs of our raw materials; and
- the introduction of new products and manufacturing processes.

In addition, the limited lead times with which several of our customers order our products restrict our ability to forecast revenue. We may also experience a delay in generating or recognizing revenue for a number of reasons. For example, orders at the beginning of each quarter typically represent a small percentage of expected revenue for that quarter and are generally cancelable at any time. We depend on obtaining orders during each quarter for shipment in that quarter to achieve our revenue objectives. Failure to ship these products by the end of a quarter may adversely affect our results of operations.

As a result of the foregoing, we believe that period-to-period comparisons of our results of operations should not be relied upon as indications of future performance. In addition, our results of operations in one or more future quarters may fail to meet the expectations of securities analysts or investors, which would likely result in a decline in the trading price of our common stock.

***We enter into long-term firm fixed-price contracts in our Photovoltaics division, which could subject us to losses if we have cost overruns.***

Many of our contracts in our Photovoltaics division are contracted on a firm fixed-price basis. While firm fixed-price contracts allow us to benefit from cost savings, they also expose us to the risk of cost overruns. If the initial estimates we used to determine the contract price and the cost to perform the work prove to be incorrect, we could incur losses. In addition, some of our contracts have specific provisions relating to cost, schedule, and performance. If we fail to meet the terms specified in those contracts, then our cost to perform the work could increase or our price could be reduced, which would adversely affect our financial condition. These programs have risk for reach-forward losses if our estimated costs exceed our estimated price.

Fixed-price development work inherently has more uncertainty than production contracts and, therefore, more variability in estimates of the cost to complete the work. Many of these development programs have very complex designs. As technical or quality issues arise, we may experience schedule delays and cost impacts, which could increase our estimated cost to perform the work or reduce our estimated price, either of which could adversely affect our financial condition. Some fixed-price development contracts include initial production units in their scope of work. Successful performance of these contracts depends on our ability to meet production specifications and delivery rates. If we are unable to perform and deliver to contract requirements, our contract price could be reduced through the incorporation of liquidated damages, termination of the contract for default, or other financially significant exposure. Management uses its best judgment to estimate the cost to perform the work and the price we will eventually be paid on fixed-price development programs. While we believe the cost and price estimates incorporated in the financial statements are appropriate, future events could result in either favorable or unfavorable adjustments to those estimates.

***Our ability to achieve operational and material cost reductions and to realize production efficiencies for our operations is critical to our ability to achieve long-term profitability.***

We have implemented a number of operational and material cost reductions and productivity improvement initiatives, particularly with regards to our Fiber Optics segment. Cost reduction initiatives often involve facility consolidation and re-design of our products, which requires our customers to accept and qualify the new designs, potentially creating a competitive disadvantage for our products. These initiatives can be time-consuming and disruptive to our operations and costly in the short-term. Successfully implementing these and other cost-reduction initiatives throughout our operations is critical to our future competitiveness and ability to achieve long-term profitability. However, there can be no assurance that these initiatives will be successful.

***We are substantially dependent on a small number of customers and the loss of any one of these customers could adversely affect our business, financial condition and results of operations.***

In fiscal 2007, 2006 and 2005, our top five customers accounted for 49%, 39%, and 49%, respectively of our total annual consolidated revenue. There can be no assurance that we will continue to achieve historical levels of sales of our products to our largest customers. The loss of or a reduction in sales to one or more of our largest customers could have a material adverse effect on our business, financial condition and results of operations.

***The market for utility-scale applications of our terrestrial solar technology may take time to develop.***

We have invested and intend to continue to invest significant resources in the adaptation of our high-efficiency compound semiconductor-based GaAs solar cell products for terrestrial applications, and in mid-2006, we established a wholly-owned subsidiary, EMCORE Solar Power, Inc. (“ESP”) to conduct this business. ESP is in the development stages and the terrestrial solar power business will require substantial additional funding for the hiring of employees, research and development and investment in capital equipment. Factors such as changes in energy prices or the development of new and efficient alternative energy technologies could limit growth in or reduce the market for terrestrial solar power products. In addition, we may experience difficulties in applying our satellite-based solar products to terrestrial applications in competing with new and emerging terrestrial solar power products, an in obtaining financing for utility-scale projects utilizing our technology. The sale of concentrated photovoltaic (“CPV”) systems involve the design, manufacture and installation of large and complex structures intended for outdoor operation, regarding which the Company has had no previous experience. In addition, it is expected that much of the market for our CPV systems will be outside the U.S. and will involve partnering with non-U.S. entities and evaluation and compliance with non-U.S. laws, regulations, and government electric supply contracts, which are also new areas for the Company. There can be no assurance that our bids on solar power installations will be accepted, that we will win any of these bids or that our solar power concentrator systems will be qualified for these projects. If our terrestrial solar cell products are not cost competitive or accepted by the market, our business, financial condition and results of operations may be materially and adversely affected.

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***We are a party to several significant U.S. Government contracts, which are subject to unique risks.***

In 2007, 13% of our revenue was derived from U.S. Government contracts. In addition to normal business risks, our contracts with the U.S. Government are subject to unique risks, some of which are beyond our control. We have had government contracts modified, curtailed or terminated in the past and we expect this will continue to happen from time to time.

*The funding of U.S. Government programs is subject to congressional appropriations.* Many of the U.S. Government programs in which we participate may extend for several years; however, these programs are normally funded annually. Long-term government contracts and related orders are subject to cancellation if appropriations for subsequent performance periods are not made. The termination of funding for a U.S. Government program would result in a loss of anticipated future revenue attributable to that program, which could have a material adverse effect on our operations.

*The U.S. Government may modify, curtail, or terminate our contracts.* The U.S. Government may modify, curtail, or terminate its contracts and subcontracts without prior notice at its convenience upon payment for work done and commitments made at the time of termination. Modification, curtailment or termination of our major programs or contracts could have a material adverse effect on our results of operations and financial condition.

*Our contract costs are subject to audits by U.S. Government agencies.* U.S. Government representatives may audit the costs we incur on our U.S. Government contracts, including allocated indirect costs. Such audits could result in adjustments to our contract costs. Any costs found to be improperly allocated to a specific contract will not be reimbursed, and such costs already reimbursed must be refunded. We have recorded contract revenue based upon costs we expect to realize upon final audit. However, we do not know the outcome of any future audits and adjustments and we may be required to reduce our revenue or profits upon completion and final negotiation of audits. If any audit uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or prohibition from doing business with the U.S. Government. We have been audited in the past by the U.S. Government and expect that we will be in the future.

*Our business is subject to potential U.S. Government review.* We are sometimes subject to certain U.S. Government reviews of our business practices due to our participation in government contracts. Any such inquiry or investigation could potentially result in a material adverse effect on our results of operations and financial condition.

*Our U.S. Government business is also subject to specific procurement regulations and other requirements.* These requirements, although customary in U.S. Government contracts, increase our performance and compliance costs. These costs might increase in the future, reducing our margins, which could have a negative effect on our financial condition. Failure to comply with these regulations and requirements could lead to suspension or debarment, for cause, from U.S. Government contracting or subcontracting for a period of time and could have an adverse effect on our reputation and ability to secure future U.S. Government contracts.

***If we do not keep pace with rapid technological change, our products may not be competitive.***

We compete in markets that are characterized by rapid technological change, frequent new product introductions, changes in customer requirements, evolving industry standards, continuous improvement in products and the use of our existing products in new applications. We may not be able to develop the underlying core technologies necessary to create new products and enhancements at the same rate as or faster than our competitors, or to license the technology from third parties that is necessary for our products.

Product development delays may result from numerous factors, including:

- changing product specifications and customer requirements;
- unanticipated engineering complexities;
- expense reduction measures we have implemented and others we may implement;
- difficulties in hiring and retaining necessary technical personnel; and
- difficulties in allocating engineering resources and overcoming resource limitations.

We cannot assure you that we will be able to identify, develop, manufacture, market or support new or enhanced products successfully, if at all, or on a timely, cost effective or repeatable basis. Our future performance will depend on our successful development and introduction of, as well as market acceptance of, new and enhanced products that address market changes as well as current and potential customer requirements and our ability to respond effectively to product announcements by competitors, technological changes or emerging industry standards. Because it is generally not possible to predict the amount of time required and the costs involved in achieving certain research, development and engineering objectives, actual development costs may exceed budgeted amounts and estimated product development schedules may be extended. If we incur budget overruns or delays in our research and development efforts, our business, financial condition and results of operations may be materially adversely affected.

***The competitive and rapidly evolving nature of our industry has in the past resulted and is likely in the future to result in reductions in our product prices and periods of reduced demand for our products.***

We face substantial competition in each of our reporting segments from a number of companies, many of which have greater financial, marketing, manufacturing and technical resources than us. Larger-sized competitors often spend more on research and development, which could give those competitors an advantage in meeting customer demands and introducing technologically innovative products before we do. We expect that existing and new competitors will improve the design of their existing products and will introduce new products with enhanced performance characteristics.

The introduction of new products and more efficient production of existing products by our competitors has resulted and is likely in the future to result in price reductions and increases in expenses and reduced demand for our products. In addition, some of our competitors may be willing to provide their products at lower prices, accept a lower profit margin or expend more capital in order to obtain or retain business. Competitive pressures have required us to reduce the prices of some of our products. These competitive forces could diminish our market share and gross margins, resulting in a material adverse affect on our business, financial condition and results of operations.

New competitors may also enter our markets, including some of our current and potential customers who may attempt to integrate their operations by producing their own components and subsystems or acquiring one of our competitors, thereby reducing demand for our products. In addition, rapid product

development cycles, increasing price competition due to maturation of technologies, the emergence of new competitors in Asia with lower cost structures and industry consolidation resulting in competitors with greater financial, marketing and technical resources could result in lower prices or reduced demand for our products.

Expected and actual introductions of new and enhanced products may cause our customers to defer or cancel orders for existing products and may cause our products to become obsolete. A slowdown in demand for existing products ahead of a new product introduction could result in a write-down in the value of inventory on hand related to existing products. We have in the past experienced a slowdown in demand for existing products and delays in new product development and such delays may occur in the future. To the extent customers defer or cancel orders for existing products due to a slowdown in demand or in anticipation of a new product release or if there is any delay in development or introduction of our new products or enhancements of our products, our business, financial condition and results of operations could be materially adversely affected.

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***We may not be successful in implementing our growth strategy if we are unable to identify and acquire suitable acquisition targets. In addition, our acquisitions may not have the anticipated effect on our financial results.***

Finding and consummating acquisitions is an important component of our growth strategy. Our continued ability to grow by acquisition is dependent upon the availability of suitable acquisition candidates and may be dependent on our ability to obtain acquisition financing on acceptable terms. We experience competition from larger companies with significantly greater resources in making acquisitions. There can be no assurance that we will be able to procure the necessary funds to effectuate our acquisition strategy on commercially reasonable terms, or at all.

Future acquisitions by us may involve the following:

- use of significant amounts of cash;
- potentially dilutive issuances of equity securities on potentially unfavorable terms; and
- incurrence of debt on potentially unfavorable terms.

In addition, acquisitions involve numerous risks, including:

- inability to achieve anticipated synergies;
- difficulties in the integration of the operations, technologies, products and personnel of the acquired company;
- diversion of management's attention from other business concerns;
- risks of entering markets in which we have limited or no prior experience;
- potential loss of key employees of the acquired company or of us; and
- risk of assuming unforeseen liabilities or becoming subject to litigation.

If these factors limit our ability to integrate the operations of our acquisitions successfully or on a timely basis, our expectations of future results of operations may not be met. In addition, our growth and operating strategies for businesses we acquire may be different from the strategies that such business currently is pursuing. If our strategies are not the proper strategies for a company we acquire, it could materially adversely affect our business, financial condition and results of operations. Further, there can be no assurance that we will be able to maintain or enhance the profitability of any acquired business or consolidate the operations of any acquired business to achieve cost savings.

In addition, there may be liabilities that we fail, or are unable, to discover in the course of performing due diligence investigations on each company, business or asset we have already acquired or may acquire in the future. Such liabilities could include those arising from employee benefits contribution obligations of a prior owner or non-compliance with, or liability pursuant to, applicable federal, state or local environmental requirements by prior owners for which we, as a successor owner, may be responsible. In addition, there may be additional costs relating to acquisitions including, but not limited to, possible purchase price adjustments. We cannot assure you that rights to indemnification by sellers of assets to us, even if obtained, will be enforceable, collectible or sufficient in amount, scope or duration to fully offset the possible liabilities associated with the business or property acquired. Any such liabilities, individually or in the aggregate, could materially adversely affect our business, financial condition and results of operations.

In the past several years we have completed several acquisitions, which have broadened our product lines within our target markets and increased the level of vertical integration within those product lines. However, if customer demand in these markets does not meet current expectations, our revenue could be significantly reduced and we could suffer a material adverse affect on our business, financial condition and results of operations.

***The market price for our common stock has experienced significant price and volume volatility and is likely to continue to experience significant volatility in the future. This volatility may impair our ability to finance strategic transactions with our stock and otherwise harm our business.***

The closing price of our common stock fluctuated from a low of \$5.64 per share to a high of \$15.10 per share during the six months ended March 31, 2008. Our stock price is likely to experience significant volatility in the future as a result of numerous factors outside our control. Significant declines in our stock price may interfere with our ability to raise additional funds through equity financing or to finance strategic transactions with our stock. We have historically used equity incentive compensation as part of our overall compensation arrangements. The effectiveness of equity incentive compensation in retaining key employees may be adversely impacted by volatility in our stock price. In addition, there may be increased risk of securities litigation following periods of fluctuations in our stock price. These and other consequences of volatility in our stock price could have the effect of diverting management's attention and could materially harm our business.

***Our products are difficult to manufacture. Our production could be disrupted and our results will suffer if our production yields are low as a result of manufacturing difficulties.***

We manufacture many of our wafers and devices in our own production facilities. Difficulties in the production process, such as contamination, raw material quality issues, human error or equipment failure, can cause a substantial percentage of wafers and devices to be nonfunctional. Lower-than-expected production yields may delay shipments or result in unexpected levels of warranty claims, either of which can materially adversely affect our results of operations. We have experienced difficulties in achieving planned yields in the past, particularly in pre-production and upon initial commencement of full production volumes, which have adversely affected our gross margins. Because the majority of our manufacturing costs are fixed, achieving planned production yields is critical to our results of operations. Because we manufacture many of our products in a single facility, we have greater risk of interruption in manufacturing resulting from fire, natural disaster, equipment failures, or similar events than we would if we had back-up facilities available for manufacturing these products. We could also incur significant costs to repair and/or replace products that are defective and in some cases costly product redesigns and/or rework may be required to correct a defect. Additionally, any defect could adversely affect our reputation and result in the loss of future orders.

***We face lengthy sales and qualifications cycles for our new products and, in many cases, must invest a substantial amount of time and funds before we receive orders.***

Most of our products are tested by current and potential customers to determine whether they meet customer or industry specifications. The length of the qualification process, which can span a year or more, varies substantially by product and customer, and thus can cause our results of operations to be

unpredictable. During a given qualification period, we invest significant resources and allocate substantial production capacity to manufacture these new products prior to any commitment to purchase by customers. In addition, it is difficult to obtain new customers during the qualification period as customers are reluctant to expend the resources necessary to qualify a new supplier if they have one or more existing qualified sources. If we are unable to meet applicable specifications or do not receive sufficient orders to profitably use the allocated production capacity, our business, financial condition and results of operations could be materially adversely affected.

Our historical and future budgets for operating expenses, capital expenditures, operating leases and service contracts are based upon our assumptions as to the future market acceptance of our products. Because of the lengthy lead times required for product development and the changes in technology that typically occur while a product is being developed, it is difficult to accurately estimate customer demand for any given product. If our products do not achieve an adequate level of customer demand, our business, financial condition and results of operations could be materially adversely affected.

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***If our contract manufacturers fail to deliver quality products at reasonable prices and on a timely basis, our business, financial condition and results of operations could be materially adversely affected.***

We are increasing our use of contract manufacturers located outside of the U.S. as a less-expensive alternative to performing our own manufacturing of certain products. Contract manufacturers in Asia currently manufacture a substantial portion of our high-volume parts. If these contract manufacturers do not fulfill their obligations to us, or if we do not properly manage these relationships and the transition of production to these contract manufacturers, our existing customer relationships may suffer. For example, in the past, we experienced difficulties filling orders in our fiber-to-the-premises business due to capacity limitations at one of our contract manufacturers. In addition, by undertaking these activities, we run the risk that the reputation and competitiveness of our products and services may deteriorate as a result of the reduction of our ability to oversee and control quality and delivery schedules.

The use of contract manufacturers located outside of the U.S. also subjects us to the following additional risks that could significantly impair our ability to source our contract manufacturing requirements internationally, including:

- unexpected changes in regulatory requirements;
- legal uncertainties regarding liability, tariffs and other trade barriers;
- inadequate protection of intellectual property in some countries;
- greater incidence of shipping delays;
- greater difficulty in hiring talent needed to oversee manufacturing operations; and
- potential political and economic instability.

Prior to our customers accepting products manufactured at our contract manufacturers, they must requalify the product and manufacturing processes. The qualification process can be lengthy and expensive, with no guarantee that any particular product qualification process will lead to profitable product sales. The qualification process determines whether the product manufactured at our contract manufacturer achieves our customers' quality, performance and reliability standards. Our expectations as to the time periods required to qualify a product line and ship products in volumes to customers may be erroneous. Delays in qualification can impair the expected timing of the transfer of a product line to our contract manufacturer and may impair the expected amount of sales of the affected products. We may, in fact, experience delays in obtaining qualification of products produced by our contract manufacturers and, therefore, our operating results and customer relationships could be materially adversely affected.

Our supply chain and manufacturing processes rely on accurate forecasting to provide us with optimal margins and profitability. Because of market uncertainties, forecasting is becoming much more difficult. In addition, as we come to rely more heavily on contract manufacturers, we may have fewer personnel with expertise to manage these third-party arrangements.

***Protecting our trade secrets and obtaining patent protection is critical to our ability to effectively compete.***

Our success and competitive position depend on protecting our trade secrets and other intellectual property. Our strategy is to rely on trade secrets and patents to protect our manufacturing and sales processes and products. Reliance on trade secrets is only an effective business practice if trade secrets remain undisclosed and a proprietary product or process is not reverse engineered or independently developed. We take measures to protect our trade secrets, including executing non-disclosure agreements with our employees, customers and suppliers. If parties breach these agreements or the measures we take are not properly implemented, we may not have an adequate remedy. Disclosure of our trade secrets or reverse engineering of our proprietary products, processes, or devices could materially adversely affect our business, financial condition and results of operations.

There is also no assurance that any patents will afford us commercially significant protection of our technologies or that we will have adequate financial resources to enforce our patents. Nor can there be any assurance that the significant number of patent applications that we have filed and are pending, or those we may file in the future, will result in patents being issued. In addition, the laws of certain other countries may not protect our intellectual property to the same extent as U.S. laws.

***Our failure to obtain or maintain the right to use certain intellectual property may materially adversely affect our business, financial condition and results of operations.***

The compound semiconductor, optoelectronics and fiber optic communications industries are characterized by frequent litigation regarding patent and other intellectual property rights. From time to time we have received, and may receive in the future, notice of claims of infringement of other parties' proprietary rights and licensing offers to commercialize third party patent rights. Although we are not currently involved in any litigation relating to claims of infringement from other parties' intellectual property, there can be no assurance that:

- infringement claims (or claims for indemnification resulting from infringement claims) will not be asserted against us or that such claims will not be successful;
- future assertions will not result in an injunction against the sale of infringing products, which could significantly impair our business and results of operations;
- any patent owned or licensed by us will not be invalidated, circumvented or challenged; or
- we will not be required to obtain licenses, the expense of which may adversely affect our results of operations and profitability.

In addition, effective copyright and trade secret protection may be unavailable or limited in certain foreign countries. Litigation, which could result in substantial cost and diversion of our resources, may be necessary to defend our rights or defend us against claimed infringement of the rights of others. In certain circumstances, our intellectual property rights associated with government contracts may be limited.

***In our Fiber Optics business, we generally do not have long-term contracts with our customers and we typically sell our products pursuant to purchase orders with short lead times. As a result, our customers could stop purchasing our products at any time and we must fulfill orders in a timely manner to keep our customers.***

Generally, we do not have long-term contracts with customers that purchase our fiber optic products. As a result, our agreements with our customers do not provide any assurance of future sales. Risks associated with the absence of long-term contracts with our customers include the following:

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

We generally sell our products pursuant to individual purchase orders, which often have extremely short lead times. If we are unable to fulfill these orders in a timely manner, it is likely that we will lose sales and customers. In addition, we sell some of our products to the U.S. Government and governmental entities. These contracts are generally subject to termination for convenience provisions and may be cancelled at any time.

***We have significant international sales, which expose us to additional risks and uncertainties.***

Sales to customers located outside the U.S. accounted for approximately 27% of our consolidated revenue in fiscal 2007, 24% of our revenue in fiscal 2006 and 17% of our revenue in fiscal 2005. Sales to customers in Asia represent the majority of our international sales. We believe that international sales will continue to account for a significant percentage of our revenue and we are seeking international expansion opportunities. Because of this, the following international commercial risks may materially adversely affect our revenue:

- political and economic instability or changes in U.S. Government policy with respect to these foreign countries may inhibit export of our devices and limit potential customers' access to U.S. dollars in a country or region in which those potential customers are located;
- we may experience difficulties in the timeliness of collection of foreign accounts receivable and be forced to write off these receivables;
- tariffs and other barriers may make our devices less cost competitive;
- the laws of certain foreign countries may not adequately protect our trade secrets and intellectual property or may be burdensome to comply with;
- potentially adverse tax consequences to our customers may damage our cost competitiveness;
- currency fluctuations may make our products less cost competitive, affecting overseas demand for our products; and
- language and other cultural barriers may require us to expend additional resources competing in foreign markets or hinder our ability to effectively compete.

In addition, certain foreign laws and regulations place restrictions on the concentration of certain hazardous materials, including, but not limited to, lead, mercury and cadmium, in our products. Failure to comply with such laws and regulations could subject us to future liabilities or result in the limitation or suspension of the sale or production of our products. These regulations include the European Union's ("EU") Restrictions on Hazardous Substances, Directive on Waste Electrical and Electronic Equipment and the directive on End of Life for Vehicles. Failure to comply with environmental and health and safety laws and regulations may limit our ability to export products to the EU and could materially adversely affect our business, financial condition and results of operations.

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***We will lose sales if we are unable to obtain government authorization to export our products.***

Exports of our products are subject to export controls imposed by the U.S. Government and administered by the U.S. Departments of State and Commerce. In certain instances, these regulations may require pre-shipment authorization from the administering department. For products subject to the Export Administration Regulations (“EAR”) administered by the Department of Commerce’s Bureau of Industry and Security, the requirement for a license is dependent on the type and end use of the product, the final destination and the identity of the end user. Virtually all exports of products subject to the International Traffic in Arms Regulations (“ITAR”) regulations administered by the Department of State’s Directorate of Defense Trade Controls require a license. Most of our fiber optics products and our terrestrial solar power products are subject to EAR; however, certain fiber optics products and all of our commercially available solar cell satellite power products are currently subject to ITAR.

Given the current global political climate, obtaining export licenses can be difficult and time-consuming. Failure to obtain export licenses for product shipments could significantly reduce our revenue and could materially adversely affect our business, financial condition and results of operations. Compliance with U.S. Government regulations may also subject us to additional fees and costs. The absence of comparable restrictions on competitors in those countries may adversely affect our competitive position.

***Our operating results could be harmed if we lose access to sole or limited sources of materials, components or services.***

We currently obtain some materials, components and services used in our products from limited or single sources. We generally do not carry significant inventories of any raw materials. Because we often do not account for a significant part of our suppliers’ businesses, we may not have access to sufficient capacity from these suppliers in periods of high demand. For example, in the past, we experienced difficulties filling orders in our fiber-to-the-premises business due to limited available capacity of one of our contract manufacturers. In addition, since we generally do not have guaranteed supply arrangements with our suppliers, we risk serious disruption to our operations if an important supplier terminates product lines, changes business focus, or goes out of business. Because some of these suppliers are located overseas, we may be faced with higher costs of purchasing these materials if the U.S. dollar weakens against other currencies. If we were to change any of our limited or sole source suppliers, we would be required to re-qualify each new supplier. Re-qualification could prevent or delay product shipments that could materially adversely affect our results of operations. In addition, our reliance on these suppliers may materially adversely affect our production if the components vary in quality or quantity. If we are unable to obtain timely deliveries of sufficient components of acceptable quality or if the prices of components for which we do not have alternative sources increase, our business, financial condition and results of operations could be materially adversely affected.

***A failure to attract and retain technical and other key personnel could reduce our revenue and our operational effectiveness.***

Our future success depends, in part, on our ability to attract and retain certain key personnel, including scientific, operational, financial, and managerial personnel. The competition for attracting and retaining these employees (especially scientists, technical and financial personnel) is intense. Because of this competition for skilled employees, we may be unable to retain our existing personnel or attract additional qualified employees in the future. If we are unable to retain our skilled employees and attract additional qualified employees to the extent necessary to keep up with our business demands and changes, our business, financial condition and results of operations may be materially adversely affected.

***We depend on senior management and key personnel to manage our business effectively and may not be successful in attracting and retaining such personnel.***

We depend on the performance of our senior management team and other key employees. Our success also depends on our ability to attract, integrate, train, retain and motivate these individuals and additional highly skilled technical and sales and marketing personnel, both in the United States and abroad. The loss of the services of any of our senior management team or other key employees or failure to attract, integrate, train, retain and motivate additional key employees could harm our business.

***Failure to comply with environmental and safety regulations, resulting in improper handling of hazardous raw materials used in our manufacturing processes, could result in costly remediation fees, penalties or damages.***

We are subject to laws and regulations and must obtain certain permits and licenses relating to the use of hazardous materials. Our production activities involve the use of certain hazardous raw materials, including, but not limited to, ammonia, gallium, phosphine and arsine. If our control systems are unsuccessful in preventing a release of these materials into the environment or other adverse environmental conditions or human exposures occur, we could experience interruptions in our operations and incur substantial remediation and other costs or liabilities. In addition, certain foreign laws and regulations place restrictions on the concentration of certain hazardous materials, including, but not limited to, lead, mercury and cadmium, in our products. Failure to comply with such laws and regulations could subject us to future liabilities or result in the limitation or suspension of the sale or production of our products. These regulations include the European Union’s (“EU”) Restrictions on Hazardous Substances, Directive on Waste Electrical and Electronic Equipment and the directive on End of Life for Vehicles. Failure to comply with environmental and health and safety laws and regulations may limit our ability to export products to the EU and could materially adversely affect our business, financial condition and results of operations.

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***We are subject to risks associated with the availability and coverage of insurance.***

For certain risks, the Company does not maintain insurance coverage because of cost and/or availability. Because the Company retains some portion of its insurable risks, and in some cases self-insures completely, unforeseen or catastrophic losses in excess of insured limits may have a material adverse effect on the Company's results of operations and financial position.

***We are increasing operations in China, which exposes us to risks inherent in doing business in China.***

In May 2007, EMCORE Hong Kong, Ltd., a wholly owned subsidiary of EMCORE Corporation, announced the opening of a new manufacturing facility in Langfang, China. Our new company, Langfang EMCORE Optoelectronics Co. Ltd., is located approximately 30 miles southeast of Beijing and currently occupies a space of 22,000 square feet with a Class-10,000 clean room for optoelectronic device packaging. Another 60,000 square feet is available for future expansion. We have begun the transfer of our most cost sensitive optoelectronic devices to this facility. This facility, along with a strategic alignment with our existing contract-manufacturing partners, should enable us to improve our cost structure and gross margins across product lines. We expect to develop and provide improved service to our global customers by having a local presence in Asia. As we continue to consolidate our manufacturing operations, we will incur additional costs to transfer product lines to our China facility, including costs of qualification testing with our customers, which could have a material adverse impact on our operating results and financial condition.

Our China-based activities are subject to greater political, legal and economic risks than those faced by our other operations. In particular, the political, legal and economic climate in China (both at national and regional levels) is extremely fluid and unpredictable. Our ability to operate in China may be adversely affected by changes in Chinese laws and regulations, such as those relating to taxation, import and export tariffs, environmental regulations, land use rights, intellectual property and other matters, which laws and regulations remain highly underdeveloped and subject to change, with little or no prior notice, for political or other reasons. Moreover, the enforceability of applicable existing Chinese laws and regulations is uncertain. In addition, we may not obtain the requisite legal permits to continue to operate in China and costs or operational limitations may be imposed in connection with obtaining and complying with such permits. Our business could be materially harmed by any changes in the political, legal or economic climate in China or the inability to enforce applicable Chinese laws and regulations.

As a result of a government order to ration power for industrial use, operations in our China facility may be subject to possible interruptions or shutdowns, adversely affecting our ability to complete manufacturing commitments on a timely basis. If we are required to make significant investments in generating capacity to sustain uninterrupted operations at our facility, we may not realize the reductions in costs anticipated from our expansion in China. In addition, future outbreaks of avian influenza, or other communicable diseases, could result in quarantines or closures of our facility, thereby disrupting our operations and expansion in China.

We intend to export the majority of the products manufactured at our facilities in China. Accordingly, upon application to and approval by the relevant governmental authorities, we will not be subject to certain Chinese taxes and are exempt from customs duty assessment on imported components or materials when the finished products are exported from China. We are, however, required to pay income taxes in China, subject to certain tax relief. As the Chinese trade regulations are in a state of flux, we may become subject to other forms of taxation and duty assessments in China or may be required to pay for export license fees in the future. In the event that we become subject to any increased taxes or new forms of taxation imposed by authorities in China, our results of operations could be materially and adversely affected.

***Our corporate or business strategy may change.***

We continuously evaluate our assets on an ongoing basis with a view to maximizing their value to us and determining which are core to our operations. We also regularly evaluate our corporate and business strategies, and they are influenced by factors beyond our control, including changes in the competitive landscape we face. Our corporate and business strategies are, therefore, subject to change.

In March 2008, our Board of Directors authorized the management of the Company to prepare a comprehensive operational and strategic plan for the separation of the Company's Fiber Optics and Photovoltaic businesses into separate corporations. The purpose of the review is to determine whether there exists the potential for unlocking additional stockholder value with respect to these strategic assets through some type of separation transaction. A separation may take the form of a spin-off transaction or a public offering of securities, and we may have discussions from time-to-time with third parties involving these possibilities. There can be no assurances that our strategic review will lead to the completion of any separation transactions or as to the impact of these transactions on stockholder value or on us.

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

We rely upon the capacity, reliability and security of our information technology hardware and software infrastructure and our ability to expand and update this infrastructure in response to our changing needs. We are constantly updating our information technology infrastructure. Any failure to manage, expand and update our information technology infrastructure or any failure in the operation of this infrastructure could harm our business.

Despite our implementation of security measures, our systems are vulnerable to damages from computer viruses, natural disasters, unauthorized access and other similar disruptions. Any system failure, accident or security breach could result in disruptions to our operations. To the extent that any disruptions or security breach results in a loss or damage to our data, or inappropriate disclosure of confidential information, it could harm our business. In addition, we may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future.

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***If we fail to remediate deficiencies in our current system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, our business could be harmed and current and potential investors could lose confidence in our financial reporting, which could have a negative effect on the trading price of our debt and equity securities.***

The Company is subject to the ongoing internal control provisions of Section 404 of the Sarbanes-Oxley Act of 2002. These provisions provide for the identification of material weaknesses in internal control over financial reporting, which is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with U.S. GAAP. If we cannot provide reliable financial reports or prevent fraud, our brand, operating results and the market value of our equity securities could be harmed. We have in the past discovered, and may in the future discover, areas of our internal controls that need improvement. In fiscal 2006 and 2007, the Company identified deficiencies in our internal controls over financial reporting.

We have devoted significant resources to remediate and improve our internal controls. We have also been monitoring the effectiveness of these remediated measures. We cannot be certain that these measures will ensure adequate controls over our financial processes and reporting in the future. We intend to continue implementing and monitoring changes to our processes to improve internal controls over financial reporting. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations.

Inadequate internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our equity securities. Further, the impact of these events could also make it more difficult for us to attract and retain qualified persons to serve on our Board of Directors or as executive officers, which could harm our business. The additions of our manufacturing facility in China and acquisitions increase the burden on our systems and infrastructure, and impose additional risk to the ongoing effectiveness of our internal controls, disclosure controls, and procedures. Consequently, we expect to expend significant resources and effort in this regard, but are not certain that our efforts will be successful.

***Our cost reduction programs may be insufficient to achieve long-term profitability.***

We are undertaking cost reduction measures intended to reduce our expense structure at both the cost of goods sold and the operating expense levels. We believe these measures are a necessary response to, among other things, declining average sales prices across our product lines. These measures may be unsuccessful in creating profit margins sufficient to sustain our current operating structure and business.

***Shifts in industry-wide demands and inventories could result in significant inventory write-downs.***

The life cycles of some of our products depend heavily upon the life cycles of the end products into which our products are designed. Products with short life cycles require us to manage production and inventory levels closely. We evaluate our ending inventories on a quarterly basis for excess quantities, impairment of value and obsolescence. This evaluation includes analysis of sales levels by product and projections of future demand based upon input received from our customers, sales team and management estimates. If inventories on hand are in excess of demand, or if they are greater than 12-months old, appropriate reserves are provided. In addition, we write off inventories that are considered obsolete based upon changes in customer demand, manufacturing process changes that result in existing inventory obsolescence or new product introductions, which eliminate demand for existing products. Remaining inventory balances are adjusted to approximate the lower of our manufacturing cost or market value.

If future demand or market conditions are less favorable than our estimates, inventory write-downs may be required. We cannot assure investors that obsolete or excess inventories, which may result from unanticipated changes in the estimated total demand for our products and/or the estimated life cycles of the end products into which our products are designed, will not affect us beyond the inventory charges that we have already taken.

***Certain provisions of New Jersey law and our charter may make a takeover of EMCORE difficult even if such takeover could be beneficial to some of our shareholders.***

New Jersey law and our certificate of incorporation, as amended, contain certain provisions that could delay or prevent a takeover attempt that our shareholders may consider in their best interests. Our Board of Directors is divided into three classes. Directors are elected to serve staggered three-year terms and are not subject to removal except for cause by the vote of the holders of at least 80% of our capital stock. In addition, approval by the holders of 80% of our voting stock is required for certain business combinations unless these transactions meet certain fair price criteria and procedural requirements or are approved by two-thirds of our continuing directors. We may in the future adopt other measures that may have the effect of delaying or discouraging an unsolicited takeover, even if the takeover were at a premium price or favored by a majority of unaffiliated shareholders. Certain of these measures may be adopted without any further vote or action by our shareholders and this could depress the price of our common stock.

***Additional litigation may arise in the future relating to our historical stock option practices and other issues.***

Although we have received final court approval of the settlement of the three derivative actions which were filed against certain of our current and former directors and officers relating to historical stock options practices, and the SEC has indicated that it has terminated its investigation of the matters, additional securities-related litigation (including possible litigation involving employees) may still arise. Additional lawsuits, regardless of their underlying merit, could become time consuming and expensive, and if they result in unfavorable outcomes, there could be material adverse effect on our business, financial condition, results of operations and cash flows. We may be required to pay substantial damages or settlement costs in excess of our insurance coverage related to these matters, which would have a further material adverse effect on our financial condition or results of operations.

In addition, subject to certain limitations, we are obligated to indemnify our current and former directors, officers and employees in connection with certain types of expenses, including certain litigation-related expenses.

***It may be difficult or costly to obtain director and officer insurance coverage as a result of our historical stock option granting practices.***

Although we have recently renewed our directors and officer insurance coverage on what we believe to be favorable terms, it may become more difficult to obtain director and officer insurance coverage in the future. If we are able to obtain this coverage, it could be significantly more expensive than in

the past, which would have an adverse effect on our financial results and cash flow. As a result of this and related factors, our directors and officers could face increased risks of personal liability in connection with the performance of their duties. As a result, we may have difficulty attracting and retaining qualified directors and officers, which could adversely affect our business.

***We have significant liquidity and capital requirements and may require additional capital in the future. If we are unable to obtain the additional capital necessary to meet our requirements, our business may be adversely affected.***

Historically, the Company has consumed cash from operations. We had negative cash flow from operations of approximately \$29 million during the six months ended March 31, 2008. We currently have approximately \$73 million in working capital as of March 31, 2008. On a go forward basis we do expect significant improvement from our operations. However, if our cash on hand is not sufficient to fund the cash used by our operating activities and meet our other liquidity requirements, we will seek to obtain additional equity or debt financing or dispose of assets to provide additional working capital in the future.

Due to the unpredictable nature of the capital markets, particularly in the technology sector, we cannot assure you that we will be able to raise additional capital if and when it is required, especially if we experience disappointing operating results. If adequate funds are not available or not available on acceptable terms, our ability to continue to fund expansion, develop and enhance products and services, or otherwise respond to competitive pressures may be severely limited. Such a limitation could have a material adverse effect on our business, financial condition, results of operations and cash flow.

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***If the recent weakness in credit markets conditions continues or worsens, it could adversely impact our investment portfolio.***

Historically, the Company has invested in securities with an auction reset feature (“auction rate securities”). In February 2008, the auction market failed for auction rate securities, which meant the Company was unable to sell its investments. At March 31, 2008, the Company had invested approximately \$5.3 million in auction rate securities, of which the underlyings for \$4.0 million are currently AAA rated, the highest rating by a rating agency. The remaining \$1.3 million of investments are securities whose underlying assets are primarily student loans which are substantially backed by the federal government. It could take until the final maturity of the underlying securities (up to 30 years) to realize their carrying value.

As of March 31, 2008, approximately \$1.0 million of the Company’s auction rate securities are classified as a current asset since the underlying securities are expected to be redeemed at par value within several months. The remaining \$4.3 million of securities are classified as non-current assets. The Company also recorded a temporary unrealized loss of approximately \$0.2 million, as a cost of liquidity, to accumulated other comprehensive loss, a component of shareholders’ equity, primarily due to these liquidity factors. Based on expected operating cash flows, and our other sources of cash, the Company does not anticipate the potential lack of liquidity on these investments will affect its ability to execute on the current business plan.

There are no assurances that successful auctions of these types of securities will resume, and as a result, the Company’s ability to liquidate its securities and fully recover the carrying value of its investment in the near term may be limited or not exist. If the issuers are unable to successfully close future auctions and their credit ratings deteriorate, the Company may be required to record a further temporary or permanent impairment charge on these securities.

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## **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

On February 20, 2008, the Company consummated the sale of \$100 million of restricted common stock and warrants. In this transaction, investors purchased 8 million shares of our common stock, no par value, and warrants to purchase an additional 1.4 million shares of our common stock. The purchase price was \$12.50 per share, priced at the 20 day volume-weighted average price. The warrants grant the holder the right to purchase one share of our common stock at a price of \$15.06 per share. The warrants are immediately exercisable and remain exercisable for a period of 5 years from the closing date. In addition, the Company entered into a registration rights agreement with the investors to register for resale the shares of common stock issued in this transaction and the shares of common stock to be issued upon exercise of the warrants. Agent fees incurred totaled 5.75% of the gross proceeds, or \$5.8 million. The Company used the net proceeds to acquire the telecom assets of Intel's Optical Platform Division and for working capital requirements.

On February 22, 2008, the Company acquired assets of the telecom portion of Intel's Optical Platform Division. The telecom assets acquired include inventory, fixed assets, intellectual property, and technology comprised of tunable lasers, tunable transponders, 300-pin transponders, and integrated tunable laser assemblies. The purchase price was \$75 million in cash and \$10 million in the Company's common stock, priced at a volume-weighted average price of \$13.84 per share, or 722,688 shares. Under the terms of the asset purchase agreement, the purchase price of \$85 million is subject to adjustment based on an inventory true-up, plus specifically assumed liabilities.

On April 20, 2008, the Company completed the acquisition of the enterprise and storage assets of Intel's Optical Platform Division as well as Intel's Connects Cables business. The assets acquired include inventory, fixed assets, intellectual property, and technology relating to optical transceivers for enterprise and storage customers, as well as optical cable interconnects for high-performance computing clusters. As consideration for the purchase of the assets, the Company issued to Intel 3.7 million restricted shares of the Company's common stock. In addition, the Company may be required to make an additional payment to Intel based on the Company's stock price twelve months after the closing of the transaction. See EMCORE's Current Report on Form 8-K/A (Commission File No. 000-22175), dated April 18, 2008.

The issuance and sale of the common stock to Intel in connection with the asset purchases described above were made in reliance on the exemptions from registration provided by Section 4(2) of the Securities Act of 1933 and/or Rule 506 of Regulation D promulgated thereunder.

## **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not Applicable

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#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) The Registrant held its 2008 Annual Meeting of Shareholders on March 31, 2008.

(b) Mr. Reuben Richards was elected to the newly-created position of Executive Chairman. Dr. Thomas Russell will remain on the Board as Chairman Emeritus. Dr. Hong Hou was elected to the position of Chief Executive Officer. Mr. Thomas Werthan tendered his resignation from the Board.

(c) (i) Dr. Thomas Russell, Mr. Reuben Richards, and Mr. Robert Bogomolny were each reelected to the Board for a term of three years (expiring in 2011). The total shares voted in the election of Directors were 57,889,705. There were no broker non-votes. The shares voted for each Nominee were:

Dr. Thomas J. Russell	For	55,897,067	Withheld	1,992,636
Mr. Reuben F. Richards, Jr.	For	56,013,116	Withheld	1,876,587

(ii) Mr. Robert Bogomolny For 57,366,706 Withheld 522,997  
The Shareholders ratified the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of the Company as follows:

For	56,781,447
Against	1,080,827
Abstain	27,428

(iii) The Shareholders approved the amendment to the restated Certificate of Incorporation to increase the number of authorized shares of common stock.

For	50,718,329
Against	7,041,383
Abstain	129,990
Broker Non-Votes	-

(iv) The Shareholders approved an increase in the number of shares reserved for issuance under the Company's 2000 stock option plan.

For	33,774,999
Against	7,086,049
Abstain	73,525
Broker Non-Votes	16,955,132

#### ITEM 5. OTHER INFORMATION

Not Applicable

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## ITEM 6. EXHIBITS

Exhibit No.	Description
2.1*	Asset Purchase Agreement, dated April 9, 2008, between EMCORE Corporation and Intel Corporation
2.2+	Securities Purchase Agreement, dated February 15, 2008, between EMCORE Corporation and each investor identified on the signature pages thereto
4.1+	Registration Rights Agreement, dated February 15, 2008, between EMCORE Corporation and the investors identified on the signature pages thereto
4.2+	Form of Warrant, dated February 15, 2008
10.1*	Executive Bonus Plan
31.1*	Certification by Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification by Interim Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification by Interim Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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\* Filed herewith

+ Filed as part of the Company's Current Report on Form 8-K, Commission file no. 000-22175, dated February 20, 2008, and incorporated herein by reference.

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**SIGNATURES**

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

**EMCORE CORPORATION**

Date: May 12, 2008

By: /s/ Hong Q. Hou, Ph.D.

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Hong Q. Hou, Ph.D.

Chief Executive Officer  
(Principal Executive Officer)

Date: May 12, 2008

By: /s/ Adam Gushard

\_\_\_\_\_  
Adam Gushard

Interim Chief Financial Officer  
(Principal Financial and Accounting Officer)

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\* Filed herewith

+ Filed as part of the Company's Current Report on Form 8-K, Commission file no. 000-22175, dated February 20, 2008, and incorporated herein by reference.

## ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT, dated as of April 9, 2008 (the “Agreement”), is by and between Intel Corporation, a Delaware corporation (the “Seller”), and EMCORE Corporation, a New Jersey corporation (the “Buyer”). Seller and Buyer are sometimes referred to as the “Parties” and each individually as a “Party.” All capitalized terms have the meanings ascribed to such terms in Article I or as otherwise defined herein.

### RECITALS

A. Seller and certain of its Subsidiaries desire to sell to Buyer, and Buyer desires to acquire from Seller and certain of its Subsidiaries, the Transferred Assets, and Buyer is willing to assume the Assumed Liabilities, all upon the terms and conditions set forth in this Agreement.

B. In connection with the transactions contemplated by this Agreement, Buyer and Seller also intend to enter into certain other agreements, including, but not limited to, the Transition Services Agreement and the Intellectual Property Agreement.

NOW, THEREFORE, in consideration of the foregoing premises, the mutual representations, warranties, covenants and agreements hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

### ARTICLE I

#### DEFINITIONS

##### 1.01 Definitions

. Capitalized terms used in this Agreement shall have the respective meanings ascribed to such terms in Appendix A to this Agreement.

##### 1.02 Defined Terms Generally

. The definitions set forth in Appendix A or otherwise referred to in this Agreement shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The words “hereof”, “herein” and “hereunder” and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement. All references herein to Articles, Sections, Exhibits and Schedules shall be deemed to be references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require. The table of contents and headings for this Agreement are for reference purposes only and do not affect in any way the meaning or interpretation of this Agreement. Unless the context shall otherwise require, any reference to any contract, instrument, statute, rule or regulation is a reference to it as amended and supplemented from time to time (and, in the case of a statute, rule or regulation, to any successor provision). Any reference in this Agreement to a “day” or a number of “days” (without the explicit qualification of “Business”) shall be interpreted as a reference to a calendar day or number of calendar days. If any action is to be taken by any Party hereto pursuant to this Agreement on a day that is not a Business Day, such action shall be taken on the next Business Day following such day. All acts and proceedings to be taken and all documents to be executed and delivered by the Parties at the Closing shall be deemed to have been taken and executed simultaneously, and, except as permitted hereunder, no acts or proceedings shall be deemed taken nor any documents executed or delivered until all have taken, executed and delivered.

### ARTICLE II

#### TRANSFER OF ASSETS

##### 2.01 Transferred Assets

. Upon the terms and subject to the conditions of this Agreement (including Section 2.05), at the Closing, Buyer shall acquire from Seller and its Subsidiaries, and Seller and its Subsidiaries shall sell, transfer, assign and convey to Buyer, or cause to be sold, transferred, assigned and conveyed to Buyer, free and clear of all Liens other than Permitted Liens, all of the right, title and interest of Seller or its Subsidiaries, as the case may be, in, to and under the following assets, as the same shall exist as of the Effective Time (collectively, the “Transferred Assets”):

- (a) the Transferred Product Materials and Information;
- (b) the Transferred Equipment;
- (c) the Transferred Contracts;
- (d) the Transferred Patents;
- (e) the Transferred Trade Secrets
- (f) the Transferred Copyrights;

(g) the Business Inventory with a value of \$16,500,000 (the “Prepaid Inventory”) and the Additional Inventory; (*provided* that title to the Prepaid Inventory shall pass to Buyer at such time and subject to the conditions set forth in the Transition Services Agreement and that title to the Additional Inventory shall pass to Buyer at the time of the last Changeover Date as defined in the Transition Services Agreement);

(h) all Prepayments associated with Contracts that are Transferred Contracts;

(i) all permits, licenses, franchises, approvals, certificates, consents, waivers, concessions, exemptions, orders, registrations, notices or other authorizations of any Government Authority held by Seller or any of its Subsidiaries that are used exclusively in connection with the Transferred Assets and that are by their terms transferable to Buyer (the “Business Permits”) provided that Buyer pay any fees required for such transfer; and

(j) the Books and Records.

The Transferred Intellectual Property (including the assets identified in clauses (d) through (f) above) shall be subject to any (i) licenses retained by Seller or granted to Seller pursuant to any Acquisition Document, (ii) Contracts with use restrictions or non-exclusive licenses to or with any Person existing on the date hereof granted to or by Seller or its Subsidiaries and (iii) Contracts with use restrictions or non-exclusive licenses to or with any Person entered into by a Seller or its Subsidiaries in the ordinary course of business not in violation of this Agreement prior to the Closing Date. The Transferred Intellectual Property may be further obligated (either prior to the date hereof or in the ordinary course of business between the date hereof and the Closing Date) to be non-exclusively licensed, with or without receipt of payment, as a result of Seller’s or its Subsidiaries’ participation in various Special Interest Groups (SIGs), Standard Definition Organizations (SDOs) and similar organizations which may impose obligations to non-exclusively license the Transferred Intellectual Property to third parties. To the extent that Seller or any of its Subsidiaries is required to ensure that successors with respect to the Transferred Intellectual Property assume such obligations to license, Buyer shall assume such obligations as of the Closing.

## 2.02 Excluded Assets

. Buyer and Seller expressly understand and agree that all assets of Seller and its Subsidiaries, other than the Transferred Assets (the “Excluded Assets”), shall be excluded from the Transferred Assets, including, but not limited to:

(a) all assets, tangible or intangible, real or personal that are not specifically identified in Section 2.01, including all Intellectual Property other than the Transferred Intellectual Property;

(b) all Contracts that are not Transferred Contracts;

(c) all Prepayments associated with Contracts that are not Transferred Contracts or other obligations not assumed by Buyer;

(d) all Seller Accounts Receivable;

(e) all Cash and Cash Equivalents;

(f) all Seller Inventory that is not Prepaid Inventory or Additional Inventory;

**(g)** all Employee Plans;

(h) all Claims that relate to any of the other Excluded Assets or any of the Excluded Liabilities;

**(i)** all Claims that relate to events or breaches occurring on or prior to the Effective Time that relate to the Transferred Assets, including causes of action, claims and rights which Seller or its Subsidiaries may have under any insurance contracts or policies insuring the Transferred Assets;

(j) all rights to or claims for refunds of Taxes (including penalties) paid by Seller or its Subsidiaries, including those imposed on property, income or payrolls, to the extent such refunds of amounts were paid with respect to a Pre-Closing Tax Period;

(k) all rights, properties, and assets which have been used in the Business and which shall have been transferred (including transfers by way of sale) licensed or otherwise disposed of (either prior to the date hereof or in the ordinary course of business between the date hereof and the Closing Date) not in violation of the terms of this Agreement;

(l) all enterprise software, databases and networks of Seller or its Subsidiaries, including all sales management, engineering, materials, business planning, manufacturing, logistics, finance and accounting systems utilized by the Business;

(m) all permits, licenses, franchises, approvals, certificates, consents, waivers, concessions, exemptions, orders, registrations, notices or other authorizations of any Government Authority held by Seller or any of its Subsidiaries other than the Business Permits; and

(n) all of the assets specifically identified on Schedule 2.02(n).

## 2.03 Assumed Liabilities

. Upon the terms and subject to the conditions of this Agreement, effective at the Effective Time, Buyer shall assume, and shall pay, perform, fulfill and discharge, the following Liabilities of Seller or its Subsidiaries (collectively, the “Assumed Liabilities”):

(a) all Liabilities accruing from, arising out of or related to the Transferred Contracts that are incurred or required to be paid, performed or otherwise discharged on or after the Effective Time;

(b) all Liabilities accruing from, arising out of or related to Buyer's operation of the Business and the ownership and operation of the Transferred Assets on or after the Effective Time;

(c) all Liabilities that are assumed by operation of Applicable Law related to the Transferred Employees whose primary place of employment is outside the United States, including those specified in Schedule 2.03(c);

(d) all Product Obligations;

(e) any Taxes to be paid by Buyer pursuant to Section 5.09; and

(f) all Liabilities to be performed by Buyer or its Subsidiaries under this Agreement and the Ancillary Agreements.

The assumption by Buyer of the Assumed Liabilities and the transfer of the Assumed Liabilities by Seller and its Subsidiaries shall in no way expand the rights or remedies of any Person against Buyer or Seller and its Subsidiaries or their respective officers, directors, employees, shareholders and advisors as compared to the rights and remedies that such Person would have had against such Parties had Buyer not assumed the Assumed Liabilities. Without limiting the generality of the foregoing, the assumption by Buyer of the Assumed Liabilities shall not create any third-party beneficiary rights.

#### 2.04 Excluded Liabilities

. Notwithstanding any provision of this Agreement to the contrary (and without implication that Buyer is assuming any Liability of Seller not expressly listed in Section 2.03), except for those Liabilities expressly assumed by Buyer pursuant to Section 2.03 and Section 5.09, Buyer shall not assume and shall not be liable for, and Seller shall retain and remain, as between Seller and Buyer, solely liable for and obligated to pay, perform or discharge, all Liabilities of Seller and its Subsidiaries not included in the Assumed Liabilities (the "Excluded Liabilities"), including the following:

(a) all Liabilities accruing from, arising out of or related to the Transferred Contracts that are incurred or required to be paid, performed or otherwise discharged prior to the Effective Time and all Liabilities for breaches by Seller or its Subsidiaries of the Transferred Contracts prior to the Effective Time;

(b) all Pre-Closing Product Obligations;

(c) all Liabilities for income Taxes, franchise Taxes or other Taxes based on income, revenue, gross receipts, capital or net worth, and all Liabilities for other Taxes not specifically provided for in Section 5.09 to the extent such other Taxes arise from or relate to any Pre-Closing Tax Period;

(d) all Seller Accounts Payable;

(e) except as set forth in Section 2.03(c), any Liabilities under Employee Plans and Employee Agreements;

(f) all Liabilities accruing or arising from any Proceeding to the extent it is based on the operation or ownership by Seller or its Subsidiaries of the Business or the Transferred Assets prior to the Effective Time;

(g) all Liabilities accruing or arising from Seller's or its Subsidiaries' failure to comply with Applicable Laws with respect to the Business or the Transferred Assets prior to the Effective Time;

(h) any Liability for or in respect of any loan or other indebtedness for money borrowed (including capital leases and guarantees) of Seller or any of its Subsidiaries or Affiliates;

(i) any Liability accruing from, arising out of or relating to Seller or its Subsidiaries failure to comply with Environmental Law in connection with Seller and its Subsidiaries' use and occupation of the Leased Property prior the Effective Time;

(j) any Liability for actual or alleged infringement of any Intellectual Property that relates to Products sold or shipped by Seller or its Subsidiaries prior to the Effective Time;

(k) all Liabilities accruing from, arising out of or relating to the Excluded Assets; and

(l) all Liabilities to be performed by Seller or its Subsidiaries under this Agreement and the Ancillary Agreements.

#### 2.05 Assignment of Contracts and Rights.

(a) Anything in this Agreement or any other Acquisition Document to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign any Transferred Asset or any claim or right or any benefit arising thereunder or resulting therefrom if an attempted assignment thereof, without the consent of a party thereto or the receipt of any Government Approvals or the satisfaction of any other requirement thereof or applicable thereto, would constitute a breach or other contravention thereof or in any way adversely affect the rights of Buyer, Seller or any of Seller's Subsidiaries thereunder. Seller and Buyer will use commercially reasonable efforts (but without any payment of money by Seller or Buyer) to obtain the consent of the other parties to any such Transferred Asset or to obtain any claim or right or any benefit arising thereunder for the assignment thereof to Buyer as Buyer may reasonably request; *provided, however*, that Seller shall have no obligation to assign or transfer any licenses of any Intellectual Property or any licenses granted by Seller in connection with the sale, distribution and license of the Products in the ordinary course of business that are not Transferred Contracts. If such consent or Government Approval is not obtained, or if an attempted assignment thereof would be ineffective or would adversely affect the rights of Seller or any of Seller's Subsidiaries thereunder prior to the Closing or Buyer thereunder on or after the Closing so that Buyer would not in fact receive all such rights, Seller and Buyer will cooperate in a mutually agreeable arrangement under which Buyer would obtain the benefits and assume the obligations thereunder from and after the Effective Time in accordance with this Agreement, including sub-contracting, sub-licensing, or sub-leasing to Buyer, or under which Seller would enforce for the benefit of Buyer, with Buyer assuming Seller's obligations, any and all rights of Seller against a third party thereto.

(b) No other rights are granted hereunder, by implication, estoppel, statute or otherwise, except as expressly provided in this Agreement or in any other Acquisition Document.

## 2.06 Consideration

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(a) The aggregate consideration (collectively, the "Consideration") payable by Buyer to Seller for the Transferred Assets shall be:

(i) 3,700,000 shares of Buyer Common Stock (the "Share Consideration"); and

(ii) the assumption of the Assumed Liabilities by Buyer; and

(iii) the Additional Payment, if any, set forth in Section 2.09.

(b) If there is a stock split, reverse stock split, stock dividend (including any dividend or distribution of securities convertible into capital stock), reorganization, reclassification, combination, recapitalization or other like change with respect to shares of Buyer Common Stock occurring after the date of this Agreement and before the Effective Time, all references in this Agreement to specified numbers of shares of any class or series affected thereby, and all calculations provided for that are based upon numbers of shares of any class or series (or trading prices therefore) affected thereby, shall be equitably adjusted to the extent necessary to provide the parties the same economic effect as contemplated by this Agreement prior to such stock split, reverse stock split, stock dividend, reorganization, reclassification, combination, recapitalization or other like change. No fraction of a share of Buyer Common Stock will be issued in connection with the transactions contemplated by this Agreement, and in lieu thereof Seller shall receive from Buyer an amount of cash equal to such fraction of a share multiplied by the Buyer Common Stock Price.

## 2.07 Closing

. The closing of the purchase and sale of the Transferred Assets hereunder (the "Closing") shall take place at the offices of Gibson, Dunn & Crutcher LLP, 1881 Page Mill Road, Palo Alto, California 94304 on April 18, 2008 or at such other time and place or in such manner as the Parties may agree. At the Closing:

(a) Seller shall deliver to Buyer the Bill of Sale and, simultaneously with the consummation of the transactions contemplated hereby, Seller, through its officers, agents and employees, will put Buyer into possession of all tangible Transferred Assets at the facilities where they are located as of the Closing Date;

(b) Seller and Buyer each shall execute and deliver the other Ancillary Agreements to which it is a party;

(c) Buyer shall deliver to Seller certificates representing the shares of Buyer Common Stock delivered as Share Consideration;

(d) Buyer and Seller shall execute and deliver a delivery protocol relating to the manner for delivery of any software that is a Transferred Asset;

(e) Seller shall deliver to Buyer a certificate of the secretary or an assistant secretary of Seller attaching and certifying (i) the certificate of incorporation and Bylaws of Seller as then in effect, (ii) the resolutions of the Board of Directors of Seller delegating authority to certain authorized officers to approve the transactions contemplated hereby; and

(f) Buyer shall deliver to Seller a certificate of the secretary of Buyer attaching and certifying (i) the certificate of incorporation and Bylaws of Seller as then in effect, (ii) the resolutions of the Board of Directors of Buyer approving the transactions contemplated hereby, including the issuance of the shares of Buyer Common Stock issued as Consideration.

## 2.08 Accounting

(a) . From and after the Effective Time, Buyer shall have the right and authority to collect for its own account all items that are included in the Transferred Assets.

## 2.09 Payment of Additional Payment

.

(a) If the Average Buyer Trading Price, as determined on the date that is the one year anniversary of the Closing Date (or if such day is not a trading day, the first trading day thereafter) (the "Determination Date"), is less than \$9.46, Buyer shall pay to Seller a payment equal to (A) \$9.46 minus the Average Buyer Trading Price determined as of the Determination Date multiplied by (B) 3,700,000 (the "Additional Payment"). At Buyer's option, Buyer may pay the Additional Payment by delivering cash or shares of Buyer Common Stock, or a combination thereof. Any shares of Buyer Common Stock delivered as part of the Additional Payment shall be valued at the Average Buyer Trading Price determined as of the Determination Date. The amount of the Additional Payment may be subject to adjustment pursuant to clause 2.09(b), but in no event shall the Additional Payment be reduced below zero (i.e., in no event shall Seller owe Buyer any payment of any kind pursuant to this Section 2.09). In no event shall the Additional Payment exceed (i) if paid in shares of Buyer Common Stock, 1,300,000 shares of Buyer Common Stock, or (ii) if paid in cash, an amount equal to 1,300,000 shares of Buyer Common Stock multiplied by the Average Buyer Trading Price. If 1,000,000 or more shares of Buyer Common Stock are to be delivered by Buyer as part of the Additional Payment, such shares must be freely tradable by Seller immediately upon receipt by Seller.

(b) If, prior to the Determination Date, Seller has sold any of the Share Consideration at a price per share equal to or greater than \$9.46, then the Additional Payment will be reduced by an amount equal to the number of shares of Share Consideration so sold by Seller multiplied by the price per share at

which such shares were sold. If, prior to the Determination Date, Seller has sold any of the Share Consideration at a price per share lower than \$9.46, then the Additional Payment will be reduced by an amount equal to the number of shares of Share Consideration so sold by Seller multiplied by \$9.46. The parties acknowledge that Buyer paid shares of Buyer Common Stock as Stock Consideration pursuant to the Lassen Asset Purchase Agreement and that sale of such Stock Consideration shall not reduce any Additional Payment. For the avoidance of doubt, any sale of shares of Buyer Common Stock by Seller shall be deemed to be a sale of the Stock Consideration paid to Seller pursuant to the Lassen Purchase Agreement until such time as all of such Stock Consideration has been sold, and no sale of such Stock Consideration shall reduce the Additional Payment.

(c) The “Average Buyer Trading Price” shall be the volume weighted average price of the Buyer Common Stock (as reported, absent manifest error, on Nasdaq.com) for the 15 consecutive trading days ending on and including the trading day that is the Determination Date.

(d) On the Business Day before the Determination Date, Seller shall notify Buyer whether it has sold any Share Consideration prior to such date, and if so, at what price per share.

(e) By 4:30 p.m., Eastern time, on the Determination Date, Buyer shall notify Seller whether it intends to deliver any Additional Payment due in cash or shares of Buyer Common Stock, or a combination thereof. On the fifth Business Day following the Determination Date, if the Additional Payment is due to Seller in accordance with this Section 2.09, Buyer shall pay to Seller the amount of such Additional Payment as calculated pursuant to this Section 2.09. Buyer shall deliver to Seller any cash used to pay such Additional Payment by wire transfer of immediately available funds to the account of Seller set forth on Schedule 2.09 and Buyer shall deliver to Seller certificates or book entry shares representing any shares of Buyer Common Stock used to pay such Additional Payment.

(f) If there is a stock split, reverse stock split, stock dividend (including any dividend or distribution of securities convertible into capital stock), reorganization, reclassification, combination, recapitalization or other like change (a “Fundamental Change”) with respect to shares of Buyer Common Stock occurring after the date of this Agreement and before the Determination Date, all references in this Agreement to any class or series affected thereby, and all calculations provided for that are based upon numbers of shares of any class or series (or trading prices therefor, including the \$9.46 price used in the calculations in this Section 2.09) affected thereby, shall be equitably adjusted to the extent necessary to provide the parties the same economic effect as contemplated by this Agreement prior to such stock split, reverse stock split, stock dividend, reorganization, reclassification, combination, recapitalization or other Fundamental Change. If in such Fundamental Change, the holders of Buyer Common Stock receive securities of another Person or other property then any such adjustments shall include delivery of an appropriate amount of such securities or other property if any shares of Buyer Common Stock are delivered as part of the Additional Payment.

(g) With respect to any shares of Buyer Common Stock delivered as part of the Additional Payment, (i) until the first anniversary of date such shares are delivered, Buyer shall make publicly available the information required by Rule 144(c)(1) under the Securities Act and (ii) in the event that Buyer files a registration statement registering shares of Buyer Common Stock (other than a registration statement relating to a business combination or employee benefit plan) before the date that is six months following date the Additional Payment is delivered, if requested by Seller, Buyer shall use commercially reasonable efforts to include the shares of Buyer Common Stock delivered in the Additional Payment in such registration statement and Buyer and Seller shall negotiate in good faith the terms of such inclusion; *provided, however*, that Buyer shall not be required to include such shares in such registration statement for an underwritten offering if the managing underwriter for such underwritten offering advises Buyer that that marketing factors require a limitation of the number of securities to be underwritten. In no event shall shares of Buyer Common Stock issued as part of the Additional Payment be subject to any contractual lockup provisions.

## ARTICLE III

### REPRESENTATIONS AND WARRANTIES OF SELLER

Subject to the exceptions to the representations and warranties in this Article III that are disclosed in the disclosure letter delivered to Buyer by Seller on the date hereof (the “Seller Disclosure Letter”), Seller hereby represents and warrants to Buyer, as of the date of this Agreement and as of the Closing Date, as follows:

#### 3.01 Existence and Good Standing

Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all corporate power and authority required to own, license, lease and operate the Transferred Assets as now owned, licensed, leased and operated by it. Seller is qualified to conduct business and is in good standing in each jurisdiction in which it conducts the Business other than such jurisdictions where the failure to be so qualified would not reasonably be expected to have a Seller Material Adverse Effect. Each Subsidiary of Seller that is transferring any Transferred Assets (any such Subsidiary, a “Transferring Subsidiary”) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization (to the extent such concepts apply in such jurisdiction) and has all corporate power and authority required to own, license, lease and operate the Transferred Assets as now owned, licensed, leased and operated by it. Each Transferring Subsidiary is qualified to conduct business and is in good standing in each jurisdiction in which it conducts the Business other than such jurisdictions where the failure to be so qualified would not reasonably be expected to have a Seller Material Adverse Effect.

#### 3.02 Authorization and Enforceability

Seller has the corporate power and authority to execute, deliver and perform under this Agreement and to effect the transactions contemplated hereby, and each of Seller and each Transferring Subsidiary has the corporate power and authority to execute, deliver and perform the Ancillary Agreements and the other Acquisition Documents to which it is a party and to effect the transactions contemplated thereby. The execution, delivery and performance by Seller of this Agreement and by Seller and each Transferring Subsidiary of the Ancillary Agreements to which Seller or such Transferring Subsidiary is a party, and the consummation of the transactions contemplated hereby and thereby have been, and the execution, delivery and performance by Seller and each Transferring Subsidiary of any other Acquisition Documents to which Seller or such Transferring Subsidiary is a party and the consummation of the transactions contemplated thereby will be prior to the Closing Date, duly authorized by all necessary corporate action of the Seller or the relevant Transferring Subsidiary. This Agreement has been and, when executed and delivered at the Closing, the other Acquisition Documents will have been, duly and validly executed by Seller or the relevant Transferring Subsidiary and, assuming the due execution and delivery of this Agreement and the other Acquisition Documents to which it is a party by Buyer, will constitute the legal, valid and binding agreements of Seller or such Transferring Subsidiary, enforceable

against it in accordance with their respective terms, subject to any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to creditors' rights generally or to general principles of equity.

### 3.03 Governmental or Other Authorization

. The execution, delivery and performance by Seller of this Agreement and the execution, delivery and performance by Seller and each Transferring Subsidiary of the other Acquisition Documents to which it is a party, and the consummation by it of the transactions contemplated hereby and thereby, require no Seller Governmental Approvals.

### 3.04 Non-Contravention

. The execution, delivery and performance by Seller of this Agreement and the execution, delivery and performance by Seller and each Transferring Subsidiary of the other Acquisition Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not contravene or conflict with the certificate of incorporation or bylaws of Seller or any Transferring Subsidiary, or, except for matters that would not reasonably be expected to have a Seller Material Adverse Effect, (a) assuming receipt of any Seller Approvals that are Governmental Approvals, contravene or conflict with or constitute a violation of any provision of any Applicable Law binding upon or applicable to Seller, any Transferring Subsidiary or the Transferred Assets or (b) assuming receipt of the Seller Contractual Consents, (i) constitute a default under, give rise to any right of termination, cancellation, modification, or acceleration of, or a loss of any material benefit under any material Transferred Contract, (ii) result in the creation or imposition of any Lien (other than Permitted Liens) on the Transferred Assets, or (iii) constitute a breach, default or violation of any settlement agreement, judgment, injunction or decree binding on or applicable to the Transferred Assets.

### 3.05 Personal Property

. Seller or one of its Subsidiaries has good and marketable title to, or a valid and subsisting leasehold interest in, all of the material tangible personal property that is a Transferred Asset. None of such personal property is subject to any Lien other than (a) Permitted Liens, (b) Liens that would not reasonably be expected to have a Seller Material Adverse Effect and (c) any restriction contemplated by this Agreement or any of the other Acquisition Documents.

### 3.06 Real Property

. Seller or one of its Subsidiaries has good and marketable title to the any real property included in the Transferred Assets and a valid and subsisting leasehold interest in all of the leased real property that is a Transferred Asset, except as would not reasonably be expected to have a Seller Material Adverse Effect. None of such real property is subject to any Lien created by Seller or its Subsidiaries other than (a) Permitted Liens, (b) Liens that would not reasonably be expected to have a Seller Material Adverse Effect and (c) any restriction contemplated by this Agreement or any of the other Acquisition Documents.

### 3.07 Litigation

. There are no Proceedings pending or, to Seller's Knowledge, any Proceedings threatened in writing or investigations pending or threatened in writing: (a) by or against Seller or any of its Subsidiaries relating to any of the Transferred Assets that would reasonably be expected to have a Seller Material Adverse Effect; or (b) that seeks to prevent, enjoin, alter or delay the transactions contemplated by this Agreement or any of the other Acquisition Documents. To Seller's Knowledge, there are no material existing orders, judgments or decrees of any Governmental Authority against the Seller or its Subsidiaries relating to the Transferred Assets or Assumed Liabilities that would be binding on Buyer or its Subsidiaries after the Effective Time.

### 3.08 Transferred Contracts

. Except as would not reasonably be expected to have a Seller Material Adverse Effect, each Transferred Contract is a valid and binding obligation of Seller or one of its Subsidiaries that is a party thereto and, to the Knowledge of Seller, is a valid and binding obligation of each other Person who is a party thereto, enforceable against it in accordance with its material terms, subject to any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to creditors' rights generally or to general principles of equity, and except for breaches or defaults that would not reasonably be expected to have a Seller Material Adverse Effect, none of Seller, any of its Subsidiaries or, to the Knowledge of Seller, any other party thereto is in material breach under any Transferred Contract.

### 3.09 Compliance with Applicable Laws

. Seller and its Subsidiaries have complied in all material respects with all Applicable Laws relating to the Transferred Assets, except where the failure to comply would not reasonably be expected to have a Seller Material Adverse Effect. To the Knowledge of Seller, it has not received written notice from any third party regarding any unresolved actual, alleged or potential material violation of any Applicable Law with respect to the Transferred Assets.

### 3.10 Tax Matters

(a) Except to the extent that the failure to do so would not reasonably be expected to have a Seller Material Adverse Effect, Seller and its Subsidiaries have paid or cause to be paid all material Taxes relating to the Transferred Assets allocable (as provided in Section 5.09) to the Pre-Closing Tax Period that could become a liability of Buyer by reason of the transfer of the Transferred Assets to Buyer as described herein, other than non-delinquent Taxes incurred in the ordinary course of business since the Financial Information Date in amounts consistent with prior periods (as adjusted for changes in Tax rates and ordinary course fluctuations in operating results). Neither Seller nor any of its Subsidiaries have an actual or contingent liability for Taxes that will become a liability of Buyer by reason of the transactions described herein, other than such non-delinquent Taxes described in the immediately preceding sentence for which Buyer may become liable by reason of statutory successor liability (or similar liability) under Applicable Law.

(b) To the Knowledge of Seller, no Governmental Authority has claimed that the Transferred Assets or the Business are subject to Tax in a jurisdiction in which the required Tax Returns have not been filed by the Seller or its Subsidiaries.

(c) To the Knowledge of Seller, no material issues have been raised in writing in any audits, examinations or disputes pertaining to Taxes arising from the Transferred Assets or the Business that would reasonably be expected to be raised in similar examinations of Buyer following the Closing.

(d) The representations and warranties contained in this Section 3.10 are the only representations and warranties being made with respect to tax matters.

### **3.11 Intellectual Property.**

(a) Each material Transferred Copyright and Transferred Patent is free and clear of any Liens other than Permitted Liens. To Seller's Knowledge, either Seller or one of its Subsidiaries owns or is licensed to, all works of authorship and all associated Copyrights that are embodied in the Products. Seller or a Transferring Subsidiary has good and marketable title to the material Transferred Copyrights and the Transferred Patents.

(b) To the Knowledge of Seller, neither (i) the current use of the Transferred Intellectual Property by Seller or any of its Subsidiaries in its current operation of the Transferred Assets nor (ii) the current manufacture, marketing, distribution or sale of any of the Products by Seller or its Subsidiaries in their current operation of the Transferred Assets infringes any Copyrights or Trade Secrets of any third party. Seller, to its Knowledge, has not received any written claims currently pending from any Person claiming that the Products infringe or misappropriate the Copyrights, Trade Secrets or Patents of any Person. For the avoidance of doubt, a Product shall not be deemed to infringe or misappropriate a Copyright, Trade Secret or Patent of any Person and Seller shall not be deemed to have received a claim from a Person for purposes of this Section 3.11(b) based on (w) any manufacturing method or process generally used by Seller and not limited to the Transferred Assets, (x) alleged or actual infringement by an underlying component unless such component is material and unique to the Products currently available from Seller; (y) alleged or actual infringement required for the advertised compliance with an industry standard or recognized specification available for licensing through an adopters group or other organization; or (z) reference in the designs, specifications or documentation of such Product to a product, specification or design of a third party.

(c) Seller has taken commercially reasonable steps to protect its rights in Trade Secrets of Seller embodied in the Products including taking commercially reasonable steps to have all of its respective current and former employees, consultants and contractors employed in the Business execute and deliver to Seller a proprietary information and assignment agreement. To the Knowledge of Seller, it has not received written notice of any violation of or non-compliance with such agreements.

(d) To Seller's Knowledge, neither Seller nor any of its Subsidiaries is a party to any outstanding decree, order or judgment of any Governmental Authority that restricts in any material manner the use, transfer or licensing of the Transferred Copyrights, the Transferred Patents or the Products.

(e) All registered Transferred Patents are currently in material compliance with formal legal requirements involving the payment of fees to Governmental Authorities (including payment of filing, examination and maintenance fees). To the Knowledge of Seller, there are no proceedings or actions pending before any court or tribunal (including the PTO or equivalent authority anywhere in the world) to which Seller has been named as party and served with process that involve the validity, scope or priority of Transferred Patents. None of the Transferred Copyrights are registered Copyrights.

(f) To Seller's Knowledge, no software covered in its entirety by a Transferred Copyright is subject to any "open source license" as that term is defined by the Open Source Initiative.

(g) To Seller's Knowledge, none of the Transferred Intellectual Property was developed by or on behalf of, or using grants or any other subsidies from, any Governmental Authority or any university, and no government funding, facilities, faculty or students of a university, college, other educational institution or research center was used in the development of any Transferred Intellectual Property.

(h) The representations and warranties contained in this Section 3.11 are the only representations and warranties being made, including with respect to compliance with Applicable Laws, relating to intellectual property matters.

### **3.12 Employee Matters.**

(a) Certain Employee Plans. Each Employee Plan that is intended to be qualified under Section 401(a) of the Code (i) has been maintained, operated and administered in all material respects in compliance with its terms and applicable Laws, and (ii) has received a favorable determination letter from the Internal Revenue Service, and nothing has occurred since the date of any such determination that could reasonably be expected to give the Internal Revenue Service grounds to revoke such determination.

(b) Multiemployer Plans. At no time has Seller or any other Person or entity under common control with Seller within the meaning of Section 414(b), (c), (m) or (o) of the Code and the regulations issued thereunder, contributed to or been obligated to contribute to any Multiemployer Plan or any plan maintained pursuant to a collective bargaining agreement, in either case with respect to Business Employees or former Business Employees.

(c) Labor. No work stoppage or labor strike against Seller or any of its Subsidiaries is pending or, to Seller's Knowledge, threatened in writing with respect to the Business Employees. Seller has no Knowledge of any activities or proceedings of any labor union to organize any Business Employees who are not currently represented by a labor or trade union or employee representative body. To Seller's Knowledge, there are no actions, suits, claims, labor disputes or grievances pending, or, to the Knowledge of Seller, threatened in writing relating to any labor, safety or discrimination matters involving any Business Employee, including charges of unfair labor practices or discrimination complaints, which, if adversely determined, would be reasonably expected to have a Seller Material Adverse Effect. Neither Seller nor any of its Subsidiaries is presently, nor has it been in the past, a party to, or bound by, any collective bargaining agreement or union contract with respect to Business Employees and no collective bargaining agreement is being negotiated by Seller with respect to the Business Employees.

(d) Business Employee List. All of the employees of Seller and its Subsidiaries who work directly and primarily with the Transferred Assets as of the date hereof (including (i) those on military leave and family and medical leave, (ii) those on approved leaves of absence, and (iii) those on short-term disability under the short-term disability program of Seller or its Subsidiaries) regardless of the company payroll on which such individuals appear (the "Business Employees"), together with the country in which each such Business Employee is based, are listed on Section 3.12 of the Seller Disclosure Letter.

(e) Nature of Representations and Warranties. The representations and warranties contained in this Section 3.12 are the only representations and warranties being made with respect to employee and employment matters.

### 3.13 Financial Information.

(a) Seller has delivered to Buyer copies of the *estimated* unaudited pro forma consolidated statement of finished goods inventory of the Business at September 29, 2007 (the "Financial Information Date") and of manufacturing fixed assets and R&D/other fixed assets of the Business at the Financial Information Date, and the related *estimated* unaudited consolidated statement of net revenues and direct expenses of the Business for the years ended each of December 25, 2004, December 31, 2005 and December 30, 2006 (collectively, the "Financial Statements"). The Financial Statements have been prepared internally by Seller for management reporting purposes only.

(b) The Financial Statements have been derived from the books and records of Seller and have not been separately audited. The Financial Statements present fairly in all material respects the financial condition and results of operations of the Business as of the date indicated or the period indicated; *provided, however*, that the Financial Statements (i) do not contain all adjustments necessary to comply with GAAP (ii) do not reflect the assets, liabilities, revenues and expenses that would have resulted if the Business had operated as an unaffiliated independent company; (iii) include estimations for allocation of various revenues, costs and expenses on a reasonable basis and (iv) have not been audited by any independent certified public accountants or auditors.

### 3.14 Absence of Certain Changes

. From the Financial Information Date through the date of this Agreement, other than with respect to the transactions contemplated by this Agreement and the other Acquisition Documents, the Business has been conducted in the ordinary course of business, and there has not been:

(a) any creation, assumption or sufferance of (whether by action or omission) the existence of any Lien on any of the Transferred Assets, except, in each case, in the ordinary course of business, other than (i) Permitted Liens and (ii) Liens that would not reasonably be expected to have a Seller Material Adverse Effect;

(b) any waiver, amendment, termination or cancellation of any material Transferred Contract or any relinquishment of any material rights thereunder by Seller, or to the Knowledge of Seller, any other party, other than, in each such case, in the ordinary course of business or that are not material with respect to the Business;

(c) any material change by Seller in its accounting principles, methods or practices as they relate to the manner in which the Seller keeps its accounting books and records relating to the Business, except (i) any such change required by a change in GAAP or (ii) any change that results from any preparation or audit of any of the Business Financial Statements;

(d) any damage, destruction or other casualty loss that is material to the Transferred Assets, taken as a whole;

(e) any Seller Material Adverse Effect or any event, occurrence, development or state of circumstances or facts that has had or would reasonably be expected to have a Seller Material Adverse Effect; or

(f) any agreement for Seller to take any of the actions specified in paragraphs (a) through (d) above.

### 3.15 Environmental Matters.

(a) Except as would not reasonably be expected to have a Seller Material Adverse Effect, to the Knowledge of Seller: (i) Seller and each of its Subsidiaries is in material compliance with all material applicable Environmental Laws in connection with the ownership or use of the Transferred Assets; and (ii) there are no written claims pursuant to any Environmental Law pending or threatened in writing against Seller or any of its Subsidiaries in connection with the ownership or use of the Transferred Assets.

(b) The representations and warranties contained in this Section 3.15 are the only representations and warranties being made with respect to compliance with or liability under Environmental Laws, or with respect to any environmental, health or safety matter, including natural resources, related to the Business, the Transferred Assets or Seller's or its Subsidiaries' ownership or operation thereof.

### 3.16 Product Warranties

. A copy of Seller's product warranties currently in effect with respect to the Products as set forth in the order acknowledgement forms for the Products is set forth on Section 3.16 of the Seller Disclosure Letter. To the Knowledge of Seller, there are no material outstanding claims with respect to product warranties relating to the Products.

### 3.17 Transferred Assets

. Except for the Excluded Assets and the benefits received by the Business by virtue of it being operated by Seller or one of its Subsidiaries, the Transferred Assets and the assets made available to Buyer under the Acquisition Documents, or to be used by Seller or its Subsidiaries in the performance of the Transition Services Agreement, will, as of the Closing, constitute all material assets (other than Intellectual Property) necessary for the conduct of the Business as it is conducted by Seller and its Subsidiaries as of the date hereof.

### 3.18 Customers

. Section 3.18 of the Seller Disclosure Letter lists the names of the 10 largest customers to whom the Seller or its Subsidiaries has sold Products during the year ended December 30, 2006 (based on dollar amount of net billings in connection with the sale of such Products during such year). To Seller's Knowledge, neither Seller nor any of its Subsidiaries has received any written statement from any customer whose name appears on Section 3.18 of the Seller Disclosure Letter that such customer will not continue as a customer of the Business after the Closing.

### 3.19 Advisory Fees

. There is no investment banker, broker, finder or other intermediary or advisor that has been retained by or is authorized to act on behalf of Seller, who will be entitled to any fee, commission or reimbursement of expenses from Seller, or any Affiliate of Seller, upon consummation of the transactions contemplated by this Agreement, the nonpayment of which could result in a claim against, or obligation of, Buyer or any of its Affiliates.

### 3.20 Disclaimer of Warranties

. EXCEPT WITH RESPECT TO THE REPRESENTATIONS AND WARRANTIES SPECIFICALLY SET FORTH IN THIS ARTICLE III (WHICH MAY BE RELIED UPON BY BUYER), ALL OF THE TRANSFERRED ASSETS ARE BEING SOLD "AS IS, WHERE IS," AND SELLER MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WHETHER OF MERCHANTABILITY, SUITABILITY, NONINFRINGEMENT OR FITNESS FOR A PARTICULAR PURPOSE, OR QUALITY AS TO THE TRANSFERRED ASSETS OR ANY PART OR ITEM THEREOF, OR AS TO THE CONDITION, DESIGN, OBSOLESCENCE, WORKING ORDER OR WORKMANSHIP THEREOF, OR THE ABSENCE OF ANY DEFECTS THEREIN, WHETHER LATENT OR OTHERWISE, AND SELLER HEREBY DISCLAIMS ANY SUCH OTHER REPRESENTATIONS AND WARRANTIES.

## ARTICLE IV

### REPRESENTATIONS AND WARRANTIES OF BUYER

Subject to the exceptions to the representations and warranties in this Article IV that are disclosed in the disclosure letter delivered to Seller by Buyer on the date hereof (the "Buyer Disclosure Letter"), Buyer hereby represents and warrants to Seller, as of the date of this Agreement and as of the Closing Date, as follows:

#### 4.01 Existence and Good Standing

. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey and has all corporate power and authority required to carry on its business. Buyer is qualified to conduct business in and is in good standing in each jurisdiction in which it conducts business other than such jurisdictions where the failure to be so qualified would not reasonably be expected to have a Buyer Material Adverse Effect.

#### 4.02 Authorization and Enforceability

. Buyer has the corporate power and authority to execute, deliver and perform under this Agreement and to effect the transactions contemplated hereby, and Buyer has the corporate power and authority to execute, deliver and perform the Ancillary Agreements and the other Acquisition Documents to which it is a party and to effect the transactions contemplated thereby. The execution, delivery and performance by Buyer of this Agreement and the Ancillary Agreements, and the consummation of the transactions contemplated hereby and thereby have been, and the execution, delivery and performance by Buyer of any other Acquisition Documents to which Buyer is a party and the consummation of the transactions contemplated thereby will be prior to the Closing Date, duly authorized by all necessary corporate action of Buyer. This Agreement has been and, when executed at the Closing, the other Acquisition Documents to which it is a party will have been, duly and validly executed by Buyer, and, assuming the due execution and delivery of this Agreement and the other Acquisition Documents by Seller and the Transferring Subsidiaries, as applicable, will constitute the legal, valid and binding agreements of Buyer, enforceable against it in accordance with their respective terms, subject to any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to creditors' rights generally or to general principles of equity.

#### 4.03 Governmental or Other Authorization

. The execution, delivery and performance by Buyer of this Agreement and the other Acquisition Documents to which it is a party, and the consummation by it of the transactions contemplated hereby and thereby, require no Buyer Approvals.

#### 4.04 Non-Contravention

. Except for matters that would not reasonably be expected to have a Buyer Material Adverse Effect, the execution, delivery and performance by Buyer of this Agreement and the other Acquisition Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not (a) contravene or conflict with the certificate of incorporation or bylaws of Buyer, (b) assuming receipt of any Buyer Approvals that are Governmental Approvals, contravene or conflict with or constitute a material violation of any provision of any Applicable Law binding upon or applicable to Buyer, or (c) assuming receipt of Buyer Approvals that are not Governmental Approvals, constitute a material default under, give rise to any right of termination, cancellation, modification or acceleration of or a loss of any material benefit under any material agreement to which Buyer is a party.

#### 4.05 Capital Stock of Buyer

(a) The authorized capital stock of Buyer consists of 100,000,000 shares of Buyer Common Stock, of which 73,573,467 shares were issued and outstanding as of March 31, 2008, and 5,882,352 shares of preferred stock, no par value per share, of which no shares are issued and outstanding. All of such outstanding shares are or have been, and all of the shares of Buyer Common Stock to be issued to Seller on the Closing Date, when so issued, will be, duly authorized, validly issued, fully paid and nonassessable, free of preemptive rights and Liabilities created by statute, Buyer's certificate of incorporation or by-laws or any agreement to which Buyer is a party or by which Buyer is bound, and issued in compliance with all applicable state and federal laws concerning the issuance of securities. No shareholder approval or any other approvals are required for the issuance of the shares of the Buyer Common Stock to be issued to Seller at the Closing, and Buyer has reserved such shares for issuance to Seller.

(b) Except as disclosed in the Buyer SEC Documents, (i) no option, warrant, call, subscription right, conversion right or other contract or commitment of any kind exists of any character, written or oral, which may obligate Buyer to issue or sell, or by which any shares of capital stock may otherwise become outstanding and (ii) Buyer has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof.

#### 4.06 Buyer SEC Reports

. Buyer has filed all required documents with the Securities and Exchange Commission (the “SEC”) since December 31, 2004 (the “Buyer SEC Documents”). As of their respective dates, the Buyer SEC Documents complied in all material respects with the requirements of the Securities Act of 1933, as amended (the “Securities Act”) or the Exchange Act, as the case may be, and, at the respective times they were filed, none of the Buyer SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except to the extent corrected in a subsequent Buyer SEC Document filed prior to the date of this Agreement. The consolidated financial statements (including, in each case, any notes thereto) of Buyer included in the Buyer SEC Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, were prepared in accordance with GAAP (except as may be indicated in the notes thereto, in the case of the unaudited statements, as permitted by Form 10-Q of the SEC) applied on a consistent basis during the periods involved (except as may be indicated therein or in the notes thereto) and fairly presented in all material respects the consolidated financial position of Buyer and its consolidated Subsidiaries as at the respective dates thereof and the consolidated results of their operations and their consolidated cash flows for the periods then ended (except as otherwise noted therein and subject, in the case of unaudited statements, to normal year-end audit adjustments and to any other adjustments described therein).

#### 4.07 Absence of Certain Changes

. Except as disclosed in the Buyer SEC Documents, the business of Buyer and its Subsidiaries has been conducted in the ordinary course consistent with past practice, and since December 31, 2007 there has not been:

- (a) any event, occurrence, development or state of circumstances or facts that has had or would reasonably be expected to have a Buyer Material Adverse Effect;
- (b) any amendment of any material term of any outstanding security of Buyer;
- (c) any sale of a material amount of assets (tangible or intangible) of Buyer, other than sales of products in the ordinary course of business consistent with past practices;
- (d) any change in any method of accounting or accounting principles or practice by Buyer or any of its Subsidiaries, except for any such change required by reason of a concurrent change in GAAP; or
- (e) any agreement by Buyer or any officer thereof in their capacities as such to do any of the things described in the preceding clauses (a) through (d).

#### 4.08 Litigation

(a) . There are no Proceedings pending or, to Buyer’s Knowledge, any Proceedings threatened in writing or investigations pending or threatened in writing: (a) by or against Buyer or any of its Subsidiaries, or their respective activities, properties or assets that would reasonably be expected to have a Buyer Material Adverse Effect; or (b) that seeks to prevent, enjoin, alter or delay the transactions contemplated by this Agreement or any of the other Acquisition Documents. There are no existing orders, judgments or decrees of any Governmental Authority against Buyer or its Subsidiaries or relating to any of their respective business or properties, except for such orders, judgments or decrees as would not reasonably be expected to have a Buyer Material Adverse Effect.

#### 4.09 Compliance with Applicable Laws

. Buyer and its Subsidiaries have complied in all material respects with any Applicable Laws relating to their business and properties, except where the failure to comply would not reasonably be expected to have a Buyer Material Adverse Effect.

#### 4.10 Financing

. Buyer has, or will have as of the Closing Date, sufficient funds to permit the Buyer to consummate the transactions contemplated by this Agreement and the other Acquisition Documents. Notwithstanding anything to the contrary contained herein, the Parties acknowledge and agree that it shall not be a condition to the obligations of the Buyer to consummate the transactions contemplated hereby that the Buyer have sufficient funds for payment of the Consideration.

#### 4.11 Export Compliance

. Buyer acknowledges that the Transferred Assets include technology that is “controlled technology” under the U.S. Export Administration Regulations, including technology that is classified as ECCN 5A991 of the U.S. Export Administration Regulations.

#### 4.12 Advisory Fees

. There is no investment banker, broker, finder or other intermediary or advisor that has been retained by or is authorized to act on behalf of Buyer, who will be entitled to any fee, commission or reimbursement of expenses from Buyer, or any Affiliate of Buyer, upon consummation of the transactions contemplated by this Agreement, the nonpayment of which could result in a claim against, or obligation of, Seller, its Subsidiaries or any of its Affiliates.

#### 4.13 Reliance

. Buyer acknowledges that (a) the representations and warranties of Seller contained in Article III constitute the sole and exclusive representations and warranties of Seller to Buyer in connection with this Agreement and the transactions contemplated hereby, and (b) all other representations and warranties are specifically disclaimed and may not be relied upon or serve as a basis for a claim against Seller. BUYER ACKNOWLEDGES THAT SELLER

DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES OTHER THAN THOSE EXPRESSLY CONTAINED IN ARTICLE III OF THIS AGREEMENT AS TO THE TRANSFERRED ASSETS AND THE BUSINESS, WHETHER EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR WARRANTY FOR FITNESS FOR A PARTICULAR PURPOSE. BUYER IS ACQUIRING THE PURCHASED ASSETS ON AN "AS IS, WHERE IS" BASIS.

#### 4.14 Investigation

. Buyer is a sophisticated purchaser and has conducted such investigation and inspection of the Transferred Assets, the Assumed Liabilities, the Business and the Products that Buyer has deemed necessary or appropriate for the purpose of entering into this Agreement and consummating the transactions contemplated by this Agreement. In executing this Agreement, except for the representations and warranties expressly contained in Article III of this Agreement, Buyer is relying on its own investigation in electing to acquire the Transferred Assets on the terms and subject to the conditions set forth in this Agreement and the other Acquisition Documents, and on the provisions set forth herein and therein, and not on any other statements, presentations, representations, warranties or assurances of any kind made by Seller, any of its Subsidiaries, its or their representatives or any other Person. Neither the Seller nor any of its affiliates or representatives shall have any liability to the Buyer or any of its affiliates or representatives resulting from the use of any information, documents or materials made available to Buyer, whether orally or in writing, in any confidential information memoranda, "data rooms", management presentations, due diligence discussions or in any other form in expectation of the transactions contemplated by this Agreement and the other Acquisition Documents.

### ARTICLE V

#### COVENANTS

##### 5.01 Access to Information.

(a) Between the date hereof and the Closing, Seller agrees to provide to Buyer and its employees, financial advisors, attorneys and accountants reasonable access to the offices and properties where Seller conducts the Business and the Books and Records, upon reasonable prior notice, during normal business hours, under Seller's supervision and at Buyer's expense, in order to conduct a review of the Transferred Assets and the Business; *provided, however*, that nothing in this Section 5.01(a) shall be deemed to require any Party to disclose any information that it is prohibited from disclosing under any non-disclosure agreement entered into prior to the date of this Agreement or in the ordinary course of business after the date of this Agreement. Each of the Parties hereto will hold, and will cause its employees, financial advisors, attorneys and accountants to hold, in confidence all documents and information furnished to it by or on behalf of another party to this Agreement in connection with the transactions contemplated by this Agreement and the other Acquisition Documents pursuant to the terms of the Confidentiality Agreement.

(b) Buyer shall maintain for six years after the Closing Date all of the Books and Records. After the Closing, Buyer shall provide Seller and its employees, financial advisors, attorneys and accountants, during normal business hours and upon reasonable notice from Seller, with reasonable access to the Books and Records and with the ability to make, retain and use copies of such books and records. If, at any time after the sixth anniversary of the Closing Date, Buyer proposes to dispose of any of the Books and Records, Buyer shall first offer to deliver the same to Seller at the expense of Seller.

(c) Following the Closing, each Party (the "Possessing Party") will afford the other Party (the "Receiving Party"), its employees, financial advisors, attorneys and accountants, during normal business hours and upon reasonable notice from the Receiving Party, reasonable access to information relating to the Transferred Assets, the Assumed Liabilities and the Business in the Possessing Party's possession and, to the extent reasonably requested, will provide copies and extracts therefrom, all to the extent that such access may be reasonably required by the Receiving Party in connection with (i) the preparation of Tax Returns, (ii) compliance with the requirements of any Governmental Authority, (iii) the resolution of claims made by a third party against or incurred by Seller or Buyer pertaining to the Transferred Assets, the Assumed Liabilities or the Business, or (iv) the preparation by Buyer of financial statements relating to the Business, the Transferred Assets and the Assumed Liabilities to be filed with the SEC; *provided, however*, that nothing in this Section 5.01(c) shall be deemed to require any Party to disclose any information that it is prohibited from disclosing under any non-disclosure agreement entered into prior to the date of this Agreement or in the ordinary course of business after the date of this Agreement. The Receiving Party shall reimburse the Possessing Party for reasonable out-of-pocket costs and expenses incurred by the Possessing Party in providing such information and in rendering such assistance.

##### 5.02 Additions to and Modification of Schedules; Notification

(a) . If on the Closing Date or any date prior to the Closing Date, any of the information in any schedule or the Seller Disclosure Letter or the Buyer Disclosure Letter, as the case may be, is not true, accurate and complete in all material respects on and as of such date, either Party shall be entitled to amend the schedules or the Seller Disclosure Letter or Buyer Disclosure Letter, as the case may be, to make additions to or modifications of such schedules necessary to make the information set forth therein true, accurate and complete in all material respects; *provided, however*, that (x) any such amendment, addition or modification shall not be deemed to modify such Party's representations and warranties for purposes of Article VI or Article VII of this Agreement if (i) such amendment, addition or modification relates to matters occurring or arising prior to the date hereof that should have been disclosed in the Seller Disclosure Letter or Buyer Disclosure Letter, as the case may be, as of the date hereof but were not so disclosed or (ii) such amendment, addition or modification relates to actions by such Party after the date hereof and before the Closing Date in breach of this Agreement and (y) no such amendment shall add any new Contracts to the list of Transferred Contracts, amend Schedule 2.03(c) or add any Assumed Liabilities not contemplated by Section 2.03 without the prior written consent of Buyer. Between the date hereof and the Closing Date, each of Buyer and Seller shall notify the other party if Buyer or Seller, as the case may be, obtains Knowledge of any condition or event that would reasonably be expected to result in such Party being unable to satisfy the closing condition set forth in Section 6.01(a), in the case of Seller, or Section 6.02(a), in the case of Buyer. Between the date hereof and the Closing Date, Buyer shall notify Seller if it obtains Knowledge of any condition or event that would be reasonably likely to result in a material breach by Seller of its representations and warranties hereunder as of the Closing Date.

5.03 Compliance with Terms of Governmental Approvals and Consents. From and after the Closing Date, Buyer shall comply at its own expense with all conditions and requirements imposed on Buyer as set forth in (a) Buyer Approvals that are Governmental Approvals, to the extent necessary such that all such Governmental Approvals will remain in full force and effect assuming, if applicable, continued compliance with the terms thereof by Seller and (b) all Buyer Approvals of Persons other than Governmental Authorities, to the extent necessary such that all such consents and approvals will remain effective and enforceable against the Persons giving such consents and approvals, assuming, if applicable, continued compliance with the terms thereof by

Seller. From and after the Closing Date, Seller shall comply at its own expense with all conditions and requirements imposed on Seller as set forth in (a) Seller Governmental Approvals, to the extent necessary such that all such Seller Governmental Approvals will remain in full force and effect assuming, if applicable, continued compliance with the terms thereof by Buyer and (b) all Seller Contractual Consents to the extent necessary such that all such consents and approvals will remain effective and enforceable against the Persons giving such consents and approvals, assuming, if applicable, continued compliance with the terms thereof by Buyer.

#### 5.04 Use of Marks

. Notwithstanding any other provision of this Agreement, no interest in or right to use the name “Intel” or any derivation thereof or any other Trademarks, service marks or tradenames of Seller other than the Transferred Trademarks, if any (the “Retained Marks”), is being transferred or otherwise licensed to Buyer pursuant to the transactions contemplated by this Agreement. Buyer agrees not to use any materials bearing Retained Marks or sell, transfer or ship any products or related materials bearing Retained Marks (a) unless requested to do so by Seller, (b) except to the extent displayed on the hardcopy (non-electronic) form of such materials delivered to Buyer at the Closing or (c) except as required under Transferred Contracts with customers until, in all cases, the earlier of (i) such time as Buyer shall have qualified the use of its logo, Trademarks or tradenames with each such customer and (ii) 90 days after the Closing Date, or such later date as may be permitted pursuant to the terms of the Transition Services Agreement solely for the purposes as may be set forth therein, not to exceed one year from the Closing Date. The foregoing rights are subject to Seller’s standard Trademark usage guidelines, a copy of which has been provided to Buyer, and Seller reserves the right to practice quality control with regard to its marks and any products or services marketed or sold thereunder. Upon the expiration of the foregoing license, all materials bearing any Retained Mark in the possession of Buyer, any of its Subsidiaries or any of their respective agents shall be promptly destroyed. Prior to any distribution of any materials bearing Retained Marks, Buyer shall use its reasonable best efforts to redact or modify such materials in order to minimize or eliminate the use of the Retained Marks.

#### 5.05 Cooperation in Third Party Litigation

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(a) After the Closing, each Party shall provide such assistance and cooperation as the other Party or its counsel may reasonably request in connection with any Claims or Proceedings relating to the Business and the Transferred Assets, the Assumed Liabilities or the Business; *provided* that such duty to assist and cooperate shall be at the cost of the Party making such request.

(b) Without limiting the generality of the foregoing, with respect to the Transferred Employees, Buyer shall, upon Seller's reasonable request and at Seller's expense, make each such Transferred Employee reasonably available to Seller for meetings and/or teleconferences in preparation for depositions or any judicial proceedings in connection with any Claims or Proceedings relating to the Business and the Transferred Assets, the Assumed Liabilities or the Business, *provided* that such availability does not materially interfere with the Transferred Employees performance of his or her duties. In addition, Seller shall be permitted to retain copies of and use all documents (whether hard copy, electronic or otherwise) transferred as part of the Transferred Assets, or in the possession of the Transferred Employees, that relate to any Claims, Proceedings or investigations relating to the Business and the Transferred Assets, the Assumed Liabilities or the Business.

#### 5.06 Assignments

. Seller will reasonably cooperate with Buyer in transferring applications and registrations for the Transferred Copyrights, the Transferred Patents and the Transferred Trade Secrets to the extent that Seller has applied for or obtained registrations therefor; *provided, however*, that on and after the Closing Date, Seller shall not have or incur any further obligations or expenses in connection therewith, and it shall be the sole responsibility of Buyer to pursue, protect or perfect any such rights as it may see fit in its sole discretion.

#### 5.07 Consents and Filings; Further Assurances

. Each Party agrees to execute and deliver such other documents, certificates, agreements and other writings and to take such other commercially reasonable actions as may be reasonably necessary or desirable in order to (a) consummate or implement expeditiously the transactions contemplated by this Agreement and the other Acquisition Documents or (b) obtain any Seller Contractual Consents and, in connection therewith, obtain the release of Seller and/or its Affiliates from the Assumed Liabilities under the Transferred Contracts. Each Party agrees to execute and deliver such other documents, certificates, agreements and other writings and to take such other commercially reasonable actions as may be reasonably necessary or desirable to obtain from Governmental Authorities and other Persons all consents, approvals, authorizations, qualifications and orders as are necessary for the consummation of the transactions contemplated by this Agreement and the Acquisition Documents. Seller and Buyer shall keep each other timely apprised of the status of any communications with, and any inquiries from, the United States Federal Trade Commission and the United States Department of Justice, and shall comply promptly with any such inquiry or request. Notwithstanding the foregoing, no Party shall have any obligation to expend any funds or to incur any other obligation in connection with the consummation of the transactions contemplated hereby (including, by way of illustration only, any payment in connection with obtaining the Seller Contractual Consents, Seller Governmental Approvals or Buyer Approvals) other than normal out-of-pocket expenses (such as fees of counsel, accountants and auditors) reasonably necessary to consummate such transactions. Notwithstanding the foregoing, Seller shall not be required to assist Buyer to obtain any third party licenses.

#### 5.08 Public Announcements; Customer Contacts

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(a) Neither Buyer nor Seller nor any of their respective Affiliates, officers, directors, employees or other representatives shall issue any press release or otherwise make any public statements with respect to this Agreement or any of the other Acquisition Documents, or the transactions contemplated hereby or thereby without the prior written consent of Buyer (in the case of Seller) or Seller (in the case of Buyer), except as may be required by Applicable Law, or by the rules and regulations of, or pursuant to any agreement with, the Nasdaq Global Select Market. If any Party determines, with the advice of counsel, that it is required by Applicable Law or the rules and regulations of, or pursuant to any agreement with the Nasdaq Global Select Market to make any public statement regarding or otherwise publicly disclose this Agreement, any of the other Acquisition Documents, or any terms hereof or thereof, it shall, within a reasonable time before making any public disclosure, consult with the other Party regarding such disclosure and seek confidential treatment for such terms or portions of this Agreement or such other Acquisition Document as may be requested by the other Party.

(b) Notwithstanding anything in this Agreement to the contrary, prior to the Closing, Buyer and its officers, directors, employees or other representatives shall not, without the prior written consent of Seller: (i) contact any of Seller's customers or employees (other than those employees expressly designated by Seller to Buyer as members of its transaction team with respect to the Acquisition Documents) for the purpose of discussing the Business, the Transferred Assets or the transactions contemplated by this Agreement or any of the other Acquisition Documents; or (ii) discuss the Business, the Transferred Assets or the transactions contemplated by this Agreement or any of the other Acquisition Documents in any way whatsoever in the event of any contact with such customer employee (other than those employees expressly designated by Seller to Buyer as members of its transaction team with respect to the Acquisition Documents) not in violation of subsection (i) above.

#### 5.09 Allocation of Expenses.

(a) Allocation of Non-Tax Operating Expenses. All utility charges, gas charges, electric charges, water charges, water rents, sewer rents and Prepayments (including lease expenses but excluding Taxes), if any, shall be apportioned between Buyer and Seller as of the Closing Date, computed on the basis of the most recent meter charges or, in the case of annual charges, on the basis of the established fiscal year or other applicable time period to which the expenses apply. Seller shall be responsible for the proportionate amount of such operating expenses attributable to the period prior to the Effective Time and Buyer shall be liable for the proportionate amount of such operating expenses attributable to the period on and after the Effective Time. Within 90 days after the Closing, Seller and Buyer shall present a statement to the other setting forth the amount of reimbursement to which each is entitled under this Section 5.09(a), together with such supporting evidence as is reasonably necessary to calculate the proration amount. Such prorated amount shall be paid by the Party owing it to the other within 10 days after delivery of such statement.

(b) Allocation of Property Taxes. All real property taxes, personal property taxes and similar *ad valorem* obligations levied with respect to the Transferred Assets (the "Property Tax") for a taxable period that includes (but does not end on) the Closing Date shall be apportioned between Seller and Buyer as of the Closing Date based on the number of days of such taxable period included in the Pre-Closing Tax Period and the number of days of such taxable period included in the Post-Closing Tax Period. Seller shall be liable for the proportionate amount of such Property Taxes that is attributable to the Pre-Closing Tax Period, and Buyer shall be liable for the proportionate amount of such Property Taxes that is attributable to the Post-Closing Tax Period. Seller shall notify Buyer upon receipt of any bill for such Property Taxes relating to the Transferred Assets, part or all of which are attributable to the Post-Closing Tax Period, and shall promptly deliver such bill to Buyer who shall pay the same to the appropriate taxing authority; *provided*, that if such bill covers any part of the Pre-Closing Tax Period, Seller shall also remit prior to the due date of such Property Taxes to Buyer payment for the proportionate amount of such bill that is attributable to the Pre-Closing Tax Period. In the event that either Seller or Buyer shall thereafter make a payment for which it is entitled to reimbursement under this Section 5.09(b), the other Party shall make such reimbursement promptly, but in no event later than thirty days after the presentation of a statement setting forth the amount of reimbursement to which the presenting Party is entitled along with such supporting evidence as is reasonably necessary to calculate the amount of reimbursement. Any payment required under this Section 5.09(b) and not made when due shall bear interest at the rate of ten percent per annum.

(c) Payment of Taxes. Taxes described in Section 5.09(f) shall be timely paid, and all applicable Tax Returns shall be filed, as provided by Applicable Law. The paying party, if it is not the party responsible for paying the Taxes under Section 5.09(f), shall be entitled to reimbursement from the non-paying party to the extent the paying party is not responsible for the payment of the Taxes under Section 5.09(f). Upon payment of such Tax, the paying party shall present a statement to the non-paying party setting forth the amount of reimbursement to which the paying party is entitled under Section 5.09(f), along with such supporting evidence as is reasonably necessary to calculate the amount of reimbursement. Any payment required under this Section 5.09(c) and not made when due shall bear interest at the rate of ten percent per annum.

(d) Cooperation. As to the Taxes that are subject to Section 5.09(b) and Section 5.09(f) from and after the Closing Date, the Parties hereto agree to furnish or cause to be furnished to one another, upon request, as promptly as practicable, such information and assistance relating to the Transferred Assets and the Business as is reasonably necessary for the filing of all Tax Returns, the preparation for any audit by any taxing authority, and the prosecution or defense of any claim or Proceeding relating to any Tax Return. The Parties hereto shall cooperate with each other in the conduct of any audit or other Proceeding related to Taxes involving the Business and each shall execute and deliver such powers of attorney and other documents as are necessary to carry out the intent of this Section 5.09(d).

(e) Responsibility for Payment of Taxes. Taxes attributable to the Transferred Assets or the Business other than those treated specifically in Section 5.09(b) and Section 5.09(f), shall be borne by the Party incurring such Taxes (other than solely by reason of successor liability or similar provisions of law) under Applicable Law, and each Party shall indemnify, defend and hold the other Party harmless from and against all Taxes for which such Party is liable pursuant to this Section 5.09(e). The provisions of Section 5.09(c) regarding payment, verification, and interest shall apply to the Taxes that are subject to this Section 5.09(e).

(f) Sales and Use Taxes. All excise, value added, registration, stamp, recording, documentary, conveyancing, transfer, sales, use and any other Taxes arising out of the transfer of the Transferred Assets (the "Sales Tax") shall be determined as soon as possible after Closing based on the allocation described in Section 5.10 and shall be paid 100% by Buyer to the appropriate taxing authority. Seller shall reimburse Buyer for 50% of any Sales Tax due as a post-Closing adjustment to the Consideration. To the extent permitted by Applicable Law, Buyer and Seller shall cooperate fully in minimizing the Sales Tax. To the extent a taxing authority provides notice to Seller of an audit of the Sales Tax, Seller shall immediately notify Buyer and Buyer shall assume responsibility for such audit and shall pay when due any additional Sales Tax ultimately assessed with respect to the transactions contemplated by this Agreement. Upon notice from Buyer of any additional amount due upon completion of such audit, Seller shall remit to Buyer 50% of any such amount as an additional adjustment to the Consideration. Buyer shall have authority to control, settle or defend any proposed adjustment to the Sales Tax subject to Seller's approval, and Seller shall cooperate fully with Buyer, in its defense or settlement of any proposed adjustment to the Sales Tax; *provided* that Buyer shall promptly reimburse Seller for any out-of-pocket expenses Seller incurs in connection with such cooperation.

(g) Taxes Imposed on Consideration. All payments of Consideration shall be made at the Closing free and clear without deduction for any and all present and future Taxes or duties imposed by any Governmental Authority. In the event that Buyer is prohibited by Applicable Law from making such payments unless such deductions are made or withheld therefrom, then Buyer shall pay additional amounts at the Closing as are necessary in order that the net Consideration received by Seller, after such deduction or withholding, equals the amounts which would have been received if such deduction or withholding had not occurred. Buyer shall promptly furnish Seller with a copy of an official Tax receipt or other appropriate evidence of any Taxes imposed on payments made under this Agreement, including Taxes on any additional amounts paid. In the event that such Taxes or duties are legally imposed initially on Seller or Seller is later assessed by any Governmental Authority, then Seller shall be promptly reimbursed by Buyer for such Taxes or duties plus any interest and penalties suffered by Seller.

#### 5.10 Allocation of Consideration

. The Consideration shall be allocated in accordance with Schedule 5.10 (as such allocation shall be determined prior to Closing and attached hereto immediately prior to the Closing). Each of the Parties hereto agrees to report the transactions contemplated hereby for state, federal and foreign Tax purposes in accordance with such allocation of the Consideration. Seller shall prepare Schedule 5.10 subject to Buyer's approval, which approval shall not be unreasonably withheld. The Parties shall treat all indemnification payments made under this Agreement as an adjustment to the Consideration for applicable Tax purposes, to the extent allowable under Applicable Law.

#### 5.11 Accounts Receivable.

(a) Following the Closing: (i) if Buyer or any of its Subsidiaries receives any payment, refund or other amount that is an Excluded Asset or is otherwise properly due and owing to Seller or any of its Subsidiaries in accordance with the terms of this Agreement or any other Acquisition Document including, without limitation, any Seller Accounts Receivable, Buyer shall forward to Seller, or cause one of its Subsidiaries to forward to Seller, immediately upon receipt thereof, such amounts to Seller; and (ii) if Seller or any of its Subsidiaries receives any payment, refund or other amount that is a Transferred Asset or is otherwise properly due and owing to Buyer or any of its Subsidiaries in accordance with the terms of this Agreement or any other Acquisition Document, including, without limitation, any Buyer Accounts Receivable, Seller shall forward to Buyer, or cause one of its Subsidiaries to forward to Buyer, immediately upon receipt thereof, such amounts to Buyer.

(b) In determining whether a payment received by either Party is a payment of an Account Receivable of Seller or Buyer, the receiving Party may rely on any invoice or contract number referred to on the payment or in correspondence accompanying such payment. To the extent any payment, refund or other amount received by Seller or Buyer from a customer or other account debtor does not specify which outstanding invoice or receivable it is in payment of, such payment shall be applied to the earliest invoice outstanding with respect to indebtedness of such customer or other account debtor, except for those invoices which are subject to a dispute to the extent of such dispute. Following the Closing, Buyer will provide such cooperation as Seller shall reasonably request, at Seller's expense, in connection with Seller's collection of outstanding Seller Accounts Receivable.

(c) Following the Closing, the Parties shall cooperate in promptly advising customers to direct to the appropriate Party any future payments by such customers.

#### 5.12 Accounts Payable

. Unless otherwise set forth in the Transition Services Agreement, to the extent that Buyer receives any invoices for Seller Accounts Payable or statements evidencing amounts owed by Seller or any of its Subsidiaries to another Person, Buyer will promptly deliver such documents to Seller. To the extent that Seller receives any invoices for Buyer Accounts Payable or statements evidencing amounts owed by Buyer to another Person, Seller will promptly deliver such documents to Buyer.

#### 5.13 Bulk Sales Laws

. The Parties agree to waive the applicability of any provisions of any bulk sales laws in any jurisdiction.

#### 5.14 Operation of the Business Prior to Closing

. Between the date of this Agreement and the Closing Date, except as contemplated in this Agreement, any of the other Acquisition Documents or as set forth in Schedule 5.14, or unless Buyer shall otherwise agree in writing (which consent shall not be unreasonably withheld or delayed), Seller shall use commercially reasonable efforts to:

(a) operate the Business in the ordinary course of business in all material respects;

(b) maintain the tangible assets that are Transferred Assets as a whole in all material respects in at least as good condition as they are being maintained on the date hereof, subject to normal wear and tear;

(c) (i) not sell, assign, license or transfer any of the Transferred Assets, except transfers of immaterial Transferred Assets, sales of Business Inventory in the ordinary course of business and licenses of the Transferred Assets pursuant to non-exclusive licenses with third parties in the ordinary course of business and (ii) not permit any of the Transferred Assets to be subjected to any Lien, other than the Permitted Liens;

(d) not fail to pay or discharge when due any Liability of which the failure to pay or discharge would cause any material damage or loss to the Transferred Assets, taken as a whole;

(e) not amend any material term of or terminate any material Transferred Contract, other than in the ordinary course of business;

(f) not initiate any Proceeding that relates exclusively to the Transferred Assets;

(g) not make any material change in its accounting principles, methods or practices as they relate to the manner in which Seller keeps its accounting books and records relating to the Business, except for (i) any such change required by a change in GAAP or (ii) any change resulting from the preparation or audit of the Business Financial Statements;

(h) not grant to any Business Employee any increase in compensation or in severance or termination pay, grant any severance or termination pay, or enter into any employment deferred compensation agreement or any similar agreement with any such employee, except as may be (i) required under Applicable Law, Seller's termination policy (whether existing as of the date hereof or adopted hereafter) or any employment or termination agreement in effect on the date hereof or (ii) in the ordinary course of business; and

(i) not enter into any agreement to take any action that would violate in any material respect any of the foregoing.

## 5.15 Employees Matters.

(a) Employment Offers. Subject to Applicable Law, Buyer may make offers of employment to each Business Employee to be effective as of the Closing or on such other date as may be agreed by the Parties. The offers of employment for each such Business Employee to whom Buyer makes an offer will (i) include employment terms that are substantially similar to terms offered to similarly situated employees of Buyer, and (ii) supersede any prior agreements with the Seller regarding the terms and conditions of employment with such Business Employee as in effect prior to the Closing Date; *provided, however*, that in no event shall any prior agreement with respect to Intellectual Property be superseded, except that all Transferred Employees shall be permitted to disclose to Buyer all information in their possession or otherwise known by them that relate directly to the Business and not related to Patents or confidential information of Seller. Buyer shall be responsible for all liabilities, salaries, benefits and similar employer obligations that arise after Closing under Buyer's compensation and benefit plans and policies for all Transferred Employees or pursuant to Section 2.03(c). In particular, Buyer shall be responsible for liabilities with respect to the termination of any Transferred Employees by Buyer after the Closing, including health care continuation coverage with respect to plans established or maintained by Buyer after the Closing to the extent that the Transferred Employees participate therein, and damages or settlements arising out of any claims of wrongful or illegal termination by Buyer following the Closing, and for complying with the requirements of all Applicable Laws with respect to any such termination by Buyer after the Closing. Seller shall be solely responsible for (i) any Liabilities or obligations with respect to the Business Employees including the Transferred Employees, that arise prior to the Closing, (ii) any liabilities or obligations with respect to any Business Employees who do not become Transferred Employees, and (iii) subject to Section 2.03(c), any liabilities or obligations with respect to Transferred Employees under the Employee Plans or the Employee Agreements that arise following the Closing.

(b) Employee Information and Access. Seller hereby agrees to use its commercially reasonable efforts, and to cause each Subsidiary of Seller to use its commercially reasonable efforts, to assist Buyer in making offers to the Business Employees, including providing Buyer with access to such Business Employees during the period from the date of this Agreement until Closing, *provided* that such access does not unreasonably interfere with the performance of such Business Employees' duties. Seller agrees to provide to Buyer certain general information concerning Seller's compensation and benefit programs and specific information relating to individual Business Employees, subject to Applicable Law and, to the extent required, any such employee's proper consent, solely for the purpose of Buyer formulating offers of employment to such employees; *provided, however*, that Seller will not make personnel records available for inspection or copying.

## 5.16 Non-Compete Agreement.

(a) Beginning on the Closing Date and ending on the one-year anniversary of the Closing Date, Seller shall not directly or through any of its Subsidiaries, without the prior written consent of Buyer, engage in a Competitive Business Activity anywhere in the world except as may be contemplated by this Agreement or any of the other Ancillary Agreements. The foregoing shall not prohibit Seller from making an investment in any Person engaged in Competitive Business Activities or from acquiring a Person or engaging in a divestiture transaction with any Person that derives all or a portion of its revenue from Competitive Business Activities.

(b) The covenants contained in Section 5.16(a) shall be construed as a series of separate covenants, one for each country, province, state, city or other political subdivision of the world. Except for geographic coverage, each such separate covenant shall be deemed identical in terms to the covenant contained in Section 5.16(a). If, in any judicial proceeding, a court refuses to enforce any of such separate covenants (or any part thereof), then such unenforceable covenant (or such part) shall be eliminated from this Agreement to the extent necessary to permit the remaining separate covenants (or portions thereof) to be enforced. In the event that the provisions of Section 5.16(a) are deemed to exceed the time, geographic or scope limitations permitted by applicable law, then such provisions shall be reformed to the maximum time, geographic or scope limitations, as the case may be, permitted by Applicable Laws.

(c) Seller shall not be deemed to be in breach of Section 5.16(a) unless and until Buyer provides notice to Seller of the operations of Seller that Buyer believes constitute a violation of Section 5.16(a) and a period of 90 days following receipt of such notice has expired without resolution by the Parties. Such notice shall specify in reasonable detail the basis for such alleged breach. The senior management of the Parties shall meet and attempt in good faith to negotiate a resolution of such dispute. If the Parties resolve their dispute or Seller either ceases or divests itself of the Competitive Business Activity within the 90 day notice period, or within 180 days following the good faith determination of the Parties that such dispute cannot be resolved, Seller shall not be deemed to have been in violation of Section 5.16(a).

(d) Notwithstanding any other clause of this Agreement to the contrary, Buyer agrees that monetary damages shall be the sole remedy in the event that any of the provisions of Section 5.16(a) are not performed in accordance with their specific terms or are otherwise breached, regardless of whether such non-performance or breach by Seller is willful, and no other legal or equitable relief or remedy, including injunctive relief to prevent breaches of Section 5.16(a) of this Agreement, or to enforce specifically the terms and provisions of Section 5.16(a) of this Agreement shall be available from any Governmental Authority.

(e) The activities of Seller and its Affiliates pursuant to and permitted by any of the other Acquisition Documents shall not constitute Competitive Business Activity nor otherwise violate the covenants and agreements of the Parties in this Agreement.

## 5.17 Non-Solicitation Agreements.

(a) Following the Closing, Buyer agrees that it shall not directly or indirectly (through its Subsidiaries or any of Buyer's or its Subsidiaries respective officers, directors, employees or other agents) solicit for employment any person who is employed, contracted or engaged by Seller or any of its Subsidiaries (except if such person is otherwise subject to a Seller redeployment employee action or a Seller Voluntary Separation Program) until the date that is one year after the Closing Date (or, if this Agreement is terminated prior to Closing, until the date that is one year after the date of such termination), nor shall it directly or indirectly induce any person to breach any contractual agreement(s) that they may have with Seller or any of its Subsidiaries, unless Seller consents in writing thereto.

(b) Seller agrees that it shall not directly or indirectly (through its officers, directors, employees or other agents) solicit for employment any of the Transferred Employees until the date that is one year after the Closing Date, nor shall it directly or indirectly induce any person to breach any contractual agreement(s) that they may have with Buyer or any of its Subsidiaries, unless Buyer consents in writing thereto. Following the Closing, Seller agrees that its Embedded and Communications Group (the "Selling Group") will not directly or indirectly, solicit for employment any employee of Buyer or its Subsidiaries who became known to the Selling Group in connection with its consideration of the transactions contemplated by this Agreement until the date that is one

year after the Closing Date, nor shall it directly or indirectly induce any person to breach any contractual agreement(s) that they may have with Buyer or any of its Subsidiaries, unless Buyer consents in writing thereto.

(c) The parties hereto acknowledge and agree that general postings or advertisements of job openings and the retention of search firms to assist in filling open job requisitions shall not be deemed to be a violation of the provisions of this Section 5.17.

#### 5.18 Protection of Privacy

. The data related to customers of the Business which is included in the Transferred Assets (the “Customer Data”) has been collected by Seller over the internet under the conditions set forth in the Seller Privacy Policy attached as Schedule 5.18 to this Agreement (the “Privacy Policy”) and is transferred to Buyer subject to the obligations set forth in the Privacy Policy. Buyer covenants and agrees that it will not use the Customer Data in any manner that conflicts with the terms of the Privacy Policy and agrees to indemnify and hold Seller harmless from any third party claim arising out of Buyer’s use or misuse of the Customer Data.

#### 5.19 Business Financial Statements

. Seller shall use commercially reasonable efforts to provide Buyer on or before May 7, 2008, at Seller’s expense, with a single audited statement of assets to be acquired and liabilities to be assumed of both the Business and of the Lassen Business as of December 30, 2006 and December 29, 2007 and a single statement of net revenues and direct expenses of both the Business and the Lassen Business for the fiscal years ended December 31, 2005, December 30, 2006 and December 29, 2007 (collectively, “Business Financial Statements”). Effective as of the Closing Date, the parties agree that the provisions of Section 5.19 of the Lassen Purchase Agreement shall be of no further force and effect and Seller shall have no obligations thereunder.

#### 5.20 Export Compliance

. From and after the Closing Date, Buyer and each of its Subsidiaries shall comply at its own expense with all conditions and requirements imposed on Buyer or such Subsidiary by applicable U.S. Export Administration Regulations and such other similar regulations that are imposed on the Transferred Assets. Buyer agrees that it will not export, either directly or indirectly, through any of its Subsidiaries or otherwise, any Product or associated technology or systems incorporating such Product without first obtaining any required license or other approval from the appropriate host Governmental Authority with appropriate authority.

#### 5.21 Confidentiality

(a) The information contained herein, in schedules to this Agreement and the Seller Disclosure Letter and delivered to Buyer or its authorized representatives pursuant hereto shall be subject to the Confidentiality Agreement as Confidential Information (as defined in the Confidentiality Agreement) of Seller until the Closing and, for that purpose and to that extent, the terms of the Confidentiality Agreement are incorporated herein by reference. All obligations of Buyer under the Confidentiality Agreement in respect of the Transferred Assets shall terminate simultaneously with the Closing.

(b) From and after the Closing, any and all non-public information included in the Transferred Assets or the Assumed Liabilities shall be subject to the Confidentiality Agreement as Confidential Information (as defined in the Confidentiality Agreement) of Buyer and Buyer shall be deemed the disclosing party with respect to such information under the Confidentiality Agreement. For that purpose and to that extent, the terms of the Confidentiality Agreement are incorporated herein by reference.

(c) Notwithstanding the foregoing, nothing herein shall restrict Seller or Buyer, any of their respective Affiliates or any of their respective representatives, as applicable, from using or disclosing any Confidential Information (i) to the extent that such disclosure is required by Applicable Law, *provided, however*, that Seller, Buyer, any of its Affiliates or any of their respective representatives, as applicable, promptly notifies the disclosing party of such requirement in order that the disclosing party may seek an appropriate protective or similar order or (ii) in connection with any proceeding before or filed with, or other disclosure made to, a court, arbitration tribunal or mediation service to enforce any of a Party’s rights arising in connection with the termination of this Agreement.

#### 5.22 Availability of Information; Registration Statement

. With respect to the Share Consideration, (i) until the first anniversary of the Closing Date, Buyer shall make publicly available the information required by Rule 144(c)(1) under the Securities Act and (ii) in the event that Buyer files a registration statement registering shares of Buyer Common Stock other than under the Buyer Registration Rights Agreement (other than a registration statement relating to a business combination or employee benefit plan) before the date that is six months following the Closing Date, if requested by Seller, Buyer shall use commercially reasonable efforts to include the Share Consideration in such registration statement and Buyer and Seller shall negotiate in good faith the terms of such inclusion; *provided, however*, that Buyer shall not be required to include the Share Consideration in such registration statement for an underwritten offering if the managing underwriter for such underwritten offering advises Buyer that that marketing factors require a limitation of the number of securities to be underwritten.

#### 5.23 Lease

. Seller is a party to a lease agreement dated as of April 14, 2000, as such lease has been amended from time to time (the “Seller Lease”) with ProLogis Limited Partnership I (“Landlord”) with respect to the property at (i) 8678 Thornton Avenue, Building A, Newark, CA 94560 (“Newark Facility TB2”) and (ii) 8674 Thornton Avenue, Building 2, Newark CA 94560 (“Newark Facility TB1”).

(a) Buyer shall use commercially reasonable efforts to enter into a new lease, on terms and conditions acceptable to Buyer in its sole discretion, as soon as practicable after the date of this Agreement with respect to Newark Facility TB1 and Newark Facility TB2. Such lease shall provide for termination of the Seller Lease with respect to Newark Facility TB1 and Newark Facility TB2 as of the effective date of the Buyer’s lease without any further obligation or payment by Seller with respect to Newark Facility TB1 and Newark Facility TB2, including a full release by the Landlord of Seller from Seller’s obligation to remove Tenant Made Alterations, Trade Fixtures and any leasehold improvements to the Original Premises (the “Removal Costs”) (any such lease, the “Buyer Lease”). Such Buyer Lease may be executed in connection with or combined with the Buyer Lease that Buyer expects to execute pursuant to the Lassen Purchase Agreement.

(b) Only in the event that Buyer executes and delivers a Buyer Lease with Landlord prior to April 30, 2008, Seller shall transfer to Buyer all of Seller's right, title and interest in the assets listed on Schedule 5.23 (the "Facility Assets"). If the Buyer executes and delivers a Buyer Lease with Landlord prior to the Closing Date, Seller shall deliver to Buyer at Closing a Bill of Sale transferring all of Seller's right, title and interest to the Facility Assets to Buyer as of such date and Buyer shall deliver to Seller a fully executed Buyer Lease.

5.24 Continuity of Services by Foxconn. Seller shall use commercially reasonable efforts to encourage Hon Hai Precision Industry Co Ltd ("Foxconn") to continue to provide to Buyer supply and manufacturing services in connection with the Transferred Assets on terms and conditions, including pricing, substantially similar to those services it provided to Seller in connection with the Business until the earlier of (a) Buyer's execution of a new agreement with Foxconn, or (b) the expiration or termination of the manufacturing-related services in the Transition Services Agreement.

5.25 Lockup. Until the Lockup Termination Date, Seller may not sell, offer to sell, enter into any contract or agreement to sell, hypothecate, pledge, grant any option to purchase, make any "short sale" or otherwise dispose of or agree to dispose of, directly or indirectly, any securities of Buyer issued to Seller as Share Consideration pursuant to this Agreement, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, with respect to any securities of Buyer issued to Seller as Share Consideration pursuant to this Agreement and owned by Seller (including holding as a custodian) or with respect to which Seller has beneficial ownership within the rules and regulations of the SEC, in each case, or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any securities of Buyer issued to Seller as Share Consideration pursuant to this Agreement. "Short sales" for purposes of this paragraph shall have the meaning as defined in Rule 200 of Regulation SHO adopted under the Exchange Act and all types of direct and indirect stock pledges forward sale contracts, options, puts, calls, short sales, swaps and similar arrangements (including on a total return basis), and sales and other transactions through non-US broker-dealers or foreign regulated brokers having the effect of hedging the securities of Buyer. The "Lockup Termination Date" means the earlier of (i) the date that is 45 days after the Registration Statement on Form S-1 filed by Buyer with the SEC on March 13, 2008 is declared effective by the SEC and (ii) the date that is 45 days after the date as of which all Registrable Securities covered by such Registration Statement may be sold without restriction by any Person that is not an Affiliate of Buyer pursuant to Rule 144 (or any successor thereto) promulgated under the Securities Act. For the avoidance of doubt, this Section 5.25 shall apply only to the shares of Buyer Common Stock issued to Seller as Share Consideration pursuant to this Agreement. This Section 5.25 shall not apply to shares of Buyer Common Stock issued to Seller as Stock Consideration under the Lassen Purchase Agreement or to shares of Buyer Common Stock acquired by Seller in the open market or otherwise from a party other than Buyer and its Affiliates. Seller agrees that a legend with respect to the restrictions set forth in this Section 5.25 shall be placed on all certificates representing the Share Consideration issued to Seller pursuant to this Agreement.

## ARTICLE VI

### CONDITIONS TO CLOSING

#### 6.01 Conditions to Obligations of Buyer

. The obligations of Buyer to consummate the Closing are subject to the satisfaction or waiver by Buyer of each of the following conditions (it being understood that each such condition is solely for the benefit of Buyer and may be waived by Buyer in its sole discretion without notice or liability to any Person):

(a) Performance by Seller. (i) Seller shall have performed and satisfied in all material respects its obligations hereunder required to the extent required to be performed and satisfied by it on or prior to the Closing Date, (ii) the representations and warranties of Seller contained herein, as the same may be amended pursuant to Section 5.02 or Section 9.03, shall be true and correct in all respects at and as of the Closing as if made as of the Closing Date, other than representations and warranties which address matters only as of a certain date which shall have been true and correct in all respects as of such certain date and except, in any case, (disregarding for these purposes any exception set forth in such representations and warranties relating to materiality or a Seller Material Adverse Effect) for failures of such representations and warranties to be true and correct that have not had and would not reasonably be expected to have a Seller Material Adverse Effect, and (iii) Buyer shall have received a certificate signed by a duly authorized executive officer of Seller to the foregoing effect.

(b) No Violation. No Governmental Authority shall have enacted, issued, promulgated or entered any Applicable Law which is in effect on the Closing Date which has or would have the effect of prohibiting, restraining or enjoining the consummation of the transactions contemplated by this Agreement. No temporary restraining order, preliminary or permanent injunction, cease and desist order or other order issued by any court or other Governmental Authority that has the effect of making the transactions contemplated hereby illegal or otherwise prohibiting consummation of the transfers contemplated hereby or the consummation of the Closing, or imposing upon Buyer material fines or penalties in respect thereof, shall be in effect as of the Closing Date, and there shall be no pending or threatened actions or proceedings by any Governmental Authority (or determinations by any Governmental Authority) challenging or in any manner seeking to prohibit the transfer contemplated hereby or the consummation of the Closing.

(c) Closing Documents. Seller shall have executed and delivered to Buyer all Ancillary Agreements and each of the other documents required to be delivered by Seller in accordance with Section 2.07.

#### 6.02 Conditions to Obligations of Seller

. The obligations of Seller to consummate the Closing are subject to the satisfaction or waiver by Seller of each of the following conditions (it being understood that each such condition is solely for the benefit of Seller and may be waived by Seller in its sole discretion without notice or liability to any Person):

(a) Performance by Buyer. (i) Buyer shall have performed and satisfied in all material respects its obligations hereunder required to the extent required to be performed and satisfied by it on or prior to the Closing Date, (ii) the representations and warranties of Buyer contained herein shall be true and correct in all respects at and as of the Closing as if made as of the Closing Date, other than representations and warranties which address matters only as of a certain date which shall have been true and correct in all respects as of such certain date and except, in any case, (disregarding for these purposes any exception in such representations and warranties relating to materiality or a Buyer Material Adverse Effect) for failures of such representations and warranties

to be true and correct that have not had and would not reasonably be expected to have a Buyer Material Adverse Effect, and (iii) Seller shall have received a certificate signed by a duly authorized executive officer of Buyer to the foregoing effect.

(b) No Violation. No Governmental Authority shall have enacted, issued, promulgated or entered any Applicable Law which is in effect on the Closing Date which has or would have the effect of prohibiting, restraining or enjoining the consummation of the transactions contemplated by this Agreement. No temporary restraining order, preliminary or permanent injunction, cease and desist order or other order issued by any court or other Governmental Authority that has the effect of making the transactions contemplated hereby illegal or otherwise prohibiting consummation of the transfers contemplated hereby or the consummation of the Closing, or imposing upon Seller material fines or penalties in respect thereof, shall be in effect as of the Closing Date, and there shall be no pending or threatened actions or proceedings by any Governmental Authority (or determinations by any Governmental Authority) challenging or in any manner seeking to prohibit the transfer contemplated hereby or the consummation of the Closing.

(c) Closing Documents. Buyer shall have executed and delivered to Seller all Ancillary Agreements and each of the other documents required to be delivered by Buyer in accordance with Section 2.07.

## ARTICLE VII

### INDEMNIFICATION

#### 7.01 General Survival

. The Parties agree that, regardless of any investigation made by the Parties, the representations and warranties and the indemnification obligations with respect to the representations and warranties of the Parties contained in this Agreement shall survive for a period beginning on the date hereof and ending at 5:00 p.m., California time, on the date that is 12 months after the Closing Date. Upon the expiration of the indemnification period for a representation or warranty pursuant to this Section 7.01, unless written notice of a claim based on such representation or warranty specifying in reasonable detail the facts on which the claim is based shall have been delivered to the Indemnitor prior to the expiration of such representation or warranty, such representation or warranty shall be deemed to be of no further force or effect, as if never made, and no action may be brought based on the same, whether for indemnification, breach of contract, tort or under any other legal theory. If written notice of a claim based on a representation or warranty as described in the prior sentence shall have been delivered to the Indemnitor prior to the date that is 12 months after the Closing Date, then such representation or warranty described in such notice shall survive until the related claim for indemnification has been resolved in accordance with this Article VII. All covenants and agreements of the Parties set forth in this Agreement with respect to the actions of the Parties following the Closing shall survive indefinitely to the extent necessary to give effect to their terms.

#### 7.02 Indemnification

(a) Indemnification Provisions for Buyer. Subject to the provisions of Section 7.01, from and after the Closing Date, Buyer and its Affiliates, officers, directors, stockholders, employees, representatives and agents (collectively the “Buyer Indemnitees”) shall be indemnified and held harmless by Seller from and against and in respect of any and all Losses incurred by any Buyer Indemnitee arising out of or resulting from:

- (i) any inaccuracy in or breach of any of Seller’s representations or warranties contained in this Agreement;
- (ii) any misrepresentation contained in any certificate furnished to Buyer by Seller pursuant to Section 2.07(e) or Section 6.01(a);
- (iii) any breach of any covenant made or to be performed by Seller pursuant to this Agreement;
- (iv) any failure of Seller to satisfy any Excluded Liabilities; and
- (v) any Taxes or expenses required to be paid by Seller under this Agreement.

(b) Indemnification Provisions for Seller. Subject to the provisions of Section 7.01, from and after the Closing Date, Seller and their Affiliates, officers, directors, stockholders, employees, representatives and agents (collectively, the “Seller Indemnitees”) shall be indemnified and held harmless by Buyer from and against and in respect of any and all Losses incurred by any Seller Indemnitee arising out of or resulting from:

- (i) any inaccuracy in or breach of any of Buyer’s representations or warranties, contained in this Agreement;
- (ii) any misrepresentation contained in any certificate furnished to Seller by Buyer pursuant to Section 2.07(f) or Section 6.02(a);
- (iii) any breach of covenant made or to be performed by Buyer pursuant to this Agreement;
- (iv) any failure of Buyer to satisfy any Assumed Liabilities and any Liabilities arising from or relating to the Transferred Assets and arising subsequent to the Closing; and
- (v) any Taxes or expenses required to be paid by Buyer under this Agreement.

(c) For purposes of this Agreement, the term “Indemnitee” shall mean either Buyer Indemnitee or a Seller Indemnitee, as the case may be, and the term “Indemnitor” shall mean either Buyer Indemnitor or a Seller Indemnitor, as the case may be.

(d) For purposes of this Agreement, the term, “Losses” means any and all deficiencies, judgments, settlements, demands, claims, suits, actions or causes of action, proceedings, assessments, liabilities, losses, Taxes, damages (excluding indirect, incidental or consequential damages), interest, fines, penalties, costs, fees and expenses (including reasonable court, legal, accounting and other costs and expenses) incurred in connection with investigating, defending, settling or satisfying any and all demands, claims, actions, causes of action, suits, proceedings, assessments, judgments or appeals, and in seeking

indemnification therefor. Notwithstanding the above, Losses shall not include expenses incurred in connection with investigations except in connection with claims made by a third party against the Indemnatee.

(e) No Buyer Indemnatee shall be entitled to indemnification for any Losses covered by Sections 7.02(a)(i) or (ii) until the aggregate amount of all such Losses of the Buyer Indemnatees shall exceed \$350,000 (the “Basket”), at which time all such Losses incurred by the Buyer Indemnatees shall be subject to indemnification by the relevant Indemnitor hereunder (subject to the limitations set forth in this Agreement). The Basket shall not apply to Losses covered by Sections 7.02(a)(iii)-(v) or that result from fraud. No Seller Indemnatee shall be entitled to indemnification for any Losses covered by Section 7.02(b)(i) or (ii) until the aggregate amount of all such Losses of the Seller Indemnatees shall exceed the Basket, at which time all such Losses incurred by the Seller Indemnatees shall be subject to indemnification by the relevant Indemnitor hereunder (subject to the limitations set forth in this Agreement). The Basket shall not apply to Losses covered by Sections 7.02(b)(iii)-(v) or that result from fraud.

(f) The amount of any Losses otherwise recoverable under this Section 7.02 shall be reduced by (i) any amounts to which the Indemnitees actually receive under insurance policies, the Parties hereby acknowledging and agreeing that prior to asserting any Indemnification Claim, the Indemnatee must first seek reimbursement for any and all Losses from any applicable insurance coverage (and that any compensation provided under this Agreement is not to be deemed insurance for any purpose); and (ii) any Tax adjustments, benefits, savings or reductions actually realized by the Indemnatee, provided that no Indemnatee shall be required to actually realize any such Tax adjustments, benefits, savings or reductions before making a claim pursuant to this Article VII.

#### 7.03 Manner of Indemnification.

(a) Each indemnification claim shall be made only in accordance with this Article VII.

(b) If an Indemnatee wishes to make a claim for Losses under Article VII of this Agreement, Indemnatee shall deliver a written notice (a “Notice of Claim”) to the applicable Indemnitor promptly after becoming aware of the facts giving rise to such claim. The Notice of Claim shall (i) specify in reasonable detail the nature of the claim being made, and (ii) state the aggregate dollar amount of such claim (or a reasonable and good faith estimate of such aggregate dollar amount if the actual aggregate dollar amount is not known).

(c) Following receipt by Indemnitor of a Notice of Claim, the Parties shall promptly meet to agree on the rights of the respective Parties with respect to each of such claims. If the Parties should so agree, a memorandum setting forth such agreement shall be prepared and signed by both Parties and amounts agreed upon shall be promptly paid. Any dispute between the Parties that remains unresolved after ten Business Days following the delivery of a Notice of Claim shall be resolved in accordance with Section 9.12 and Section 9.13 and the other applicable provisions of this Agreement.

#### 7.04 Third-Party Claims

. If an Indemnatee becomes aware of a claim of a third party (including for all purposes of this Section 7.04, any Governmental Authority) (a “Third Party Action”) that such Indemnatee believes, in good faith, may result in a claim by it against an Indemnitor, such Indemnatee shall notify the applicable Indemnitor of such claim as promptly as practicable, *provided, however*, that the failure to so notify the Indemnitor shall not affect rights to indemnification hereunder except to the extent that the Indemnitor is materially prejudiced by such failure. The Indemnitor shall have the right to assume and conduct the defense of such claim; *provided, however*, that Indemnitor may not assume control of the defense of any Third Party Action if (i) the Third Party Action seeks injunctive relief against the Indemnatee but not against the Indemnitor or (ii) if the Losses of Indemnatee in respect of claims subject to the Indemnification Cap in such Third Party Action would reasonably be expected to be in excess of the Indemnification Cap. The Indemnitor shall conduct such defense in a commercially reasonable manner at its own expense, and shall be authorized to settle any such claim without the consent of the Indemnatee; *provided, however*, that: (a) the Indemnitor shall not be authorized to encumber any assets of the Indemnatee or agree to any restriction that would apply to the Indemnatee or the conduct of the Indemnatee’s business; (b) the Indemnitor shall have paid or caused to be paid any amounts arising out of such settlement; and (c) a condition to any such settlement shall be a complete release of the Indemnatee with respect to such third party claim. The Indemnatee shall be entitled to participate in (but not control, except as set forth in the proviso to the second sentence of this Section 7.04) the defense of any Third Party Action with its own counsel and at its own expense. The Indemnatee shall cooperate fully with the Indemnitor in the defense of any Third Party Action. If the Indemnitor chooses not to assume the defense of any Third Party Action in accordance with the provisions hereof, the Indemnatee may defend such Third Party Action in a commercially reasonable manner and may settle such Third Party Action after giving written notice of the terms thereof to the Indemnitor. If the Indemnitor may not assume the control of the defense of a Third Party Action pursuant to the proviso to the second sentence of this Section 7.04, (x) the Indemnatee shall conduct such defense in a commercially reasonable manner at its own expense, and shall not settle any such claim without the consent of the Indemnitor (which shall not be unreasonably withheld) unless (a) the Indemnatee shall not be authorized to encumber any assets of the Indemnitor or agree to any restriction that would apply to the Indemnitor or the conduct of the Indemnitor’s business; (b) the Indemnatee shall have paid or caused to be paid any amounts arising out of such settlement and Indemnitor shall not be liable to any Indemnatee or any other Person for any such amounts; and (c) a condition to any such settlement shall be a complete release of the Indemnitor with respect to such third party claim and (y) the Indemnitor shall be entitled to participate in such Third Party Action with its own counsel and at its own expense.

#### 7.05 Exclusive Remedy.

.

(a) Notwithstanding any other provision of this Agreement to the contrary, except for Losses that result from fraud, the provisions of this Article VII shall be the sole and exclusive remedy for monetary damages of the Indemnitees from and after the Closing Date for any Losses arising under this Agreement or relating to the transactions contemplated by this Agreement, including claims of breach of any representation, warranty or covenant in this Agreement; *provided, however*, that the foregoing clause of this sentence shall not be deemed a waiver by any Party of any right to specific performance or injunctive relief but shall be deemed a waiver of any rights of rescission. Except as set forth in Section 9.14, no Indemnatee’s rights under this Article VII shall be adversely affected by any investigation conducted, or any knowledge acquired by such Indemnatee at any time after the execution and delivery of this Agreement.

(b) Notwithstanding any other provision of this Agreement, the maximum aggregate liability of Seller to the Buyer Indemnatees pursuant to this Article VII or otherwise under this Agreement, Applicable Law or otherwise shall be limited to \$3,500,000 (the “Indemnification Cap”), *provided, however*, that the Indemnification Cap shall not apply to Losses covered by Sections 7.02(a)(iv)-(v); and *provided, further*, only if the Indemnification Cap is reached with respect to Losses of Buyer Indemnatees based on claims for Losses based on breach by Seller of representations, warranties or covenants other than Section 3.13, then Buyer Indemnatees shall be entitled to make claims for Losses based on breach by Seller of the representation and warranty set forth in

Section 3.13 up to an additional amount equal to the Indemnification Cap. Notwithstanding any other provision of this Agreement, the maximum aggregate liability of Buyer to the Seller Indemnitees pursuant to this Article VII or otherwise under this Agreement, Applicable Law or otherwise shall be limited to the Indemnification Cap, *provided, however*, that the Indemnification Cap shall not apply to Losses covered by Sections 7.02(b)(iv)-(v).

(c) Nothing in this Agreement limits or otherwise affects in any way the rights and remedies of either Party with respect to causes of action arising under the Intellectual Property Agreement and the Transition Services Agreement, or any rights and remedies of Seller or Buyer vis-à-vis any Person other than Seller or Buyer or their respective Affiliates with respect to any infringement or misappropriation of any Intellectual Property of Seller or Buyer, as the case may be (including any right of Seller or Buyer to seek equitable or injunctive relief in connection therewith), all of which rights and remedies are expressly reserved.

#### 7.06 Subrogation

. If an Indemnitor makes any payment under this Article VII in respect of any Losses, such Indemnitor shall be subrogated, to the extent of such payment, to the rights of the Indemnitee against any insurer or third party with respect to such Losses; *provided, however*, that such Indemnitor shall not have any rights of subrogation with respect to the other Party hereto or any of its Affiliates or any of its or its Affiliates' officers, directors, agents or employees.

#### 7.07 Damages

. Notwithstanding anything to the contrary elsewhere in this Agreement or any other Acquisition Document, no Party (or its Affiliates) shall, in any event, be liable to the other Party (or its Affiliates) for any indirect, incidental, punitive or consequential damages, including, but not limited to, loss of revenue or income, cost of capital, or loss of business reputation or opportunity relating to the breach or alleged breach of this Agreement. Each Party agrees that it will not seek punitive damages as to any matter under, relating to or arising out of the transactions contemplated by this Agreement or the other Acquisition Documents. The Parties agree that indirect, incidental, punitive or consequential damages awarded to a third party by a court of competent jurisdiction in a Third Party Action which a Party is obligated to pay to such third party shall be deemed actual Losses of such Party.

### ARTICLE VIII

#### TERMINATION

##### 8.01 Grounds for Termination

. This Agreement may be terminated at any time prior to the Closing:

- (a) by mutual written agreement of the Parties;
- (b) by written notice from either Buyer or Seller to the other if:
  - (i) the Closing has not been effected on or prior to the close of business on April 25, 2008 (the "Termination Date"); *provided, however*, that the right to terminate this Agreement pursuant to this Section 8.01(b)(i) shall not be available to any Party whose failure to fulfill any of its obligations contained in this Agreement has been the cause of, or resulted in, the failure of the Closing to have occurred on or prior to the aforesaid date;
  - (ii) any Applicable Law shall be enacted or become applicable that makes the transactions contemplated hereby or the consummation of the Closing illegal or otherwise prohibited;
  - (iii) any judgment, injunction, order or decree enjoining either party hereto from consummating the transactions contemplated hereby is entered, and such judgment, injunction, order or decree shall become final and nonappealable;
  - (iv) such Party is not in material breach of its obligations under this Agreement and the other Party is in material breach or material default of any representation, warranty, covenant, or agreement contained herein or there are any inaccuracies or misrepresentations in the other party's representations or warranties which have had, or if not cured prior to the Closing Date would reasonably be expected to have, a Seller Material Adverse Effect or Buyer Material Adverse Effect, as the case may be, and such breach, default, misrepresentation or inaccuracy shall not be cured or waived within 20 Business Days after written notice is delivered to the non-breaching party specifying, in reasonable detail, such claimed material breach, default, misrepresentation or inaccuracy and demanding its cure or satisfaction; or
  - (v) there shall have occurred any event that constitutes a Change of Control with respect to the other party.

##### 8.02 Effect of Termination

. Other than as set forth in subsection (b) below, if this Agreement is terminated pursuant to Section 8.01, all obligations of the Parties hereunder (except for this Section 8.02, Section 5.08 (Public Announcements), Section 5.17 (Non-Solicitation Agreements), Section 9.04 (Expenses), Section 9.06 (Governing Law), Section 9.12 (Dispute Resolution) and Section 9.13 (Submission to Jurisdiction; Waiver of Jury Trial) shall terminate without Liability of any Party to any other Party, the representations and warranties made herein shall not survive beyond a termination of this Agreement and no Party shall have any Liability for breach of any representation or warranty upon a termination of this Agreement prior to the Closing. Nothing contained in this Section 8.02 shall relieve any Party of Liability for any breach of any covenant contained in this Agreement that occurred prior to the date of termination of this Agreement.

### ARTICLE IX

## MISCELLANEOUS

### 9.01 Notices

. All notices and other communications pursuant to this Agreement shall be in writing and shall be deemed given if delivered personally, sent by facsimile, sent by nationally-recognized overnight courier or mailed by registered or certified mail (return receipt requested), postage prepaid, to the Parties at the addresses set forth below or to such other address as the Party to whom notice is to be given may have previously furnished to the other Party in writing in accordance herewith. Any such notice or communication shall be deemed to have been delivered and received (a) in the case of personal delivery, on the date of such delivery, (b) in the case of facsimile transmission, on the date sent if confirmation of receipt is received and such notice is also promptly mailed by registered or certified mail (return receipt requested), (c) in the case of a nationally-recognized overnight courier in circumstances under which such courier guarantees next Business Day delivery, on the next Business Day after the date when sent and (d) in the case of mailing, on the third Business Day following that on which the piece of mail containing such communication is posted:

if to Seller, to:

Intel Corporation

2200 Mission College Blvd.

Santa Clara, California 95052-8199

Attention: Treasurer

Fax: (408) 765-6038 with copies to:

Intel Corporation

2200 Mission College Blvd.

Santa Clara, California 95052-8199

Attention: General Counsel

Fax: (408) 653-8050

and

Gibson, Dunn & Crutcher LLP

1881 Page Mill Road

Palo Alto, California 94304

Attention: Russell Hansen

Stewart L. McDowell

Telephone: (650) 849-5383

Fax: (650) 849-5333

if to Buyer, to:

EMCORE Corporation

10420 Research Road, SE

Albuquerque, New Mexico 87123

Attention: General Counsel

Telephone: (505) 332-5000

Fax: (505) 332-5038

with a copy to:

Jones Day

1755 Embarcadero Road

Palo Alto, California 94303

Attention: Sean M. McAvoy

Telephone: (650) 739-3917

Fax: (650) 739-3900

and

Jones Day

51 Louisiana Avenue, N.W.

Washington, DC 20001

Attention: John Welch

Telephone: (202) 879-3939

Fax: (202) 626-1700

Any Party hereto may give any notice, request, demand, claim or other communication hereunder using any other means (including ordinary mail or electronic mail), but no such notice, request, demand, claim or other communication shall be deemed to have been duly given unless and until it actually is received by the individual for whom it is intended.

#### 9.02 Notice of Change of Control

. Promptly upon an announcement by Buyer or any other Person of a Change of Control of Buyer, Buyer shall give Seller written notice thereof, describing in reasonable detail the applicable Change of Control and identifying each “person” or, to the Knowledge of Buyer, “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) that is a party to such transaction or transactions.

#### 9.03 Amendments; Waivers.

(a) Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by all Parties, or in the case of a waiver, by the Party against whom the waiver is to be effective.

(b) No waiver by a Party of any default, misrepresentation or breach of a warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation or breach of a warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder. No failure or delay by a Party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided under Applicable Law.

#### 9.04 Expenses

. All costs and expenses incurred in connection with this Agreement and the other Acquisition Documents and in closing and carrying out the transactions contemplated hereby and thereby shall be paid by the Party incurring such cost or expense, whether or not such transactions are consummated. In the event of termination of this Agreement, the obligation of each Party to pay its own expenses will be subject to any rights of such Party arising from a breach of this Agreement by the other.

#### 9.05 Successors and Assigns

. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors, heirs, personal representatives and permitted assigns. No Party hereto may transfer or assign either this Agreement or any of its rights, interests or obligations hereunder, whether directly or indirectly, by operation of law, merger or otherwise, without the prior written approval of each other Party. No such transfer or assignment shall relieve the transferring or assigning Party of its obligations hereunder if such transferee or assignee does not perform such obligations. The closing or other consummation of a transaction constituting a Change of Control, including a Change of Control pursuant to which the contracting Parties to this Agreement remain unchanged, shall be deemed to be an assignment of this Agreement.

#### 9.06 Governing Law

. This Agreement shall be construed in accordance with and any disputes or controversies related hereto shall be governed by the internal laws of the State of New York without giving effect to the conflicts of laws principles thereof that would apply the laws of any other jurisdiction.

#### 9.07 Counterparts; Effectiveness

. This Agreement may be signed in any number of counterparts and the signatures delivered by facsimile transmission, each of which shall be an original, with the same effect as if the signatures were upon the same instrument and delivered in person. This Agreement shall become effective when each Party hereto shall have received a counterpart hereof signed by the other Parties.

#### 9.08 Entire Agreement

. This Agreement (including the schedules and exhibits referred to herein, which are hereby incorporated by reference), the other Acquisition Documents and the Confidentiality Agreement constitute the entire agreement between the Parties with respect to the subject matter hereof and thereof and supersede all prior and contemporaneous agreements, understandings and negotiations, both written and oral, between and among the Parties with respect to

the subject matter of this Agreement. No representation, warranty, promise, inducement or statement of intention has been made by either Party that is not embodied in this Agreement or the other Acquisition Documents, and neither party shall be bound by, or be liable for, any alleged representation, warranty, promise, inducement or statement of intention not embodied herein or therein.

#### 9.09 Captions

. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof. All references to an article, section, exhibit or schedule are references to an article, section, exhibit or schedule of this Agreement, unless otherwise specified, and include all subparts thereof.

#### 9.10 Severability

. If any provision of this Agreement, or the application thereof to any Person, place or circumstance, shall be held by a court of competent jurisdiction to be invalid, unenforceable or void, the remainder of this Agreement and such provisions as applied to other Persons, places and circumstances shall remain in full force and effect only if, after excluding the portion deemed to be unenforceable, the remaining terms shall provide for the consummation of the transactions contemplated hereby in substantially the same manner as originally set forth at the later of the date this Agreement was executed or last amended. The Parties further agree to replace such invalid, unenforceable or void provision with a valid and enforceable provision that will achieve, in a commercially reasonable manner, the economic, business and other purposes of such invalid, unenforceable or void provision.

#### 9.11 Construction

. The Parties intend that each representation, warranty, and covenant contained herein shall have independent significance. If any Party has breached any representation, warranty or covenant contained herein in any respect, the fact that there exists another representation, warranty or covenant relating to the same subject matter (regardless of the relative levels of specificity) that the Party has not breached shall not detract from or mitigate the fact that the Party is in breach of the first representation, warranty or covenant.

#### 9.12 Dispute Resolution.

(a) All disputes arising directly under the express terms of this Agreement, including the grounds for termination thereof shall be resolved as follows: The senior management of the Parties to the dispute shall meet to attempt to resolve such disputes. In the event that senior management cannot resolve these disputes, any Party may make a written demand for formal dispute resolution and specify therein the scope of the dispute. As promptly as practicable, and in any event within thirty days after such written notification, the Parties agree to meet for one day with an impartial mediator and consider dispute resolution alternatives other than litigation. If an alternative method of dispute resolution is not agreed upon within 30 days after the one day mediation, either Party may begin litigation proceedings.

(b) Notwithstanding the provisions of Section 9.12(a) above, except as otherwise provided in this Agreement, each Party shall have the right, without the requirement of first seeking a remedy through meeting of senior management, mediation or any other alternative dispute resolution methods, to seek preliminary injunctive or other equitable relief in any proper court in the event that such Party determines that eventual redress through such other methods will not provide a sufficient remedy for any violation of this Agreement by any other Party.

(c) In the event a proceeding is brought to enforce or interpret any provision of this Agreement, the prevailing Party shall be entitled to recover reasonable attorney's fees and costs in an amount to be fixed by the court.

#### 9.13 Submission to Jurisdiction; Waiver of Jury Trial.

(a) The Parties hereby irrevocably submit to the jurisdiction of the courts of the State of New York and the Federal courts of the United States of America, in each case located in New York City solely in respect of the interpretation and enforcement of the provisions of this Agreement, all Exhibits and Schedules hereto and the other Acquisition Documents and in respect of the transactions contemplated hereby, and hereby waive, and agree not to assert, as a defense in any proceeding for the interpretation or enforcement hereof or of any such document, that it is not subject thereto or that such proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement or any such document may not be enforced in or by such courts, and the Parties hereto irrevocably agree that all claims with respect to such proceeding shall be heard and determined in the courts of the State of New York and the Federal courts of the United States of America, in each case located in New York City. The Parties hereby consent to and grant any such court jurisdiction over the person of such Parties and over the subject matter of such dispute and agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided in this Section 9.13 or in such other manner as may be permitted by Applicable Law, shall be valid and sufficient service thereof.

(b) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) EACH SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (iii) EACH SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (iv) EACH SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.13.

#### 9.14 Knowledge of Breach; Disclosure Letters

. No fact, event, misrepresentation or occurrence that, in the absence of this Section 9.14, would constitute a breach or breaches of any representation or warranty of Seller or Buyer, as the case may be, under this Agreement shall be deemed to constitute a breach or breaches by Seller or Buyer, as the case may be, of its representations or warranties under this Agreement if Seller or Buyer, as the case may be, has actual knowledge of such breach or breaches on or before the date hereof. The disclosure of any information on any section of the Seller Disclosure Letter or the Buyer Disclosure Letter as the

case may be, shall be deemed to constitute the disclosure of such information on all other sections of the Seller Disclosure Letter or the Buyer Disclosure Letter as the case may be, applicable to such information.

9.15 Third Party Beneficiaries

. No provision of this Agreement shall create any third party beneficiary rights in any Person, including any employee or former employee of Seller or any Affiliate thereof (including any beneficiary or dependent thereof).

9.16 Specific Performance

. The Parties hereby acknowledge and agree that the breach of or failure of any Party to perform its agreements and covenants hereunder, including its failure to take all actions as are necessary on its part to the consummation of the transactions contemplated herein, may cause irreparable injury to the other Party, for which damages, even if available, may not be an adequate remedy. Accordingly, except as provided in Section 5.16(d), each Party hereby consents to the issuance of injunctive relief by any court of competent jurisdiction to compel performance of such Party's obligations and to the granting by any court of the remedy of specific performance of its obligations hereunder.

9.17 No Presumption Against Drafting Party

. Each of Buyer and Seller acknowledges that it has been represented by counsel in connection with the negotiation and execution of this Agreement and the other Acquisition Documents. Accordingly, any rule of law or any legal decision that would require interpretation of any claimed ambiguities in this Agreement or any of the other Acquisition Documents against the drafting party has no application and is expressly waived.

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IN WITNESS WHEREOF, the Parties here caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

INTEL CORPORATION

By: /s/ Arvind Sodhani

Name: Arvind Sodhani

Title: Executive Vice President, Intel Corporation  
President, Intel Capital

EMCORE CORPORATION

By: /s/ Hong Hou

Name: Hong Hou

Title: Chief Executive Officer

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**ASSET PURCHASE AGREEMENT**

**BY AND BETWEEN**

**INTEL CORPORATION**

**AND**

**EMCORE CORPORATION**

**DATED AS OF APRIL 9, 2008**

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**Appendix A****to Asset Purchase Agreement**

The following terms, as used in the Agreement, have the following meanings:

“Acquisition Documents” means this Agreement, the Ancillary Agreements and any other document or agreement executed in connection with any of the foregoing, together with any exhibits and schedules thereto, and in each case as modified, amended, supplemented, restated or renewed from time to time.

“Additional Inventory” means Business Inventory that is characterized as obsolete by Seller as of the Effective Time.

“Affiliate” with respect to any Person, means any other Person directly or indirectly controlling, controlled by or under common control with, such Person. For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling”, “controlled by” or “under common control with”), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

“Ancillary Agreements” means the Assignment and Assumption Agreement, Bill of Sale, the Patent Assignment, the Intellectual Property Agreement, the Transition Services Agreement and the Warranty Services Agreement.

“Applicable Law” means, with respect to any Person, any federal, state, local or foreign statute, law, ordinance, rule, administrative interpretation, regulation, order, writ, injunction, directive, judgment, decree or other requirement of any Governmental Authority applicable to such Person or any of its Affiliates or any of their respective properties, assets, officers, directors, employees, consultants or agents.

“Assignment and Assumption Agreement” means the Assignment and Assumption Agreement to be entered into by Buyer and Seller as of the Closing Date in substantially the form attached hereto as Exhibit A.

“Bill of Sale” means any Bill of Sale to be executed by Seller in favor of Buyer as of the Closing Date in substantially the form attached hereto as Exhibit B and any other bill of sale required to transfer Transferred Assets in non-U.S. jurisdictions, which shall be in a form agreed by the Parties, conforming as closely to Exhibit B as possible in light of the law of the applicable jurisdiction.

“Books and Records” means the books and records of Seller and its Subsidiaries that were prepared for and relate exclusively to the Business and that are necessary for the operation of the Transferred Assets after the Closing (excluding all personnel records or any employee information for any Business

Employees).

“Business” means the business conducted by Seller and its Subsidiaries that consists of the development, sale and support of the Products as of the date of this Agreement.

“Business Day” means each day other than a Saturday, Sunday or other day on which commercial banks in San Francisco, California or Albuquerque, New Mexico, are authorized or required by law to close.

“Business Inventory” means the Seller Inventory owned by Seller or its Subsidiaries and used or held for use exclusively in the Business as of the Closing Date.

“Buyer Accounts Payable” means all accounts payable owing by Buyer or any of its Subsidiaries in connection with the Business for raw materials or supplies received by or services rendered to Buyer or any of its Subsidiaries on or after the Effective Time.

“Buyer Accounts Receivable” means all accounts receivable, notes receivable and other current rights to payment of Buyer or any of its Subsidiaries, together with any unpaid interest or fees accrued thereon or other amounts receivable with respect thereto, and any claim, remedy or other right related to any of the foregoing, in each case generated by the operation of the Business by Buyer and its Subsidiaries on or after the Effective Time.

“Buyer Approval” means any Governmental Approval or any consent, waiver or approval of any other Person necessary for Buyer to consummate the transactions contemplated by this Agreement and the other Acquisition Documents.

“Buyer Material Adverse Effect” means any event, change or circumstance that, individually or in the aggregate with all other such events, changes or circumstances, results in or would reasonably be expected in the future to result in a material adverse effect on, or material adverse change in, the operations, financial condition, earnings, results of operations, assets or Liabilities of Buyer or any event, change or circumstance that is materially adverse to the ability of Buyer to perform its obligations under this Agreement or any of the other the Acquisition Documents to which it will be a party, to consummate the transactions contemplated hereby or thereby or to own or operate the Transferred Assets and pay the Assumed Liabilities other than such events, changes, or circumstances reasonably attributable to: (a) economic, capital market or political conditions generally in the United States or foreign economies in any locations where the Buyer has material operations or sales, *provided* the events, changes, or circumstances do not have a materially disproportionate effect (relative to other industry participants) on the Buyer; (b) conditions generally affecting the industry in Buyer operates, *provided* the events, changes, or circumstances do not have a materially disproportionate effect (relative to other industry participants) on Buyer; (c) outbreak of hostilities or war, acts of terrorism or acts of God; (d) Buyer’s compliance with its obligations, performance under or the satisfaction of the conditions to the closing of the transactions contemplated by the Acquisition Documents; or (e) any action taken by Buyer with the prior written consent of Seller.

“Buyer Registration Rights Agreement” means the registration rights agreement dated as of February 15, 2008 between Buyer and certain purchasers of shares of Buyer Common Stock.

“Cash and Cash Equivalents” means all cash on hand and cash equivalents of Seller and its Subsidiaries (whether or not related to the Business), including currency and coins, negotiable checks, bank accounts, marketable securities, commercial paper, certificates of deposit, treasury bills, surety bonds and money market funds.

“Change of Control” of a Person shall mean the occurrence of (or any public announcement of, or entry into any agreement by such Person or any of its Subsidiaries to engage in or effect, a transaction that would result in) any of the following events or circumstances, whether accomplished directly or indirectly, or in one or a series of related transactions:

(A) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act) of more than 50% of the total voting power of the outstanding capital stock of such Person;

(B) such Person merges with or into, or consolidates with, or consummates any reorganization or similar transaction with, another Person and, immediately after giving effect to such transaction, less than 50% of the total voting power of the outstanding capital stock of the surviving or resulting Person is “beneficially owned” (within the meaning of Rule 13d-3 under the Exchange Act) in the aggregate by the shareholders of such Person immediately prior to such transaction;

(C) such Person (including through one or more of its Subsidiaries and including through any liquidation or dissolution, other than a liquidation or dissolution in connection with a reorganization or similar transaction in which the holders of the voting stock of such Person immediately prior to such transaction continue to “beneficially own” (within the meaning of Rule 13d-3 under the Exchange Act) more than 50% of the total voting power of the outstanding capital stock of the surviving entity immediately after giving effect to such transaction) sells, assigns, conveys, transfers, leases or otherwise disposes of all or substantially all of the assets and properties (including capital stock of Subsidiaries) of such Person, but excluding sales, assignments, conveyances, transfers, leases or other dispositions of assets and properties (including capital stock of Subsidiaries) by such Person or any of its Subsidiaries to any direct or indirect Subsidiary of such Person; or

(D) individuals who as of the date hereof constituted the members of the Board of Directors of such Person (together with any new or replacement directors whose election by such Board of Directors or whose nomination for election by the shareholders of such Person was approved by a vote of a majority of the members of the Board of Directors then in office who either were members of the Board of Directors as of the date hereof or whose election or nomination was previously so approved) cease for any reason to constitute a majority of the Board of Directors of such Person then in office.

“Claims” means all causes of action, claims, demands, rights and privileges against third parties, whether liquidated or unliquidated, fixed or contingent, choate or inchoate.

“Closing Date” means the date of the Closing.

“Code” means the Internal Revenue Code of 1986, as amended.

“Competing Product” means any stand-alone product that: (a) is substantially in conformity with Seller’s or its Subsidiaries’ product specifications or data sheets corresponding to a Product; and (b) does not contain or embody substantial additional functionality; and (c) is not an Excluded Seller Product or a Core Seller Product.

“Confidentiality Agreement” means that certain Corporate Non-Disclosure Agreement #8000533 between Buyer and Seller dated January 25, 2001, as amended by an addendum thereto effective September 14, 2007.

“Competitive Business Activity” means the marketing or selling of any Competing Product.

“Contract” means each contract, agreement, option, lease, license, sale and purchase order, commitment and other instrument of any kind, whether written or oral.

“Copyrights” means copyrights and mask work rights (whether or not registered) registrations and applications therefor.

“Core Seller Products” shall mean Seller Compatible Processors, Seller Compatible Chipsets, Seller Architecture Emulators, Seller Compatible Compilers, any product that implements any Seller Bus and Flash Memory Products.

“Effective Time” means, unless otherwise agreed by the Parties, 12:01 a.m. California time on the Closing Date.

“Employee Agreement” means each management, employment, severance, consulting, relocation, repatriation or expatriation Contract between Seller or any of its Subsidiaries and any Business Employee directly relating to such Business Employee’s terms or conditions of employment.

“Employee Plan” means any plan, program, policy, practice, agreement or other arrangements providing for compensation, severance, termination pay, pension benefits, retirement benefits, deferred compensation, performance awards, stock or stock-related awards, fringe benefits (including health, dental, vision, life, disability, sabbatical, accidental death and dismemberment benefits), or other employee benefits or remuneration of any kind, whether written, unwritten or otherwise, funded or unfunded, including each “employee benefit plan,” within the meaning of Section 3(3) of ERISA, excluding any Employee Agreement, which is or has been maintained by Seller or its Affiliates for the benefit of any Business Employee.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“Environmental Laws” means any Applicable Laws of any Governmental Authority in effect as of the date hereof relating to pollution or protection of the environment.

“Excluded Seller Product” shall mean any product of Seller or any of its Subsidiaries (including revisions of such product) that: (a) is marketed or sold by Seller or any of its Subsidiaries as of the Closing Date, or has been announced to the public with a future intention of being marketed or sold by Seller, other than the Products; or (b) contains substantially greater or different functionality from any Product.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Flash Memory Products” shall mean non-volatile Integrated Circuits capable of storing data that are electrically programmable and electrically erasable, or magnetically alterable to define a logical state, including without limitation both floating gate and non-floating gate designs.

“GAAP” means generally accepted accounting principles in the United States of America, applied on a consistent basis, as in effect as of the date hereof.

“Governmental Approval” means an authorization, consent, approval, permit or license issued by, or a registration or filing with, or notice to, or waiver from, any Governmental Authority.

“Governmental Authority” means any international, supranational, foreign or domestic federal, territorial, state, provincial, regional, municipal or local governmental authority, quasi-governmental authority, instrumentality, court, government or self-regulatory organization, commission, tribunal or organization or any regulatory, administrative or other agency, or any political or other subdivision, department or branch of any of the foregoing or any private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority.

“Integrated Circuit” shall mean an integrated unit comprising one or more active and/or passive circuit elements associated on one or more substrates, such unit forming, or contributing to the formation of, a circuit for performing electrical functions (including, if provided therewith, housing and or supporting means). The definition of Integrated Circuit shall also include any and all firmware, microcode or drivers, if needed to cause such circuit to perform substantially all of its intended hardware functionality, whether or not such firmware, microcode or drivers are shipped with such integrated unit or installed at a later time.

“Intellectual Property” means intellectual property rights arising from or in respect of Copyrights, Trade Secrets, Patents and Trademarks.

“Intellectual Property Agreement” means the Intellectual Property Agreement to be entered into by Buyer and Seller as of the Closing Date in substantially the form attached hereto as Exhibit C.

“IRS” means the Internal Revenue Service of the United States.

“Knowledge” means, with respect to any Person, the actual knowledge of such Person. Without limiting the generality of the foregoing, with respect to any Person that is a corporation, limited liability company, partnership or other business entity, actual knowledge shall be deemed to include the actual knowledge of all directors, officers, partners and members of any such Person; *provided, however*, that with respect each Party, actual knowledge shall be deemed to be solely the actual knowledge of the individuals identified on Schedule 1.01(b).

“Lassen Business” means the Business as defined in the Lassen Purchase Agreement.

"Lassen Purchase Agreement" means the Asset Purchase Agreement dated as of December 17, 2007 between Buyer and Seller.

"Liability" means, with respect to any Person, any debt, liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, matured or unmatured, asserted or unasserted, accrued or unaccrued, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, absolute, contingent, executory, determined, determinable or otherwise and whether or not the same is required to be accrued on the financial statements of such Person.

"Lien" means, with respect to any asset, any mortgage, title defect or objection, lien, pledge, charge, security interest, encumbrance or hypothecation in respect of such asset; *provided, however*, that any license of Intellectual Property shall not be considered a Lien on such Intellectual Property, including, but not limited to any licenses pursuant to this Agreement or any of the other Acquisition Documents.

"Multiemployer Plan" means any employee pension benefit plan within the meaning of Section 3(2) of ERISA that is a "multiemployer plan," as defined in Section 3(37) of ERISA.

"Patent Assignment" means any Patent Assignment to be executed by Seller in favor of Buyer as of the Closing Date in substantially the form attached hereto as Exhibit D and any other patent assignment required to transfer Transferred Patents in non-U.S. jurisdictions, which shall be in a form agreed by the Parties, conforming as closely to Exhibit D as possible in light of the law of the applicable jurisdiction.

"Patents" means patents and applications therefor, including continuation, divisional, continuation in part, reexamination or reissue patent applications and patents issuing thereon.

"Permitted Liens" means (a) Liens for Taxes or governmental assessments, charges or claims the payment of which is not yet due or which is being contested in good faith, (b) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other similar Persons and other Liens imposed by Applicable Law incurred in the ordinary course of business which are either for sums not yet delinquent or are immaterial in amount, and (c) easements and other imperfections of title or other encumbrances, if any, which imperfections or encumbrances would not reasonably be expected to materially devalue the property involved or materially impair Buyer's ability to use the Transferred Assets in the manner in which they are currently used by the Seller and its Subsidiaries.

"Person" means an individual, corporation, partnership, association, limited liability company, proprietorship, joint venture, union, trust, estate or other similar business entity or organization, including a Governmental Authority.

"Pre-Closing Product Obligations" means Liabilities relating to any product liability, warranty, refund or similar claims or returns, adjustments, allowances, repairs or returns, accrued or arising based on Products shipped by Seller or its Subsidiaries before the Effective Time.

"Post-Closing Tax Period" means any Tax period (or portion thereof) beginning after the Effective Time and the portion of any other Tax period ending on or after the Effective Time.

"Pre-Closing Tax Period" means any Tax period (or portion thereof) ending prior to the Effective Time.

"Prepayments" means all prepaid items and deposits paid by Seller or any of its Subsidiaries in connection with the Business, and any claim, remedy or other right related to any of the foregoing.

"Proceedings" means any claim, action, suit, audit, investigation, arbitration or proceeding by or before any Governmental Authority.

"Processor" means any Integrated Circuit or combination of Integrated Circuits capable of processing digital data, such as a microprocessor or coprocessor (including, without limitation, a math coprocessor, graphics coprocessor, or digital signal processor).

"Product Obligations" means Liabilities relating to any product liability, warranty, refund or similar claims or returns, adjustments, allowances, repairs or returns, accrued or arising based on Products shipped on or after the Effective Time.

"Products" means the products listed on Schedule 1.01(d).

"PTO" means the United States Patent and Trademark Office.

"Seller Accounts Payable" means all accounts payable owing by Seller or any of its Subsidiaries for raw materials or supplies received by or services rendered to Seller or any of its Subsidiaries.

"Seller Accounts Receivable" means all accounts receivable, notes receivable and other current rights to payment of Seller or any of its Subsidiaries, together with any unpaid interest or fees accrued thereon or other amounts receivable with respect thereto, and any claim, remedy or other right related to any of the foregoing.

"Seller Architecture Emulator" shall mean software, firmware or hardware that, through emulation, simulation or any other process, allows a computer that does not contain a Seller Compatible Processor (or a Processor that is not a Seller Compatible Processor) to execute binary code that is capable of being executed on a Seller Compatible Processor.

"Seller Bus" shall mean a proprietary bus or other data path first introduced by Seller or any of its Subsidiaries: (a) that is capable of transmitting and/or receiving information within an Integrated Circuit or between two or more Integrate Circuits, together with the set of protocols defining the electrical, physical, timing and functional characteristics, sequences and control procedures of such bus or data path; (b) which neither Seller nor any of its Subsidiaries (during the time that any such Subsidiary of Seller has met the requirements of being a Subsidiary of Seller) has granted a license or committed to grant a license through its participation in a government sponsored, industry sponsored or contractually formed group or any similar organization that is dedicated to creating publicly available standards or specifications; and (c) which neither Seller nor any of its Subsidiaries (during the time that any such Subsidiary of Seller has met the requirements of being a Subsidiary of Seller) has publicly disclosed without an obligation of confidentiality.

“Seller Compatible Chipsets” shall mean one or more Integrated Circuits that alone or together are capable of electrically interfacing directly (with or without buffering or pin re-assignment) with a Seller Compatible Processor to form the connection between the Seller Compatible Processor and any other device (or group of devices) including Processors, input/output devices, networks and memory.

“Seller Compatible Compiler” shall mean a compiler that generates object code that can, with or without additional linkage processing, be executed on any Seller Processor.

“Seller Compatible Processor” shall mean any Processor that (a) can perform substantially the same functions as a Seller Processor by compatibly executing or otherwise processing: (i) a substantial portion of the instruction set of a Seller Processor, (ii) object code versions of applications or other software targeted to run on or with a Seller Processor or (iii) binary code that is capable of being executed on a Seller Processor, in order to achieve substantially the same result as a Seller Processor, or (b) is substantially compatible with a Seller Bus.

“Seller Contractual Consent” means any consent, waiver or approval of the other party or parties to a Transferred Contract that is necessary for Seller or one of its Subsidiaries to assign such Transferred Contract to Buyer as contemplated by this Agreement.

“Seller Governmental Approval” means a Governmental Approval necessary for Seller to consummate the transactions contemplated by this Agreement and the other Acquisition Documents.

“Seller Inventory” means finished goods, unfinished goods, supplies, packaging materials and other inventories owned by Seller or its Subsidiaries.

“Seller Material Adverse Effect” means any event, change or circumstance that, individually or in the aggregate with all other such events, changes or circumstances, results in a material adverse effect on, or material adverse change in, the Transferred Assets, taken as a whole, or any event, change or circumstance that is materially adverse to the ability of Seller to perform its obligations under this Agreement or any of the other Acquisition Documents to which it will be a party or to consummate the transactions contemplated hereby or thereby other than such events, changes, or circumstances reasonably attributable to: (a) economic, capital market or political conditions generally in the United States or foreign economies in any locations where the Business has material operations or sales, *provided* the events, changes, or circumstances do not have a materially disproportionate effect (relative to other industry participants) on the Business; (b) conditions generally affecting the industry in which Seller or the Business operates, *provided* the events, changes, or circumstances do not have a materially disproportionate effect (relative to other industry participants) on Seller or the Business; (c) the announcement or pendency of the transactions contemplated by the Acquisition Documents; (d) outbreak of hostilities or war, acts of terrorism or acts of God; (e) Seller’s compliance with its obligations, performance under or the satisfaction of the conditions to the closing of the transactions contemplated by the Acquisition Documents; (f) any action taken by Seller with the prior written consent of Buyer; or (g) operation of the Business in accordance in the ordinary course of business.

Seller Processor” shall mean any Processor, or proprietary extension of a third party Processor, first developed by, for or with substantial participation by Seller or any of its Subsidiaries, or the design of which has been purchased or otherwise acquired by Seller or any of its Subsidiaries, including the Seller x86 architecture, Core™, Celeron®, Pentium®, Xeon™, Itanium®, MXP, IXP, 80860 and 80960 microprocessor families and the 8097, 80287 and 80387 math coprocessor families.

“Seller Voluntary Separation Program” means Seller’s program that allows an eligible employee the opportunity to choose to voluntarily separate from Seller or one of its Subsidiaries in return for a separation package.

“Subsidiary” means, with respect to any Person, (a) any corporation, limited liability company or other similar organization as to which more than 50% of the outstanding capital stock or other securities having voting rights or power is owned or controlled, directly or indirectly, by such Person and/or by one or more of such Person’s direct or indirect subsidiaries and (b) any partnership, joint venture or other similar relationship between such Persons and any other Person.

“Taxes” means (a) all foreign, federal, state, local and other net income, gross income, gross receipts, sales, use, *ad valorem*, value added, intangible, unitary, capital gain, transfer, franchise, profits, license, lease, service, service use, withholding, backup withholding, payroll, employment, estimated, excise, severance, stamp, occupation, premium, property, prohibited transactions, windfall or excess profits, customs, duties or other taxes, fees, assessments or charges of any kind whatsoever, whether disputed or not, together with any interest and any penalties, additions to tax or additional amounts with respect thereto, (b) any Liability for payment of amounts described in clause (a) whether as a result of transferee Liability, of being a member of an affiliated, consolidated, combined or unitary group for any period, or otherwise through operation of law and (c) any Liability for the payment of amounts described in clause (a) or (b) as a result of any tax sharing, tax indemnity or tax allocation agreement or any other express or implied agreement to indemnify any other Person for Taxes; and the term “Tax” means any one of the foregoing Taxes.

“Tax Returns” means any and all written or electronic returns, certificates, declarations, reports, statements, information statements, forms or other documents filed or required to be filed with respect to any Tax, amendments thereof, and schedules and attachments thereto.

“Trademarks” means trademarks and registrations and applications therefor.

“Trade Secrets” means confidential know how, inventions, discoveries, concepts, ideas, methods, processes, designs, formulae, technical data, source code, drawings, specifications (including logic specifications), data bases, data sheets, customer lists, Customer Data and other confidential information that constitute trade secrets under applicable law, in each case excluding any rights in respect of any of the foregoing that comprise Copyrights, mask work rights or Patents.

“Transferred Contracts” means the Contracts identified on Schedule 1.01(e).

“Transferred Copyrights” means the Copyrights owned by Seller and its Subsidiaries as of the Closing Date that are embodied in the Products and used exclusively in the Business and not embodied or used in or with any other current product or services or planned product or service of Seller or any of its Subsidiaries.

“Transferred Employees” means the Business Employees who accept an offer of employment from Buyer and who begin their employment with Buyer immediately upon Closing or on such other date as may be otherwise agreed to by the Parties.

“Transferred Equipment” means the equipment listed on Schedule 1.01(f).

“Transferred Intellectual Property” means, collectively, the Transferred Copyrights, Transferred Patents and Transferred Trade Secrets.

“Transferred Patents” means those Patents identified on Schedule 1.01(g).

“Transferred Product Materials and Information” means certain collateral materials, brochures, manuals, promotional materials, sales materials, display materials and product information materials exclusively related to the Products;

“Transferred Trade Secrets” means any Trade Secrets owned by Seller and its Subsidiaries as of the Closing Date that are embodied in the Products and used exclusively in the Business and not embodied or used in or with any other current product or service or planned product or service of Seller or any of its Subsidiaries; *provided, however*, that such term shall not include any rights in Trade Secrets that are described within a Patent issuing after the Closing Date related to a patent application that was filed prior to the Closing Date.

“Transition Services Agreement” means the Transition Services Agreement to be entered into by Buyer and Seller as of the Closing Date in substantially the form attached hereto as Exhibit E.

“Warranty Services Agreement” means the Warranty Services Agreement to be entered into by Buyer and Seller as of the Closing Date in substantially the form attached hereto as Exhibit F.

In addition to those terms defined above in this Appendix A, the following is an index of other defined terms, which have the respective meanings given thereto in the Sections indicated in the table below.

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## EXECUTIVE BONUS PLAN

The following is a description of the EMCORE Corporation (“EMCORE”) Fiscal 2008 Executive Bonus Plan (the “Fiscal 2008 Executive Bonus Plan”). This constitutes a written description of a compensatory plan when no formal document contains the compensation information.

On March 31, 2008, the Board of Directors of EMCORE adopted the Fiscal 2008 Executive Bonus Plan. The purpose of the Fiscal 2008 Executive Bonus Plan is to establish and implement a consistent, market-driven, performance-based approach to compensation that is compatible with EMCORE’s compensation policy and supports EMCORE’s strategic business plan and goals.

Under the Fiscal 2008 Executive Bonus Plan, a bonus target for each executive is created, representing a percentage of that executive’s base salary. The following targets have been set based for the indicated officers:

Executive Chairman and Chief Executive Officer: 80% of base salary

Chief Financial Officer: 50% of base salary

General Counsel/Chief Legal Officer and Chief Technical Officer: 35% of base salary

The portion of the individual officers’ targets to be paid is based on both corporate and individual performance. Corporate performance is evaluated based on the company’s attainment of revenue and EBITDA goals, as set forth in EMCORE’s Fiscal 2008 Budget (the “Fiscal 2008 Budget”), both of which goals are weighted equally. A threshold level of 75% of revenue goals and 70% of EBITDA goals is set. Achievement of 100% of revenue and EBITDA goals correlates to payment of 100% of the bonus targets, and attainment of lesser percentages of the revenue and EBITDA goals correlates to payment of lesser percentages of the bonus targets. Attainment of 110% of the revenue and EBITDA goals will result in eligibility for 120% of the bonus targets.

The individual performance component acts as a multiplier and can accelerate or decelerate the target bonus percentage based upon individual performance as determined by the Chief Executive Officer and the Compensation Committee. The multiplier ranges from 0% to 140% of the executive’s target bonus. The Chief Executive’s individual performance is reviewed by the Compensation Committee. The Chief Operating Officer’s and other executive officers’ individual performance is reviewed by the Chief Executive Officer and approved by the Compensation Committee.

Payment of bonuses (if any) is normally made after the end of the performance period during which the bonuses were earned. Bonuses normally will be paid in cash in a single lump sum, subject to payroll taxes and tax withholdings.

The Compensation Committee and the Chief Executive Officer retain the ability to modify individual executive bonuses based upon individual performance and the successful completion of business projects and other management performance objectives. In addition, the Compensation Committee makes long-term incentive grants to executive officers and employees which are not covered under the terms of the Fiscal 2008 Executive Bonus Plan.

**EMCORE CORPORATION**  
**CERTIFICATION PURSUANT TO SECTION 302**  
**OF THE SARBANES-OXLEY ACT OF 2002**

I, Hong Q. Hou, Ph.D., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of EMCORE Corporation ("Report");
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 officers 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.

Date: May 12, 2008

By: /s/ Hong Q. Hou, Ph.D.  
Hong Q. Hou, Ph.D.  
Chief Executive Officer  
(Principal Executive Officer)

**EMCORE CORPORATION**  
**CERTIFICATION PURSUANT TO SECTION 302**  
**OF THE SARBANES-OXLEY ACT OF 2002**

I, Adam Gushard, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of EMCORE Corporation ("Report");
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 officers 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;
  - a. 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
  - b. 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.

Date: May 12, 2008

By: /s/ Adam Gushard  
Adam Gushard  
Interim Chief Financial Officer  
(Principal Financial and Accounting Officer)

**STATEMENT REQUIRED BY 18 U.S.C. §1350, AS ADOPTED  
PURSUANT TO §906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of EMCORE Corporation (the "Company") for the quarter ended March 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Hong Q. Hou, Ph.D., Chief Executive Officer (Principal Executive Officer) of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) The Report fully complies with the requirements of Section 13(a) or 15(d) 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.

Date: May 12, 2008

By: /s/ Hong Q. Hou, Ph.D.  
Hong Q. Hou, Ph.D.  
Chief Executive Officer  
(Principal Executive Officer)

*A signed original of this written statement required by Section 906 has been provided to EMCORE Corporation and will be retained by EMCORE Corporation and furnished to the Securities and Exchange Commission or its staff upon request. This certification has not been, and shall not be deemed to be, filed with the Securities and Exchange Commission.*

**STATEMENT REQUIRED BY 18 U.S.C. §1350, AS ADOPTED  
PURSUANT TO §906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of EMCORE Corporation (the "Company") for the quarter ended March 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Adam Gushard, Interim Chief Financial Officer (Principal Financial and Accounting Officer) of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) The Report fully complies with the requirements of Section 13(a) or 15(d) 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.

Date: May 12, 2008

By:

/s/ Adam Gushard

Adam Gushard

Interim Chief Financial Officer

(Principal Financial and Accounting Officer)

*A signed original of this written statement required by Section 906 has been provided to EMCORE Corporation and will be retained by EMCORE Corporation and furnished to the Securities and Exchange Commission or its staff upon request. This certification has not been, and shall not be deemed to be, filed with the Securities and Exchange Commission.*