

OCCAM NETWORKS, INC. AND SUBSIDIARY
GAAP to Non-GAAP Reconciliation
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		
	December 31, 2009	September 30, 2009	December 31, 2008
GAAP gross margin	\$ 8,877	\$ 8,948	\$ 13,112
Stock-based compensation expense	178	133	87
Non-GAAP gross margin	<u>\$ 9,055</u>	<u>\$ 9,081</u>	<u>\$ 13,199</u>
GAAP research and product-development expenses	\$ 3,905	\$ 3,762	\$ 4,627
Stock-based compensation expense	(374)	(297)	(260)
Non-GAAP research and product-development expenses	<u>\$ 3,531</u>	<u>\$ 3,465</u>	<u>\$ 4,367</u>
GAAP selling, general and administrative expenses	\$ 5,945	\$ 6,219	\$ 7,654
Stock-based compensation expense	(791)	(621)	(351)
Non-GAAP selling, general and administrative expenses	<u>\$ 5,154</u>	<u>\$ 5,598</u>	<u>\$ 7,303</u>
GAAP operating expenses	\$ 9,850	\$ 11,681	\$ 12,281
Stock-based compensation expense	(1,165)	(918)	(611)
Loss on litigation settlement	-	(1,700)	-
Non-GAAP operating expenses	<u>\$ 8,685</u>	<u>\$ 9,063</u>	<u>\$ 11,670</u>
GAAP net income (loss)	\$ (849)	\$ (2,631)	\$ 1,140
Stock-based compensation expense	1,343	1,051	698
Release of royalty accrual	-	-	(360)
Loss on litigation settlement	-	1,700	-
Non-GAAP net income	<u>\$ 494</u>	<u>\$ 120</u>	<u>\$ 1,478</u>
GAAP basic and diluted net income (loss) per share	\$ (0.04)	\$ (0.13)	\$ 0.06
Stock-based compensation expense	0.06	0.06	0.03
Release of royalty accrual	-	-	(0.02)
Loss on litigation settlement	-	0.08	-
Non-GAAP basic and diluted net income per share	<u>\$ 0.02</u>	<u>\$ 0.01</u>	<u>\$ 0.07</u>