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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2009

OR

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

For the transition period from _____ to _____

Commission file number: 000-27372

StockerYale, Inc.
(Exact name of registrant as specified in its charter)

Massachusetts *(State or other jurisdiction of incorporation or organization)*	**04-2114473** *(I.R.S. Employer Identification No.)*
32 Hampshire Road **Salem, New Hampshire** *(Address of principal executive offices)*	**03079** *(Zip Code)*

Registrant's telephone number, including area code: (603) 893-8778

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company" in Rule 12b-2 of the Exchange Act.

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

As of July 24, 2009, there were 44,870,932 shares of the registrant's common stock outstanding.

STOCKERYALE, INC.

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Item 1. Financial Statements.

STOCKERYALE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
In thousands except share and per share data
Unaudited

	June 30, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 1,165	$ 1,635
Restricted cash	8	7
Accounts receivable less allowances of $70 at June 30, 2009 and $115 at December 31, 2008	3,425	3,859
Inventories	3,945	3,851
Prepaid expenses and other current assets	476	395
Total current assets	9,019	9,747
Net property, plant and equipment	8,317	8,496
Goodwill	7,138	6,588
Acquired intangible assets, net	1,774	1,963
Other long-term assets	227	648
Total assets	$ 26,475	$ 27,442
Liabilities and Stockholders' Equity		
Current liabilities:		
Revolving lines of credit	$ 3,592	$ 4,118
Current portion of long-term debt, net of unamortized discount of $720 at June 30, 2009 and $856 at December 31, 2008	6,723	3,869
Current portion of capital and financing lease obligations	561	576
Accounts payable	3,603	3,874
Accrued expenses	4,015	2,496
Total current liabilities	18,494	14,933
Long-term debt, net of unamortized discount of $360 at June 30, 2009 and $658 at December 31, 2008	3,809	6,372
Capital and financing lease obligations, net of current portion	3,302	3,372
Warrant liability	146	—
Deferred income taxes, net	364	486
Total liabilities	26,115	25,163
Stockholders' equity:		
Common stock, par value $0.001; 100,000,000 shares authorized; 44,871,081 shares issued and outstanding at June 30, 2009 and 43,464,413 at December 31, 2008	45	43
Paid-in capital	102,621	103,270
Accumulated other comprehensive income	2,367	2,518

Accumulated deficit	(104,673)	(103,552)
Total stockholders' equity	360	2,279
Total liabilities and stockholders' equity	$ 26,475	$ 27,442

See notes to unaudited condensed consolidated financial statements.

STOCKERYALE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Unaudited

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	In thousands except per share data			
Revenue	$ 6,017	$ 8,547	$ 12,336	$ 16,609
Cost of sales	3,987	5,643	7,916	11,246
Gross profit	2,030	2,904	4,420	5,363
Operating expenses:				
Selling expenses	691	920	1,485	2,055
General and administrative	1,335	2,433	2,910	4,194
Research and development	714	827	1,440	1,587
Amortization of intangibles	209	295	405	625
Loss from operations	(919)	(1,571)	(1,820)	(3,098)
Other (income) and expense, net	(1,390)	83	(1,286)	230
Amortization of debt discount and financing costs	708	392	1,173	646
Interest expense	317	303	634	622
Loss from continuing operations before income tax benefit	(554)	(2,349)	(2,341)	(4,596)
Income tax provision / (benefit)	164	(62)	(9)	(122)
Loss from continuing operations	(718)	(2,287)	(2,332)	(4,474)
Income from discontinued operations, net of tax	-	2	7	23
Net loss	$ (718)	$ (2,285)	$ (2,325)	$ (4,451)
Basic and diluted net loss per share from continuing operations	$ (0.02)	$ (0.06)	$ (0.05)	$ (0.12)
Basic and diluted net income per share from discontinued operations	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Basic and diluted net loss per share	$ (0.02)	$ (0.06)	$ (0.05)	$ (0.12)
Basic and diluted weighted average shares outstanding:	43,693	37,585	43,166	37,156

See notes to unaudited condensed consolidated financial statements.

STOCKERYALE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
In thousands
Unaudited

	Six Months Ended June 30	
	2009	2008
Operations		
Net loss	$ (2,325)	$ (4,451)
Income from discontinued operations, net of tax	7	23
Loss from continuing operations	(2,332)	(4,474)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Stock based compensation	427	563
Depreciation and amortization	1,323	1,661
Asset Impairment	—	36
Amortization of debt discount and financing costs	1,173	646
Non cash interest expense	136	143
Change in fair value of warrants	(146)	—
Provision for inventories	185	17
Provision for bad debts	(29)	34
Deferred income taxes	(9)	(123)
Other change in assets and liabilities:		
Accounts receivable	563	(65)
Inventories	(58)	(246)
Prepaid expenses and other current assets	(56)	(96)
Accounts payable	(302)	354
Accrued expenses	645	(196)
Other assets and liabilities	11	14
Net cash provided by (used in) continuing operations	1,531	(1,732)
Net cash used in discontinued operations	—	(5)
Net cash provided by (used in) operating activities	1,531	(1,737)
Investing		
Payments of financing obligation.	(164)	(127)
Purchases of plant and equipment	(356)	(105)
Net cash used in continuing investing activities	(520)	(232)
Net cash provided by discontinued operations	7	28
Net cash used in investing activities	(513)	(204)
Financing		
Net proceeds from sale of common stock	12	—
Proceeds from issuance of notes payable	500	500
Borrowings/(Repayments) of revolving credit facilities, net	(377)	1,678
Principal repayment of long-term debt	(600)	(995)
Debt issuance costs	—	(11)
Net cash provided by (used in) financing activities	(465)	1,172
Effect of exchange rate on cash	(1,023)	39
Net change in cash and equivalents.	(470)	(730)
Cash and equivalents, beginning of period	1,635	1,577
Cash and equivalents, end of period	$ 1,165	$ 847
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 577	$ 584
Assets acquired under lease arrangements	$ 276	$ —
Issuance of restricted stock	$ —	$ 114
Issuance of common stock to settle liabilities	$ 370	$ 202
Common stock issued with financing	$ —	$ 1,012
Fair value of warrant modifications and issuances (in connection with financing)	$ 38	$ 477

See notes to unaudited condensed consolidated financial statements.

STOCKERYALE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) ORGANIZATION AND BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared by StockerYale, Inc. (the "Company") and, in the opinion of management, reflect all adjustments of a normal recurring nature necessary for a fair statement of (i) the results of operations for the three and six month periods ended June 30, 2009 and 2008, (ii) the financial position at June 30, 2009 and December 31, 2008, and (iii) the cash flows for the six month periods ended June 30, 2009 and 2008. These interim results are not necessarily indicative of results for a full year or any other interim period.

The accompanying consolidated financial statements and notes are condensed as permitted by Form 10-Q and do not contain certain information included in the annual financial statements and notes of the Company. These statements are prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company's continuation as a going concern is dependent on its ability to generate sufficient cash flow to meet its obligations on a timely basis through improved operations and/or additional financing. These unaudited condensed consolidated financial statements and notes should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008 and the unaudited condensed consolidated financial statements and notes thereto included in the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2009.

The Company took a number of actions during 2008 and the first half of 2009 to improve its operational efficiency and its overall financial performance. In addition, in response to the general economic slowdown that began in late 2008, management initiated a number of actions to improve cash flow and liquidity recognizing that the economy could negatively impact the future performance of the Company. These actions include:

- Customer-driven new product development to provide our customers and potential customers with an array of leading edge products;
- Reduction in our overall cost structure in a variety of ways including: reduction of work force, salary reductions, improvements in supply chain management and material costs;
- Improvements in working capital through focused management of inventory and accounts receivable; and
- Further cost reductions, as necessary and able, in order to improve cash flow.

The Company is considering different ways to raise additional capital including the sale of our equity securities, offerings of debt securities, or borrowings from financial institutions. The Company is in discussions with potential lenders to refinance the North American revolving credit facility as well as potential lenders to refinance portions of its term debt. However, there can be no assurance that such activities will result in refinancing, and if we were able to refinance our indebtedness, such terms may be less favorable to the Company than the current terms. The Company has engaged Needham & Company, LLC to assist us in reviewing and evaluating our financial and strategic alternatives.

The Company intends to pursue various options to finance and fund operations, as necessary, through the end of 2009. The Company cannot be sure of the timing or terms of any borrowing arrangements or equity offerings, or that the Company will be able to consummate one or more of these options. If the Company does not achieve these goals in 2009, it would implement contingency plans for additional cost reductions; however, there is a possibility that it would not have adequate capital to sustain our current operations.

The Company's common stock trades on the OTC Bulletin Board under the ticker symbol "STKR.OB."

(2) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the reporting periods. Actual results in the future could vary from the amounts derived from management's estimates and assumptions.

(3) RECENT ACCOUNTING PRONOUNCEMENTS

FSP No. FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments." FSP No. FAS 115-2 and FAS 124-2 amends the other-than-temporary impairment guidance for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This guidance does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. The provisions of FSP No. FAS 115-2 and FAS 124-2 are effective for interim and annual reporting periods ending after June 15, 2009. The Company adopted FSP No. FAS 115-2 and FAS 124-2 on April 1, 2009, which did not have a material effect on its consolidated financial statements.

FSP No. FAS 107-1 and APB No. 28-1, Interim Disclosures about Fair Value of Financial Instruments

In April 2009, the FASB issued FSP No. FAS 107-1 and APB No. 28-1, "Interim Disclosures about Fair Value of Financial Instruments" which amends SFAS No. 107, Disclosures about Fair Value of Financial Instruments, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies, as well as in annual financial statements. This FSP also amends APB Opinion No. 28, Interim Financial Reporting, to require those disclosures in summarized financial information at interim reporting periods. FSP FAS 107-1 and APB 28-1 are effective for interim reporting periods ending after June 15, 2009. The Company adopted FSP No. FAS 107-1 and APB No. 28-1 on April 1, 2009, which did not have a material effect on its financial statement disclosures.

EITF 07-05, Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock

In June 2008, the Emerging Issues Task Force ratified Consensus No. 07-05 Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock for periods beginning after December 15, 2008. EITF 07-05 applies to any freestanding financial instrument or embedded features that have the characteristics of a derivative, as defined by SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and to any freestanding financial instruments that are potentially settled in an entity's own common stock. The Company adopted EITF 07-05 on January 1, 2009 and determined that certain warrants, that are contractually indexed to 2,375,000 shares of Common Stock and that were previously treated as stockholders' equity under the derivative treatment exemption were no longer eligible for equity treatment. These warrants have an exercise price of $1.15 and expire in October 2016. Effective January 1, 2009 the fair value of these common stock purchase warrants, which have exercise price reset features, was reclassified from equity to liability status as if these warrants were treated as a derivative liability since their date of issue in October 2006. On January 1, 2009, the Company reclassified from additional paid-in capital, as a cumulative effect adjustment, $1.2 million to beginning retained earnings and $0.3 million to a long-term warrant liability. The Company recognized a gain of approximately $145,000 from the change in fair value of these warrants for the six months ended June 30, 2009.

The common stock purchase warrants were not issued with the intent of effectively hedging any future cash flow, fair value of any asset, liability or any net investment in a foreign operation. The warrants do not qualify for hedge accounting, and all future changes in the fair value of these warrants will be recognized currently in earnings until the warrants are exercised or expire.

These common stock purchase warrants do not trade in an active securities market, and we estimated the fair value of these warrants using the Black-Scholes option pricing model using the following assumptions:

	June 30, 2009	**January 1, 2009**
Volatility	104.8%	101.4%
Expected option life	7.3 years	7.8 years
Interest rate (risk free)	3.33%	2.46%
Dividends	$ 0.0	$ 0.0

SFAS 161, "Disclosures about Derivative Instruments and Hedging Activities", an Amendment of FASB Statement No. 133

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ("SFAS 161"), an amendment of FASB Statement No. 133, which requires additional disclosures about the objectives of the derivative instruments and hedging activities, the method of accounting for such instruments under SFAS No. 133 and its related interpretations, and a tabular disclosure of the effects of such instruments and related hedged items on our financial position, financial performance, and cash flows. The Company adopted SFAS 161 on January 1, 2009, and the adoption did not have a

material impact on its consolidated financial statements.

SFAS 160, "Noncontrolling Interests in Consolidated Financial Statements", an Amendment of ARB 51

In December 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements*, an amendment of ARB 51, *Consolidated Financial Statements*. SFAS 160 provides guidance for the accounting, reporting and disclosure of noncontrolling interests, also called minority interest. A minority interest represents the portion of equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent. The Company adopted SFAS 160 on January 1, 2009 and the adoption did not have a material impact on its consolidated financial statements.

SFAS No. 141(R) "Business Combinations"

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations,* which replaces SFAS No. 141, *Business Combinations.* SFAS 141(R) (i) requires the acquiring entity in a business combination to record all assets acquired and liabilities assumed at their acquisition-date fair values, (ii) changes the recognition of assets acquired and liabilities assumed arising from contingencies, (iii) requires contingent consideration to be recognized at its fair value on the acquisition date and, for certain arrangements, requires changes in fair value to be recognized in earnings until settled, (iv) requires companies to revise any previously issued post-acquisition financial information to reflect any adjustments as if they had been recorded on the acquisition date, (v) requires the reversals of valuation allowances related to acquired deferred tax assets and changes to acquired income tax uncertainties to be recognized in earnings, and (vi) requires the expensing of acquisition-related costs as incurred. SFAS 141(R) also requires additional disclosure of information surrounding a business combination to enhance financial statement users' understanding of the nature and financial impact of the business combination. 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, with the exception of accounting for changes in a valuation allowance for acquired deferred tax assets and the resolution of uncertain tax positions accounted for under FIN 48, which is effective on January 1, 2009 for all acquisitions. The Company adopted SFAS 141(R) on January 1, 2009 and it will have an impact on accounting, but the impact is dependent upon the acquisitions made after adoption.

FSP No. FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or the Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly

In April 2009, the FASB issued FSP No. FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or the Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly," ("FSP No. 157-4"). FSP No. FAS 157-4 amends Statement No. 157 to provide additional guidance on (i) estimating fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to normal market activity for the asset or liability, and (ii) circumstances that may indicate that a transaction is not orderly. FSP No. FAS 157-4 also requires additional disclosures about fair value measurements in interim and annual reporting periods. FSP No. FAS 157-4 is effective for interim and annual reporting periods ending after June 15, 2009. The Company adopted FSP No. FAS 157-4 on April 1, 2009 which did not have a material effect on its consolidated financial statements.

SFAS No. 157, Defining Fair Value Measurements, and FASB Staff Position 157-2
In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. In February 2008, the FASB deferred the effective date of SFAS 157 by one year for certain non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). On January 1, 2008, the Company adopted the provisions of SFAS 157, except as it applies to those nonfinancial assets and nonfinancial liabilities for which the effective date has been delayed by one year, which was adopted on January 1, 2009. The adoption of SFAS 157 did not have a material effect on our financial position or results of operations. The Company's financial instruments consist mainly of cash and cash equivalents, accounts receivable, short-term debt, accounts payable and long-term debt. The estimated fair value of these financial instruments approximates their carrying value due to the short-term maturity of certain instruments and the variable interest rates associated with certain instruments, which have the effect of re-pricing such instruments regularly. As of June 30, 2009, the Company estimated the fair value of long term fixed rate debt to be approximately $8,659,000 compared to its carrying value of $7,972,000.

The fair value hierarchy distinguishes between assumptions based on market data (observable inputs) and an entity's own assumptions (unobservable inputs). The hierarchy consists of three levels:

- Level one — Quoted market prices in active markets for identical assets or liabilities;
- Level two — Inputs other than level one inputs that are either directly or indirectly observable; and
- Level three — Unobservable inputs developed using estimates and assumptions, which are developed by the reporting entity and reflect those assumptions that a market participant would use.

Determining which category an asset or liability falls within the hierarchy requires significant judgment. The Company evaluates its hierarchy disclosures each quarter. Liabilities measured at fair value on a recurring basis are summarized as follows (unaudited):

In Thousands

	Level 1	Level 2	Level 3	June 30, 2009
Fair value of warrants	$ -	$ 146	$ -	$ 146
Total	$ -	$ 146	$ -	$ 146

(4) LOSS PER SHARE

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, *Earnings per Share,* basic and diluted net loss per common share for the three and six months ended June 30, 2009 and 2008, respectively, is calculated by dividing the net loss applicable to common stockholders by the weighted average number of vested shares of common stock outstanding. Common stock equivalents that were outstanding as of June 30, 2009 and 2008, but were considered anti-dilutive securities and excluded from the diluted net income per share calculations, were as presented below:

	June 30,	
	2009	2008
Options outstanding	5,384,759	4,338,976
Warrants outstanding	8,522,850	6,712,979
Unvested restricted stock grants	1,145,971	1,862,978
Total potentially dilutive common stock equivalents	15,053,580	12,914,933

(5) REVENUE RECOGNITION

The Company recognizes revenue from sales of products and funded research and development and product development for commercial companies and government agencies. The Company recognizes revenue in accordance with SEC Staff Accounting Bulletin No. 101, *"Revenue Recognition in Financial Statements"* ("SAB 101") as updated by Staff Accounting Bulletin ("SAB") 104, *Revenue Recognition* and Emerging Issues Task Force ("EITF") 00-21, *Revenue Arrangements with Multiple Deliverables.*

The Company recognizes revenue from product sales at the time of shipment and when persuasive evidence of an arrangement exists, performance of the Company's obligation is complete, the price to the buyer is fixed or determinable, and collectability is reasonably assured. The Company's custom products are supplied to original equipment manufacturers and produced in accordance with a customer-approved design. Custom product revenue is recognized when the criteria for acceptance has been met. Title to the product generally passes upon shipment, as products are generally shipped FOB shipping point. In certain limited situations, distributors have the right to return products. Such rights of return have not precluded revenue recognition because the Company has a long history with such returns and accordingly is able to estimate a reserve for their cost.

Revenues from funded research and development and product development is recognized based on contractual arrangements, which may be based on cost reimbursement or fixed fee-for-service models. Revenue from reimbursement contracts is recognized as services are performed and collectability is reasonably assured. On fixed-price contracts, revenue is generally recognized on a percentage-of completion basis based on proportion of costs incurred to the total estimated costs of the contract or under the proportional method. Over the course of a fixed-price contract, the Company routinely evaluates whether revenue and profitability should be recognized in the current period. The Company estimates the proportional performance on their fixed-price contracts on a monthly basis utilizing hours incurred to date as a percentage of total estimated hours to complete the project. If the Company does not have a sufficient basis to measure progress toward completion, revenue is recognized upon completion of performance. This method is used because reasonably dependable estimates of costs and revenue earned can be made, based on historical experience and milestones identified in any particular contract. When the current estimates of total contract revenue and contract costs indicate a loss, a provision for the entire loss on the contract is recorded.

If a contract involves the provision of multiple elements and the elements qualify for separation under EITF 00-21, total estimated contract revenue is allocated to each element based on the relative fair value of each element provided. The amount of revenue allocated to each element is limited to the amount that is not contingent upon the delivery of another element in the future. Revenue is then recognized for each element as described above.

(6) WARRANTY

The Company provides warranties on most of its products for periods of between one to two years. The warranty is limited to the cost of the product and the Company will repair or replace the product as required. The Company monitors the actual warranty repair costs and trends versus the reserve as a percent of sales. The Company periodically adjusts the warranty provision based on the actual experience and for any particular known instances.

Warranty Reserves:

Six Months Ended June 30	**2009**	**2008**
	In thousands	
Balance at December 31	$ 253	$ 302
Charges to costs and expenses	33	98
Account write-offs and other deductions	(22)	(73)
Balance at June 30	$ 264	$ 327

(7) INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out basis) or market and include materials, labor and overhead. Inventories are as follows:

	June 30, 2009	**December 31, 2008**
	In thousands	
Finished goods	$ 952	$ 931
Work-in-process	460	369
Raw materials	2,533	2,551
Net inventories	$ 3,945	$ 3,851

(8) STOCK BASED COMPENSATION PLANS AND STOCK-BASED COMPENSATION EXPENSE

The Company has stock-based compensation plans for its employees, officers, and directors. The plans permit the grant of a variety of awards with various terms and prices as determined by the Governance, Nominating and Compensation Committee ("GNCC") of the Company's Board of Directors. The grants vest over terms of two to four years and are priced at fair market value or in certain circumstances 110% of the fair market value, of the common stock on the date of the grant. The options are generally exercisable after the period specified in the option agreement, but no option may be exercised after 10 years from the date of grant.

Additionally, in the case of incentive stock options, the exercise price may not be less than 100% of the fair market value of the Company's common stock on the date of grant. However, there is an exception in the case of a grant to an employee who owns or controls more than 10% of the combined voting power of all classes of the Company's stock or the stock of any parent or subsidiary. In that case, the exercise price shall not be less than 110% of the fair market value on the date of grant. In the case of non-qualified stock options, the exercise price shall not be less than 85% of the fair market value of the Company's common stock on the date of grant, except in the case of a grant to an independent director, in which case the exercise price shall be equal to fair market value determined by reference to market quotations on the date of grant.

The Company estimates the fair value of stock options using the Black-Scholes option pricing model, consistent with the provisions of Statement of Financial Accounting Standards No. 123(R), Share Based Payment, ("SFAS 123(R)") and the Securities and Exchange Commission Staff Accounting Bulletin No. 107, Share Based Payments, ("SAB 107").

Stock Option Awards

The fair value of each option grant is estimated using the Black-Scholes option pricing model. The fair value is then amortized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period. Use of a valuation model requires management to make certain assumptions with respect to selected model inputs. Expected volatility was calculated based on the historical volatility of the Company's stock, at the time of the award. The average expected option term was estimated at 5 years. The risk-free interest rate is based on U.S. Treasury zero-coupon issues assumed at the date of grant and no dividends were assumed in the calculation. The compensation expense recognized for all equity-based awards is net of estimated forfeitures for the six months ending June 30, 2009 and 2008. Forfeitures are estimated based on the historical trends. The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model. There were 2,906,996 options granted during the six months ended June 30, 2009. There were 2,046,572 options granted in the six months ended June 30, 2008.

On January 16, 2009, the GNCC adopted a stock option incentive program for 2009. The GNCC adopted a policy of granting performance-based options to purchase shares of the Company's common stock to various executive officers and key employees. All options shall vest and become exercisable on the date the Company publicizes its earnings press release regarding fiscal 2009 results, if the stated performance goal is met. The Company records the related expense, if any, over the requisite service period, and assesses the probability of attaining the performance goals at each reporting date. If the performance goals are not met, the options will terminate. Options for a total of 1,865,000 shares of common stock were granted under this performance-based program on January 16, 2009. Management has assessed the likelihood of meeting the performance target, and in its opinion it is unlikely that they will do so. As a result, management has reversed the stock compensation expense booked during the first quarter of approximately $52,000, during the three months ended June 30, 2009.

On March 17, 2008, the GNCC adopted a stock option incentive program for 2008. Options to purchase a total of 1,522,300 shares of common stock were granted under this performance-based program on March 17, 2008, all of which were forfeited when the performance goals were not met. As the performance goals were not met, the options immediately terminated and the previously accrued compensation cost of approximately $490,000 was reversed in the fourth quarter of 2008, resulting in no net compensation recorded in 2008 related to the program.

The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model. The assumptions for grants during the six months ended June 30, 2009 were as follows:

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Volatility	101.4%-104.8%	98.88%
Expected option life	6.08 years	5.65 years
Interest rate (risk free)	1.54%-2.86%	2.54%
Dividends	N/A	N/A
Weighted average grant date fair value	$ 0.12	$ 0.42

A summary of option activity as of June 30, 2009 and changes during the first six months is presented below:

	Options Outstanding	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value (in thousands)
Balance at December 31, 2008	2,987,889	$ 3.45	4.58	$ —
Granted	2,906,996	0.15	—	—
Exercised	—	—	—	—
Cancelled	(510,126)	0.81	—	—
Balance at June 30, 2009	5,384,759	$ 1.82	7.38	$ 6
Vested and Exercisable at June 30, 2009	1,925,251	$ 4.73	3.54	$ —

As of June 30, 2009, there was a total unrecognized compensation cost of approximately $202,000 related to non-vested stock options outstanding. The cost is expected to be recognized over the next 1.53 years. There were no options exercised in the six months ended June 30, 2009 and June 30, 2008.

Restricted Share Awards ("RSAs")

The Company has awarded to a number of employees restricted shares of the Company's common stock. The RSAs vest in equal annual installments over a period of four years. The fair market value of the RSAs is based on the fair market value per share of the Company's common stock on the date of grant and is amortized over the vesting period. During the quarter ended June 30, 2009, there were no shares of restricted stock issued and 96,837 shares of restricted stock vested. During the six months ended June 30, 2009, there were no shares of restricted stock issued and 139,584 shares of restricted stock vested.

A summary of the status of the Company's RSAs as of June 30, 2009 and changes during the first six months is presented below:

	Shares	Weighted Average Grant-Date Fair Value
Non-vested at December 31, 2008	1,368,394	$ 1.17
Granted	-	-
Vested	(139,584)	0.92
Cancelled	(82,839)	1.35
Non-vested at June 30, 2009	1,145,971	$ 1.19

As of June 30, 2009, there was a total unrecognized compensation cost of approximately $885,000, related to non-vested RSAs. The Company expects to recognize the costs over the next 1.80 years.

(9) COMPREHENSIVE LOSS

SFAS No. 130, *Reporting Comprehensive Income,* requires disclosure of all components of comprehensive income (loss) on an annual and interim basis. Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. The Company's total comprehensive loss is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	In thousands			
Net loss	$ (718)	$ (2,285)	$ (2,325)	$ (4,451)
Other comprehensive income (loss):	—	—	—	—
Cumulative translation adjustment	(127)	40	(151)	(56)
Comprehensive loss	$ (845)	$ (2,245)	$ (2,476)	$ (4,507)

(10) GOODWILL

The changes in the carrying amount of goodwill for the six months ended June 30, 2009 are as follows:

	June 30, 2009
	In thousands
Balance at January 1, 2009	$ 6,588
Effect of exchange rate	550
Balance at June 30, 2009	$ 7,138

There were no goodwill impairment losses recorded during the three months or six months ended June 30, 2009.

(11) INTANGIBLE ASSETS

Intangible assets consist of trademarks, acquired patents and patented technologies, distributor and customer relationships and related contracts, trade and brand names and associated logos, technology design and programs, non-compete agreements and other intangible assets. There are no intangible assets with indefinite lives. Acquired patented technologies and trademarks are amortized over their estimated useful lives of between 3 - 16 years.

Gross carrying amounts and accumulated amortization of intangible assets were as follows as of June 30, 2009 for each intangible asset class.

	Gross Carrying Amount	Accumulated Amortization	Carrying Value
		(in thousands)	
Acquired patents, patented technology and purchased technology	$ 3,360	$ (3,180)	$ 180
Trademarks	471	(471)	—
Acquired trade name	500	(166)	334
Acquired customer contracts and relationships	2,030	(1,117)	913
Acquired non-compete agreement	657	(584)	73
Acquired technology design and programs	343	(114)	229
Other	118	(73)	45
Total	$ 7,479	$ (5,705)	$ 1,774

Gross carrying amounts and accumulated amortization of intangible assets were as follows as of December 31, 2008 for each intangible asset class.

	Gross Carrying Amount	Accumulated Amortization	Carrying Value
		(in thousands)	
Acquired patents, patented technology and purchased technology	$ 3,353	$ (3,123)	$ 230
Trademarks	471	(471)	-
Acquired trade name	438	(118)	320
Acquired customer contracts and relationships	1,779	(796)	983
Acquired non-compete agreement	576	(416)	160
Acquired technology design and programs	301	(82)	219
Other	104	(53)	51
Total	$ 7,022	$ (5,059)	$ 1,963

Amortization of intangible assets was approximately $209,000 and $295,000 for the three months ended June 30, 2009 and 2008, and approximately $405,000 and $625,000 for the six months ended June 30, 2009 and 2008.

As of June 30, 2009, the estimated future amortization expense of intangible assets, in thousands, is as follows:

	Estimated Future Expense In thousands					
	2009	2010	2011	2012	2013	2014 & thereafter
Amortization expense of intangible assets	$ 380	$ 486	$ 347	$ 194	$ 194	$ 173

(12) DEBT

A summary of the Debt Obligations of the Company is as follows:

	June 30, 2009	December 31, 2008
	In thousands	
Acquired note payable to Barclay's Bank, maturing on November 16, 2009 and having an interest rate of 2.5% above Barclay's base rate (3.0% at June 30, 2009).	$ 9	$ 22
Borrowings under Revolving Credit facility with Barclay's Bank Sales Financing, due on demand, with an interest rate of 2.65% above Barclay's base rate (3.15% as of June 30, 2009).	278	710
* Borrowings under line of credit with Laurus Master Fund, Ltd., due on demand, with an interest rate of the prime rate plus 1% (4.25% at June 30, 2009).	3,314	3,159
* Notes Payable to Laurus Master Fund, Ltd. and affiliates maturing on June 30, 2010, with an interest rate of prime plus 2%, and a minimum rate of 8.0% (8.0% at June 30, 2009), net of unamortized discount of $269 at June 30, 2009 and $460 at December 31, 2008.	2,656	2,690
* Note Payable to an affiliate of Laurus Master Fund, Ltd. maturing on June 30, 2010, with an interest rate of 10.5%, net of unamortized discount of $42 at June 30, 2009 and $90 at December 31, 2008.	625	676
Senior Fixed Rate Secured Bond to a private investor with an interest rate of 12%, maturing on July 30, 2011 net of unamortized discount of $147 at June 30, 2009 and $166 at December 31, 2008	2,362	1,028
Senior Fixed Rate Secured Bond payable to a private investor, maturing on October 31, 2011 with an interest rate of 10%, net of unamortized discount of $622 at June 30, 2009 and $798 at December 31, 2008.	2,480	3,674
Bonds payable to the former stockholders of Photonic Products Ltd. maturing on October 31, 2009, with an interest rate of LIBOR plus 1%, (1.67% at June 30, 2009).	2,400	2,400
Sub-total debt	14,124	14,359
Less – lines of credit / revolver	(3,592)	(3,869)
Less—Current portion of long-term debt, net of discount	(6,723)	(4,118)
Total long-term debt	$ 3,809	$ 6,372

* See footnote 16 relating to amendments subsequent to June 30, 2009.

Laurus Master Fund

Line of Credit Agreement:

On June 28, 2006, the Company entered into a Security and Purchase Agreement with Laurus Master Fund, Ltd ("Laurus"). Under the Security and Purchase Agreement, a three-year revolving line of credit was established. The proceeds from this line of credit were used to pay in full the outstanding amount under a previously outstanding credit facility between the Company and a bank. Additional amounts borrowed under the line of credit from time to time may be used for the Company's working capital needs. The Security and Purchase Agreement provides for a revolving line of credit not to exceed an aggregate principal amount of $4 million and grants a security interest in and lien upon all of the Company's assets in favor of Laurus. The Company may borrow a total amount at any given time up to $4 million limited to qualifying receivables and inventories as defined in the agreement.

The outstanding principal under the revolver accrues interest at an annual rate of 1% above the prime rate. The interest rate was 4.25% as of June 30, 2009. The Company may elect to prepay the revolver at any time, in whole or in part, without penalty or premium. All unpaid principal plus accrued but unpaid interest was due and payable on June 28, 2009. On July 28, 2009 Laurus entered into a Waiver and Amendment with the Company, dated as of July 16, 2009, under which Laurus waived any default that may have arisen on or before June 28, 2009 and extended the term of the note until October 15, 2009. (see footnote 16)

On March 31, 2008, Laurus granted the Company the ability to borrow up to $500,000 over the limit defined by qualified receivables and inventory for one year, expiring March 31, 2009. In consideration, the Company issued and sold to Laurus 100,000 shares of its common stock at a per share purchase price of $.01, for an aggregate purchase price of $1,000, and extended the term of all outstanding warrants issued to Laurus for an additional 5 years. On April 16, 2009, the Company and Laurus entered into an agreement, effective March 31, 2009, to extend the overadvance by amending the note. The amendment grants a fee, payable in cash, to Laurus of $400,000 on June 30, 2010. This $400,000 has been expensed over the three month period of the extension. On July 28, 2009 Laurus entered into a Waiver and Amendment with the Company, dated as of July 16, 2009, under which Laurus waived any default that may have arisen on or before June 28, 2009 and extended the term of the note until October 15, 2009. (see footnote 16)

At June 30, 2009, $3,314,324 was outstanding under the line of credit, which included the $500,000 overadvance, and was classified as lines of credit/revolver. The credit line was overdrawn at June 30, 2009 by approximately $121,000, which is due and payable.

At December 31, 2008, $3,159,324 was outstanding under the line of credit, which included the $500,000 over draft, and was classified as lines of credit/revolver. The credit line availability at December 31, 2008 was approximately $235,000.

Term Note Payable:

On December 30, 2005, under the terms of a Securities Purchase Agreement, the Company issued a secured term note in the aggregate principal amount of $4 million to Laurus. The note is collateralized by certain assets of the Company. On June 19, 2007, the Company and Laurus entered into a Note Amendment Agreement to the December 2005 secured term note. In connection with the amendment, the Company entered into a Securities Purchase Agreement with Laurus under which the Company borrowed $2,318,180 and issued a Secured Term Note to Laurus. The amendment extended the maturity date of the December 30, 2005 note from December 30, 2008 to June 30, 2010. The Company agreed to make monthly payments of principal and interest on the note beginning on July 1, 2007. The Company may elect to prepay the note provided that if such prepayment occurs during the third year of the date of issuance, the Company shall pay a 5% prepayment penalty.

On December 28, 2007, the Company issued amended and restated secured term notes to Laurus and its assignees, PSource Structured Debt Limited ("PSource") and Valens U.S. SPV I ("Valens"), both affiliates of Laurus. Under the terms of the amended notes the Company borrowed an additional $1.0 million from Valens. The notes amended and restated the secured term notes dated December 30, 2005 and June 19, 2007. The terms of the note issued to Valens are the same as the note issued to Laurus on June 19, 2007. The $1.0 million portion of the Valens note will accrue interest at an annual rate of 10.5%. The monthly principal payments are $108,000. Laurus, PSource and Valens rights under the notes are secured by a security interest in certain assets of the Company.

On July 31, 2008, the Company signed an agreement with Valens and PSource, to defer the principal payments of the term notes in the amount of $108,333 per month, for the period of August 1, 2008 to October 1, 2008. The Company continued to make monthly interest payments during this period.

On November 17, 2008, the Company signed an agreement with Valens and PSource, to defer the principal payments of the term notes in the amount of $108,333 per month, for the period of December 1, 2008 to February 1, 2009. The Company continued to make monthly interest payments during this period.

On July 28, 2009, Laurus, Valens and PSource, entered into a Waiver and Amendment with the Company, dated as of July 16, 2009, under which they deferred the principal payments due during the period commencing on June 1, 2009 through and including October 1, 2009. All amounts deferred during this period are payable in full on October 15, 2009. (see footnote 16)

At June 30, 2009, $3,591,673 was outstanding under the combined notes, all of which has been classified as short-term debt and reported net of $310,722 of unamortized debt discount.

At December 31, 2008, $3,916,671 was outstanding under the combined notes, which was classified as $1,408,326 short-term debt and $2,508,345 long-term debt and reported net of $550,794 of unamortized debt discount, which was classified as $418,176 short-term and $132,618 long-term.

Private Investor Notes and Bonds

Photonic Products Ltd. Financing

On October 31, 2006, StockerYale (UK) Ltd. issued a 10% Senior Fixed Rate Secured Bond to the Eureka Interactive Fund Ltd. (Eureka) in the original principal amount of $4,750,000. The bond is due on October 31, 2011. StockerYale (UK) Ltd. agreed to make payments of principal and interest over the term; however, during the first twelve months of the term of the bond, only accrued interest will be required to be paid (no payments of principal will be required) and an amount equal to 50% of the original principal sum of $4,750,000 will be paid on October 31, 2011. The outstanding principal on the bond accrues interest at an annual rate of 10%. StockerYale (UK) Ltd. may prepay the bond at any time, in whole or in part, without penalty or premium. The bond is secured by all of the equity interests of Photonic Products Ltd. owned by StockerYale (UK) Ltd. The Company used the net proceeds to make the cash payment for the acquisition of Photonic Products Ltd. The remaining proceeds were used for transaction fees and working capital.

If StockerYale (UK) Ltd. prepays all amounts outstanding under the bond prior to the third anniversary of the date of issuance, then the number of shares of the Company's common stock purchasable upon exercise of the warrant issued to Eureka shall be changed to 2,137,500 if the bond is repaid in full prior to the third anniversary of the date of issuance.

On August 16, 2007, Eureka agreed to transfer certain promissory notes and the bond described above, as well as all of the unexercised warrants previously issued to Eureka, to a private investor.

On May 27, 2008, the same private investor loaned the company an additional $500,000 payable over the remaining term of the original loan, at the same fixed 10% interest rate.

On October 30, 2008, the private investor agreed to forego principal payments on the combined notes for the months of September 2008 through December 2008. In consideration, the Company agreed to issue to the private investor an aggregate of 616,743 shares of common stock of the Company.

On January 13, 2009, the private investor agreed to forego six monthly principal payments due under the Bond from January 2009 to June 2009 totaling $370,044, with monthly principal payments resuming on July 1, 2009. In consideration, the Company agreed to issue to the private investor an aggregate of 1,480,176 shares of the common stock of the Company.

On June 9, 2009, the private investor and the Company entered into a Transfer Agreement under which they agreed to transfer $1,000,000 of debt (the "Transfer Amount") from the Bond to the Senior Fixed Rate Secured Bond described below.

At June 30, 2009, $3,101,881 remained outstanding under the combined note which has been classified as $740,091 short-term debt and $2,361,790 long- term debt and reported net of $622,112 of unamortized debt discount, which has been reported as $311,229 as short-term and $310,883 as long-term.

At December 31, 2008, $4,471,926 remained outstanding under the combined note which was classified as $740,091 short-term debt and $3,731,835 long- term debt and reported net of $798,251 of unamortized debt discount, which was reported as $338,595 as short-term and $459,656 as long-term.

StockerYale Ireland Senior Fixed Rate Secured Bond

On July 24, 2008, StockerYale (IRL) Ltd. issued a three-year 12% Senior Fixed Rate Secured Bond to a private investor in the original principal amount of €935,000 ($1,472,905 at July 24, 2008) secured by all of the assets of StockerYale (IRL) Ltd. The bond matures on July 30, 2011. StockerYale (IRL) Ltd. agreed to make payments of principal and interest of approximately €31,000 over the term beginning August 30, 2008. The outstanding principal on the bond accrues interest at an annual rate of 12%. StockerYale (IRL) Ltd. may prepay the bond at any time, in whole or in part, without penalty or premium. The Company used the net proceeds for working capital.

On June 9, 2009, the same private investor loaned the company an additional $500,000 payable over the remaining term of the original loan, at the same fixed 12% interest rate. As a part of the agreement, the Company issued to the private investor additional ten-year common stock warrants to purchase 500,000 shares of common stock at an exercise price per share of $0.10. An additional debt discount was recorded in the amount of $38,086 and is being amortized over the remaining life of the note. The Company used the Black-Scholes Model to calculate the fair value of the warrants. The underlying assumptions included in the Black-Scholes Model were: a risk-free interest rate of 3.86%, an expected life of seven years, an expected volatility of 105.04% and no dividend yield.

Also on June 9, 2009, the Company and private investor entered into a Transfer Agreement under which they agreed to transfer $1,000,000 of debt (the "Transfer Amount") from the StockerYale UK Bond described above to the Senior Fixed Rate Secured Bond. Interest accrues and is payable monthly and the amount is payable on July 30, 2011.

At June 30, 2009, $2,508,705 remained outstanding under the bond, which has been classified as $701,238 short-term debt and $1,807,467 long-term debt and reported, net of $146,670 of unamortized debt discount, which has been reported as $97,603 short-term and $49,067 long-term.

At December 31, 2008, $1,193,829 remained outstanding under the bond, which was classified as $403,817 short-term debt and $790,012 long-term debt and reported, net of $165,810 of unamortized debt discount, which was reported as $100,050 short-term and $65,760 long-term.

Barclay's Bank, PLC

On February 6, 2008, the Company's Photonic Products subsidiary entered into a Confidential Invoice Discounting Agreement with Barclay's Bank Sales Financing ("Barclay's"). Under the Discounting Agreement, a three-year revolving line of credit was established. The Discounting Agreement provides for a revolving line of credit and grants a security interest in and lien upon all of Photonic Products' trade receivables in favor of Barclay's.

The facility requires the maintenance of certain covenants. The Company may elect to prepay amounts due under the facility at any time, in whole or in part, upon 3 months notice. If the prepayment amount comes before the end of the 'Minimum Period of the Agreement', Barclay's reserves the right to charge fees in accordance with the terms and conditions of the agreement. On June 26, 2009, Photonic Products agreed to amend the terms of the Agreement with Barclay's. Under the amended terms, the maximum amount allowed outstanding under the line of credit is £650,000 ($1,070,000 USD). The outstanding principal under the note accrues interest at an annual rate of 2.65% above Barclay's base rate. The interest rate was 3.15% as of June 30, 2009.

The amount outstanding under the facility was approximately $278,000 as of June 30, 2009 and $710,000 as of December 31, 2008, all of which was classified as short term debt under revolving lines of credit.

(13) DISCONTINUED OPERATIONS

During 2005, the Company's management and the Board of Directors made a decision to discontinue its Singapore operation as well as its fiber optic illumination and galvanometer businesses.

During 2006, the Company completed the divestitures of these three businesses in exchange for aggregate consideration of up to $525,000 in cash and notes receivable and a 5% royalty on future sales of a specific product royalty up to a maximum of $35,000.

Amounts recorded as income from discontinued operations for the six months ended June 30, 2009 and 2008, primarily resulted from additional cash consideration received under certain notes receivable.

(14) COMMITMENTS AND CONTINGENCIES

Lease obligation treated as financing

On December 30, 2005, the Company closed a sale-leaseback transaction on the Company's Salem, New Hampshire headquarters with 55 Heritage LLC. The lease agreement grants the Company the option to extend the initial term for a period of five years. Because the transaction did not qualify as a sale for Generally Accepted Accounting Principles (GAAP) reporting purposes under SFAS 66, *Accounting for Sales of Real Estate* and SFAS 98, *Accounting for Leases,* the net proceeds were classified as a financing lease obligation. This was primarily due to the terms of the lease agreement. Accordingly, the Company continues to carry the value of the building on its balance sheet and record depreciation expense until the criteria to record a sale are met. The Company continues to account for the financing lease in accordance with the provisions of SFAS 98.

During the quarter ended June 30, 2009, the Company recorded $67,000 as non-cash interest expense and $15,000 as a decrease of the lease obligation due to a reduction in the deposit amount left with the landlord of $29,000 during the second quarter of 2009. For the six months ended June 30, 2009, the Company recorded $136,000 as non-cash interest expense and $28,000 as an increase of the lease obligation.

At June 30, 2009, $3,640,000 was recorded on the balance sheet as a financing lease obligation, which was classified as $428,000 short-term obligation and $3,212,000 long-term obligation, and has been reported net of a $100,000 deposit. The net book value of the building at June 30, 2009 was approximately $3,259,000.

At December 31, 2008, $3,669,000 was recorded on the balance sheet as a financing lease obligation, which has been classified as $444,000 short-term obligation and $3,225,000 long-term obligation, and has been reported net of a $157,500 deposit. The net book value of the building at December 31, 2008 was approximately $3,410,000.

Other obligations

The Company's Canadian subsidiary, StockerYale Canada Inc., conducts research and development, manufacturing, sales and administration from a property located at 275 Kesmark Street, Montreal, Quebec, Canada. StockerYale Canada leases approximately 60,000 square feet of the Montreal property for an initial term of ten years ending December 2015. The rent during the ten-year term ranges from approximately Cdn. $416,031 to Cdn. $469,521 per year plus all operating costs. StockerYale Canada has an option to extend the initial term of the lease for an additional term of five years. StockerYale Canada sub-leases portions of the facility

On June 12, 2008, StockerYale (IRL) Ltd. entered into a lease commitment for its operations in Cork, Ireland. The lease term began on August 22, 2008 for an initial term of five years with rent and service charges of approximately €102,000 per year.

Photonics Products Ltd. leases approximately 13,000 square feet of space in Hatfield Broad Oak, Hertfordshire, UK. The lease runs for a term of nine years ending September 29, 2013. It also leases approximately 4,000 square feet in Bishops Stortford, UK, through September 2011, which has been sublet. Photonic Products Ltd. also leases sales offices in Grobenzell, Germany and Huntington Beach, California.

(15) SEGMENT INFORMATION

SFAS No. 131 ("SFAS 131"), *Disclosures about Segments of an Enterprise and Related information,* requires financial and supplementary information to be disclosed on an annual and interim basis of each reportable segment of an enterprise. SFAS 131 also establishes standards for related disclosures about product and services, geographic areas and major customers. Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief decision-making group, in making decisions how to allocate resources and assess performance. The Company's chief decision-maker is the Chief Executive Officer. The Company's accounting policies and method of presentation for segments is consistent with that used throughout the consolidated financial statements.

The Company operates in three segments: lasers, Photonic Products, and optical components. In the laser segment, the Company acts as an independent designer and manufacturer of Lasiris™ brand lasers and light emitting diode ("LED") systems for the inspection, machine vision, medical and military markets. The Photonic Products segment distributes laser diodes and designs and manufactures custom laser diodes modules for industrial, commercial and medical applications. In its optical component segment, the Company develops and manufactures specialty optical fiber, fiber-based assemblies and diffractive optics such as phase masks used primarily in the telecommunications, defense, and medical markets by original equipment manufacturers. The policies relating to segments are the same as the Company's corporate policies.

The Company evaluates performance and allocates resources based on revenues and operating income (loss). The operating loss for each segment includes selling, research and development and expenses directly attributable to the segment. In addition, the operating loss includes amortization of acquired intangible assets, including any impairment of these assets and of goodwill. Certain of the Company's indirect overhead costs, which include corporate general and administrative expenses, are allocated between the segments based upon an estimate of costs associated with each segment. Segment assets include accounts receivable, inventory, machinery and equipment, goodwill and intangible assets directly associated with the product line segment.

All revenues and costs associated with our discontinued businesses have been eliminated from segment reporting, so that the net effect is to report from continuing operations only.

(All amounts in thousands)

	Three Months Ended June 30, 2009				Three Months Ended June 30, 2008			
	Lasers	Photonic Products	Optical Components	Total	Lasers	Photonic Products	Optical Components	Total
Net Sales	$ 3,405	$ 1,795	$ 817	$ 6,017	$ 5,026	$ 2,714	$ 807	$ 8,547
Gross Profit	1,424	382	225	2,030	2,030	677	197	2,904
Operating Loss	(469)	(265)	(186)	(919)	(1,094)	(188)	(289)	(1,571)

	Six months Ended June 30, 2009				Six months Ended June 30, 2008			
	Laser	Photonic Products	Optical Components	Total	Lasers	Photonic Products	Optical Components	Total
Net sales	$ 6,892	$ 3,659	$ 1,785	$ 12,336	$ 9,141	$ 5,747	$ 1,721	$ 16,609
Gross Profit	2,944	871	605	4,420	3,415	1,464	484	5,363
Operating loss	(1,052)	(467)	(301)	(1,820)	(2,040)	(476)	(582)	(3,098)

	June 30, 2009					December 31, 2008				
	Lasers	Photonic Products	Optical Components	Corporate	Total	Lasers	Photonic Products	Optical Components	Corporate	Total
Total current assets	$ 5,539	$ 1,759	$ 568	$ 1,153	$ 9,019	$ 5,532	$ 2,049	$ 544	$ 1,622	$ 9,747
Property, plant & equipment, net	$ 2,520	$ 487	$ 1,910	$ 3,400	$ 8,317	$ 2,271	$ 480	$ 2,167	$ 3,578	$ 8,496
Acquired intangible assets, net	$ 66	$ 1,594	$ 114	—	$ 1,774	$ 70	$ 1,735	$ 158	—	$ 1,963
Goodwill	$ 2,677	$ 4,453	$ 8	—	$ 7,138	$ 2,677	$ 3,903	$ 8	—	$ 6,588
Other long-term assets	$ 225	$ —	$ —	$ 2	$ 227	$ 213	$ 133	$ -	$ 302	$ 648
Total	$ 11,027	$ 8,293	$ 2,600	$ 4,555	$ 26,475	$ 10,763	$ 8,300	$ 2,877	$ 5,502	$ 27,442

The Company's sales by geographic region are denominated in U.S. dollars. These sales are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
Sales by region	**2009**	**2008**	**2009**	**2008**
Domestic – United States	$ 3,502	$ 3,915	$ 6,774	$ 7,572
Canada	420	511	849	1,078
Europe	1,779	3,033	4,059	5,904
Asia	284	844	471	1,711
Other	32	244	183	344
Total	$ 6,017	$ 8,547	$ 12,336	$ 16,609

(16) SUBSEQUENT EVENTS

On July 28, 2009, the Company entered into a Waiver and Amendment with Laurus and its affiliates, dated as of July 16, 2009, to amend the line of credit under the Security and Purchase agreement and the Term Note Payable (see footnote 12). The Waiver and Amendment extends the due date of the line of credit from June 28, 2009 to October 15, 2009 and revises the interest rate on the outstanding balance to 10% per annum. In addition, the term notes payable are amended to defer principal payments between June 1, 2009 through October 1, 2009 which shall become payable on October 15, 2009 and revises the interest rate on the outstanding balances to 12% per annum.

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

The following discussion of the consolidated financial condition and results of operations of the Company should be read in conjunction with the unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Form 10-Q. Except for the historical information contained herein, the following discussion, as well as other information in this report, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and is subject to the "safe harbor" created by those sections. Some of the forward-looking statements can be identified by the use of forward-looking terms such as "believes," "expects," "may," "will," "should," "could," "seek," "intends," "plans," "estimates," "anticipates" or other comparable terms. Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those in the forward-looking statements. We urge you to consider the risks and uncertainties described in "Risk Factors" in this report and in our annual report on Form 10-K for the year ended December 31, 2008. We undertake no obligation to update our forward-looking statements to reflect events or circumstances after the date of this report. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made.

Overview

StockerYale, Inc. is an independent designer and manufacturer of structured light lasers, LED systems, and specialty optical fibers and phase masks for industry-leading original equipment manufacturers (OEMs), as well as a distributor of visible, infrared and blue violet laser diodes. Our illumination products include the Lasiris and Photonic Products brands of laser diode modules, diodes, and LED systems for the machine vision, industrial inspection, defense and security, biomedical and medical markets. Our products are sold to over 1,500 customers, primarily in North America, Europe and the Pacific Rim. We sell directly to, and work with, a group of distributors and machine vision integrators to sell their specialized illumination products.

RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the attached unaudited condensed consolidated financial statements and notes thereto and with our audited financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2008 and the unaudited condensed consolidated financial statements and notes thereto included in the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2009.

We are a leader in the design, development and manufacturing of low power laser modules and related optics. In addition, we distribute laser diodes for leading diode manufacturers, and develop and manufacturer LED systems and specialty optical fiber (SOF). Since 1990 we have grown through internal expansion and through strategic acquisitions of technology and complimentary businesses. StockerYale is recognized as the only photonics company that possesses the design and manufacturing know-how in four different photonic technologies: diode-based lasers, LEDs, specialty optical fiber and diffractive optics. We also distribute laser diodes through our Photonic Products subsidiary. Our products serve a wide range of applications and industries including machine vision and industrial inspection, biomedical and medical, defense and security, and other commercial applications. Our advanced technologies are driven by a deep understanding of the needs of our customers and the industries in which they work.

Management took a number of actions during 2008 and the first half of 2009 to improve the Company's operational efficiency and to improve its overall financial performance. In addition, in response to the general economic slowdown that began in late 2008, management initiated a number of actions to improve cash flow and liquidity recognizing that the economy could negatively impact the future performance of the Company. These actions include:

- Customer-driven new product development to provide our customers and potential customers with an array of leading edge products;
- Reduction of our overall cost structure in a variety of ways including: reduction of work force, salary reductions, improvements in supply chain management and material costs;
- Improvements in working capital through focused management of inventory and accounts receivable; and
- Further cost reductions, as necessary and able, in order to improve cash flow.

We are considering different ways to raise additional capital including the sale of our equity securities, offerings of debt securities, or borrowings from financial institutions. We are in discussions with potential lenders to refinance the North American revolving credit facility as well as potential lenders to refinance portions of the term debt of the Company. However, there can be no assurance that such activities will result in refinancing. We have engaged Needham & Company, LLC to assist us in reviewing and evaluating our financial and strategic alternatives.

We intend to pursue various options to finance and fund operations, as necessary, through the end of 2009. We cannot be sure of the timing or terms of any borrowing arrangements or equity offerings, or that we will be able to consummate one or more of these options. If we do not achieve these goals in 2009, we would implement contingency plans for additional cost reductions; however, there is a possibility that we would not have adequate capital to sustain our current operations.

The Company's common stock trades on the OTC Bulletin Board under the ticker symbol "STKR.OB".

OPERATING RESULTS OF CALENDAR QUARTERS ENDED JUNE 30, 2009 AND 2008

Net Sales

Net sales were $6.0 million for the three months ended June 30, 2009, a 30% decrease from $8.5 million for the second quarter of 2008. The decrease in sales was mainly due to decreased demand from the laser segment (34%) and Photonic Products segment (35%). The decrease also includes the negative impact of foreign currency translation of approximately $520,000 of which $354,000 is related to the Photonic Products decrease from the prior year.

Gross Profit

Gross profit was $2.0 million for the three months ended June 30, 2009, compared to $2.9 million for the second quarter of 2008. During the three months ended June 30, 2009, gross margin was 33.7% compared with 34.0% in the second quarter of 2008. The decline in gross profit results from lower net sales partially offset by lower costs resulting from cost reduction initiatives taken during the past nine months and includes positive impact of foreign currency translation of approximately $251,000 versus the prior year.

Operating Expenses

Operating expenses totaled $2.7 million for the second quarter of 2009, decreasing 34% from $4.1 million for the second quarter of 2008. The decrease in expenses from the prior year was primarily due to acquisition costs for Virtek Vision International, Inc. of $307,000 in 2008, lower costs in 2009 due to cost reduction initiatives of approximately $560,000, and favorable foreign currency impact in 2009 of approximately $400,000.

Operating loss was $0.9 million compared with an operating loss of $1.6 million for the second quarter of 2008. Operating losses decreased due to actions taken to decrease the Company's cost structure as well as a $0.7 million benefit from favorable foreign currency translations.

Non-Operating Expenses

Other expenses, which are comprised primarily of non-cash debt discount financing costs and foreign currency translation adjustments, resulted in income of $365,000 for the three months ended June 30, 2009, versus expenses of $778,000 in the three months ended June 30, 2008. The benefit arose from translation adjustments due to the weakening of the US dollar against the British Pound (GBP), Euro and the Canadian dollar (CAD) of approximately $1.4 million, a gain of approximately $109,000 from a valuation reduction of the warrant liability, offset by warrant and debt acquisition expenses of approximately $300,000.

Net Loss

Net loss including discontinued operations was $0.7 million or $0.02 per share. This compares to net loss of $2.3 million or $0.06 per share for the second quarter of 2008.

Benefit for Income Taxes

Our historical operating losses raise doubt about our ability to realize the benefits of our deferred tax assets. As a result, we provide a valuation allowance for the net deferred tax assets that may not be realized. We recorded a deferred tax provision of approximately $164,000 in the three months ended June 30, 2009, related to one of our non-U.S. based subsidiaries. We

recorded a deferred tax benefit of approximately $62,000 in the three months ended June 30, 2008, related to the same non-U.S. based subsidiary.

SIX MONTHS ENDED JUNE 30, 2009 AND 2008

Net Sales

Net sales were $12.3 million for the six months ended June 30, 2009, a 26% decrease from $16.6 million for the six months ended June 30, 2008. The decrease in sales was mainly due to decreased demand from the laser segment (27%) and the Photonic Products segment (37%). The decrease also includes the negative impact of foreign currency translation of approximately $1.2 million of which $838,000 is related to the Photonic Products decrease from the prior year.

Gross Profit

Gross profit was $4.4 million for the six months ended June 30, 2009. This represents an 18% decrease from $5.4 million for the first six months of 2008. During the six months ended June 30, 2009, gross margin was 36% compared with 32% in the comparable period of 2008, mainly due to the cost reduction actions taken in late 2008 and during 2009. In addition, the gross profit was favorably impacted from foreign currency exchange of approximately $640,000.

Operating Expenses

Operating expenses totaled $5.8 million for the six months ended June 30, 2009, versus $7.8 million in the same period of 2008. The decrease in operating expense was mainly due to actions taken to decrease the Company's cost structure in 2009, acquisition related expenses of $307,000 related to the Virtek Vision International, Inc. acquisition activities in 2008, and the favorable impact from foreign currency exchange in 2009 of approximately $950,000.

Operating loss was $1.8 million compared with operating losses of $3.1 million for the same period of 2008.

Non-Operating Expenses

Other expenses, which are comprised primarily of non-cash debt discount financing costs and foreign currency translation adjustments, showed an expense of $0.5 million for the six months ended June 30, 2009, versus an expense of $1.5 million during the six months ended June 30, 2008. The change in expense was mainly from translation adjustments due to the weakening of the US dollar against the British Pound (GBP), Euro and the Canadian dollar (CAD), of approximately $1.3 million, a gain on the valuation of the warrant liability of approximately $145,000, offset by an increase in warrant and debt acquisition expenses of approximately $525,000.

Net Income (Loss)

Net loss including discontinued operations was $2.3 million or $0.5 per share. This compares to net loss of $4.5 million or $0.12 per share for the first six months of 2008.

Provision (Benefit) for Income Taxes

Our historical operating losses raise doubt about our ability to realize the benefits of our deferred tax assets. As a result, we provide a valuation allowance for the net deferred tax assets that may not be realized. We recorded a deferred tax benefit of approximately $9,000 for the six months ended June 30, 2009, related to the same non-U.S. based subsidiary compared to $122,000 for the six months ended June 30, 2008.

LIQUIDITY AND CAPITAL RESOURCES

Our cash balance was $1.2 million at June 30, 2009 versus $1.6 million at December 31, 2008 primarily as a result of the principal and interest payments and payments against revolving lines of credit, which were partially offset by a new loan in the amount of $0.5 million from a private investor.

As of June 30, 2009, our net accounts receivable balance was $3.4 million compared to $3.9 million at year end. Our days sales outstanding increased from 50 days at December 31, 2008 to 52 days at June 30, 2009.

Inventories at June 30, 2009 were flat to the $3.9 million at December 31, 2008.

Capital spending for the six months ending June 30, 2009 was $356,000. The Company has no material contingent capital expenditure commitments as of June 30, 2009 but has plans to purchase approximately $139,000 of capital items between July 1, 2009 and December 31, 2009.

As of June 30, 2009, the Company may not have sufficient liquidity and working capital to meet its ongoing operating obligations. In addition, the Company has a significant amount of short term debt obligations payable between July 1, 2009 and December 31, 2009, including approximately $4,200,000 of term debt and approximately $3,600,000 of revolving credit lines. Management is continuing its efforts to raise additional capital so that the Company can meet its obligations and sustain operations through the sale of its equity securities, through offerings of debt securities, or through borrowings from financial institutions. We are in discussions with several potential lenders to refinance the North American revolving credit facility as well as potential lenders to refinance portions of the term debt of the Company. However, there can be no assurance that such activities will result in refinancing, and if we were able to refinance our indebtedness, such terms may be less favorable to the Company than the current terms.

As previously disclosed, on March 27, 2009, the Company entered into the First Amendment to Stock and Warrant Purchase Agreement, dated as of March 23, 2009 (the "Amendment"), with Lewis Opportunity Fund LP ("Lewis") which extended the closing date of that certain Stock and Warrant Purchase Agreement (the "Purchase Agreement") to June 30, 2009. Under the Purchase Agreement, Lewis agreed to purchase from the Company, and the Company agreed to sell to Lewis, 2,000,000 shares of the Company's common stock at a per share purchase of $0.25, for an aggregate purchase price of $500,000.

The Company did not receive the funds by June 30, 2009, and is evaluating the options for closing the Purchase Agreement.

OFF-BALANCE SHEET ARRANGEMENTS

We have no significant off-balance sheet arrangements, including derivative instruments that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not required.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures.

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2009. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2009, our disclosure controls and procedures were effective in ensuring that the information we are required to disclose in the reports we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported on a timely basis, and that this information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting during the quarter ended June 30, 2009, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may become involved in litigation relating to claims arising out of operations in the normal course of business, which we consider routine and incidental to our business. We currently are not a party to any legal proceedings, the adverse outcome of which, in management's opinion, would have a material adverse effect on our business, results of operation or financial condition.

Item 1A. Risk Factors.

During the period covered by this Form 10-Q, there have not been any material changes from the risk factors previously disclosed in the "Risk Factors" of our annual report on Form 10-K, for the fiscal year ended December 31, 2008. In addition to the other information set forth in this report, you should carefully consider the factors discussed in our annual report on Form 10-K, which could materially affect our business, financial condition or future results. The risks described in our annual report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 5. Other Information.

During the quarter ended June 30, 2009, we made no material changes to the procedures by which shareholders may recommend nominees to our Board of Directors, as described in our most recent proxy statement.

On July 28, 2009, the Company entered into a Waiver and Amendment (the "Waiver"), dated as of July 16, 2009, with LV Administrative Services, Inc. ("LV"), Valens U.S. SPV I, LLC ("Valens"), Valens Offshore SPV I, Ltd. ("Valens Offshore"), Valens Offshore SPV II, Corp. ("Valens Offshore II") and PSource Structured Debt Limited ("PSource", and collectively with LV, Valens, Valens Offshore and Valens Offshore II, the "Creditor Parties"), pursuant to which the Creditor Parties agreed to amend (i) that certain Overadvance Letter, dated March 31, 2008 (the "Overadvance Letter"), by and between the Company and Laurus, (ii) that certain Security and Purchase Agreement, dated as of June 28, 2006 (the "Security Agreement"), by and between the Company and Laurus, (iii) those certain amended and restated secured term notes, dated as of December 28, 2007 (the "Notes") issued by the Company to Laurus and its assignees and (iv) that certain Secured Non-Convertible Revolving Note, dated as of June 28, 2006 (the "2006 Note") issued by the Company to Laurus.

As previously disclosed, on June 28, 2006, the Company entered into the Security Agreement with Laurus. Under the Security Agreement, a 3-year revolving line of credit was established. The Security Agreement provided for (i) a revolving line of credit not to exceed $4.0 million and (ii) a security interest in and lien upon all of the Company's assets in favor of Laurus. Under the Security Agreement, the Company may borrow a total amount at any given time up to $4.0 million, limited to qualifying receivables and inventories. On March 31, 2008, pursuant to the Overadvance Letter, Laurus granted the Company the ability to borrow up to $500,000 over the limit defined by qualified receivables and inventory for one year, expiring March 31, 2009, which was extended to June 28, 2009. On June 28, 2006, the Company issued the 2006 Note in the aggregate principal amount of $4.0 million, to Laurus to evidence the line of credit and the amounts outstanding thereunder. The outstanding principal under the 2006 Note accrued interest at an annual rate of 1% above the prime rate from time to time. All unpaid principal plus accrued but unpaid interest was due and payable on June 28, 2009.

Also, as previously disclosed, on December 28, 2007, the Company issued the Notes to Laurus and its assignees, pursuant to which the Company borrowed an additional $1.0 million from Valens. The Notes amended and restated the secured term notes issued by the Company to Laurus on December 30, 2005 (the "December Note") and June 19, 2007 (the "June Note"). The terms of the Note issued to Valens (the "Valens Note") were the same as the June Note, except that the principal amount of the Valens Note consisted of a $1.0 million portion, which was the amount borrowed by the Company from Valens on December 28, 2007, and a $764,684 portion, which was the amount owed to Valens prior to December 28, 2007 under the June Note. The $1.0 million portion of the Valens Note accrued interest at an annual rate of 10.5%. The other Notes amended and restated the December Note and the June Note and reduced the monthly principal payments of the Company by $50,000. The Notes, other than the $1.0 million portion of the Valens Note, accrued interest at an annual rate of 2% above the prime rate from time to time (but in no event less than 8%).

The Waiver, among other things, (i) extends the Company's ability to borrow up to $500,000 over the limit defined by qualified receivables and inventory from June 28, 2009 to October 15, 2009, (ii) extends the maturity date of the 2006 Note from June 28, 2009 to October 15, 2009, (iii) increases the interest rate on the 2006 Note to an annual rate of 10%, (iv) defers the payment of the monthly principal amounts due and payable under the Notes for the period commencing on June 1, 2009 through and including October 1, 2009 to October 15, 2009 and (v) increases the interest rate on each of the Notes to an annual rate of 12.0%.

Further, each Creditor Party waived any events of default that may have occurred under the Notes, the 2006 Note or the Overadvance Letter on or before the date of the Waiver that arose due to the Company's failure to make any payments under the Notes, the 2006 Note or the Overadvance Letter.

The foregoing description is subject to, and qualified in its entirety by, the Waiver filed as an exhibit hereto and incorporated herein by reference.

Item 6. Exhibits.

The Exhibits listed in the Exhibit Index immediately preceding such Exhibits are filed with, or incorporated by reference in, this report.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STOCKERYALE, INC.

Date: August 3, 2009

By: /s/ MARK W. BLODGETT
Mark W. Blodgett
President, Chief Executive Officer and Chairman of the Board

Date: August 3, 2009

By: /s/ TIMOTHY P. LOSIK
Timothy P. Losik
Chief Operating Officer and Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
10.1	Amendment to Instrument Constituting Euro 935,000 12% Senior Fixed Rate Secured Bond, dated as of June 9, 2009, by and between Mark Hawtin and StockerYale (IRL) Ltd.
10.2	Common Stock Purchase Warrant, dated as of June 9, 2009, issued by StockerYale, Inc. to Mark Hawtin.
10.3	Transfer Agreement by and among StockerYale (UK) Limited, StockerYale (IRL) Ltd. and Mark Hawtin, dated as of June 9, 2009.
10.4	Waiver and Amendment, dated as of July 16, 2009, by and among LV Administrative Services, Inc., Valens Offshore SPV I, Ltd., Valens U.S. SPV I, LLC, Valens Offshore SPV II, Corp., PSource Structured Debt Limited and StockerYale, Inc.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.