

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

EMCORE CORPORATION
(Exact name of Registrant as specified in its charter)

NEW JERSEY
(State or other jurisdiction of
incorporation or organization)

22-2746503
(I.R.S. Employer
Identification No.)

394 ELIZABETH AVENUE, SOMERSET, NEW JERSEY 08873
(732) 271-9090

(Address, including zip code, and telephone number, including
area code, of registrant's agent for service and principal executive offices)

THOMAS G. WERTHAN
EMCORE CORPORATION
394 ELIZABETH AVENUE
SOMERSET, NEW JERSEY 08873
(732) 271-9090

(Name, address, including zip code, and telephone number,
including area code, of agent for service)

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: as soon as
practicable after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered
pursuant to dividend or interest reinvestment plans, please check the following
box. ☐

If any of the securities being registered on this Form are to be offered on
a delayed or continuous basis pursuant to Rule 415 under the Securities Act of
1933, check the following box. ☐

If this Form is filed to register additional securities for an offering
pursuant to Rule 462(b) under the Securities Act of 1933, please check the
following box and list the Securities Act of 1933 registration statement number
of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c)
under the Securities Act of 1933, check the following box and list the
Securities Act of 1933 registration statement number of the earlier effective
registration statement for the same offering. ☐

If delivery of the prospectus is expected to be made pursuant to Rule 434,
please check the following box. ☐

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
Common Stock, no par value.....	\$75,000,000.00	\$20,850.00

to Rule 457. Includes shares of common stock that the Underwriters have the option to purchase solely to cover over-allotments, if any.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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SUBJECT TO COMPLETION -- , 1999

PROSPECTUS

, 1999

[LOGO] EMCORE CORPORATION
SHARES OF COMMON STOCK

THE COMPANY:

- We are a leading provider of compound semiconductor wafers, devices, process technology and production systems
- EMCORE Corporation
394 Elizabeth Avenue
Somerset, New Jersey 08873
(732) 271-9090
- NASDAQ Symbol: EMKR

THE OFFERING:

- The Company is offering of the shares and existing shareholders are offering of the shares.
- The underwriters have an option to purchase an additional shares from the Company to cover over-allotments.
- There is an existing trading market for these shares. The reported last sale price on February 1, 1999 was \$22.50 per share.
- We plan to use the proceeds from this offering to repay debt and for general corporate purposes. We will not receive any proceeds from the shares sold by the selling shareholders.
- Closing: , 1999.

	PER SHARE	TOTAL
Public offering price (Estimated):.....	\$	\$
Underwriting fees:.....		
Proceeds to Company:.....		
Proceeds to selling shareholders:.....		

This investment involves risk. See "Risk Factors" beginning on Page 7.

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS DETERMINED WHETHER THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. NOR HAVE THEY MADE, NOR WILL THEY MAKE, ANY DETERMINATION AS TO WHETHER ANYONE SHOULD BUY THESE SECURITIES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

DONALDSON, LUFKIN & JENRETTE
PRUDENTIAL SECURITIES
NEEDHAM & COMPANY, INC.
VOLPE BROWN WHELAN & COMPANY

WE WILL AMEND AND COMPLETE THE INFORMATION IN THIS PROSPECTUS. ALTHOUGH WE ARE PERMITTED BY US FEDERAL SECURITIES LAWS TO OFFER THESE SECURITIES USING THIS PROSPECTUS, WE MAY NOT SELL THEM OR ACCEPT YOUR OFFER TO BUY THEM UNTIL THE DOCUMENTATION FILED WITH THE SEC RELATING TO THESE SECURITIES HAS BEEN DECLARED EFFECTIVE BY THE SEC. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES OR OUR SOLICITATION OF YOUR OFFER TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THAT WOULD NOT BE PERMITTED OR LEGAL.

[ARTWORK]

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PROSPECTUS SUMMARY

This summary is qualified by more detailed information appearing in other sections of this prospectus. The other information is important, so please read this entire prospectus carefully. Unless otherwise indicated, all information in this prospectus: (a) gives effect to a 3.4-for-1 reverse stock split that was completed on February 3, 1997 and (b) assumes that the underwriters do not exercise their over-allotment option. References to EMCORE's fiscal years refer to fiscal years ended on September 30.

EMCORE CORPORATION

EMCORE designs, develops and manufactures compound semiconductor materials and process technology and is a leading manufacturer of production systems used to fabricate compound semiconductor wafers. Our products and technology enable our customers, both in the U.S. and internationally, to manufacture commercial volumes of high-performance electronic and optoelectronic devices. Our products are used in a wide variety of applications in the communications (satellite, data, telecommunications and wireless), consumer and automotive electronics, computers and peripherals, and lighting markets. EMCORE's customers include AMP Incorporated, General Motors, Hughes-Spectrolab, Lucent Technologies, Inc., Siemens AG and 12 of the largest electronics manufacturers in Japan.

Compound semiconductors have emerged as an enabling technology to meet the complex requirements of today's advanced information systems. Many compound semiconductor materials have unique physical properties that allow electrons to move at least four times faster than through silicon-based devices. Advantages of compound semiconductor devices over silicon devices include operation at higher speeds, lower power consumption, less noise and distortion, and optoelectronic properties that enable these devices to emit and detect light.

Compound semiconductor devices can be used to perform individual functions as discrete devices, such as high-brightness light-emitting diodes (HB LEDs), vertical cavity surface emitting lasers (VCSELs), magneto resistive (MR) sensors and solar cells. Compound semiconductor devices can also be combined into integrated circuits, such as transmitters, receivers and alpha-numeric displays. Although compound semiconductors are more expensive to manufacture than silicon-based devices, electronics manufacturers are increasingly integrating compound semiconductor devices into their products in order to achieve higher performance.

Our objective is to capitalize on our position in compound semiconductor process technology and production systems to become the leading supplier of compound semiconductor wafers, devices and production systems. The key elements of our strategy are to:

- apply our core materials science and metal organic chemical vapor deposition (MOCVD) production technology across multiple applications;
- target high growth opportunities;
- partner with key industry participants; and
- continue our investment to maintain technology leadership.

We have recently established a number of strategic relationships through joint ventures, long-term supply agreements and an acquisition as summarized below.

- In January 1999, we signed a transaction agreement with General Electric Lighting, to form GELcore, a joint venture to develop and market white light and colored HB LED lighting products and subject to certain conditions the parties expect this joint venture will be consummated by March 31, 1999. HB LEDs are solid state compound semiconductor devices that emit light in a variety of colors. The global demand for HB LEDs is experiencing rapid growth because LEDs have a long useful life (approximately 10 years), consume approximately 10% of the power consumed by incandescent or halogen lighting and improve display visibility. General Electric Lighting and we have agreed that this joint venture will be the exclusive vehicle for each party's participation in the solid state lighting market. GELcore seeks to combine EMCORE's materials science expertise, process technology and compound semiconductor production systems with General Electric Lighting's brand name recognition, phosphor technology and extensive marketing and distribution capabilities. GELcore's long term goal is to develop HB LED products to replace traditional lighting.
- In November 1998, we signed a long-term purchase agreement with Space Systems/Loral, a wholly owned subsidiary of Loral Space & Communications. Under this agreement, which is contingent upon our compliance with Loral's product specification requirements, we will supply compound semiconductor high-efficiency gallium arsenide solar cells for Loral's satellites. We anticipate completing this qualification in April 1999. Subject to the foregoing product qualification requirements, we have received an initial purchase order for \$5.25 million of solar cells.
- In November 1998, we formed UMCORE, a joint venture with Union Miniere Inc., a mining and materials company, to explore and develop alternate uses for germanium using our materials science and production platform expertise and Union Miniere's access to and experience with germanium.
- In October 1998, we formed Emtech, a joint venture with Optek Technology, Inc., a packager and distributor of optoelectronic devices, to market an expanded line of MR sensors to the automotive and related industries. This joint venture seeks to combine our strength in producing devices with Optek's strength in packaging and distributing devices to offer off-the-shelf products and expand market penetration.
- In September 1998, we entered into an agreement with Lockheed Martin to provide technical management and support of a Cooperative Research and Development Agreement between Lockheed Martin and Sandia National Laboratories for the advancement, transfer and commercialization of a new compound semiconductor high-efficiency solar cell. We also signed a four-year purchase agreement with AMP Incorporated to provide high speed VCSELs, initially for use in transceivers for Gigabit Ethernet applications.
- In February 1998, we and Uniroyal Technology Corporation formed Uniroyal Optoelectronics, a joint venture to manufacture, sell and distribute HB LED wafers and package-ready devices.
- In December 1997, we obtained our VCSEL technology through the acquisition of MicroOptical Devices, Inc. (MODE) to access the data communications and telecommunications markets.

As of December 31, 1998, we had an order backlog of \$41.8 million scheduled to be shipped through September 30, 1999. This represented an increase of approximately 81.4% over our backlog at September 30, 1998.

We were incorporated in the State of New Jersey in September 1986. Our principal offices are located at 394 Elizabeth Avenue, Somerset, New Jersey 08873 and our telephone number is (732) 271-9090. Our World Wide Web site is www.emcore.com. Our web site is not part of this prospectus. EMCORE and TurboDisc are registered trademarks of EMCORE and Gigalase, Gigarray and the EMCORE logo are trademarks of EMCORE. Each trademark, trade name or service mark of any other company appearing in this prospectus belongs to its holder.

THE OFFERING

Common stock offered:

By EMCORE.....	shares
By the selling shareholders.....	shares
Total.....	shares

Common stock to be outstanding after this offering.....

shares(1)

To repay approximately \$32.4 million of debt and for general corporate purposes. See "Use of Proceeds."

Use of proceeds.....

Nasdaq National Market symbol.....

EMKR

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(1) This information is based on the number of shares outstanding on 1999. It excludes 3,107,282 shares of common stock issuable upon the exercise of outstanding options and warrants and 1,550,000 shares of common stock issuable upon conversion of our outstanding preferred stock. In connection with our joint venture with General Electric Lighting Company, we will issue common stock purchase warrants to purchase between 282,010 and 564,019 shares of common stock and a subordinated convertible debenture which will be convertible into 340,984 shares of common stock.

SUMMARY CONSOLIDATED FINANCIAL DATA
(In thousands, except per share amounts)

	FISCAL YEARS ENDED SEPTEMBER 30,			THREE MONTHS ENDED DECEMBER 31,	
	1996	1997	1998	1997	1998
				(UNAUDITED)	
STATEMENT OF OPERATIONS DATA:					
Revenues.....	\$27,779	\$47,753	\$ 43,760	\$ 12,357	\$10,125
Gross profit.....	9,172	17,659	19,085	5,981	4,109
Operating loss.....	(2,753)	(689)	(41,708)	(29,223)	(5,242)
Net loss.....	(3,176)	(5,619)	(43,481)	(29,389)	(6,064)
Net loss per diluted share(1)...	\$ (1.06)	\$ (1.20)	\$ (4.95)	\$ (4.15)	\$ (0.65)
Shares used in calculating net loss per share.....	2,994	4,669	8,775	7,075	9,390

AS OF DECEMBER 31, 1998

ACTUAL AS ADJUSTED(2)
(UNAUDITED)

BALANCE SHEET DATA:

Working capital.....	\$ 2,793
Total assets.....	71,636
Long-term liabilities.....	25,019
Redeemable preferred stock.....	21,242
Shareholders' equity.....	6,545

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- (1) Basic and diluted earnings per share have been restated for all periods presented to give effect to the Commission's Staff Accounting Bulletin No. 98, which eliminated certain computational requirements of the Commission's Staff Accounting Bulletin No. 64.
- (2) Reflects the sale by EMCORE of shares of common stock offered by this prospectus.

RISK FACTORS

Before you invest in our common stock, you should be aware that there are various risks, including those described below. You should carefully consider these risks, together with the other information contained in this prospectus, before you decide whether to purchase shares of our common stock. The risks and uncertainties described below are not the only ones facing our company. Additional risks and uncertainties may also adversely impair our business operations. If any of the following risks actually occur, our business, financial condition or results of operations would likely suffer. In such case, the trading price of our common stock could decline, and you may lose all or part of the money you paid to buy our common stock.

This prospectus contains forward-looking statements based on our current expectations, assumptions, estimates and projections about EMCORE and our industry. These forward-looking statements involve numerous risks and uncertainties. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, as more fully described in this section and elsewhere in this prospectus. We undertake no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

NEED TO MANAGE GROWTH

We are experiencing rapid growth, having added a significant number of new employees, acquired MODE and entered into joint ventures with General Electric Lighting (pending), Uniroyal Technology Corporation, Optek Technology, Inc. and Union Miniere Inc. We have expanded our facilities to include two manufacturing facilities in Albuquerque, New Mexico in addition to our original facility in Somerset, New Jersey and our joint venture with Uniroyal Technology Corporation has leased a manufacturing facility in Tampa, Florida. Our revenues have increased from \$18.1 million in fiscal 1995 to \$43.8 million in fiscal 1998. This growth has placed and will continue to place a significant strain on our management, financial, sales and other employees and on our internal systems and controls. We are in the process of installing new manufacturing software for all of our facilities and are evaluating replacing our accounting and purchasing systems. In this transition, we may experience delays, cost overruns and disruptions in our operations.

Because of the high level of scientific and management expertise necessary to be successful in the compound semiconductor industry, we must continually recruit and retain highly qualified and well-trained technical and management employees. Our business, financial condition and results of operations will be materially and adversely affected if we are unable to recruit, train and retain sufficient managerial and technical employees or otherwise effectively manage our expanding operations. In addition, if we are unable to effectively manage multiple facilities and multiple joint ventures in geographically distant locations, our business, financial condition and results of operations will be materially and adversely affected. Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" for more information.

HISTORY OF OPERATING LOSSES

We started operations in 1984 and as of December 31, 1998 had an accumulated deficit of \$73.4 million. We incurred net losses of \$6.1 million in the first quarter of fiscal

1999, \$43.5 million in fiscal 1998, \$5.6 million in fiscal 1997 and \$3.2 million in fiscal 1996. We expect to continue to incur losses. To support our growth, we have increased our expense levels and our investments in inventory and capital equipment. As a result, we will need to significantly increase revenues and profit margins to become and stay profitable. If our sales and profit margins do not increase to support the higher levels of operating expenses and if our new product offerings are not successful, our business, financial condition and results of operations will be materially and adversely affected. Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements and the Notes thereto for detailed information on our history of losses.

RELIANCE UPON CONTINUED PRODUCT DEVELOPMENT; RISKS ARISING FROM RAPID TECHNOLOGICAL CHANGE

We compete in markets characterized by rapid technological change, evolving industry standards and continuous improvements in products and services. Due to continual changes in these markets, our future success depends on our ability to improve production systems, processes, wafers and devices, and develop new technologies that compete effectively and adequately address customer requirements. Our production systems must remain competitive on the basis of cost of ownership and process performance. If we are unable to develop new products in time or with sufficient performance characteristics to meet the demands of the market, our business, financial condition and results of operations will be materially and adversely affected.

Because it is generally not possible to predict the time required and costs involved in reaching certain research, development and engineering objectives, actual development costs may exceed budgeted amounts and estimated product development schedules may be extended. Our business, financial condition and results of operations may be materially and adversely affected by any budget overruns or delays. Additionally, if new products or enhancements experience reliability or quality problems, we may encounter a number of difficulties, including reduced orders, returns, higher manufacturing costs, delays in collection of accounts receivable and additional service and warranty expenses, all of which could materially and adversely affect our business, financial condition and results of operations.

FLUCTUATIONS IN OPERATING RESULTS

Our revenues and operating results may vary significantly from quarter to quarter due to a number of factors, many of which are not in our control. These factors include:

- market acceptance of our products and our customers' products;
- the volume and timing of orders for our products, particularly compound semiconductor production systems;
- delayed shipping dates due to customer requests or internal delays;
- the mix of our sales by product;
- the timing of our announcement and introduction of new products and of similar announcements by our competitors;
- a downturn in the market for our customers' products;

- the timing of recognition of joint venture revenues;
- variations in the configuration of our production systems or the design or process conditions for the production of our wafers or devices;
- product discounts and changes in pricing;
- delays in deliveries from suppliers;
- delays in orders or payments from customers due to financial constraints or competing capital and budget considerations;
- cancellations, returns and warranty claims;
- regional economic conditions, particularly in Asia;
- volatility in the compound semiconductor industry and the markets served by us and our customers; and
- the ability to obtain export licenses from the U.S. government, particularly relating to the People's Republic of China.

These factors may cause our operating results for future periods to be below the expectations of analysts and investors. This may cause a decline in the price of our common stock. Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" for detailed information on our annual and quarterly operating results.

RISKS RELATED TO THE MANUFACTURE AND ACCEPTANCE OF NEW PRODUCTS

We have recently introduced a number of new products, including the Gigalase VCSEL and high efficiency solar cells. In connection with recent joint ventures and internal development, we will be introducing additional new products, including HB LEDs, in the near future. Our expansion into the production of new products involves substantial expenditures in research and development, production and marketing. We may be unable to successfully design or manufacture these new products. The markets for some of our new products differ from those we currently serve. In addition, many of our new products are being incorporated into new products of our customers with new applications such as Gigabit Ethernet. If our new products or the new products of our customers do not gain market acceptance, our business, financial condition and results of operations will be materially and adversely affected.

RISKS RELATED TO NEW JOINT VENTURES

Since December 1997, we have established three joint ventures (with Optek Technology, Inc., Union Miniere, Inc. and Uniroyal Technology Corporation) and have signed a transaction agreement to enter into a fourth joint venture with General Electric Lighting. Certain conditions may not be satisfied and, therefore, it is possible that this joint venture with General Electric Lighting will not be established. Failure to consummate this joint venture with General Electric Lighting could have a material and adverse effect on our business prospects.

Each of our joint ventures involves the creation of a separate company, and we will not have a majority interest in any of these entities. Each of these joint ventures is

governed by a board of managers with representatives from both the strategic partner and us. Many fundamental decisions must be approved by both parties to the joint venture, which means we will be unable to direct the operation and direction of these joint ventures without the agreement of our joint venture partners. If we are unable to agree on important issues with a joint venture partner, the business of that joint venture may be delayed or interrupted, which may, in turn, materially and adversely affect our business, financial condition and results of operations.

Our participation in the joint ventures will place a significant strain on our management, financial, sales and other employees, as well as on our internal systems and controls. Some of our employees will devote much of their time and effort to these joint ventures. Our business and financial condition will be materially and adversely affected if we are unable to recruit, train and retain sufficient personnel to staff both our joint venture operations and our other operations. Moreover, we will be required to devote significant funds and technologies to our joint ventures to develop and enhance their products. If our joint ventures are unsuccessful in selling their products, our business, financial condition and results of operations will be materially and adversely affected.

General Electric Lighting and we have agreed that our joint venture will be the sole vehicle for each party's participation in the solid state lighting market. We and General Electric Lighting have also agreed to several limitations during the life of the venture and thereafter relating to use that each of us can make of the joint venture's technology. One consequence of these limitations is that in certain circumstances, such as a material default by us, we would not be permitted to use the joint venture's technology to compete against General Electric Lighting in the solid state lighting market.

Because we do not have a controlling economic and voting interest in our joint ventures, we will account for these joint ventures under the equity method of accounting.

RELIANCE ON INTERNATIONAL SALES

Sales to customers located outside the United States accounted for approximately 42.5% of our revenues in the fiscal 1996, 42.0% of our revenues in fiscal 1997, 39.1% of our revenues in fiscal 1998 and 35.1% of our revenues in the first quarter of fiscal 1999. 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 revenues. In general, our international sales are subject to different risks than our domestic sales, including:

- U.S. and international regulatory requirements and policy changes, including export controls;
- political and economic instability;
- increased installation costs;
- difficulties in and timeliness of collection of accounts receivable;
- exchange rates affecting end-user purchasers;
- tariffs and other barriers;
- difficulty in staffing and managing international operations;

- lack of adequate protection of trade secrets and intellectual property;
- dependence on and difficulties in managing international distributors or representatives; and
- potentially adverse tax consequences.

In particular, exports of our products to certain destinations, such as the People's Republic of China, Malaysia and Taiwan, may require pre-shipment authorization from U.S. export control authorities, including the U.S. Departments of Commerce and State. Authorization may be conditioned on end-use restrictions. On certain occasions, we have been denied authorization, particularly with respect to the People's Republic of China. Failure to receive these authorizations may materially and adversely affect our revenues and in turn our business, financial condition and results of operations from international sales.

Although we seek to meet technical standards established by non-U.S. regulatory bodies, if we are unable to comply with these standards in the future, our revenues and in turn our business, financial condition and results of operations will be materially and adversely affected. Please see "Business -- Marketing and Sales" for additional information on our international sales.

CUSTOMER CONCENTRATION

We derive a substantial portion of our revenues from a limited number of customers. Sales to Hughes-Spectrolab, primarily of production systems and solar cells, accounted for approximately 23.6% of our revenues in fiscal 1996, 10.2% of our revenues in fiscal 1997, 17.3% of our revenues in fiscal 1998 and 6.1% of our revenues in for the first quarter of fiscal 1999. We believe that, at least in the short-term, Hughes-Spectrolab will produce most of its material requirements in-house using TurboDisc systems purchased from us. Consequently, we do not expect sales to Hughes-Spectrolab to continue to be significant in the short term. General Motors, our main customer for MR sensors, accounted for approximately 15.1% of our revenues in fiscal 1997, 12.8% of our revenues in fiscal 1998 and 19.8% of our revenues for the first quarter of fiscal 1999. If General Motors, or any of our other significant customers, stops ordering our products, significantly reduces the volume of these orders, or cancels, delays or reschedules any orders, and we are unable to replace these orders, our business, financial condition and results of operations could be materially and adversely affected. Please see "Business -- Customers" for more information on our significant customers.

MANUFACTURING RISKS

The manufacture of our systems is a highly complex and precise process. We increasingly outsource the fabrication of certain components and sub-assemblies of our systems. The revenues derived from sales of our systems will be materially and adversely affected if we are unable to obtain a high quality, reliable and timely supply of these components and subassemblies. In addition, any reduction in the precision of these components will result in sub-standard end products and will cause delays and interruptions in our production cycle.

We manufacture all of our wafers and devices in our manufacturing facilities and our joint venture with Uniroyal Technology Corporation plans to manufacture HB LED wafers

and package-ready devices at its facility. Minute impurities, difficulties in the production process, defects in the layering of the devices' constituent compounds, wafer breakage or other factors can cause a substantial percentage of wafers and devices to be rejected or numerous devices on each wafer to be non-functional. These factors can result in lower than expected production yields, which would delay product shipments and may materially and adversely affect our operating results. Because the majority of our costs of manufacture are relatively fixed, the number of shippable devices per wafer for a given product is critical to our financial results. Additionally, because we manufacture all of our products at our facilities in Somerset, New Jersey and Albuquerque, New Mexico, and our joint venture with Uniroyal Technology Corporation will manufacture HB LED wafers and package-ready devices at its sole facility in Tampa, Florida, any interruption in manufacturing resulting from fire, natural disaster, equipment failures or otherwise would materially and adversely affect our business, financial condition and results of operations. Please see "Business -- Manufacturing" for a more detailed description of our manufacturing processes.

FILLING AVAILABLE CAPACITY

In order to expand our materials production capabilities, we have dedicated a number of our TurboDisc systems to the manufacture of wafers and devices. Several of our products are currently being tested to determine whether they meet customer or industry specifications. During this qualification period, we invest significant resources and dedicate substantial production capacity to the manufacture of these new products, prior to any commitment to purchase by the prospective customer and without generating significant revenues from the qualification process. If we are unable to meet these specifications or do not receive sufficient orders to profitably use the dedicated production capacity, our business, financial condition and results of operations would be materially and adversely affected.

DEPENDENCE ON KEY EMPLOYEES

Our future success depends, in part, on our ability to attract and retain certain key personnel, including scientific, operational and management personnel. We anticipate that we will need to hire additional skilled personnel to continue to expand all areas of our business. The competition for attracting and retaining these employees, especially materials scientists, is intense. Because of this intense competition for these skilled employees, we may be unable to retain our existing personnel or attract additional qualified employees in the future. This would materially and adversely affect our business, financial condition and results of operations.

LENGTHY SALES AND QUALIFICATION CYCLES

Sales of our compound semiconductor production systems primarily depend upon the decision of a prospective customer to increase its manufacturing capacity, which typically involves a significant capital commitment by the customer. Customers usually place orders with us on average two to nine months after our initial contact with them. We often experience delays in obtaining system sales orders while customers evaluate and receive internal approvals for the purchase of these systems. These delays may include the time necessary to plan, design or complete a new or expanded compound semiconductor fabrication facility. Due to these factors, we expend substantial funds and sales, marketing

and management effort to sell our compound semiconductor production systems. These expenditures and efforts may not result in sales.

The sales cycle for our wafers and devices typically involves a period of three to nine months or longer, during which time we develop the formula of materials necessary to meet the customer's specifications and qualifications. These efforts, which are often funded by us, may not result in the successful development of an appropriate product in accordance with customer specifications and therefore may not result in sales. Please see "Business -- Products," "Business -- Marketing and Sales" and "Business -- Competition" for more information on our products and our marketing and sales efforts.

NO ASSURANCE OF INTELLECTUAL PROPERTY PROTECTIONS

Our success and competitive position depend on protecting our trade secrets and other intellectual property. Our strategy is to rely more on trade secrets than patents to protect our manufacturing and sales processes and products, but reliance on trade secrets is only an effective business practice insofar as trade secrets remain undisclosed and a proprietary product or process is not reverse engineered or independently developed. We take certain measures to protect our trade secrets, including executing non-disclosure agreements with our employees, joint venture partners, 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 would materially and adversely affect our business, financial condition and results of operations.

Although we currently hold 11 U.S. patents, these patents do not protect any material aspects of the current or planned commercial versions of our systems, wafers or devices. We are actively pursuing patents on some of our recent inventions, but these patents may not be issued. Even if these patents are issued, they may be challenged, invalidated or circumvented. In addition, the laws of certain other countries may not protect our intellectual property to the same extent as U.S. laws. Please see "Business -- Intellectual Property and Licensing" for more information regarding our trade secrets, patents and other intellectual property.

ROCKWELL PATENT LITIGATION

In 1992, Rockwell International Corporation granted us a non-exclusive license under U.S. patent number 4,368,098 (Rockwell Patent) issued in January 1983 to Rockwell. The Rockwell Patent claims, among other things, intellectual property rights in the general use of metal organic chemical vapor deposition (MOCVD) in unspecified applications and expires in 2000. In October 1996, we initiated discussions with Rockwell to receive additional licenses to permit us to utilize MOCVD technology to manufacture and sell certain wafers and devices. In November 1996, in litigation not involving us, the Rockwell Patent was declared invalid by the U.S. Court of Federal Claims. Rockwell filed a notice of appeal on this judgment and, in June 1998, the Court of Appeals for the Federal Circuit vacated this judgment and sent the case back for trial. In January 1999, the case was settled and a judgment was entered in favor of Rockwell. Since the settlement leaves a presumption of validity of the Rockwell Patent, we may be liable to Rockwell for royalty payments, as well as other amounts in connection with the sales of our systems, wafers and devices. We have reserved amounts to pay for royalties to Rockwell, but we do not know whether these reserves will be adequate. If we are required to pay royalties in excess of our reserves, our business, financial condition and results of operations may be materially and adversely affected. In addition until January 2000, we may require additional licenses from Rockwell under the Rockwell Patent in order to continue to manufacture and sell certain

wafers and devices. The failure to obtain or maintain these licenses on commercially reasonable terms may materially and adversely affect our business, financial condition and results of operations. Please see "Business -- Intellectual Property and Licensing" for more details regarding our patents and licenses.

LICENSED TECHNOLOGY RISKS

Sandia Corporation licenses to us certain technology and the associated patent rights related to vertical cavity surface emitting laser (VCSEL) products and their manufacture. This license grants us (1) exclusive rights (subject to certain rights granted to the U.S. Department of Energy and AT&T Corporation) to manufacture and sell certain VCSEL products for barcode scanning and plastic optical fiber communications applications under five U.S. patents that expire between 2007 and 2015, (2) nonexclusive rights with respect to all other applications of these patents and (3) nonexclusive rights to employ a proprietary oxidation fabrication method in the manufacture of VCSEL products under a sixth U.S. patent that expires in 2014. Our exclusivity with respect to the barcode scanning and plastic optical fiber communications applications will expire at the end of 2003, or earlier if we fail to meet certain development and marketing criteria. Our success and competitive position as a producer of certain VCSEL products depends on the continuation of our rights under this license, the scope and duration of those rights and the ability of Sandia to protect its proprietary interests in the underlying technology and patents. If we breach the terms of the license, including certain minimum annual royalty payments to Sandia, Sandia may terminate our license. This would materially and adversely affect our manufacture and sale of certain VCSEL products based on the licensed technology. If AT&T, its successors or the Department of Energy exercise their rights in the Sandia technology and patents to compete with us, our share of the market and our revenues may be materially and adversely affected. If Sandia is unable to effectively protect its proprietary rights underlying the license from invalidation or infringement by our competitors, our manufacture and sale of certain VCSEL products would be materially and adversely affected.

RELiance ON SINGLE ASIAN DISTRIBUTOR AND COMPETITION FOR INTERNATIONAL DISTRIBUTORS

We rely on a single marketing, distribution and service provider, Hakuto Co. Ltd. to market and service many of our products in Japan, China and Singapore. Hakuto is one of our shareholders and Hakuto's president is a member of our Board of Directors. We have distributorship agreements with Hakuto which expire in March 2008 and give Hakuto exclusive distribution rights for certain of our products in Japan. Hakuto's failure to continue to effectively market and service our products or termination of our relationship with Hakuto would result in significant delays or interruption in our marketing and service programs in Asia. This would materially and adversely affect our business, financial condition and results of operations.

We compete with other manufacturers for relationships with reliable international distributors. Our business, financial condition and results of operations may be materially and adversely affected if (1) our international distributors, including Hakuto, market products in competition with our products, (2) our international distributors otherwise reduce or discontinue their relationships with us or their support of our products, or (3) we are unable to attract and retain qualified international distributors.

DEPENDENCE ON SOLE SOURCE SUPPLIERS

We generally do not maintain long-term supply agreements with our suppliers. Various critical components and sub-assemblies included in our production systems, as well as certain raw materials required for the fabrication of our wafers and devices, are obtained from sole source suppliers or a limited number of suppliers. The manufacture of certain components and sub-assemblies and raw materials is very complex and requires long lead times. Our systems cannot be produced without certain critical components and production of our wafers and devices depends on an adequate source of raw materials. We may not be able to find alternative suppliers for many of these components and materials. In addition, we intend to rely to an increasing degree on outside suppliers because of their specialized expertise. Our reliance on a limited group of suppliers, and particularly on sole source suppliers, involves several risks, including the potential inability to obtain an adequate supply of components and materials, and reduced control over pricing and delivery time. We have experienced occasional delays in obtaining components and materials. The future failure to obtain adequate, timely deliveries of sub-assemblies, components and materials could prevent us from meeting scheduled shipment dates, which may damage relationships with current and prospective customers and materially and adversely affect our business, financial condition and results of operations.

RISKS OF COMPETITION

We face substantial competition from both established competitors and potential new market entrants. We believe that the primary competitive factors in the markets in which our products are sold are yield, throughput, performance, breadth of product line, customer satisfaction, customer commitment to competing technologies and, in the case of production systems, capital and direct costs and size of installed base. Our principal competitors in the market for MOCVD systems include Aixtron GmbH, Nippon Sanso K.K. and Thomas Swann Ltd. Our principal competitors for sales of wafers and devices include Epitaxial Products International, Kopin Corporation and Quantum Epitaxial Designs, Inc. Our principal competitors for sales of VCSEL-related products include Honeywell, Inc. and Mitel Corporation. The principal competitors for our MR sensors include Honeywell, Inc., Matsushita Electrical Industrial Co. Ltd., Siemens AG and Asahi. The principal competitors for HB LEDs and our joint venture with Uniroyal Technology Corporation and our pending joint venture with General Electric Lighting include the Phillips Electronics and Hewlett Packard Company joint venture, Siemens AG's Osram GmbH subsidiary, Nichia Chemical Industries and Toshiba Corporation. We also face competition from manufacturers that produce wafers and devices for their own use. Some of our competitors have certain competitive advantages, including:

- a more established business;
- broader product lines;
- more experience with high volume manufacturing;
- broader name recognition;
- larger installed bases;
- alternative technologies that may be better established than ours; and
- significantly greater financial, technical and marketing resources.

Our business, financial condition and results of operations will be materially and adversely affected if we are unable to successfully compete.

Our competitors also may develop enhancements to or future generations of competitive products that will offer price and performance features superior to ours. We believe that in order to remain competitive, we must invest significant financial and other resources to develop new product features and enhancements to maintain customer satisfaction worldwide. In addition, increased competitive pressure could lead to intensified price-based competition, resulting in lower prices and margins, which would materially and adversely affect our business, financial condition and results of operations.

RISKS OF YEAR 2000 NON-COMPLIANCE

Many currently installed computer systems and software products are coded to accept or recognize only two digit entries in the date code field. These systems and software products will need to accept four digit entries to distinguish 21st century dates from 20th century dates. As a result, computer systems and/or software used by many companies and governmental agencies may need to be upgraded to comply with such Year 2000 requirements or risk system failure or miscalculations causing disruptions of normal business activities.

We have made a preliminary assessment of our Year 2000 readiness. We plan to perform a Year 2000 simulation on our software during the second calendar quarter of 1999. We are also in the process of contacting certain third-party vendors, licensors and providers of software, hardware and services regarding their Year 2000 readiness. Following this testing and after contacting these vendors and licensors, we will be better able to make a complete evaluation of Year 2000 readiness, to determine what costs will be necessary to be Year 2000 compliant and to determine whether contingency plans need to be developed. Please see "Management's Discussion and Analysis of Financial Condition" for detailed information on our state of readiness, potential risks and contingency plans regarding the Year 2000 issue.

RISKS FROM CONTINUED EXISTENCE OF CONTROL GROUP

Certain members of our management, specifically Thomas J. Russell, Chairman of our Board, Reuben F. Richards, President, Chief Executive Officer and a director, and Robert Louis-Dreyfus, a director, are former members of Jesup & Lamont Merchant Partners, L.L.C. They collectively beneficially own approximately 45.7% of our common stock immediately prior to this offering and will own approximately % of our common stock after the offering. Accordingly, such persons will continue to hold sufficient voting power to control our business and affairs for the foreseeable future. This concentration of ownership may also have the effect of delaying, deferring or preventing a change in control of our company.

RISKS RELATED TO ENVIRONMENTAL REGULATION

We are subject to numerous federal, state and local environmental laws and regulations concerning how we use, store, handle, treat and dispose of certain materials used in our research and development and production operations, as well as laws and regulations concerning employee health and safety. We have retained an environmental consultant to advise us in complying with applicable environmental and health and safety

laws and regulations. Future changes in these laws and regulations may result in unforeseen capital expenditures or liabilities, or in restrictions on our operations. The production of wafers and devices involves the use of certain hazardous raw materials, including, but not limited to, ammonia, phosphine and arsene. If our control systems are unsuccessful in preventing a release of these materials into the environment or other adverse environmental conditions occur, we could experience interruptions in our operations and incur substantial remediation and other costs. Failure to comply with environmental and health and safety laws and regulations may materially and adversely affect our business, financial condition and results of operations.

POSSIBLE ADVERSE EFFECTS OF ISSUANCES OF PREFERRED STOCK

We have 1,550,000 shares of Series I Redeemable Convertible Preferred Stock (Series I Preferred Stock) issued and outstanding, all of which are subject to mandatory redemption by us on November 17, 2003. If we do not have the funds available to redeem the Series I Preferred Stock at that time, we will need to raise additional funds to finance this redemption or we will be in default under the terms of the Series I Preferred Stock. We may be unable to obtain adequate financing on acceptable terms, which may adversely affect our business and financial condition.

Our board of directors is authorized to issue up to an additional 4,332,353 shares of preferred stock with such dividend rates, liquidation preferences, voting rights, redemption and conversion terms and privileges as our Board of Directors, in its sole discretion, may determine. The issuance of additional shares of preferred stock may result in a decrease in the value or market price of our common stock, or our Board of Directors could use the preferred stock to delay or discourage hostile bids for control of us in which shareholders may receive premiums for their common stock or to make the possible sale of the company or the removal of our management more difficult. The issuance of additional shares of preferred stock could adversely affect the voting and other rights of the holders of common stock.

EFFECT OF CERTAIN ANTI-TAKEOVER PROVISIONS

New Jersey law contains and our certificate of incorporation, if amended as proposed in the proxy statement for our annual meeting to be held on February 16, 1999, will contain certain provisions that could delay or prevent a takeover attempt that our shareholders may consider in their best interests. If we adopt the amendments to our certificate of incorporation, our board of directors will be divided into three classes. Directors will be elected to serve staggered three-year terms and will not be subject to removal except for cause by the vote of the holders of at least 80% of our capital stock. In addition, if these amendments are adopted, approval by the holders of 80% of our voting stock will be 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.

VOLATILITY OF COMMON STOCK PRICE

Our common stock is traded on the Nasdaq National Market, which has experienced and may continue to experience significant price and volume fluctuations that could adversely affect the market price of our common stock without regard to our operating performance. In addition, we believe that factors such as quarterly fluctuations in financial results, earnings below analysts' estimates, and financial performance and other activities of other publicly traded companies in the semiconductor industry could cause the price of our common stock to fluctuate substantially. In addition, in recent periods, our common stock, the stock market in general, and the market for shares of small capitalization and semiconductor industry-related stocks in particular, have experienced extreme price fluctuations which have often been unrelated to the operating performance of affected companies. Any similar fluctuations in the future could adversely affect the market price of our common stock.

SHARES ELIGIBLE FOR FUTURE SALE

If our shareholders sell substantial amounts of our common stock in the public market following this offering, the market price of our common stock could fall. These sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. Upon completion of this offering, we will have _____ shares of common stock outstanding (based on the number of shares outstanding as of _____, 1999 and assuming no exercise of outstanding options). Of these shares, _____ shares are freely tradeable. This leaves _____ shares eligible for sale in the public market as follows:

NUMBER OF SHARES DATE ELIGIBLE FOR SALE

At various times after the date of this prospectus
pursuant to Rule 144

At various times after 90 days from the date of this
prospectus

In addition, as of December 31, 1998, stock options to purchase 1,164,921 shares of our common stock, warrants to purchase 1,942,361 shares of our common stock and 1,550,000 shares of our Series I Preferred Stock, which are convertible into shares of common stock on a one-for-one basis, were outstanding. In connection with our joint venture with General Electric Lighting, we will issue to General Electric common stock purchase warrants to acquire between 282,010 and 564,019 shares of common stock at an exercise price of \$22.875 and a \$7.8 million subordinated convertible debenture with an interest rate of 4.75% per annum due in seven years. The debenture will be convertible into 340,984 shares of common stock.

Certain shareholders, representing approximately 6,558,139 shares of our common stock (including shares of common stock issued upon conversion of our Series I Preferred Stock) have the right to require us to register their shares. We agreed to file a shelf registration, for the benefit of the holders of our Series I Preferred Stock and those holders of up to _____ shares of common stock who choose to participate, 90 days after completion of this offering. This shelf registration will remain effective until November 17, 2003 or such earlier time as all of the shares of our convertible preferred stock and the common stock issued upon conversion thereof are no longer restricted under Rule 144.

Our company, the selling shareholders and certain of our other shareholders will enter into restrictive sale agreements with the underwriters of this offering. These agreements

give Donaldson, Lufkin & Jenrette the ability to prevent us and the applicable shareholders from offering, selling, transferring or registering our common stock, or other securities convertible into our common stock, for a period of 90 days after the date of this prospectus. However, Donaldson, Lufkin & Jenrette may waive these restrictions, in whole or in part, with or without public announcement.

RISKS OF NO DIVIDENDS

We have never declared or paid dividends on our common stock. We currently do not intend to pay dividends on our common stock in the foreseeable future. Any payment of dividends in the future will be at the discretion of our board of directors.

USE OF PROCEEDS

The net proceeds to EMCORE from the sale of the _____ shares of common stock being offered hereby are estimated to be \$ _____ million (\$ _____ million if the underwriters' over-allotment option is exercised in full), assuming a public offering price of \$ _____ per share and after deducting the underwriting discounts and commissions and estimated offering expenses. EMCORE will not receive any proceeds from the sale of shares of common stock by the selling shareholders.

EMCORE intends to use \$23.0 million to repay outstanding bank indebtedness to First Union National Bank under three credit facilities, approximately \$9.4 million to repay subordinated notes to an affiliate and other investors and the balance for general corporate purposes, including working capital. The first of these credit facilities with First Union, for \$10.0 million, bears interest at a rate of prime plus 50 basis points (8.25% at December 31, 1998) and matures on October 1, 1999. The second of these credit facilities, for \$8.0 million, bears interest at one month LIBOR plus 75 basis points (6.375% at December 31, 1998) and matures on December 31, 1999. This second credit facility was obtained in June 1998 and the proceeds were used to buy and equip a new facility in Albuquerque, New Mexico and for working capital purposes. The third of these credit facilities with First Union National Bank, dated February 1, 1999, for \$5.0 million, bears interest at one month LIBOR plus 75 basis points (5.72% at February 1, 1999). The proceeds of this third facility are being used to repay \$3.0 million advanced by Thomas Russell, the Chairman of the Board of EMCORE and for working capital. The subordinated notes were issued in May and September of 1996, bear interest at 6.0% and mature on May 1, 2001. Thomas Russell holds approximately \$8.7 million of the subordinated notes that are being repaid. The balance of the subordinated notes being repaid are held by approximately ten other non-affiliated investors. EMCORE may also use a portion of the net proceeds to fund acquisitions of complementary businesses, products or technologies in the semiconductor sector. Although EMCORE periodically reviews potential acquisition opportunities, EMCORE has not reached any agreements, commitments or understanding for any future acquisitions. Pending such uses, the net proceeds of this offering will be invested in short-term, investment-grade, income producing investments.

EMCORE believes that the remaining net proceeds from this offering will be sufficient to fund EMCORE's anticipated capital expenditures, and to provide adequate working capital at least through fiscal 2000. However, future events may require EMCORE to seek additional capital which may not be available on terms acceptable to EMCORE.

PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

EMCORE's common stock has traded on the Nasdaq National Market under the symbol "EMKR" since March 6, 1997, the date of EMCORE's initial public offering. The following table sets forth, for the periods indicated, the high and low sales prices per share of common stock, as reported on the Nasdaq National Market:

	PRICE RANGE OF COMMON STOCK	
	HIGH	LOW
FISCAL YEAR ENDED SEPTEMBER 30, 1997		
Second Quarter (from March 6, 1997).....	\$12 3/4	\$ 9 1/4
Third Quarter.....	19 1/2	11
Fourth Quarter.....	25 1/4	16
FISCAL YEAR ENDED SEPTEMBER 30, 1998		
First Quarter.....	\$23 3/8	\$15 1/2
Second Quarter.....	19 5/8	11
Third Quarter.....	16 3/4	9
Fourth Quarter.....	13 1/2	6
FISCAL YEAR ENDED SEPTEMBER 30, 1999		
First Quarter.....	\$18 3/8	\$ 7 1/4
Second Quarter (through February 1, 1999).....	28 3/4	16 3/8
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The reported last sale price of the common stock on the Nasdaq National Market on February 1, 1999 was \$22.50 per share. As of December 28, 1998, there were 1,595 shareholders of record.

EMCORE has not declared or paid dividends on its common stock since its formation. EMCORE currently does not intend to pay dividends on the common stock in the foreseeable future so that it may reinvest its earnings in the development of its business. The shares of EMCORE's Series I Preferred Stock are entitled to receive cumulative quarterly dividends at the annual rate of 2% of the liquidation preference thereof (equivalent to \$.28 per annum per share). The payment of dividends, if any, on the common stock in the future will be at the discretion of EMCORE's board of directors.

CAPITALIZATION

The following table sets forth the capitalization of EMCORE as of December 31, 1998, and as adjusted to reflect the sale by EMCORE of shares of common stock being offered hereby (at an assumed offering price of \$ per share) and the application of the estimated net proceeds therefrom.

	AS OF DECEMBER 31, 1998	
	ACTUAL	AS ADJUSTED
	(IN THOUSANDS)	
Long-term debt.....	\$ 23,855	\$
Redeemable preferred stock; 1,550,000 issued and outstanding.....	21,242	
Shareholders' equity:		
Common stock, 23,529,411 shares authorized; 9,403,504 shares issued and outstanding; shares issued and outstanding as adjusted(1).....	87,576	--
Preferred stock; 4,332,353 shares authorized; none issued and outstanding.....	--	--
Notes receivable from warrant issuances and stock sales.....	(7,667)	
Accumulated deficit.....	(73,364)	
Total shareholders' equity.....	6,545	
Total capitalization.....	51,642	
	=====	=====

(1) Excludes: (i) 1,372,059 shares of common stock reserved for issuance under EMCORE's 1995 Incentive and Non-Statutory Stock Option Plan, as amended, of which 1,001,822 shares are subject to outstanding options at exercise prices varying from \$3.03 per share to \$24.75 per share; (ii) warrants to purchase 385,069 shares of common stock at an exercise price of \$4.08 per share, exercisable until May 1, 2001; (iii) warrants to purchase 1,225,490 shares of common stock at an exercise price of \$10.20 per share, exercisable until September 1, 2001; (iv) options to purchase 163,099 shares of common stock issued in connection with EMCORE's acquisition of MODE at exercise prices ranging from \$0.43 to \$0.60; (v) warrants to purchase 47,118 shares of common stock at exercise prices ranging from \$4.32 to \$5.92 per share, exercisable until September 2000; (vi) shares reserved for issuance pursuant to warrants to purchase 284,684 shares of common stock at an exercise price of \$11.375 per share, exercisable until May 1, 2001; and (vii) subject to certain conditions, the issuance to General Electric, upon establishment of the GELcore joint venture, of between 282,010 and 564,019 common stock purchase warrants and a subordinated convertible debenture that will be convertible into 340,984 shares of stock. Please see Notes 11, 12, 17 and 18 of the Notes to Financial Statements included elsewhere in this prospectus for more information.

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data for the three months ended December 31, 1997 and 1998 and the three fiscal years ended September 30, 1998 of EMCORE is qualified by reference to and should be read in conjunction with the Financial Statements and the Notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus. The Statement of Income Data set forth below with respect to fiscal 1996, 1997 and 1998 and the Balance Sheet Data as of September 30, 1997 and 1998 are derived from EMCORE's audited financial statements included elsewhere in this prospectus. The Statement of Income Data for fiscal 1994 and 1995 and the Balance Sheet Data as of September 30, 1994, 1995 and 1996 are derived from audited financial statements not included herein. The financial data as of December 31, 1998 and for the three months ended December 31, 1997 and 1998 are derived from unaudited consolidated financial statements that, in the opinion of EMCORE's management, reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial position and results of operations for these periods. Operating results for the three months ended December 31, 1998 are not necessarily indicative of the results that may be expected for the entire fiscal year ended September 30, 1999.

	FISCAL YEARS ENDED SEPTEMBER 30,					THREE MONTHS ENDED DECEMBER 31,	
	1994	1995	1996	1997	1998	1997	1998
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)					(UNAUDITED)	
STATEMENT OF OPERATIONS DATA:							
Revenues.....	\$9,038	\$18,137	\$27,779	\$47,753	\$ 43,760	\$ 12,357	\$10,125
Cost of sales.....	5,213	9,927	18,607	30,094	24,675	6,376	6,016
	-----	-----	-----	-----	-----	-----	-----
Gross profit.....	3,825	8,210	9,172	17,659	19,085	5,981	4,109
Operating expenses:							
Selling, general, and administrative.....	2,645	4,452	6,524	9,347	14,082	3,003	3,143
Goodwill amortization.....	--	--	--	--	922	71	284
Research and development:							
Recurring.....	1,064	1,852	5,401	9,001	16,495	2,836	5,924
One-time acquired in- process.....	--	--	--	--	29,294	29,294	--
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Total operating expenses.....	3,709	6,304	11,925	18,348	60,793	35,204	9,351
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Operating income (loss).....	116	1,906	(2,753)	(689)	(41,708)	(29,223)	(5,242)
Stated interest expense, net.....	286	255	297	519	974	70	230
Imputed warrant interest expense, non-cash.....	--	--	126	3,988	601	96	316
Equity in net loss of unconsolidated affiliate...	--	--	--	--	198	--	276
Other expense.....	--	10	--	--	--	--	--
	-----	-----	-----	-----	-----	-----	-----
Total other expense.....	286	265	423	4,507	1,773	166	822
(Loss) income before income taxes.....	(170)	1,641	(3,176)	(5,196)	(43,481)	(29,389)	(6,064)
Provision for income taxes.....	--	125	--	137	--	--	--
	-----	-----	-----	-----	-----	-----	-----
(Loss) income before extraordinary item.....	(170)	1,516	(3,176)	(5,333)	(43,481)	(29,389)	(6,064)
Extraordinary loss.....	--	--	--	286	--	--	--
	-----	-----	-----	-----	-----	-----	-----
Net (loss) income.....	\$ (170)	\$ 1,516	\$ (3,176)	\$ (5,619)	\$ (43,481)	\$ (29,389)	\$ (6,064)
	=====	=====	=====	=====	=====	=====	=====

	FISCAL YEARS ENDED SEPTEMBER 30,					THREE MONTHS ENDED DECEMBER 31,	
	1994	1995	1996	1997	1998	1997	1998
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)					(UNAUDITED)	
PER SHARE DATA:							
Shares used in calculating diluted per share data.....	58	1,701	2,994	4,669	8,775	7,075	9,390
Net (loss) income per diluted share before extraordinary item.....	<u>\$(2.93)</u>	<u>\$ 0.89</u>	<u>\$ (1.06)</u>	<u>\$ (1.14)</u>	<u>\$ (4.95)</u>	<u>\$ (4.15)</u>	<u>\$ (0.65)</u>
Net (loss) income per diluted share.....	<u>\$(2.93)</u>	<u>\$ 0.89</u>	<u>\$ (1.06)</u>	<u>\$ (1.20)</u>	<u>\$ (4.95)</u>	<u>\$ (4.15)</u>	<u>\$ (0.65)</u>

	AS OF SEPTEMBER 30,					AS OF DECEMBER 31,
	1994	1995	1996	1997	1998	1998 (UNAUDITED)
	(IN THOUSANDS)					
BALANCE SHEET DATA:						
Working capital.....	\$ 1,041	\$ 2,208	\$ 1,151	\$12,156	\$(2,017)	\$(2,793)
Total assets.....	5,415	10,143	20,434	39,463	66,158	71,636
Long-term liabilities.....	3,000	3,000	8,947	7,577	26,513	25,019
Redeemable preferred stock.....	16,274	--	--	--	--	21,242
Shareholders' (deficit) equity.....	(96)	1,509	522	21,831	12,518	6,545

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

EMCORE designs, develops and manufactures compound semiconductor materials and process technology and is a leading manufacturer of production systems used to fabricate compound semiconductor wafers. EMCORE's products and technology enable its customers, both in the U.S. and internationally, to manufacture commercial volumes of high-performance electronic and optoelectronic devices. EMCORE has recently established a number of strategic relationships through joint ventures, long-term supply agreements and an acquisition in order to facilitate the development and manufacture of new products in targeted growth markets.

Prior to fiscal 1997, EMCORE's revenues consisted primarily of the sales of metal organic chemical vapor deposition (MOCVD) systems. In fiscal 1997, EMCORE expanded its product offerings to include compound semiconductor materials (wafers and devices). EMCORE's two product lines, systems and materials, differ significantly. Systems-related revenues include sales of EMCORE's TurboDisc production systems as well as spare parts and services. The book to ship time period on systems is approximately four to six months, and the average selling price is in excess of \$1.0 million. Materials revenues include wafers, devices and process development technology. The materials sales cycle is generally shorter than for systems and average selling prices vary significantly based on the products and services provided. Generally, EMCORE achieves a higher gross profit on its materials related products.

EMCORE recognizes revenue upon shipment. For systems, EMCORE incurs certain installation and warranty costs subsequent to shipment which are estimated and accrued at the time the sale is recognized. EMCORE reserves for estimated returns and allowances at the time of shipment. For research contracts with the U.S. government and commercial enterprises with durations greater than six months, EMCORE recognizes revenue to the extent of costs incurred plus a pro rata portion of estimated gross profit as stipulated in these contracts, based on contract performance. EMCORE's research contracts require the development or evaluation of new materials applications and have a duration of six to 36 months. Contracts with a duration of six months or less are accounted for on the completed contract method. A contract is considered complete when all costs have been incurred and the research reporting requirements to the customer have been met.

- EMCORE has recently established a number of strategic relationships through joint ventures, long-term supply agreements and an acquisition as summarized below.
- January 1999, EMCORE signed a transaction agreement with General Electric Lighting to form GELcore, a joint venture to develop and market white light and colored high-brightness light-emitting diode (HB LED) lighting products, and subject to certain conditions, the parties expect this joint venture will be consummated by March 31, 1999. HB LEDs are solid state compound semiconductor devices that emit light in a variety of colors. The global demand for HB LEDs is experiencing rapid growth because LEDs have a long useful life (approximately 10 years), consume approximately 10% of the power consumed by incandescent or halogen lighting and improve display visibility. General Electric Lighting and EMCORE have agreed that this joint venture will be the exclusive vehicle for each party's participation in the solid state lighting market. GELcore seeks to combine EMCORE's materials science expertise, process technology and compound semiconductor production systems with General Electric Lighting's

brand name recognition, phosphor technology and extensive marketing and distribution capabilities. GELcore's long-term goal is to develop HB LED products to replace traditional lighting.

- In November 1998, EMCORE signed a long term purchase agreement with Space Systems/Loral, a wholly owned subsidiary of Loral Space & Communications. Under this agreement, which is contingent upon EMCORE's compliance with Loral's product specification requirements, EMCORE will supply compound semiconductor high-efficiency gallium arsenide solar cells for Loral's satellites. EMCORE anticipates completing this qualification in April 1999. Subject to the product qualification, EMCORE received an initial purchase order for \$5.25 million of solar cells.
- In November 1998, EMCORE formed UMCORE, a joint venture with Union Miniere Inc., a mining and materials company, to explore and develop alternate uses for germanium using EMCORE's materials science and production platform expertise and Union Miniere's access to and experience with germanium.
- In October 1998, EMCORE formed Emtech, a joint venture with Optek Technology, Inc., a packager and distributor of optoelectronic devices, to market an expanded line of magneto resistive (MR) sensors to the automotive and related industries. This joint venture seeks to combine EMCORE's strength in producing devices with Optek's strength in packaging and distributing devices to offer off-the-shelf products and expand market penetration.
- In September 1998, EMCORE entered into an agreement with Lockheed Martin to provide technical management and support of a Cooperative Research and Development Agreement between Lockheed Martin and Sandia National Laboratories for the advancement, transfer and commercialization of a new compound semiconductor high-efficiency solar cell. EMCORE also signed a four-year purchase agreement with AMP Incorporated to provide high speed vertical cavity surface emitting lasers (VCSELs), initially for use in transceivers for Gigabit Ethernet applications.
- In February 1998, EMCORE and Uniroyal Technology Corporation formed Uniroyal Optoelectronics, a joint venture to manufacture, sell and distribute HB LED wafers and package-ready devices. This joint venture commenced operations in July 1998.
- To expand its technology base into the data communications and telecommunications markets, on December 5, 1997, EMCORE acquired MicroOptical Devices, Inc. (MODE) in a stock transaction accounted for under the purchase method of accounting for a purchase price of \$32.8 million.

Because we do not have a controlling economic and voting interest in the Uniroyal, Union Miniere, Optek and General Electric Lighting joint ventures, EMCORE will account for such joint ventures under the equity method of accounting.

EMCORE sells its products and has generated a significant portion of its sales to customers outside the United States. In fiscal 1996, 1997, 1998 and the first fiscal quarter of 1999, international sales constituted 42.5%, 42.0%, 39.1% and 35.1%, respectively, of revenues. In fiscal 1998, approximately two-thirds of EMCORE's international sales were made to customers in Asia, particularly in Japan. EMCORE anticipates that international sales will continue to account for a significant portion of revenues.

As of December 31, 1998, EMCORE had an order backlog of \$41.8 million scheduled to be shipped through September 30, 1999. This represented an increase of 81.4% since September 30, 1998 which primarily relates to increased systems bookings in Asia and an initial order for solar cells from Loral, which is subject to product qualification. EMCORE includes in backlog only customer purchase orders that have been accepted by EMCORE and for which shipment dates have been assigned within the 12 months to follow and research contracts that are in process or awarded. Wafer and device agreements extending longer than one year in duration are included in backlog only for the ensuing 12 months. EMCORE receives partial advance payments or irrevocable letters of credit on most production system orders.

RESULTS OF OPERATIONS

The following table sets forth the Statement of Operations Data of EMCORE expressed as a percentage of total revenues for the fiscal years ended September 30, 1996, 1997 and 1998 and the three months ended December 31, 1997 and 1998.

	FISCAL YEARS ENDED SEPTEMBER 30,			THREE MONTHS ENDED DECEMBER 31,	
	1996	1997	1998	1997	1998
				(UNAUDITED)	
Revenues.....	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales.....	67.0	63.0	56.4	51.6	59.4
	-----	-----	-----	-----	-----
Gross profit.....	33.0	37.0	43.6	48.4	40.6
Operating expenses:					
Selling, general and					
administrative.....	23.5	19.6	32.2	24.3	31.0
Goodwill amortization.....			2.1	0.6	2.8
Research and development.....					
Recurring.....	19.4	18.8	66.9	23.0	58.5
One-time acquired					
in-process.....	--	--	37.7	237.1	--
	-----	-----	-----	-----	-----
Operating loss.....	(9.9)	(1.4)	(95.3)	(236.6)	(51.7)
Stated interest expense, net...	1.1	1.1	2.2	0.6	2.3
Imputed warrant interest					
expense, non-cash.....	0.4	8.4	1.4	0.8	3.1
Equity in net loss of					
associated companies.....	--	--	0.5	--	2.7
	-----	-----	-----	-----	-----
Loss before income taxes and					
extraordinary item.....	(11.4)	(10.9)	(99.4)	(238.0)	(59.8)
Provision for income taxes.....	--	0.3	--	--	--
	-----	-----	-----	-----	-----
Net loss before					
extraordinary item...	(11.4)	(11.2)	(99.4)	(238.0)	(59.8)
Extraordinary loss.....	--	(0.6)	--	--	--
	-----	-----	-----	-----	-----
Net loss before					
extraordinary item...	(11.4)%	(11.8)%	(99.4)%	(238.0)%	(59.8)%
	=====	=====	=====	=====	=====

COMPARISON OF THREE MONTHS ENDED DECEMBER 31, 1997 AND 1998

REVENUES. EMCORE's revenues decreased 18.1% from \$12.4 million for the three months ended December 31, 1997, to \$10.1 million for the three months ended December 31, 1998. The revenue decrease in the three-month period was attributable to decreased revenues in the materials-related product lines, which were impacted primarily by a decrease in process development fees and a decrease due to the discontinuation of a wafer sales contract in October 1998. This three-year contract is on hold pending evaluation by the customer. Revenues relating to systems- and materials-related products accounted for 54.4% and 45.6%, respectively, for the three months ended December 31, 1997 and 72.0% and 28.0%, respectively, for the three months ended December 31, 1998. International sales accounted for 44.2% of revenues for the three months ended December 31, 1997 and 35.1% of revenues for the three months ended December 31, 1998.

COST OF SALES/GROSS PROFIT. Cost of sales includes direct material and labor costs, allocated manufacturing and service overhead, and installation and warranty costs. Gross profit decreased from 48.4% of revenue for the three months ended December 31, 1997, to 40.6% of revenue for the three months ended December 31, 1998. The gross profit percentage was negatively affected by a product mix in favor of lower gross profit system products as well as under-absorbed overhead due to lower overall revenues. During the three months ended December 31, 1998, EMCORE sold for approximately \$3.0 million two compound semiconductor production systems to a joint venture in which it has a 49% minority interest. EMCORE eliminated approximately \$711,000 of gross profit on such sales. Such deferred gross profit will be recognized ratably over the assigned life of the production systems purchased by the venture.

SELLING, GENERAL AND ADMINISTRATIVE. Selling, general and administrative expenses increased by 4.7% from \$3.0 million for the three months ended December 31, 1997, to \$3.1 million in the three months ended December 31, 1998. A significant portion of the increase was largely due to increases in sales personnel headcount to support both domestic and foreign markets and general headcount additions to sustain the internal administrative support. As a percentage of revenue, selling, general and administrative expenses increased from 24.3% for the three months ended December 31, 1997 to 31.0% for the three months ended December 31, 1998. This increase is a result of the decrease in overall revenues.

GOODWILL AMORTIZATION. EMCORE recognized approximately \$284,000 of goodwill amortization for the three months ended December 31, 1998 in connection with the acquisition of MODE on December 5, 1997. As of December 31, 1998, EMCORE has approximately \$2.2 million of goodwill remaining which will be fully amortized by October 31, 2000.

RESEARCH AND DEVELOPMENT. Research and development expenses increased 108.9% from \$2.8 million in the three months ended December 31, 1997, to \$5.9 million in the three months ended December 31, 1998. As a percentage of revenue, recurring research and development expenses increased from 23.0% for the first quarter of the prior year to 58.5% for the first quarter of the current year. The increase was primarily attributable to EMCORE's acquisition of MODE, startup of its new Albuquerque, New Mexico facility and increased staffing and equipment costs necessary to enhance current products and develop new product offerings. Products introduced or under development include HB LEDs, high-efficiency solar cells, new generation TurboDisc production systems, VCSELs and other optoelectronic devices. During the three months ended December 31, 1997, EMCORE recognized a \$29.3 million one-time non-cash charge for acquired in-process

research and development relating to EMCORE's December 5, 1997 purchase of MODE. For the three months ended December 31, 1997 and 1998, EMCORE incurred approximately \$321,000 and \$844,000, respectively, of research and development costs associated with MODE's in-process (at the date of acquisition) research and development projects. To maintain growth and to continue to pursue market leadership in materials science technology, EMCORE expects to continue to invest a significant amount of its resources in research and development.

OPERATING LOSS. EMCORE reported an operating loss of \$5.2 million for the three months ended December 31, 1998, as compared to a \$29.2 million loss for the three months ended December 31, 1997. The change in operating income is due to the loss of gross profit on decreased revenues and a product mix geared towards lower gross margin system related sales coupled with a higher fixed cost infrastructure to support those revenues. In addition, EMCORE's operating loss was impacted by increased research and development spending, the loss generated from the operations of MODE, a company acquired in December 1997, and the startup expenses associated with the opening of EMCORE's new Albuquerque, New Mexico facility.

OTHER EXPENSE. During fiscal 1996, EMCORE issued detachable warrants along with subordinated notes to certain of its existing shareholders. In fiscal 1997, EMCORE also issued detachable warrants in return for a \$10.0 million demand note facility (the Facility) guarantee by the Chairman of the Board of EMCORE, who provided collateral for the Facility. EMCORE subsequently assigned a value to these detachable warrants issued using the Black-Scholes Option Pricing Model. EMCORE recorded the subordinated notes at a carrying value that is subject to periodic accretions, using the interest method, and reflected the Facility's detachable warrant value as a debt issuance cost. In June 1998, EMCORE issued 284,684 warrants to its Chairman and its Chief Executive Officer for providing a guarantee in connection with the 1998 \$8.0 million 18 month credit facility with First Union National Bank (1998 Agreement). EMCORE assigned a value to these warrants using the Black-Scholes Option Pricing Model. The consequent expense of these warrant accretion amounts is charged to "Imputed warrant interest, non-cash" and amounted to approximately \$96,000 and \$316,000 for the three months ended December 31, 1997 and December 31, 1998, respectively.

For the three months ended December 31, 1998, stated interest expense, net increased by \$160,000 to \$230,000 due to additional borrowing and lower interest income. In the prior year, EMCORE was earning interest income on its initial public offering proceeds.

NET LOSS. EMCORE reported net loss of \$6.1 million for the three months ended December 31, 1998, as compared to a \$29.4 million loss for the three months ended December 31, 1997. For the three months ended December 31, 1998, the decrease in the year-to-date loss was attributable to the \$29.3 million write-off of acquired in-process research and development in connection with the acquisition of MODE on December 5, 1997.

COMPARISON OF FISCAL YEARS ENDED SEPTEMBER 30, 1997 AND 1998

REVENUES. EMCORE's revenues decreased 8.4% from \$47.8 million for the fiscal year ended September 30, 1997 to \$43.8 million for the fiscal year ended September 30, 1998. The revenue decrease represented a shift in product mix during the year. Equipment related revenues decreased approximately 22.3% while materials related revenues increased approximately 26.5%. The decrease in equipment revenues was primarily attributable to the

financial issues in the Asian economies as well as a general slowdown in the semiconductor equipment market overall. While materials related revenues did experience a 26.5% increase, the General Motors three month strike adversely affected revenue, as shipments to General Motors were halted during the strike. International sales accounted for approximately 42.0% and 39.1% of revenues for the fiscal years ended September 30, 1997 and 1998, respectively.

COST OF SALES/GROSS PROFIT. Cost of sales includes direct material and labor costs, allocated manufacturing and service overhead, and installation and warranty costs. Gross profit increased from 37.0% of revenue to 43.6% of revenue for the fiscal years ended September 30, 1997 and 1998, respectively. The gross profit percentage increase was attributable to a shift in product mix towards higher gross margin materials related revenues.

SELLING, GENERAL AND ADMINISTRATIVE. Selling, general and administrative expenses increased by 50.7% from \$9.3 million for the year ended September 30, 1997, to \$14.1 million for the year ended September 30, 1998. The increase was largely due to sales personnel headcount increases to support both domestic and foreign markets and general headcount additions to sustain the internal administrative support necessary for EMCORE's expanded product lines and new locations. During fiscal 1998, EMCORE wrote-off a \$1.0 million receivable due from an Asian customer which was deemed to be uncollectible. As a percentage of revenue, selling, general and administrative expenses increased from 19.6% of revenue during fiscal 1997 to 32.2% of revenue for fiscal 1998. EMCORE believes that selling, general and administrative expenses will decrease as a percentage of revenues in fiscal 1999.

GOODWILL AMORTIZATION. In connection with the purchase of MODE, EMCORE recorded goodwill of \$3.4 million which is being amortized over 36 months. Goodwill amortization expense amounted to \$922,000 for the year ended September 30, 1998. Net goodwill at September 30, 1998 was \$2,457,000.

RESEARCH AND DEVELOPMENT. Recurring research and development expenses increased by 83.3% from \$9.0 million for the year ended September 30, 1997, to \$16.5 million for the year ended September 30, 1998. The increase was primarily attributable to EMCORE's acquisition of MODE and increased staffing and equipment costs necessary to enhance current products and develop new product offerings. Products introduced or under development include HB LEDs, high efficiency solar cells, new generation TurboDisc production systems, VCSELs and other optoelectronic devices. For the year ended September 30, 1998, EMCORE incurred \$3.2 million of research and development costs associated with MODE's in-process (at the date of acquisition) research and development projects. As a percentage of revenue, research and development expenses increased from 18.9% of revenue during fiscal 1997 to 37.7% of revenue for fiscal 1998. To maintain growth and market leadership in epitaxial technology, EMCORE expects to continue to invest a significant amount of its resources in research and development.

In connection with the MODE acquisition, EMCORE incurred a one-time charge for the write-off of acquired in-process research and development amounting to \$29.3 million.

OPERATING LOSS. During fiscal 1998, operating loss increased from a loss of \$0.7 million for the fiscal year ended September 30, 1997, to a loss of \$41.7 million for the year ended September 30, 1998. The change in operating loss was primarily due to the \$29.3 million one-time charge for in-process research and development written off in connection with the purchase of MODE. In addition, the General Motors three month strike adversely affected operating performance as shipments to General Motors were halted during the

strike. General Motors is among EMCORE's largest customers. EMCORE was unable to furlough or reduce their workforce during the strike and thereby incurred charges without the benefit of related revenues.

OTHER EXPENSE. Other expenses decreased, particularly due to the reduced imputed warrant interest expense associated with EMCORE's subordinated debt and debt issuance guarantee cost. During fiscal 1996, EMCORE issued detachable warrants along with subordinated notes to certain of its existing shareholders. In fiscal year 1997, EMCORE also issued detachable warrants in return for a \$10.0 million demand note facility (the Facility) guarantee by the Chairman of the Board of EMCORE, who provided collateral for the Facility. EMCORE subsequently assigned a value to these detachable warrants issued using the Black-Scholes Option Pricing Model. EMCORE recorded the subordinated notes at a carrying value that is subject to periodic accretions, using the interest method, and reflected the Facility's detachable warrant value as debt issuance cost which was written off in its entirety in fiscal 1997. The consequent expense of these subordinated note accretion amounts and the now terminated Facility's debt issuance cost is charged to "imputed warrant interest, non-cash," and amounted to approximately \$4.0 million and \$600,000 for the fiscal years ended September 30, 1997 and 1998, respectively. In June 1998, EMCORE issued 284,684 warrants to its Chairman and its Chief Executive Officer for providing a guarantee in connection with the 1998 Agreement, an \$8.0 million 18 month credit facility with First Union National Bank. EMCORE assigned a value to these warrants using the Black-Scholes Option Pricing Model. As a result, EMCORE will record imputed warrant interest, non-cash of approximately \$1.3 million over the life of the credit facility.

INCOME TAXES. EMCORE's effective income tax rate was 0.0% in fiscal 1998, 2.6% in fiscal 1997 and 0.0% in fiscal 1996. The lower effective rate in fiscal 1998 and 1996, relative to fiscal 1997, was attributable to a federal income tax benefit offset by net operating loss and expenses not utilized or deductible for tax purposes.

As of September 30, 1998, EMCORE has net operating loss carryforwards for regular tax purposes of approximately \$22.0 million which expire in the years 2003 through 2012. EMCORE believes that the consummation of certain equity transactions and a significant change in the ownership during fiscal year 1995 has constituted a change in control under Section 382 of the Internal Revenue Code (IRC). Due to the change in control, EMCORE's ability to use its federal net operating loss carryovers and federal research credit carryovers to offset future income and income taxes, respectively, are subject to annual limitations under IRC Section 382 and 383.

EMCORE believes that the acquisition of MODE and the consummation of certain other equity transactions has constituted a change in control in fiscal 1998 under Section 382 of the IRC. As such, federal net operating loss carryovers and research credit carryovers incurred subsequent to EMCORE's fiscal 1995 change in control (as described above) will also be subject to annual limitations under IRC Section 382 and 383.

EXTRAORDINARY ITEM. In the fiscal year ended September 30, 1997, EMCORE repaid \$2.0 million of its outstanding subordinated notes due May 1, 2001. In connection with this discharge of EMCORE's subordinated notes, an extraordinary loss of \$286,000 was recognized in fiscal 1997 relating to such early extinguishment of debt.

NET LOSS. Net loss increased from \$5.6 million for the fiscal year ended September 30, 1997, to \$43.5 million for the fiscal year ended September 30, 1998. This

increase was primarily attributable to the aforementioned acquisition of MODE and subsequent write-off of in-process research and development of \$29.3 million. In addition, the General Motors three month prolonged strike adversely affected operating performance.

COMPARISON OF FISCAL YEARS ENDED SEPTEMBER 30, 1996 AND 1997

REVENUES. EMCORE's revenues for fiscal 1997 increased 71.9% from \$27.8 million to \$47.8 million for the fiscal year ended September 30, 1996. The revenue increase was primarily attributable to increased demand of MOCVD systems and package-ready devices, as well as the introduction of compound semiconductor wafer products. International sales accounted for approximately 42.5% and 42.0% of revenues for the fiscal years ended September 30, 1996 and 1997, respectively.

COST OF SALES/GROSS PROFIT. Cost of sales includes direct material and labor costs, allocated manufacturing and service overhead, and installation and warranty costs. Gross profit increased from 33.0% of revenue to 37.0% of revenue for the fiscal years ended September 30, 1996 and 1997, respectively. The gross profit percentage increase was attributable to higher margins on wafer, device and licensing revenues.

SELLING, GENERAL AND ADMINISTRATIVE. Selling, general and administrative expenses increased by 43.3% from \$6.5 million for the year ended September 30, 1996, to \$9.3 million for the year ended September 30, 1997. The increase was largely due to increases in sales personnel headcount to support both domestic and foreign markets and general headcount additions to sustain the internal administrative support necessary for EMCORE's increased business as well as higher expenses attributable to increased revenues. As a percentage of revenue, selling, general and administrative expenses decreased from 23.5% of revenue during fiscal 1996 to 19.6% of revenue for fiscal 1997.

RESEARCH AND DEVELOPMENT. Research and development expenses increased by 66.6% from \$5.4 million for the year ended September 30, 1996, to \$9.0 million for the year ended September 30, 1997. The increase was primarily attributable to increased staffing and equipment costs necessary to enhance current products and research and development activities for the emulation of EMCORE's two new product lines (epitaxial wafers and package-ready devices). As a percentage of revenue, research and development expenses decreased from 19.4% of revenue during fiscal 1996 to 18.8% of revenue for fiscal 1997. To maintain growth and market leadership in epitaxial technology, EMCORE expects to continue to invest a significant amount of its resources in research and development.

OPERATING LOSS. During fiscal 1997, operating loss decreased \$2.1 million from a loss of \$2.8 million for the fiscal year ended September 30, 1996, to a loss of \$0.7 million for the year ended September 30, 1997. The change in operating loss was primarily due to higher revenues generating greater overall gross profit.

OTHER EXPENSE. During fiscal 1996, EMCORE issued detachable warrants along with subordinated notes to certain of its existing shareholders. In the first quarter of fiscal year 1997, EMCORE also issued detachable warrants in return for the \$10.0 million Facility guarantee by the Chairman of the Board of EMCORE, who provided collateral for the Facility. EMCORE subsequently assigned a value to these detachable warrants issued using the Black-Scholes Option Pricing Model. EMCORE recorded the subordinated notes at a carrying value that is subject to periodic accretions, using the interest method, and reflected the Facility's detachable warrant value as debt issuance cost. The consequent expense of these subordinated note accretion amounts and the now terminated Facility's

debt issuance cost is charged to "Imputed warrant interest, non-cash," related to the warrant issuances in connection with the \$10.0 million Facility, and amounted to approximately \$126,000 and \$4.0 million for the fiscal years ended September 30, 1996 and 1997, respectively.

Borrowings totaling \$8.0 million under the Facility were utilized to fund capital expenditures in connection with the build-out of EMCORE's manufacturing facility during the six months ended March 31, 1997. The resultant interest expense was the primary reason for the increase in "Stated interest expense" for the year ended September 30, 1997. The outstanding \$8.0 million under this demand note facility was repaid in March 1997.

EXTRAORDINARY ITEM. EMCORE repaid \$10.0 million of its outstanding debt with proceeds from its initial public offering. The entire \$8.0 million outstanding of its Facility was repaid and \$2.0 million was used to repay a portion of EMCORE's outstanding subordinated notes due May 1, 2001. In connection with this discharge of EMCORE's subordinated notes, an extraordinary loss of \$286,000 was recognized in fiscal 1997 relating to such early extinguishment of debt.

NET LOSS. Net loss increased \$2.4 million from \$3.2 million for the fiscal year ended September 30, 1996, to \$5.6 million for the fiscal year ended September 30, 1997. This increase was primarily attributable to the aforementioned \$4.0 million of non-cash imputed warrant interest associated with certain financing transactions.

QUARTERLY RESULTS OF OPERATIONS

The following tables present EMCORE's unaudited results of operations expressed in dollars and as a percentage of revenues for the nine most recently ended fiscal quarters. EMCORE believes that all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts below to present fairly the selected quarterly information when read in conjunction with the Financial Statements and Notes thereto included elsewhere in this prospectus. EMCORE's results from operations may vary substantially from quarter to quarter. Accordingly, the operating results for a quarter are not necessarily indicative of results for any subsequent quarter or for the full year.

	QUARTERS ENDED								
	FISCAL 1997				FISCAL 1998				FISCAL 1999
	DEC. 31	MAR. 31	JUNE 30	SEPT. 30	DEC. 31	MAR. 31	JUNE 30	SEPT. 30	DEC. 31
	(IN THOUSANDS)								
Revenues.....	\$ 8,591	\$12,929	\$14,106	\$12,127	\$12,357	\$13,808	\$ 9,074	\$ 8,521	\$10,125
Cost of sales.....	6,724	8,855	8,208	6,307	6,376	7,534	5,448	5,317	6,016
Gross profit.....	1,867	4,074	5,898	5,820	5,981	6,274	3,626	3,204	4,109
Operating expenses:									
Selling, general and									
administrative.....	2,202	1,940	2,573	2,632	3,003	2,901	4,596	3,582	3,143
Goodwill amortization....	--	--	--	--	71	284	284	283	284
Research and development:									
Recurring.....	2,250	1,987	2,416	2,346	2,836	2,889	5,887	4,883	5,924
One-time acquired in									
process.....	--	--	--	--	29,294	--	--	--	--
Total operating									
expenses.....	4,452	3,927	4,991	4,978	35,204	6,074	10,767	8,748	9,351
Operating (loss) income...	(2,585)	147	907	842	(29,223)	200	(7,141)	(5,544)	(5,242)
Stated interest expense,									
net.....	197	249	(8)	82	70	67	211	626	230

	QUARTERS ENDED								
	FISCAL 1997				FISCAL 1998				FISCAL 1999
	DEC. 31	MAR. 31	JUNE 30	SEPT. 30	DEC. 31	MAR. 31	JUNE 30	SEPT. 30	DEC. 31
	(IN THOUSANDS)								
Imputed warrant interest, non-cash.....	1,016	2,792	85	94	96	96	94	315	316
Equity in net loss of unconsolidated affiliate.....	--	--	--	--	--	--	--	198	276
Total other expense.....	1,213	3,041	77	176	166	163	305	1,139	822
(Loss) income before income taxes.....	(3,798)	(2,894)	830	666	(29,389)	37	(7,446)	(6,683)	(6,064)
Provision for income taxes.....	--	--	--	137	--	--	--	--	--
(Loss) income before extraordinary item.....	(3,798)	(2,894)	830	529	(29,389)	37	(7,446)	(6,683)	(6,064)
Extraordinary loss.....	--	256	--	30	--	--	--	--	--
Net (loss) income.....	\$(3,798)	\$(3,150)	\$ 830	\$ 499	(29,389)	\$ 37	\$(7,446)	\$(6,683)	\$(6,064)
	=====	=====	=====	=====	=====	=====	=====	=====	=====
	AS A PERCENTAGE OF REVENUES								
Revenues.....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales.....	78.3	68.5	58.2	52.0	51.6	54.6	60.0	62.4	59.4
Gross profit.....	21.7	31.5	41.8	48.0	48.4	45.4	40.0	37.6	40.6
Operating Expenses:									
Selling, general and administrative.....	25.6	15.0	18.2	21.7	24.3	21.0	50.7	42.0	31.0
Goodwill amortization...	--	--	--	--	0.6	2.1	3.1	3.3	2.8
Research and development:									
Recurring.....	26.2	15.4	17.1	19.3	23.0	20.9	64.9	57.3	58.5
One-time acquired in process.....	--	--	--	--	237.1	--	--	--	--
Total operating expenses..	51.8	30.4	35.3	41.0	285.0	44.0	118.7	102.6	92.3
Operating (loss) income...	(30.1)	1.1	6.5	7.0	(236.6)	1.4	(78.7)	(65.0)	(51.7)
Stated interest expense, net.....	2.3	1.9	(0.1)	0.7	0.6	0.5	2.3	7.3	2.3
Imputed warrant interest, non-cash.....	11.8	21.6	0.8	0.6	0.8	0.7	1.0	3.7	3.1
Equity net loss of unconsolidated affiliate.....	--	--	--	--	--	--	--	2.3	2.7
Other expense.....	14.1	23.5	0.5	1.5	1.4	1.2	3.3	13.3	8.1
(Loss) income before income taxes.....	(44.2)	(22.4)	6.0	5.5	(238.0)	0.2	(82.0)	(78.3)	(59.8)

	QUARTERS ENDED								
	FISCAL 1997				FISCAL 1998				FISCAL 1999
	DEC. 31	MAR. 31	JUNE 30	SEPT. 30	DEC. 31	MAR. 31	JUNE 30	SEPT. 30	DEC. 31
	(IN THOUSANDS)								
Provision for income taxes.....	--	--	--	1.1	--	--	--	--	--
(Loss) income before extraordinary item.....	(44.2)	(22.4)	6.0	4.4	(238.0)	0.2	(82.0)	(78.3)	(59.8)
Extraordinary loss.....	--	2.0	--	0.2	--	--	--	--	--
Net (loss) income.....	(44.2)%	(24.4)%	6.0%	4.2%	(238.0)%	0.2%	\$ (82.0)%	(78.3)%	(59.8)%

From inception through December 31, 1996, EMCORE derived the majority of its revenues from the sale of Turbo Disc MOCVD systems. Beginning in January 1997, EMCORE expanded its product lines to offer wafers and devices. Throughout fiscal 1997 and the first half of fiscal 1998, EMCORE benefited from the expanded product offerings. Early in fiscal 1998, the capital equipment market experienced a downturn and bookings of TurboDisc systems decreased substantially. The result was lower revenues for the last two quarters of fiscal 1998 and the first quarter of fiscal 1999.

Cost of sales was also affected by revenue shifts. Gross profit improved consistently from the introduction of the new product lines through the second quarter of fiscal 1998. Thereafter, gross profit was affected primarily by reduced revenues and the resulting underabsorbed overhead.

Operating expenses have generally increased both in absolute dollars and as a percentage of revenues, due to increased staffing in research and development, sales and marketing, and general and administrative functions. The increase in research expenditures was related to the development of systems for the processing of gallium nitride materials used in the production of blue HB LEDs, enhancement of production systems, and the introduction of wafers and devices, in particular, MR sensors, VCSELs and solar cells. Selling, general and administrative expenses increased as a result of increased marketing and sales related activities, including the hiring of additional personnel, commissions, customer samples, expansion of facilities, and the opening of field offices in Taiwan and California.

EMCORE has experienced and expects to continue to experience significant fluctuations in quarterly results. Factors which have had an influence on and may continue to influence EMCORE's operating results in a particular quarter include, but are not limited to the timing of receipt of orders, cancellation, rescheduling or delay in product shipment or supply deliveries, product mix, competitive pricing pressures, EMCORE's ability to design, manufacture and ship products on a cost effective and timely basis, including the ability of EMCORE to achieve and maintain acceptable production yields for wafers and devices, regional economic conditions and the announcement and introduction of new products by EMCORE and by its competitors. The timing of sales of EMCORE's production systems may cause substantial fluctuations in quarterly operating results due to the substantially higher per unit price of these products relative to EMCORE's other products. If the compound semiconductor industry experiences downturns or slowdowns, EMCORE's business, financial condition and results of operations may be materially and adversely affected.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents decreased by \$2.7 million from \$4.5 million at September 30, 1998, to \$1.8 million at December 31, 1998. For the three months ended December 31, 1998, net cash used for operations amounted to \$3.3 million, primarily due to EMCORE's net losses, and a decrease in accounts payable, which was partially offset by EMCORE's non-cash depreciation and amortization charges, and an increase in advance billings.

For the three months ended December 31, 1998, net cash used in investment activities amounted to \$11.5 million, primarily due to the purchase and manufacture of new equipment for the facilitation of EMCORE's wafer and device product lines, and clean room modifications and enhancements of approximately \$6.0 million, as well as investments in unconsolidated affiliates of approximately \$5.6 million.

Net cash provided by financing activities for the three months ended December 31, 1998 amounted to approximately \$12.1 million, primarily due to the \$21.2 million of net proceeds from the private placement of preferred stock and short-term related party borrowings of \$1.5 million. This was offset by debt repayments of \$10.5 million (\$8.5 million on short-term related party debt and \$2.0 million on the \$10.0 million bank loan).

On March 31, 1997, EMCORE entered into a \$10.0 million revolving loan agreement with First Union National Bank (1997 Agreement) which bears interest at the rate of prime plus 50 basis points (8.25% at December 31, 1998) and expires October 1, 1999. In addition, Thomas Russell, the Chairman of the Board of EMCORE, has agreed to guarantee any indebtedness under the 1997 Agreement in the event that EMCORE does not meet certain financial covenants. On June 22, 1998, EMCORE entered into an \$8.0 million loan agreement with First Union National Bank, which expires December 31, 1999. The 1998 Agreement bears interest at a rate equal to one-month LIBOR plus three-quarters of one percent per annum (6.375% at December 31, 1998). As of December 31, 1998, EMCORE had borrowed approximately \$8.0 million under the 1997 Agreement and \$8.0 million under the 1998 Agreement.

On November 30, 1998, EMCORE sold a total of 1,550,000 shares of its Series I Preferred Stock to three purchasers for \$21.2 million, net of expenses. EMCORE repaid its Chairman \$8.5 million, invested approximately \$5.6 million in two unconsolidated joint ventures with Uniroyal Technology Corporation and Union Miniere Inc., reduced bank debt by \$2.0 million and is using the balance for general working capital purposes.

EMCORE believes that its current liquidity, together with available credit facilities (including the Chairman's commitment, described below) and the proceeds from this offering, should be sufficient to meet its cash needs for working capital through fiscal 2000. However, if the proceeds from this offering, cash generated from operations and cash on hand are not sufficient to satisfy EMCORE's liquidity requirements, EMCORE will seek to obtain additional equity or debt financing. Additional funding may not be available when needed or on terms acceptable to EMCORE. If EMCORE is required to raise additional financing and if adequate funds are not available or are not available on acceptable terms, the ability to continue to fund expansion, develop and enhance products and services, or otherwise respond to competitive pressures would be severely limited. Such a limitation could have a material adverse effect on EMCORE's business, financial condition or operations.

SUBSEQUENT EVENTS

In January 1999, EMCORE and General Electric Lighting signed a transaction agreement to form a joint venture to develop and market white light and colored HB LED products for lighting applications and, subject to certain conditions, the parties expect this joint venture will be consummated by March 31, 1999. In connection with this joint venture, EMCORE will issue to General Electric common stock purchase warrants to purchase between 282,010 and 564,019 shares of EMCORE's common stock at an exercise price of \$22.875, which will expire in 2006. The number of common stock purchase warrants to be issued is to be determined based on the market price of EMCORE's common stock upon the completion of this offering or on March 31, 1999, whichever occurs first. General Electric will purchase a \$7.8 million subordinated convertible debenture (the Debenture) bearing interest at 4.75% per annum and maturing in 2006. The Debenture's interest rate will be subject to adjustment in the event EMCORE does not complete a public offering by June 30, 1999. The debenture will be convertible into 340,984 shares of common stock.

On February 1, 1999, EMCORE entered into a \$5.0 million short-term note (the Note) with First Union. The Note is due and payable in May 1999. The Note bears interest at a rate equal to one-month LIBOR plus three-quarters of one percent per annum. On January 27, 1999, EMCORE borrowed \$3.0 million from its Chairman, Thomas J. Russell. The loan bears interest at 8% per annum. The loan was repaid from borrowings under the Note. EMCORE's Chairman has committed to provide up to \$30.0 million of long-term financing to EMCORE through July 1, 2000. This commitment terminates upon completion of this offering, subject to a minimum offering size requirement.

YEAR 2000 COMPLIANCE

Many currently installed computer systems and software products are coded to accept or recognize only two digit entries in the date code field. These systems and software products will need to accept four digit entries to distinguish 21st century dates from 20th century dates. As a result, computer systems and/or software used by many companies and governmental agencies may need to be upgraded to comply with such Year 2000 requirements or risk system failure or miscalculations causing disruptions of normal business activities.

STATE OF READINESS. EMCORE has made a preliminary assessment of the Year 2000 readiness of its operating financial and administrative systems, including the hardware and software that support such systems. EMCORE's assessment plan consists of (1) quality assurance testing of its internally developed proprietary software; (2) contacting third-party vendors and licensors of material hardware, software and services that are both directly and indirectly related to EMCORE's business; (3) contacting vendors of third-party systems; (4) assessing repair or replacement requirements; (5) implementing repair or replacement; and (6) creating contingency plans in the event of Year 2000 failures. EMCORE plans to perform a Year 2000 simulation on its systems during the second quarter of 1999 to test system readiness. Many vendors of material hardware and software components of its systems have indicated that the products used by EMCORE are currently Year 2000 compliant. EMCORE will require vendors of the other material hardware and software components of its systems to provide assurances of their Year 2000 compliance. EMCORE plans to complete this process during the first half of 1999. Until this testing is completed and these vendors and providers are contacted, EMCORE will not be able to completely evaluate whether its systems will need to be revised or replaced.

COSTS. To date, EMCORE has not incurred any material expenditures in connection with identifying, evaluating or addressing Year 2000 compliance issues. Most of EMCORE expenses have related to, and are expected to continue to relate to, the operating costs associated with time spent by employees in the evaluation process and Year 2000 compliance matters generally. At this time, EMCORE does not possess the information necessary to estimate the potential costs of revisions to its systems should such revisions be required or the replacement of third-party software, hardware or services that are determined not to be Year 2000 compliant. Although EMCORE does not anticipate that the expenses will be material, the expenses if higher than anticipated could have a material adverse effect on EMCORE's business, financial condition and results of operations.

RISKS. EMCORE is not currently aware of any Year 2000 compliance problems relating to its systems that would have a material adverse effect on EMCORE's business, results of operations and financial condition, without taking into account EMCORE's efforts to avoid or fix such problems. There can be no assurance that EMCORE will not discover Year 2000 compliance problems in its systems that will require substantial revision. In addition, there can be no assurance that third-party software, hardware or services incorporated into EMCORE's material systems will not need to be revised or replaced, all of which could be time-consuming and expensive. The failure of EMCORE to fix or replace its internally developed proprietary software or third-party software, hardware or services on a timely basis could result in lost revenues, increased operating costs, the loss of customers and other business interruptions, any of which could have a material adverse effect on EMCORE's business, result of operations and financial condition. Moreover, the failure to adequately address Year 2000 compliance issues in its internally developed proprietary software could result in claims of mismanagement, misrepresentation or breach of contract and related litigation, which could be costly and time-consuming to defend. In addition, the failure of governmental agencies, utility companies, third-party service providers and others outside of EMCORE's control to be Year 2000 compliant could result in systemic failure beyond EMCORE's control such as a telecommunications or electrical failure, which could have a material adverse effect on EMCORE's business, results of operations and financial condition.

CONTINGENCY PLAN. As discussed above, EMCORE is engaged in an ongoing Year 2000 assessment and has not yet developed any contingency plans. The results of EMCORE's Year 2000 simulation testing and the responses received from third-party vendors and service providers will be taken into account in determining the nature and extent of any contingency plans.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131"), which establishes standards for reporting information about operating segments in annual financial statements. It also establishes standards for related disclosures about products and services, geographic areas and major customers. SFAS No. 131 is effective for fiscal years beginning after December 15, 1997. EMCORE will be required to adopt this standard in its fiscal year ending September 30, 1999. The adoption of SFAS No. 131 is not expected to have an impact on EMCORE's results of operations, financial position or cash flows.

In February 1998, FASB issued SFAS No. 132, "Employers' Disclosures about Pension and Other Postretirement Benefits" ("SFAS No. 132"), which requires disclosure about pension and postretirement benefits. SFAS No. 132 does not change the measurement or recognition of these plans. SFAS No. 132 is effective for fiscal years beginning after December 15, 1997. The adoption of SFAS No. 132 is not expected to have an impact on EMCORE's results of operations, financial position or cash flows.

In March 1998, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position ("SOP") 98-1, "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"). SOP 98-1 is effective for financial statements for years beginning after December 14, 1998. SOP 98-1 provides guidance over accounting for computer software developed or obtained for internal use including the requirement to capitalize specified costs and amortization of such costs. EMCORE does not expect the adoption of this standard to have a material effect on results of operations, financial position or cash flows.

In April 1998, the AICPA issued Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" ("SOP 98-5"). SOP 98-5, which is effective for fiscal years beginning after December 15, 1998, provides guidance on the financial reporting of start-up costs and organization costs. It requires costs of start-up activities and organization costs to be expensed as incurred. As EMCORE has expensed these costs historically, the adoption of this standard is not expected to have a significant impact on EMCORE's results of operations, financial position or cash flows.

BUSINESS

EMCORE CORPORATION

EMCORE designs, develops, and manufactures compound semiconductor materials and process technology and is a leading manufacturer of production systems used to fabricate compound semiconductor wafers. EMCORE's products and technology enable its customers, both in the U.S. and internationally, to manufacture commercial volumes of high-performance electronic and optoelectronic devices. EMCORE has recently established a number of strategic relationships through joint ventures, long-term supply agreements and an acquisition in order to facilitate the development and manufacture of new products in targeted growth markets. EMCORE's products are used for a wide variety of applications in the communications (satellite, data, telecommunications and wireless), consumer and automotive electronics, computers and peripherals, and lighting markets. EMCORE's customers include AMP Incorporated, General Motors, Hughes-Spectrolab, Lucent Technologies, Inc., Siemens AG and 12 of the largest electronics manufacturers in Japan.

INDUSTRY OVERVIEW

Recent advances in information technologies have created a growing need for efficient, high-performance electronic systems that operate at very high frequencies, have increased storage capacity and computational and display capabilities, and can be produced cost-effectively in commercial volumes. In the past, electronic systems manufacturers have relied on advances in silicon semiconductor technology to meet many of these demands. However, the newest generation of high-performance electronic and optoelectronic applications require certain functions that are generally not achievable using silicon-based components.

Compound semiconductors have emerged as an enabling technology to meet the complex requirements of today's advanced information systems. Many compound semiconductor materials have unique physical properties that allow electrons to move at least four times faster than through silicon-based devices. Advantages of compound semiconductor devices over silicon devices include:

- operation at higher speeds;
- lower power consumption;
- less noise and distortion; and
- optoelectronic properties that enable these devices to emit and detect light.

Compound semiconductor devices can be used to perform individual functions as discrete devices, such as high-brightness light-emitting diodes (HB LEDs), vertical cavity surface emitting lasers (VCSELs), magneto resistive (MR) sensors and solar cells. Compound semiconductor devices can also be combined into integrated circuits, such as transmitters, receivers and alpha-numeric displays. Although compound semiconductors are more expensive to manufacture than silicon-based devices, electronics manufacturers are increasingly integrating compound semiconductor devices into their products in order to achieve higher performance in applications targeted for a wide variety of markets. These include satellite communications, data communications, telecommunications, wireless

communications, consumer and automotive electronics, computers and peripherals, and lighting.

The following factors have resulted in an increased demand for compound semiconductor products and systems that enable electronic systems manufacturers to reach the market faster with large volumes of high-performance products and applications:

- rapid build-out of satellite communications systems;
- widespread deployment of fiber optic networks and the increasing use of optical systems within these networks;
- launch of new wireless services such as PCS and wireless high speed data systems;
- increasing use of infrared emitters and optical detectors in computer systems;
- emergence of advanced consumer electronics applications, such as DVDs and flat panel displays;
- increasing use of high-performance electronic devices in automobiles; and
- the anticipated conversion to HB LEDs from incandescent, halogen and compact fluorescent lighting.

The following chart summarizes the principal markets, examples of applications for compound semiconductor devices, products incorporating these devices and certain benefits and characteristics of these devices.

MARKET	REPRESENTATIVE APPLICATIONS	PRODUCTS	BENEFITS/CHARACTERISTICS
Satellite communications	Power modules for satellites Satellite to ground communication	Solar cells Radio frequency products	Radiation tolerance Conversion of more light to power than silicon Reduced launch costs Increased bandwidth
Data communications	High-speed fiber optic networks and optical links (including Gigabit Ethernet, ATM and FibreChannel)	VCSEL components and arrays HB LEDs Lasers	Increased network capacity Increased data transmission speeds Increased bandwidth
Telecommunications	High capacity fiber optic trunk lines	VCSEL components and arrays Lasers	Increased data transmission speeds Increased bandwidth
Wireless communications	Cellular telephones Pagers PCS handsets Direct broadcast systems	HB LEDs Heterojunction bipolar transistors (HBT) Pseudomorphic high electron mobility transistors (PHEMT)	Improved display visibility Improved signal to noise performance Lower power consumption Increased network capacity Reduced network congestion Extended battery life
Consumer electronics	DVDs Radios Telephones Calculators CD-Rom	HB LEDs VCSEL components and arrays Integrated circuits Lasers	Improved display visibility High-speed data transmission Low power requirements
Automotive electronics	Engine sensors Dashboard displays Indicator lights Antilock brake systems	MR sensors HB LEDs	Reduced weight Lower power consumption Lower emissions
Computers and peripherals	Local area networks Chip-to-chip and board-to-board optical links	VCSEL components and arrays Transceivers	Increased data transmission speeds Increased bandwidth
Lighting	Flat panel displays Solid state lighting Outdoor signage and display Digital readout signals	HB LEDs Miniature lamps	Lower power consumption Longer life

COMPOUND SEMICONDUCTOR PROCESS TECHNOLOGY

Compound semiconductors are composed of two or more elements and usually consist of a metal such as gallium, aluminum or indium and a non-metal such as arsenic, phosphorous or nitrogen. The resulting compounds include gallium arsenide, indium phosphide, gallium nitride, indium antimonide and indium aluminum phosphide. The performance characteristics of compound semiconductors are dependent on the composition of these compounds. Many of the unique properties of compound semiconductor

devices are achieved by the layering of different compound semiconductor materials in the same device. This layered structure creates an optimal configuration to permit the conversion of electricity into light.

Accordingly, the composition and properties of each layer and the control of the layering process, or epitaxy, are fundamental to the performance of advanced electronic and optoelectronic compound semiconductor devices. The variation of thickness and composition of layers determines the intensity and color of the light emitted or detected and the efficiency of power conversion. The ability to vary the intensity, color and efficiency of light generation and detection enables compound semiconductor devices to be used in a broad range of advanced information systems.

Compound semiconductor device manufacturers predominantly use four methods to deposit compound materials: molecular beam epitaxy, vapor phase epitaxy, liquid phase epitaxy and metal organic chemical vapor deposition (MOCVD). The use of molecular beam epitaxy technology can yield wafers having high thickness uniformity. Compound semiconductor materials fabricated using liquid phase epitaxy or vapor phase epitaxy technologies often have high electronic and optical properties. However, due to the nature of the underlying processes, these methods are not easily scaled up to high volume production, which is necessary for the commercial viability of compound semiconductor devices. All of the methods used to manufacture compound semiconductor devices pose technical, training and safety challenges that are not present in the manufacture of silicon devices. These production systems typically require expensive reactant materials, the use of certain toxic chemicals, and tight control over numerous manufacturing parameters. The key differences between MOCVD and the three other methods is that compound semiconductor wafers fabricated using MOCVD generally possess a better combination of uniformity and optical and electronic properties and are easier to produce in high volumes than wafers manufactured by the three more traditional methods. Currently, MOCVD technology is being used to manufacture a broad range of compound semiconductor devices.

Historically, manufacturers who use compound semiconductor devices in their products have met research, pilot production and capacity needs with in-house systems and technologies. However, as the need for the production of commercial volumes of high-performance compound semiconductor devices and the variety of these devices grows, manufacturers are often unable to meet these requirements using in-house solutions. In response to these growing demands for higher volumes of a broad range of higher performance devices, manufacturers are increasingly turning to outside vendors to meet their needs for compound semiconductor wafers and devices.

THE EMCORE SOLUTION

EMCORE provides its customers with a broad range of compound semiconductor products and services intended to meet its customers' diverse technology requirements. EMCORE has developed extensive materials science expertise, process technology and MOCVD production systems to address these needs and believes that its proprietary TurboDisc deposition technology makes possible one of the most cost-effective production processes for the commercial volume manufacture of high-performance compound semiconductor wafers and devices. This platform technology provides the basis for the production of various types of compound semiconductor wafers and devices and enables EMCORE to address the critical need of manufacturers to cost-effectively get to market

faster with high volumes of new and improved high-performance products. EMCORE's compound semiconductor products and services include:

- materials and process development;
- design and development of devices;
- MOCVD production systems; and
- manufacture of wafers and devices in high volumes.

Customers can take advantage of EMCORE's vertically integrated approach by purchasing custom-designed wafers and devices from EMCORE or manufacturing their own devices in-house using a TurboDisc production system configured to their specific needs.

STRATEGY

EMCORE's objective is to capitalize on its position in MOCVD process technology and production systems to become the leading supplier of compound semiconductor wafers, devices and production systems. The key elements of EMCORE's strategy include:

APPLY CORE TECHNOLOGY ACROSS MULTIPLE APPLICATIONS. EMCORE continually leverages its proprietary core technology to develop compound semiconductor products for multiple applications in a variety of markets. These activities include developing new products for targeted applications as well as expanding existing products into new applications. For example, EMCORE's MR sensors, currently used by General Motors as crank shaft sensors, also have other potential product applications, including as sensors in brushless motors and antilock brakes. Other existing products which EMCORE intends to introduce in new applications include VCSELs for communications products and HB LEDs for broader lighting applications.

TARGET HIGH GROWTH OPPORTUNITIES. EMCORE's strategy is to target high growth opportunities where performance characteristics and high volume production efficiencies can give compound semiconductors a competitive advantage over other devices. Historically, while technologically superior, compound semiconductors have not been widely deployed because they are more expensive to manufacture than silicon-based semiconductors and other existing solutions. EMCORE believes that as compound semiconductor production costs are reduced, new customers will be compelled to use these solutions because of their higher performance characteristics. For example, EMCORE has reduced the average cost of compound semiconductor solar cells to the point that they are replacing silicon-based solar cells because of the compound semiconductor solar cells' higher overall efficiency and lower weight.

PARTNER WITH KEY INDUSTRY PARTICIPANTS. EMCORE seeks to identify and develop long-term relationships with leading companies in targeted industries. EMCORE develops these relationships in a number of ways including through long-term high-volume supply agreements, joint ventures, and distribution and other arrangements. For example, EMCORE has agreed to enter into, subject to certain conditions, a joint venture with General Electric Lighting for the development and marketing of white light and colored HB LED products for automotive, traffic, flat panel display and other lighting applications, and has entered into a long term supply agreement with AMP Incorporated for VCSELs to be used in its transceivers for Gigabit Ethernet and other applications. EMCORE

intends to actively seek similar strategic relationships with other key customers and industry participants in order to further expand its technological and production base.

CONTINUE INVESTMENT TO MAINTAIN TECHNOLOGY LEADERSHIP. Through substantial investment in research and development, EMCORE seeks to expand its leadership position in compound semiconductor production systems, wafers and devices. EMCORE works with its customers to identify specific performance criteria and uses this information to enhance the performance of its production systems and to further expand its process and materials science expertise, including the development of new low cost, high-volume wafers and devices for its customers. In addition, EMCORE's development efforts are focused on continually lowering the production costs of its solutions. EMCORE's joint venture with Union Miniere Inc. represents an initiative to explore means to use germanium to improve product performance, identify new product applications and lower the cost and complexity of production of EMCORE's wafers and devices.

PRODUCTS

PRODUCTION SYSTEMS

EMCORE is a leading supplier of MOCVD compound semiconductor production systems, with more than 225 systems shipped as of December 31, 1998. According to VLSI Research, Inc., in 1997 EMCORE's share of the MOCVD production systems market was over 25%. EMCORE believes that its TurboDisc systems offer significant ownership advantages over competing systems and that the high throughput capabilities of its TurboDisc systems make possible superior reproducibility of thickness, composition, electronic properties and layer accuracy required for electronic and optoelectronic devices. Each system can be customized for the customer's throughput, wafer size and process chemistry requirements. EMCORE's production systems also achieve a high degree of reliability with an average time available for production, based on customer data, of approximately 95%.

EMCORE believes its TurboDisc systems enable the lowest cost of ownership for the manufacture of compound semiconductor materials. The major components of the cost of ownership include yield, throughput, direct costs and capital costs. Yield primarily relates to material uniformity, which is a function of the precision of the physical and chemical processes by which atomic layers are deposited. Throughput, the volume of wafers produced per unit of time, includes both the time required for a process cycle and the handling time between process steps. Direct costs include consumables used in manufacturing and processing and the clean room space required for the equipment. Capital costs include the cost of acquisition and installation of the process equipment.

EMCORE's proprietary TurboDisc technology utilizes a unique high speed rotating disk in a stainless steel growth chamber with integrated vacuum-compatible loading chambers. To produce a wafer, a bare substrate, such as gallium arsenide, sapphire or germanium, is placed on a wafer carrier in the TurboDisc growth chamber and subjected to high temperatures. Based on a predetermined formula, metal organic gases are released into the growth chamber. These gases decompose on the hot, rapidly spinning wafer. Semiconductor materials are then deposited on the substrate in a highly uniform manner. The resulting wafer thus carries one or more ultra-thin layers of compound semiconductor material such as gallium arsenide, gallium nitride, or indium aluminum phosphide. The TurboDisc technology not only produces uniformity of deposition across the wafer, but also offers flexibility for diverse applications with improved material results and increased

production rates. The unique precision control of reactant gas flow in the TurboDisc technology platform allows users to scale easily from research to commercial volumes with substantially reduced time and effort. Upon removal from the growth chamber, the wafer is transferred to a device processing facility for various steps such as photolithography, etching, masking, metallization and dicing. Upon completion of these steps, the devices are then sent for packaging by the customer or other third parties and inclusion in the customer's product.

[DIAGRAM]

Wafers are loaded on a multiple wafer platter into the growth chamber, where they are subjected to high-temperature vacuum conditions and spun at high speeds. Gases are then introduced into the vacuum growth chamber, and semiconductor materials become deposited onto the substrate in a highly uniform manner.

EMCORE offers the following family of TurboDisc systems:

MODEL	LIST PRICE	APPLICATION
Explorer	\$350,000 -- \$450,000	Research
Discovery	\$600,000 -- \$1,100,000	Development/Pilot Production
Enterprise	\$1,300,000 -- \$2,500,000	Volume Production

EMCORE's next generation of TurboDisc products is being designed to provide a number of innovations including:

- new reactor design to improve efficiency;
- cassette-to-cassette wafer handling to increase automation;
- digital control system to reduce noise;
- real-time process control and data acquisition on WindowsNT platform;
- modular component design to ease outsourcing and upgrading; and
- improved temperature control.

WAFERS AND DEVICES

Since its inception, EMCORE has worked closely with its customers to design and develop materials processes for use in production systems for its customers' end-use applications. EMCORE has leveraged its process and materials science knowledge base to manufacture a broad range of compound semiconductor wafers and devices such as solar cells, VCSELs, MR sensors and HB LEDs.

Within each of these product lines, EMCORE has established strategic relationships through joint ventures, long-term supply agreements and an acquisition. A summary of these relationships is found below.

PRODUCTS AND STRATEGIC RELATIONSHIPS			
PRODUCT LINE	COMPANY	NATURE OF RELATIONSHIP	APPLICATION
Solar Cells	Space Systems/Loral Lockheed Martin Missiles and Space Union Miniere Inc.	Long-term supply agreement Strategic partner Long-term germanium sourcing agreement from Union Miniere	Solar panels in space
HB LEDs	General Electric Lighting	GELcore joint venture (pending) for the development, marketing and distribution of white light and colored HB LED products	Traffic lights Miniature lamps Automotive lighting Flat panel displays Other lighting applications
	Uniroyal Technology Corporation	Uniroyal Optoelectronics Joint venture for the manufacture of HB LED wafers and package-ready devices	
VCSELS	AMP Incorporated	Strategic alliance and long-term supply agreement	Optical links (including Gigabit Ethernet and small form factor)
	Micro Optical Devices, Inc.	Acquisition	Fiber optic network applications
MR sensors	Optek Technology, Inc.	Emtech joint venture for packaging and marketing of MR sensors	Antilock brake systems Brushless motors Crank shaft and engine timing
	General Motors	Long-term supply agreement	Cam and crank shaft sensors
Germanium research and development	Union Miniere Inc.	UMCore joint venture	Exploring alternative uses for germanium substrates

SOLAR CELLS. Compound semiconductor solar cells are used to power satellites because they are more resistant to radiation levels in space, convert substantially more light to power and therefore weigh less per unit of power than silicon-based solar cells. These characteristics increase satellite life, increase payload capacity and reduce launch costs. EMCORE is currently involved in four solar cell projects:

- In November 1998, EMCORE signed a four-year purchase agreement with Space Systems/Loral, a wholly owned subsidiary of Loral Space & Communications. Under this agreement, which is contingent upon our compliance with Loral's product specification requirements, EMCORE will supply compound semiconductor high efficiency gallium arsenide solar cells for Loral's satellites. EMCORE anticipates completing this qualification in April 1999. Subject to satisfactorily completing these product qualification requirements, EMCORE has received an initial purchase order from Space Systems/Loral.
- In August 1998, EMCORE and Union Miniere Inc., a mining and materials company, entered into a long term supply agreement for germanium, which EMCORE uses to fabricate solar cells. In addition to their solar cell relationship, in November 1998, EMCORE formed UMCORE, a joint venture with Union Miniere to explore and develop alternate uses for germanium using EMCORE's material science and production platform expertise and Union Miniere's access to and experience with germanium. UMCORE commenced research and development operations in January 1999.
- In September 1998, EMCORE entered into an agreement with Lockheed Martin Missiles and Space, a strategic business unit of Lockheed Martin Corporation, to provide technical management and support of a Cooperative Research and Development Agreement (CRADA) between Lockheed Martin and Sandia National Laboratory for the advancement and commercialization of a new compound semiconductor high efficiency solar cell. Pursuant to this strategic agreement, (1) Lockheed Martin will grant EMCORE a sub-license for all CRADA related intellectual property developed on behalf of or in conjunction with Lockheed Martin and (2) EMCORE and Lockheed Martin will jointly qualify and validate the high efficiency solar cells for operational satellite use.
- In the summer of 1998, EMCORE received a \$2.2 million contract under the U.S. Air Force's Broad Agency Announcement Program for the development of high-efficiency advanced solar cells.

HB LEDS. High-brightness light-emitting diodes (HB LEDs) are solid state compound semiconductor devices that emit light. The global demand for HB LEDs is experiencing rapid growth because LEDs have a long useful life (approximately 10 years), consume approximately 10% of the power consumed by incandescent or halogen lighting and improve display visibility. In February 1998, EMCORE and Uniroyal Technology Corporation formed Uniroyal Optoelectronics, a joint venture to manufacture, sell and distribute HB LED wafers and package-ready devices.

In January 1999, EMCORE signed a transaction agreement with General Electric Lighting to form GELCORE, a joint venture to develop and market HB LED lighting products, and subject to certain conditions, the parties expect this joint venture will be consummated by March 31, 1999. General Electric Lighting and EMCORE have agreed that this joint venture will be the exclusive vehicle for each party's participation in solid state lighting. GELCORE seeks to combine EMCORE's materials science expertise, process technology and compound semiconductor production systems with General Electric

Lighting's brand name recognition and extensive marketing and distribution capabilities. GELcore's long-term goal is to develop products to replace traditional lighting.

VCSELS. Vertical cavity surface emitting lasers (VCSELS) are semiconductor lasers that emit light in a cylindrical beam. Leading electronic systems manufacturers are integrating VCSELS into a broad array of end-market applications including Internet access, digital cross-connect telecommunications switches, DVD, and fiberoptic switching and routing, such as Gigabit Ethernet. VCSELS offer significant advantages over traditional laser diodes, including:

- greater control over beam size and wavelength;
- reduced manufacturing complexity and packaging costs;
- lower power consumption; and
- higher frequency performance.

In December 1997, EMCORE acquired MicroOptical Devices, Inc. (MODE), a development stage company, primarily dedicated to the research and development of enabling VCSEL technologies. In February 1998, EMCORE announced its first commercial high speed VCSEL laser (Gigalase). In September 1998, EMCORE signed a four-year purchase agreement with AMP Incorporated to provide VCSELS for a family of optical transceivers for the Gigabit Ethernet, FibreChannel and ATM markets. In December 1998, EMCORE announced its second VCSEL product, a micro-optical laser array (Gigarray).

MR SENSORS. Magneto resistive (MR) sensors are compound semiconductor devices that possess sensing capabilities. MR sensors improve vehicle performance through more accurate control of engine and crank shaft timing, which allows for improved spark plug efficiency and reduced emissions. In January 1997, EMCORE initiated shipments of compound semiconductor MR sensors using technology licensed to EMCORE from General Motors. This license allows EMCORE to manufacture and sell products using this technology to anyone. As of December 31, 1998 EMCORE has delivered over five million devices to General Motors Powertrain for crank and cam speed and position sensing applications for three engine builds.

In October 1998, EMCORE formed Emtech, a joint venture with Optek Technology, Inc., a packager and distributor of optoelectronic devices, to market an expanded line of MR sensors to the automotive and related industries. This joint venture seeks to combine EMCORE's strength in producing devices with Optek's strength in packaging and distributing devices to offer off-the-shelf products and expand market penetration.

CUSTOMERS

EMCORE's customers include many of the largest semiconductor, telecommunications, consumer goods and computer manufacturing companies in the world. In fiscal 1998, sales to Hughes-Spectrolab accounted for 17.3% of EMCORE's revenues, and sales to General Motors accounted for 12.8% of EMCORE's revenues. A number of EMCORE's customers are listed below. In addition, EMCORE has sold its products to 12 of the largest electronics manufacturers in Japan.

AMP Incorporated
 The Boeing Company
 General Motors
 Hewlett Packard Co.
 Honeywell Inc.
 Hughes-Spectrolab
 Hyundai Electronics
 IBM Corporation
 LG Semiconductor Corp.
 L.M. Ericsson AB
 Lucent Technologies, Inc.
 Motorola, Inc.
 Northrop Grumman Corporation
 Philips AG Polaroid Corporation
 Rockwell
 Samsung Co.
 Sharp U.S.A., Inc.
 Siemens AG
 Texas Instruments Incorporated
 Thomson CSF
 Westinghouse Electric Corp.

EMCORE has a comprehensive Total Quality Management Program with special emphasis on total customer satisfaction. EMCORE seeks to encourage active customer involvement with the design and operation of its production systems. To accomplish this, EMCORE conducts user group meetings among its customers in Asia, Europe and North America. At annual meetings, EMCORE's customers provide valuable feedback on key operations, process oriented services, problems and recommendations to improve EMCORE products. This direct customer feedback has enabled EMCORE to constantly update and improve the design of its systems and processes. Changes that affect the reliability and capabilities of EMCORE's systems are embodied in new designs to enable current and future customers to utilize systems which EMCORE believes are high quality and cost-efficient. As of December 31, 1998, EMCORE employed 27 field service engineers who install EMCORE systems and provide on-site support.

MARKETING AND SALES

EMCORE markets and sells its wafers, devices and systems through its direct sales force in Europe, North America and Taiwan and through representatives and distributors elsewhere in Asia. To market and service its products in China, Japan and Singapore, EMCORE relies on a single marketing, distribution and service provider, Hakuto. EMCORE's agreements with Hakuto have a term of 10 years, expiring March 2008. Hakuto has exclusive distribution rights for certain of EMCORE's products in Japan. Hakuto has marketed and serviced EMCORE's products since 1988, is a minority shareholder in EMCORE, and the President of Hakuto is a member of EMCORE's Board of Directors. EMCORE recently opened sales offices in Taiwan and California in order to be closer to its customers. As of December 31, 1998, EMCORE employed 26 persons in sales and marketing.

EMCORE's sales and marketing staff, senior management and technical staff work closely with existing and potential customers to provide compound semiconductor solutions for its customers' needs. The sales process begins by understanding the customer's requirements and then attempting to match these requirements with the optimal solution. EMCORE seeks to match the customer's requirements to an existing design or a modification of a standard design, such as a change in platform or process design. When necessary, EMCORE will work with the customer to develop the appropriate design

process and to configure and manufacture the production system to meet the customer's needs. Also, EMCORE will produce samples to demonstrate conformance to the customer's specifications. For production systems, the amount of time from the initial contact with the customer to the customer's placement of an order is typically two to nine months or longer. EMCORE's sales cycle for wafers and devices usually runs three to nine months, during which time EMCORE develops the formula of materials necessary to meet the customer's specifications and qualifies the materials, which may also require the delivery of samples. EMCORE believes that the high level of marketing, management and engineering support involved in this process is beneficial in developing competitive differentiation and long-term relationships with its customers.

The following chart contains a breakdown of EMCORE's worldwide revenues and percentages by geographic region. Historically, EMCORE has received all payments for products and services in U.S. dollars.

REGION	FISCAL YEARS ENDED SEPTEMBER 30,						THREE MONTHS ENDED DECEMBER 31,	
	-----						-----	
	1996 (\$/%)		1997 (\$/%)		1998 (\$/%)		1999 (\$/%)	
	(IN MILLIONS)							
U.S.....	\$16.0	57.6%	\$27.7	57.9%	\$26.7	61.0%	\$ 6.6	65.3%
Asia.....	8.2	29.5	14.6	30.6	15.5	35.4	3.3	32.7
Europe.....	3.6	12.9	5.5	11.5	1.6	3.6	0.2	2.0
	-----	-----	-----	-----	-----	-----	-----	-----
Total.....	\$27.8	100.0%	\$47.8	100.0%	\$43.8	100.0%	\$10.1	100.0%
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SERVICE AND SUPPORT

EMCORE maintains a worldwide service and support network responsible for on-site maintenance and process monitoring on either a contractual or time-and-materials basis. Customers may purchase annual service contracts under which EMCORE is required to maintain an inventory of replacement parts and to service the equipment upon the request of the customer. EMCORE also sells replacement parts from inventory for customer needs. EMCORE pursues a program of system upgrades for customers to increase the performance of older systems. EMCORE generally does not offer extended payment terms to its customers and generally adheres to a warranty policy of one year. Consistent with industry practice, EMCORE maintains an inventory of components for servicing systems in the field and it believes that its inventory is sufficient to satisfy foreseeable short-term customer requirements. EMCORE recently opened a warehouse depot in Taiwan to provide improved service to its Asian customers.

RESEARCH AND DEVELOPMENT

To maintain and improve its competitive position, EMCORE's research and development efforts are focused on designing new proprietary processes and products, improving the performance of existing systems, wafers and devices and reducing costs in the product manufacturing process. EMCORE has dedicated 16 TurboDisc systems for both research and production which are capable of processing virtually all compound semiconductor materials. The research and development staff utilizes x-ray, optical and electrical characterization equipment which provide instant data allowing for shortened development cycles and rapid customer response. EMCORE's recurring research and development expenses were approximately \$5.9 million in the first quarter of fiscal 1999,

\$16.5 million in fiscal 1998, \$9.0 million in fiscal 1997 and \$5.4 million in fiscal 1996. EMCORE also incurred a one-time, non-cash research and development expense in fiscal 1998 in the amount of \$29.3 million in connection with the acquisition of MODE. EMCORE expects that it will continue to expend substantial resources on research and development. As of December 31, 1998, EMCORE employed 50 persons in research and development, 14 of whom held Ph.D.s in materials science or related fields.

EMCORE also competes for research and development funds. In view of the high cost of development, EMCORE solicits research contracts that provide opportunities to enhance its core technology base or promote the commercialization of targeted products. EMCORE presently has three contracts under the Small Business Innovative Research programs or similar government sponsored programs. From inception until December 31, 1998, government and other external research contracts have provided approximately \$13.3 million to support EMCORE's research and development efforts. EMCORE is also positioned to market technology and process development expertise directly to customers who require it for their own product development efforts.

INTELLECTUAL PROPERTY AND LICENSING

EMCORE's success and competitive position both for production systems and wafers and devices depend significantly on its ability to maintain trade secrets and other intellectual property protections. Our strategy is to rely more on trade secrets than patents. A "trade secret" is information that has value to the extent it is not generally known, not readily ascertainable by others through legitimate means, and protected in a way that maintains its secrecy. Reliance on trade secrets is only an effective business practice insofar as trade secrets remain undisclosed and a proprietary product or process is not reverse engineered or independently developed. In order to protect its trade secrets, EMCORE takes certain measures to ensure their secrecy, such as executing non-disclosure agreements with its employees, joint venture partners, customers and suppliers.

To date, EMCORE has been issued 11 U.S. patents and others are either pending or under review. These U.S. patents will expire between 2005 and 2013. None of these U.S. patents claim any material aspect of the current or planned commercial versions of EMCORE's systems, wafers or devices. EMCORE relies on trade secrets rather than patents to protect its intellectual property because it believes publishing patents would make it easier for others to reverse engineer EMCORE's proprietary processes.

EMCORE is a licensee of certain VCSEL technology and associated patent rights owned by Sandia Corporation (Sandia License). The Sandia License grants EMCORE (1) exclusive rights (subject to certain rights granted to Department of Energy and AT&T Corporation) to develop, manufacture and sell products containing Sandia VCSEL technologies for barcode scanning and plastic optical fiber communications applications under five U.S. patents that expire between 2007 and 2015, (2) nonexclusive rights with respect to all other applications of these patents and (3) nonexclusive rights to employ a proprietary oxidation fabrication method in the manufacture of VCSEL products under a sixth U.S. patent that expires in 2014. Our exclusivity with respect to the barcode scanning and plastic optical fiber communications applications expires in 2003 or such earlier time as we fail to meet certain development and marketing criteria. EMCORE's success and competitive position as a producer of VCSEL products depends on the continuation of its rights under the Sandia License, the scope and duration of those rights and the ability of Sandia to protect its proprietary interests in the underlying technology and patents.

To permit sales of its MOCVD production systems, in 1992 EMCORE was granted a license under a patent issued on January 11, 1983 to Rockwell International Corporation. This patent claimed, among other things, intellectual property rights in the use of MOCVD generally in unspecified applications and expires in 2000. In October 1996, EMCORE initiated discussions with Rockwell to receive additional licenses to permit EMCORE to utilize MOCVD technology to manufacture and sell certain wafers and devices. On November 15, 1996, in litigation not involving EMCORE, this patent was declared invalid by the U.S. Court of Federal Claims. Rockwell filed a notice of appeal on this judgment and on June 15, 1998, the Court of Appeals for the Federal Circuit vacated this judgment and sent the case back for trial. In January 1999, the case was settled and a judgment was entered in favor of Rockwell. Since the settlement leaves a presumption of validity of the Rockwell patent, EMCORE may be liable to Rockwell for royalty payments, as well as other amounts in connection with the sales of its systems, wafers and devices. EMCORE has reserved amounts to pay for royalties, but does not know whether these reserves will be adequate. If EMCORE is required to pay royalties in excess of its reserves, EMCORE's business, financial condition and results of operations may be materially and adversely affected. In addition, until January 2000, EMCORE may require additional licenses from Rockwell under the patent in order to continue to manufacture and sell certain wafers and devices. The failure to obtain or maintain these licenses on commercially reasonable terms may materially and adversely affect EMCORE's business, financial condition and results of operations.

ENVIRONMENTAL REGULATIONS

EMCORE is subject to federal, state and local laws and regulations concerning the use, storage, handling, generation, treatment, emission, release, discharge and disposal of certain materials used in its research and development and production operations, as well as laws and regulations concerning environmental remediation and employee health and safety. The production of wafers and devices involves the use of certain hazardous raw materials, including, but not limited to, ammonia, phosphine and arsene. If EMCORE's control systems are unsuccessful in preventing release of these or other hazardous materials, EMCORE could experience a substantial interruption of operations. EMCORE has retained an environmental consultant to advise it in complying with applicable environmental and health and safety laws and regulations, and believes that it is currently, and in the past has been, in substantial compliance with all such laws and regulations.

BACKLOG

As of December 31, 1998, EMCORE had an order backlog of \$41.8 million, scheduled to be shipped through September 30, 1999. This represented an increase of 81.4% since September 30, 1998. This increase primarily relates to increased system bookings in Asia and an initial order for solar cells from Loral, which is subject to product qualification. EMCORE includes in backlog only customer purchase orders that have been accepted by EMCORE and for which shipment dates have been assigned within the 12 months to follow and research contracts that are in process or awarded. Wafer and device agreements extending longer than one year in duration are included in backlog only for the ensuing 12 months. EMCORE receives partial advance payments or irrevocable letters of credit on most production system orders. EMCORE recognizes revenue from the sale of its systems and materials upon shipment. For research contracts with the U.S. government and commercial enterprises with durations greater than six months, EMCORE

recognizes revenue to the extent of costs incurred plus a portion of estimated gross profit, as stipulated in such contracts, based on contract performance.

MANUFACTURING

EMCORE's manufacturing operations are located at EMCORE's headquarters in Somerset, New Jersey and in Albuquerque, New Mexico and include systems engineering and production, wafer fabrication, and design and production of devices. Many of EMCORE's manufacturing operations are computer monitored or controlled to enhance reliability and yield. EMCORE manufactures its own systems and outsources some components and sub-assemblies, but performs all final system integration, assembly and testing. As of December 31, 1998, EMCORE had 158 employees involved in manufacturing. EMCORE fabricates wafers and devices at its facilities in Somerset, New Jersey and Albuquerque, New Mexico and has a combined clean room area totaling approximately 12,000 square feet. EMCORE's joint venture with Uniroyal Technology Corporation expects to begin manufacturing HB LED wafers and package-ready devices at its Tampa, Florida manufacturing facility by summer of 1999. In May 1998, EMCORE received ISO 9001 and QS 9002 quality certification for its Somerset, New Jersey facility. EMCORE is pursuing ISO 9001 quality certification for its Albuquerque, New Mexico facilities.

Outside contractors and suppliers are used to supply raw materials and standard components and to assemble portions of end systems from EMCORE specifications. EMCORE depends on sole, or a limited number of, suppliers of components and raw materials. EMCORE generally purchases these single or limited source products through standard purchase orders. EMCORE also seeks to maintain ongoing communications with its suppliers to guard against interruptions in supply and has, to date, generally been able to obtain sufficient supplies in a timely manner and maintains inventories it believes are sufficient to meet its near term needs. EMCORE implemented a vendor program through which it inspects quality and reviews suppliers and prices in order to standardize purchasing efficiencies and design requirements to maintain as low a cost of sales as possible. However, operating results could be materially and adversely affected by a stoppage or delay of supply, receipt of defective parts or contaminated materials, and increase in the pricing of such parts or EMCORE's inability to obtain reduced pricing from its suppliers in response to competitive pressures.

COMPETITION

The markets in which EMCORE competes are highly competitive. EMCORE competes with several companies for sales of MOCVD systems including Aixtron GmbH, Nippon-Sanso K.K. and Thomas Swann Ltd. The primary competitors for EMCORE's wafer foundry include Epitaxial Products Inc., Kopin Corporation and Quantum Epitaxial Designs, Inc. EMCORE's principal competitors for sales of VCSEL-related products include Honeywell, Inc. and Mitel Corporation. The principal competitors for MR sensors are Honeywell, Inc., Matsushita Electric Industrial Co. Ltd., Siemens AG and Asahi. The principal competitors for HB LEDs and EMCORE's joint venture with Uniroyal Technology Corporation and the pending joint venture with General Electric Lighting include the Phillips Electronics and Hewlett Packard Company joint venture, Siemens AG's Osram GmbH subsidiary, Nichia Chemical Industries and Toshiba Corporation. EMCORE also faces competition from manufacturers that implement in-house systems for their own use. In addition, EMCORE competes with many research institutions and

universities for research contract funding. EMCORE also sells its products to current competitors and companies with the capability of becoming competitors. As the markets for EMCORE's products grow, new competitors are likely to emerge, and present competitors may increase their market share.

EMCORE believes that the primary competitive factors in the markets in which EMCORE's products compete are yield, throughput, performance, breadth of product line, customer satisfaction, customer commitment to competing technologies and, in the case of production systems, capital and directs costs and size of installed base. Competitors may develop enhancements to or future generations of competitive products that offer superior price and performance factors. EMCORE believes that in order to remain competitive, it must invest significant financial resources in developing new product features and enhancements and in maintaining customer satisfaction worldwide.

EMPLOYEES

At December 31, 1998, EMCORE had 310 full-time employees. None of EMCORE's employees are covered by a collective bargaining agreement. EMCORE considers its relationship with its employees to be good.

PROPERTIES

The following chart contains certain information regarding each of EMCORE's principal facilities. Each of these facilities contains office space, marketing and sales, and research and development space. EMCORE also leases office space in Hsinchu, Taiwan and Santa Clara, California. In addition to EMCORE's facilities, Uniroyal Optoelectronics, a joint venture between EMCORE and Uniroyal Technology Corporation, leases a 75,000 square foot office and manufacturing facility in Tampa, Florida.

LOCATION	PURPOSE	SQUARE FEET	TERMS
Somerset, New Jersey	Headquarters, manufacturing of systems, wafers and MR sensors	75,900	Lease expires in 2000(1)
Albuquerque, New Mexico	Manufacturing of solar cells	50,000(2)	Owned
Albuquerque, New Mexico	Manufacturing of VCSELS	27,500	Leases expire in 1999(1) and 2001(1)

(1) These leases all have options to renew by EMCORE, subject to cost of living adjustments.

(2) EMCORE plans a three-phase construction project to expand the facility from an initial 50,000 square feet in October 1998 to 70,000 square feet by 2002.

LEGAL PROCEEDINGS

EMCORE is not aware of any pending or threatened litigation against it that could have a material adverse effect on its business, financial condition and results of operations.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

EMCORE's executive officers and directors and their ages and positions are as follows:

NAME	AGE	POSITION(S)
Thomas J. Russell(1)(2).....	67	Chairman of the Board
Reuben F. Richards, Jr.(2).....	43	President, Chief Executive Officer and Director
Thomas G. Werthan.....	42	Vice President--Finance, Chief Financial Officer, Secretary, and Director
Richard A. Stall(2).....	42	Vice President--Technology, Chief Technical Officer and Director
William J. Kroll.....	54	Executive Vice President--Strategic Planning
Paul Rotella.....	43	Vice President
Louis A. Koszi.....	54	Vice President
Thomas M. Brennan.....	44	Vice President
Robert P. Bryan.....	33	Vice President
Craig W. Farley.....	39	Vice President
David D. Hess.....	37	Corporate Controller
Robert Louis-Dreyfus.....	52	Director
Hugh H. Fenwick(1)(3).....	62	Director
Shigeo Takayama(3).....	82	Director
Charles T. Scott(1)(3).....	49	Director
John J. Hogan, Jr.....	54	Nominee for Director

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(1) Member of Compensation Committee

(2) Member of Nominating Committee

(3) Member of Audit Committee

THOMAS J. RUSSELL, PH.D. has been a director of EMCORE since May 1995 and was elected Chairman of the Board in December 1996. Dr. Russell founded Bio/Dynamics, Inc. in 1961 and managed the company until its acquisition by IMS International in 1973, following which he served as President of that company's Life Sciences Division. From 1984 until 1988, he served as Director, then as Chairman of IMS International until its acquisition by Dun & Bradstreet in 1988. From 1988 to 1992, he served as Chairman of Applied Biosciences, Inc. Since 1992, he has been an investor and director of several companies. Dr. Russell currently serves as a director of Cordiant plc and Adidas AG. Dr. Russell is one of three trustees of the AER 1997 Trust, and he was a member of Jessup & Lamont Merchant Partners, L.L.C. (JLMP).

REUBEN F. RICHARDS, JR. joined EMCORE in October 1995 as its President and Chief Operating Officer and became Chief Executive Officer in December 1996. Mr. Richards has been a director of EMCORE since May 1995. From September 1994 to December 1996, Mr. Richards was a Senior Managing Director of Jesup & Lamont Capital Markets Inc. ("Jesup & Lamont") (an affiliate of a registered broker-dealer). From December 1994 to 1997, he was a member of and President of JLMP. From 1992 until 1994, Mr. Richards was a principal with Hauser, Richards & Co., a firm engaged in corporate restructuring and management turnarounds. From 1986 until 1992, Mr. Richards was a Director at Prudential-Bache Capital Funding in its Investment Banking Division. Mr. Richards also serves as a director of S.A. Telecommunications, Inc., a full service long distance telecommunications company, located in Richardson, Texas, and is on the management boards of Emtech, Optek and Uniroyal Optoelectronics.

THOMAS G. WERTHAN joined EMCORE in 1992 as its Chief Financial Officer, Vice President -- Finance, Secretary and a director. Mr. Werthan is a Certified Public Accountant and has over sixteen years experience in assisting high technology, venture capital financed growth companies. Prior to joining EMCORE in 1992, he was associated with The Russell Group, a venture capital partnership, as Chief Financial Officer for several portfolio companies. The Russell Group is affiliated with Thomas J. Russell, who was a member of and Chairman of JLMP and is Chairman of the Board of Directors of EMCORE. From 1985 to 1989, Mr. Werthan served as Chief Operating Officer and Chief Financial Officer for Audio Visual Labs, Inc., a manufacturer of multimedia and computer graphics equipment.

RICHARD A. STALL, PH.D became a director of EMCORE in December 1996. Dr. Stall helped found EMCORE in 1984 and has been Vice President -- Technology at EMCORE since October 1984, except for a sabbatical year in 1993 during which Dr. Stall acted as a consultant to EMCORE and his position was left unfilled. Prior to 1984, Dr. Stall was a member of the technical staff of AT&T Bell Laboratories and was responsible for the development of molecular beam epitaxy technologies. He has co-authored more than 75 papers and holds four patents on MBE and MOCVD technology and the characterization of compound semiconductor materials.

WILLIAM J. KROLL joined EMCORE in 1994 as Vice President -- Business Development and in 1998 became Executive Vice President -- Strategic Planning. Prior to 1994, Mr. Kroll served for seven years as Senior Vice President of Sales and Marketing for Matheson Gas Products, Inc., a manufacturer and distributor of specialty gases and gas control and handling equipment. In that position, Mr. Kroll was responsible for \$100 million in sales and 700 employees worldwide. Prior to working at Matheson Gas Products, Mr. Kroll was Vice President of Marketing for Machine Technology, Inc., a manufacturer of semiconductor equipment for photoresistor applications, plasma strip, and related equipment.

PAUL ROTELLA joined EMCORE in 1996 as Director of Manufacturing and has served as Vice President of TurboDisc Manufacturing since October 1997. Prior to 1996, Mr. Rotella served for three years as worldwide Manufacturing Operations Manager for Datacolor International, a manufacturer of color measurement and control instrumentation. Prior to working at Datacolor International, Mr. Rotella spent 18 years with AlliedSignal Inc., where he held various positions including Manufacturing Engineer, Manufacturing Engineering Manager and Program Manager of Quality Improvement Systems.

LOUIS A. KOSZI joined EMCORE in 1995 as Vice President -- Device Manufacturing. Prior to 1995, Mr. Koszi was a member of AT&T Bell Laboratories for 25 years.

Mr. Koszi has experience in all phases of semiconductor device design and manufacturing processes and associated quality programs. Mr. Koszi holds 17 U.S. patents, five foreign patents, and is a co-author of 35 publications. He was named a Distinguished Member of Technical Staff in 1989. In 1992, he was presented with the Excellence in Engineering from the Optical Society of America.

THOMAS M. BRENNAN joined EMCORE as a result of EMCORE's acquisition of MODE in December 1997 and now serves as a Vice President of EMCORE. Prior to co-founding MODE, Mr. Brennan was a senior member of the technical staff at Sandia National Laboratories from 1986 to 1996. At Sandia, he focused his efforts on the material growth of III-V compound semiconductors, reactor design, in-situ reactor diagnostics, and material characterization. His responsibilities and activities included growth of some of the first VCSEL material at Sandia and in the U.S., and development of new and unique manufacturing techniques for VCSEL material growth. Prior to joining Sandia, Mr. Brennan was a member of the technical staff at AT&T Bell Laboratories from 1980 to 1984. At both facilities, he focused his efforts on epitaxial materials growth and characterization and epitaxial reactor design.

ROBERT P. BRYAN joined EMCORE as a Vice President as a result of EMCORE's acquisition of MODE in December 1997. Prior to co-founding MODE in 1995, he was a co-founder of Vixel Corporation in 1992, a company that develops and manufactures VCSEL devices for data links. At Vixel, he was the executive in charge of optoelectronic product development, including all engineering management. From 1990 to 1992, he was a senior member of the technical staff at Sandia National Laboratories where his research focused on the areas of VCSEL design, fabrication and characterization.

CRAIG W. FARLEY joined EMCORE in June 1998 as Vice President -- Wafer Manufacturing. Dr. Farley has experience in all phases of compound semiconductor device design and manufacturing. Prior to joining EMCORE, he spent 11 years at Rockwell International Corporation where he served as a member of the technical staff at Rockwell's Science Center from 1987 to 1994 and as Manager of Advanced Device Technology for Rockwell's Gallium Arsenide Manufacturing facility from 1994 to 1998.

DAVID D. HESS joined EMCORE in 1989 as General Accounting Manager. He was named Corporate Controller in 1990. Mr. Hess is a Certified Public Accountant and has more than ten years experience in monitoring and controlling all phases of product and process cost and general accounting systems. Prior to his employment at EMCORE, he held several positions as cost accounting manager, divisional accountant and inventory control supervisor in manufacturing firms such as Emerson Quiet Kool (air conditioner manufacturers), Huls North America (paint/solvent processors), and Brintec Corporation (screw machine manufacturers).

ROBERT LOUIS-DREYFUS has been a director of EMCORE since March 1997. Mr. Louis-Dreyfus has been the Chairman of the Board of Directors and Chief Executive Officer of Adidas AG since April 1993. Prior to that time, he had been from 1990 until 1993 the Chief Executive Officer of Saatchi & Saatchi plc (now Cordiant plc) and a director of Saatchi & Saatchi plc from January 1990 until December 1994. Since 1992, he has been an investor and a director of several other companies. From 1982 until 1988, he served as Chief Operating Officer (1982 to 1983) and then as Chief Executive Officer (from 1984 to 1988) of IMS International until its acquisition by Dun & Bradstreet in 1988. Mr. Louis-Dreyfus controls Gallium Enterprises Inc., and he was a member of JLMP.

HUGH H. FENWICK served as a director of EMCORE from 1990 until 1995, and was again elected to serve on EMCORE's Board of Directors in June 1997. Since 1992, Mr. Fenwick has been a private investor and he currently holds the office of Mayor of Bernardsville, New Jersey, to which he was elected in 1994. From 1990 until 1992, Mr. Fenwick was the Executive Director of the Alliance for Technology Management at the Stevens Institute in Hoboken, New Jersey. Prior to that time, Mr. Fenwick worked as a marketing executive with Lockheed Electronics and with Alenia (formerly Selenia), an Italian subsidiary of Raytheon.

SHIGEO TAKAYAMA became a director of EMCORE in July 1997. Mr. Takayama is the Chairman, President and founder of Hakuto, EMCORE's distributor of EMCORE's products in Japan, China and Singapore. Mr. Takayama is a Director Emeritus of Semiconductor Equipment & Material International (SEMI), Chairman of the Japan Electronics Products Importers Association (JEPIA), and Director of the Japan Machinery Importers' Association (JMIA). Mr. Takayama is also a director of Temptronic Corp., a semiconductor test equipment manufacturer in Newton, Massachusetts, and of Anatel Corp., a TOC high-purity water monitor manufacturer in Boulder, Colorado.

CHARLES T. SCOTT became a director of EMCORE in February 1998. Mr. Scott is presently Chairman of Cordiant Communications Group plc, the successor corporation of the Saatchi & Saatchi Advertising Group. He joined Saatchi & Saatchi Company in 1990 and served as Chief Financial Officer until 1992 when he was appointed Chief Operating Officer. In 1993, he became Chief Executive Officer and held that position until 1996 when he assumed the title of Chairman.

JOHN J. HOGAN, JR. has been nominated to serve on EMCORE's Board of Directors. Mr. Hogan has been President of a private investment management company since October 1997. Prior to that time, he had been with the law firm of Dewey Ballentine since 1969. He also serves as a director of several other corporations and is a former executive officer and/or director of various subsidiaries of S.A. Louis Dreyfus en Cie.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In January 1999, EMCORE's Chairman advanced \$3.0 million to EMCORE. These funds were repaid with borrowings under a new \$5.0 million credit facility with First Union National Bank. The Chairman has also committed to provide up to \$30.0 million of long-term financing to EMCORE through July 1, 2000. This commitment terminates upon completion of this offering, subject to a minimum offering size requirement.

In January 1999, EMCORE and General Electric Lighting agreed, subject to certain conditions, to form a joint venture to develop and market HB LED lighting products. In connection with consummation of this joint venture, EMCORE will issue to General Electric warrants to purchase between 282,010 and 564,019 shares of EMCORE common stock based on the stock price as of this offering or the closing price on March 31, 1999, whichever is earlier. The warrants, which will expire in 2006, have an exercise price of \$22.875. In addition, General Electric will purchase a \$7.8 million subordinated convertible debenture bearing interest at 4.75% per annum and maturing in 2006. The debenture will be convertible into 340,984 shares of common stock at General Electric's option.

On November 30, 1998, EMCORE completed a private placement of an aggregate of 1,550,000 shares of Series I Preferred Stock to Hakuto, Union Miniere Inc. and Uniroyal Technology Corporation. The net proceeds to EMCORE from the private placement were approximately \$21.2 million which has been used (1) to repay \$8.5 million of debt, plus interest, to EMCORE's Chairman of the Board, Dr. Thomas Russell, (2) to fund EMCORE's \$5.0 million portion of a joint venture between the EMCORE and Uniroyal Technology Corporation to develop and manufacture HB LEDs and (3) to fund EMCORE's \$600,000 portion of its joint venture with Union Miniere Inc. The remaining net proceeds from the private placement of preferred stock were used to acquire capital equipment for EMCORE's new Albuquerque, New Mexico manufacturing facility and for working capital purposes.

In September and October 1998, EMCORE borrowed an aggregate of \$8.5 million from its Chairman, Thomas J. Russell. The loan bears interest at 9.75% per annum. The entire \$8.5 million borrowed from Mr. Russell was repaid from the proceeds of the private placement of preferred stock.

On June 22, 1998, EMCORE entered into the 1998 Agreement with First Union National Bank. The 1998 Agreement was guaranteed by the Chairman and the Chief Executive Officer of EMCORE. In return for guaranteeing the facility, EMCORE granted the Chairman and the Chief Executive Officer an aggregate of 284,684 common stock purchase warrants at an exercise price of \$11.375 per share which expire May 1, 2001. These warrants are callable at EMCORE's option at \$0.85 per warrant if EMCORE's common stock has traded at or above 150% of the exercise price for a period of 30 days.

The President of Hakuto Co., Ltd., EMCORE's Asian distributor, is a member of the EMCORE's Board of Directors and Hakuto Co., Ltd. is a minority shareholder of EMCORE. During the year ended September 30, 1998, sales made through Hakuto Co., Ltd. approximated \$9.2 million.

In February 1998, EMCORE and Uniroyal Technology Corporation formed Uniroyal Optoelectronics, a joint venture to produce and market compound semiconductor products. EMCORE has a non-controlling minority interest in the joint venture.

In fiscal 1997, EMCORE formed a non-exclusive and non-refundable technology licensing and royalty agreement with Uniroyal Technology Corporation for the process technology to develop and manufacture HB LEDs. During fiscal 1998 and 1997, revenue associated with the Uniroyal Technology Corporation licensing agreement amounted to \$2.5 million and \$2.5 million, respectively. At the time the transaction was originally entered into, Uniroyal Technology Corporation's Chairman and Chief Executive Officer was a member of EMCORE's Board of Directors and EMCORE's Chairman was on the Board of Directors of Uniroyal Technology Corporation.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth certain information known to EMCORE with respect to beneficial ownership of its common stock as of January 29, 1999 and as adjusted to reflect the sale of the shares offered pursuant to this prospectus by: (1) each person who is known by EMCORE to be the beneficial owner of five percent or more of the its common stock; (2) each of EMCORE's directors; (3) each of EMCORE's executive officers; (4) all officers and directors of EMCORE as a group (16 persons); and (5) each other Selling Shareholder. Except as otherwise indicated, EMCORE believes, based on information furnished by such persons, that each person listed below has the sole voting and investment power over the shares of common stock shown as beneficially owned, subject to common property laws, where applicable. Unless otherwise noted, the address for the individuals listed below is c/o EMCORE Corporation, 394 Elizabeth Avenue, Somerset, NJ 08873.

NAME OF BENEFICIAL OWNER:	SHARES OF COMMON STOCK BENEFICIALLY OWNED PRIOR TO THE OFFERING		SHARES OFFERED	SHARES OF COMMON STOCK BENEFICIALLY OWNED AFTER THE OFFERING	
	NUMBER	PERCENT		NUMBER	PERCENT
Thomas J. Russell(1)....	2,459,991	24.3%			
Reuben F. Richards, Jr.(2).....	518,957	5.4%			
Thomas G. Werthan(3)....	131,536	1.4%			
Richard A. Stall(4).....	170,823	1.8%			
Robert Louis-Dreyfus(5).	1,650,582	16.8%			
Hugh H. Fenwick.....	6,879	*			
Shigeo Takayama(6).....	706,653	7.5%			
Charles Scott.....	3,857	*			
John J. Hogan, Jr.....	--	*			
Thomas Brennan(7).....	265,128	2.8%			
Robert Bryan(7).....	265,128	2.8%			
Craig Farley.....	--	*			
David D. Hess(8).....	8,665	*			
Louis A. Koszi(9).....	10,098	*			
William J. Kroll(10)....	79,990	*			
Paul Rotella(11).....	3,578	*			
All directors and executive officers as a group (16 persons)(12).....	6,281,865	56.3%			
The AER 1997 Trust(13)..	1,588,063	16.6%			
Gallium Enterprises, Inc.(14).....	1,218,047	13.0%			
Union Miniere Inc.(15)..	642,857	6.4%			
Uniroyal Technology Corporation(16).....	642,857	6.4%			
Hakuto Co., Ltd.....	706,653	7.5%			
General Electric(17)....	--	--			

* Less than 1.0%

(1) Includes 1,718,334 shares and 741,657 warrants to purchase shares of which 141,504 are held by The AER 1997 Trust. See note (13).

- (2) Includes options to purchase 79,412 shares and warrants to purchase 149,952 shares.
- (3) Includes options to purchase 64,421 shares and warrants to purchase 23,586 shares.
- (4) Includes options to purchase 96,248 shares and warrants to purchase 30,012 shares.
- (5) Consists of 1,218,047 shares and 432,535 warrants to purchase shares held by Gallium Enterprises Inc. See note 14.
- (6) Includes 442,368 shares of Common Stock and 264,286 shares of Series I Preferred Stock owned by Hakuto Co., Ltd.; Hakuto Co., Ltd. is controlled by Shigeo Takayama.
- (7) Includes options to purchase 39,141 shares.
- (8) Includes options to purchase 4,412 shares.
- (9) Includes options to purchase 10,098 shares.
- (10) Includes options to purchase 21,085 shares and warrants to purchase 16,134 shares.
- (11) Includes options to purchase 3,578 shares.
- (12) Includes options to purchase 353,957 shares and warrants to purchase 1,110,357 shares.
- (13) Includes warrants to purchase 141,504 shares. Dr. Thomas J. Russell, one of the three trustees for The AER 1997 Trust, is the Chairman of EMCORE. After January 13, 2002, Avery E. Russell, the daughter of Thomas J. Russell will be the primary beneficiary of the trust. The address of The AER 1997 Trust is c/o Thomas J. Russell, Two North Tamiami Trail, Sarasota, FL 34236.
- (14) Includes warrants to purchase 432,535 shares. Gallium Enterprises Inc. is controlled by Robert Louis-Dreyfus, a member of the board of directors of EMCORE. The address of Gallium Enterprises, Inc. is c/o Harborstone Capital Management., 152 West 57th Street, 21st Floor, New York, NY 10019.
- (15) Includes 642,857 shares of Series I Preferred Stock. The address of Union Miniere Inc. is 13847 West Virginia Drive, Lakewood, Colorado 80228.
- (16) Includes 642,857 shares of Series I Preferred Stock. The address of Uniroyal Technology Corporation is Two North Tamiami Trail, Suite 900, Sarasota, Florida 34236.
- (17) Upon consummation of the GELcore joint venture, EMCORE will issue to General Electric common stock purchase warrants for between 282,010 and 564,019 shares of EMCORE common stock based on the stock price as of this offering or the closing price on March 31, 1999, whichever is earlier. Those warrants will have an exercise price of \$22.875 and will expire in 2006. General Electric will also purchase a \$7.8 million subordinated convertible debenture that will be convertible into 340,984 shares of common stock at General Electric's option.

UNDERWRITING

Subject to the terms and conditions set forth in an underwriting agreement (the "Underwriting Agreement"), the Underwriters named below, who are represented by Donaldson, Lufkin & Jenrette Securities Corporation, Prudential Securities Incorporated, Needham & Company, Inc. and Volpe Brown Whelan & Company, LLC (collectively, the "Representatives") have severally agreed to purchase from EMCORE and the selling shareholders the respective number of shares of common stock set forth opposite their names below.

UNDERWRITERS	NUMBER OF SHARES
Donaldson, Lufkin & Jenrette Securities Corporation.....	
Prudential Securities Incorporated.....	
Needham & Company, Inc.....	
Volpe Brown Whelan & Company, LLC.....	--

Total.....	=====

The Underwriting Agreement provides that the obligations of the several underwriters to purchase and accept delivery of the shares of common stock offered hereby are subject to approval by their counsel of certain legal matters and certain other conditions. The underwriters are obligated to purchase and accept delivery of all the shares of common stock offered hereby (other than those shares covered by the over-allotment option described below) if any are purchased.

The underwriters initially propose to offer the shares of common stock in part directly to the public at the public offering price set forth on the cover page of this prospectus and in part to certain dealers (including the underwriters) at such price less a concession not in excess of \$ per share. The underwriters may allow, and such dealers may re-allow, to certain other dealers a concession not in excess of \$ per share. After the initial offering of the common stock, the public offering price and other selling terms may be changed by the Representatives at any time without notice.

EMCORE has granted to the Underwriters an option, exercisable within 30 days after the date of this prospectus, to purchase, from time to time, in whole or in part, up to an aggregate of additional shares of common stock at the public offering price less underwriting discounts and commissions. The underwriters may exercise such option solely to cover over-allotments, if any, made in connection with this offering. To the extent that the underwriters exercise such option, each underwriter will become obligated, subject to certain conditions, to purchase its pro rata portion of such additional shares based on such underwriter's percentage underwriting commitment as indicated in the preceding table.

EMCORE and the selling shareholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments that the underwriters may be required to make in respect thereof.

Each of EMCORE, its executive officers and directors and certain shareholders of EMCORE (including the selling shareholders) has agreed, subject to certain exceptions, not to (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or

(ii) enter into any swap or other arrangement that transfers all or a portion of the economic consequences associated with the ownership of any common stock (regardless of whether any of the transactions described in clause (i) or (ii) is to be settled by the delivery of common stock, or such other securities, in cash or otherwise) for a period of 90 days after the date of the prospectus without the prior written consent of Donaldson, Lufkin & Jenrette. In addition, during such period, EMCORE has also agreed not to file any registration statement with respect to, and each of its executive officers, directors and certain shareholders of EMCORE (including the selling shareholders) has agreed not to make any demand for, or exercise any right with respect to, the registration of any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock without the prior written consent of Donaldson, Lufkin & Jenrette.

Other than in the United States, no action has been taken by EMCORE, the selling shareholders or the underwriters that would permit a public offering of the shares of common stock offered hereby in any jurisdiction where action for that purpose is required. The shares of common stock offered hereby may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such shares of common stock be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of such jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to this offering of the common stock and the distribution of this prospectus. This prospectus does not constitute an offer to sell or solicitation of an offer to buy any shares of common stock offered hereby in any jurisdiction in which such an offer or a solicitation is unlawful.

The underwriters and dealers may engage in passive market making transactions in the common stock in accordance with Rule 103 of Regulation M promulgated by the Commission. In general, a passive market maker may not bid for or purchase shares of common stock at a price that exceeds the highest independent bid. In addition, the net daily purchases made by any passive market maker generally may not exceed 30% of its average daily trading volume in the common stock during a specified two-month period, or 200 shares, whichever is greater. A passive maker must identify passive market making bids as such on the Nasdaq electronic inter-dealer reporting system. Passive market making may stabilize or maintain the market price of the common stock above independent market levels. Underwriters and dealers are not required to engage in passive market making and may end passive market making activities at any time.

In connection with the offering, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may overallocate this offering, creating a syndicate short position. In addition, the underwriters may bid for and purchase shares of common stock in the open market to cover syndicate short positions or to stabilize the price of the common stock. Finally, the underwriting syndicate may reclaim selling concessions from syndicate members in the offering, if the syndicate repurchases previously distributed common stock in syndicate covering transactions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the common stock above independent market levels. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

LEGAL MATTERS

The validity of the common stock offered hereby will be passed upon for EMCORE by White & Case LLP, Miami, Florida, who may rely upon Dillon, Bitar & Luther, New Jersey counsel for EMCORE as to matters of New Jersey law. Certain legal matters in connection with this offering will be passed upon for the underwriters by Brobeck, Phleger & Harrison LLP, New York, New York.

EXPERTS

The balance sheets as of September 30, 1997 and 1998, and the statements of operations, shareholders' equity and cash flow for the three year period ended September 30, 1998, included in this prospectus, have been included herein in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of that firm as experts in accounting and auditing.

Certain Price Waterhouse LLP partners owned an aggregate of approximately 130,000 shares of EMCORE's common stock on July 1, 1998. As a result of the July 1, 1998 merger between Price Waterhouse and Coopers & Lybrand L.L.P., EMCORE's auditors, those Price Waterhouse partners were required by the applicable accounting rules promptly to dispose of their securities ownership interest in EMCORE. PricewaterhouseCoopers LLP has advised EMCORE that such partners had disposed of their securities ownership in EMCORE on or before February 3, 1999.

The financial statements of MicroOptical Devices, Inc. included in this prospectus and elsewhere in the registration statement, to the extent and for the periods indicated in their reports, have been audited by Arthur Andersen LLP, independent public accountants, and are included herein in reliance upon the authority of said firm as experts in giving said reports. EMCORE has agreed to indemnify Arthur Andersen LLP for costs and expenses that Arthur Andersen LLP might incur in successfully defending itself against litigation resulting from the incorporation of its report in this registration statement of which this prospectus forms a part. Such indemnification, however, shall be null and void should Arthur Andersen LLP be found by a court to be liable for professional malpractice.

The statements in this Prospectus set forth under the captions "Risk Factors -- Reliance on Trade Secrets; No Assurance of Continued Intellectual Property Protections," "-- Rockwell Patent Litigation" and discussions of trade secrets and the Rockwell Patent litigation in "Business -- Intellectual Property" have been reviewed and approved by Lerner David Littenberg Krumholz & Mentlik, Westfield, New Jersey, patent counsel for EMCORE, as experts on such matters, and are included herein in reliance upon such review and approval.

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)

On December 5, 1997, EMCORE acquired all of the outstanding capital stock of MicroOptical Devices, Inc. (MODE) in exchange for 1,461,866 shares of EMCORE's common stock, 200,966 common stock purchase options and 47,118 common stock purchase warrants. The purchase price was approximately \$32,829,000, including direct acquisition costs of approximately \$500,000. MODE was a development stage company (incorporated in August 1995) and had 18 employees at the date of acquisition. MODE's activities were substantially directed towards the research and development of optical laser devices. The following unaudited pro forma consolidated balance sheet and the unaudited pro forma consolidated statement of operations (together the "pro forma financial statements") are based on the historical financial statements of EMCORE and MODE, adjusted to give the effect to the acquisition of MODE by EMCORE. The unaudited pro

forma consolidated statements of operations assume that the acquisition of MODE by EMCORE occurred as of October 1, 1997. The pro forma financial information reflects the purchase method of accounting for the acquisition of MODE. The accompanying unaudited pro forma information does not give effect to any cost savings that may be realized as a result of the integration of EMCORE and MODE, or to any changes in the revenues of the combined entity, resulting from such integration. The accompanying unaudited pro forma financial information should be read in conjunction with EMCORE's historical financial statements and the notes thereto and the MODE historical financial statements and the notes thereto included herein. Such unaudited pro forma financial information does not purport to be indicative of the results of operations of EMCORE in the future or what its financial position and results of operations would have been had the acquisition occurred at the dates indicated above.

EMCORE's acquisition of MODE (a development stage company), constituted a significant and strategic investment for EMCORE to acquire and gain access to MODE's in-process research and development of micro-optical technology. EMCORE's over-riding investment consideration was that if MODE's research and development efforts (with continued research and development funding contemplated and required after acquisition) yielded commercial products for targeted applications, EMCORE would possess a broader array of enabling advanced technologies and would be better positioned for entry into certain existing large and/or high growth technology-dependent markets. The primary value enhancing asset acquired in the MODE acquisition was the technology under development by MODE as part of its planned microlaser and optical subassembly products. EMCORE plans to use MODE's micro-optical laser technology in new products for data communications and telecommunications applications. As of the date of acquisition, MODE had six primary micro-optical laser research and development projects in process. EMCORE expects MODE's microlasers and optical subassemblies to provide design, performance and significant cost advantages over their technical predecessors such as edge-emitting solid state lasers. Through the integration of vertical cavity surface emitting lasers (VCSELs) with leading original equipment manufacturer systems design, VCSELs are expected to provide enhanced performance benefits to market applications such as Internet access, onboard photonics, Gigabit Ethernet, local area networks, microarea network, digital video discs (DVDs) and fiberoptic switching. In developing EMCORE's financial projections for future revenues and costs, new micro-optical laser product introductions were expected to commence in fiscal 1998 and reflected the impact of entering new markets such as the data communications and telecommunications industries. Should EMCORE be unable to complete the development of any of the six projects, EMCORE may not realize the product, market and financial benefits expected from this acquisition. In February 1998, MODE announced the introduction of its first commercial product, a Gigalase VCSEL. Subsequent to such announcement, MODE's Gigalase product efforts were primarily directed toward engineering, testing and quality control activities to facilitate commercial production which commenced in May 1998. On December 14, 1998, MODE announced its second commercial product, a Gigarray VCSEL.

As part of the acquisition, EMCORE incurred a one-time in-process research and development write-off of \$29.3 million which is reflected in the accompanying financial statements. EMCORE also recorded goodwill of approximately \$3.4 million. This is being charged against operations over a three year period, and will therefore impact financial results through December 2000.

YEAR ENDED SEPTEMBER 30, 1998				
	HISTORICAL		PRO FORMA	
	EMCORE (IN THOUSANDS,	MODE	ADJUSTMENTS EXCEPT PER SHARE DATA)	COMBINED
Revenue.....	\$43,760	\$100	\$ --	\$ 43,860
Cost of Sales.....	24,675	161	--	24,836
Gross Profit.....	19,085	(61)	--	19,024
Operating Expenses				
Selling, general and administrative...	14,082	346	--	14,428
Goodwill amortization(2).....	922	--	212	1,134
Research and development:(3)				
One-time acquired in-process.....	29,294	--	(29,294)	--
Recurring.....	16,495	283	--	16,778
Total operating expenses.....	60,793	629	(29,082)	32,340
Operating loss.....	(41,708)	(690)	29,082	(13,316)
Other expenses				
Stated interest expense (income), net.....	974	(4)	--	970
Imputed warrant interest, non-cash....	601	--	--	601
Equity in net loss of unconsolidated affiliate.....	198	--	--	198
Total other expense.....	1,773	(4)	--	1,769
Loss before income taxes and extraordinary item.....	(43,481)	(686)	29,082	(15,085)
Provision for income taxes.....	--	--	--	--
Net loss.....	(43,481)	(686)	29,082	(15,085)
Shares used in computation of net loss.....	8,775			8,775
Net loss per share before extraordinary item.....	\$ (4.95)			\$ (1.72)
Net loss per share.....	\$ (4.95)			\$ (1.72)

Notes to Pro Forma Statement of Operations

(1) EMCORE acquired MODE on December 5, 1997 in exchange for (i) the issuance of 1,461,866 shares of common stock, and (ii) the assumption of (x) up to 200,966 common stock purchase options (exercise prices ranging from \$0.43 to \$0.59) and (y) 47,118 common stock purchase warrants (exercise prices ranging from \$4.32 to \$5.92). The transaction purchase price amounted to approximately \$32,800,000, including approximately \$500,000 of direct acquisition costs. EMCORE's common stock was valued based upon the average closing price of EMCORE's common stock for the five days before and after the announcement of the acquisition. The purchase price was allocated to the assets acquired (approximately \$2,801,000) and liabilities assumed (approximately \$2,645,000), based upon the fair value at the date of acquisition. In addition, EMCORE recorded a one-time write-off of approximately \$29,294,000 relating to purchased in-process research and development. Goodwill of approximately \$3,380,000 was recorded as a result of the acquisition.

(2) To reflect the amortization of goodwill over a period of three years.

- (3) To reverse the non-recurring one-time-write-off of \$29,294,000 relating to purchased in-process research and development.
- (4) The operating results of MODE are from the period of October 1, 1998 through the date of acquisition. Subsequent to the date of acquisition, MODE's operations are included with those of EMCORE.

The pro forma statement of operations for the year ended September 30, 1997, does not reflect the non-recurring write-off of the acquired in-process research and development.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents have been filed by EMCORE with the Commission under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and are incorporated herein by reference:

1. EMCORE's Annual Report on Form 10-K for the fiscal year ended September 30, 1998;
2. EMCORE's Quarterly Report on Form 10-Q for the period ended December 31, 1998; and
3. The description of the common stock, contained in EMCORE's Registration Statement on Form 8-A filed pursuant to Section 12 of the Exchange Act and all amendments thereto and reports filed for the purpose of updating such description.

All documents filed by us pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act: (1) subsequent to the initial filing of this prospectus and prior to the date it is declared effective; and (2) subsequent to the date of this prospectus and prior to the termination of this offering are incorporated by reference and become a part of this prospectus and to be a part hereof from their date of filing. Any statement contained in this prospectus to the extent that a statement contained in any such document modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

On request, we will provide anyone who receives a copy of this prospectus with a copy of any or all of the documents incorporated in this prospectus by reference. We will provide this information at no cost to you. Written or telephone requests for such copies should be directed to our principal office: EMCORE Corporation, 394 Elizabeth Avenue, Somerset, New Jersey 08872, Attn: Thomas G. Werthan, Secretary, Telephone (732) 271-9090.

AVAILABLE INFORMATION

We file reports, proxy statement and other information with the Commission. Those reports, proxy statements and other information may be obtained:

- At the Public Reference Room of the Commission, Room 1024 -- Judiciary Plaza, 450 Fifth Street, N.W., Washington, DC 20549 (for information, please call 1-800-SEC-0330);
- At the public reference facilities at the Commission's regional offices located at Seven World Trade Center, 13th Floor, New York, New York 10048 or

Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661;

- By writing to the Commission, Public Reference Section, Judiciary Plaza, 450 Fifth Street, N.W., Washington, DC 20549;
- At the offices of the National Association of Securities Dealers, Inc., Reports Section, 1735 K Street, N.W., Washington, DC 20006; or
- From the Internet site maintained by the Commission at <http://www.sec.gov>, which contains reports, proxy and information statements and other information regarding issuers that file electronically with the Commission.

Some locations may charge prescribed or modest fees for copies.

EMCORE has filed with the Commission a Registration Statement on Form S-3 (together with any amendments or supplements thereto, the "Registration Statement") under the Securities Act covering the shares of common stock offered hereby. As permitted by the Commission, this prospectus, which constitutes a part of the Registration Statement, does not contain all the information included in the Registration Statement. Such additional information may be obtained from the locations described above. Statements contained in this prospectus as to the contents of any contract or other document are not necessarily complete. You should refer to the contract or other document for all the details.

EMCORE CORPORATION
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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
EMCORE Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, shareholders' equity and cash flows present fairly, in all material respects, the financial position of EMCORE Corporation and its subsidiaries at September 30, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 2 (Net loss per share), the Company has changed its method of calculating earnings per basis and diluted common share.

PricewaterhouseCoopers LLP

Florham Park, New Jersey
November 30, 1998

EMCORE CORPORATION

BALANCE SHEET

	AS OF SEPTEMBER 30,		AS OF DECEMBER 31, 1998 (UNAUDITED)
	1997	1998	
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ 3,653,145	\$ 4,455,836	\$ 1,780,294
Restricted cash.....	312,500	62,500	--
Accounts receivable, net of allowance for doubtful accounts of approximately \$697,000, \$611,000 and \$580,000 at September 30, 1997, September 30, 1998 and December 31, 1998, respectively.....	8,439,704	7,437,822	4,552,366
Accounts receivable -- related party.....	2,500,000	500,000	2,517,396
Inventories, net.....	7,185,626	12,445,326	12,483,301
Costs in excess of billings on uncompleted contracts.....	--	77,531	145,603
Prepaid expenses and other current assets.....	120,393	130,075	144,733
	-----	-----	-----
Total current assets.....	22,211,368	25,109,090	21,623,693
Property, plant and equipment, net.....	16,797,833	36,209,831	40,553,380
Goodwill.....	--	2,457,000	2,173,500
Investment in unconsolidated affiliates.....		291,504	5,615,270
Other assets, net.....	453,608	2,090,219	1,670,460
	-----	-----	-----
Total assets.....	\$39,462,809	\$66,157,644	\$71,636,303
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Note payable -- related party.....	\$ --	\$ 7,000,000	\$ --
Accounts payable.....	4,050,216	12,022,628	9,128,748
Accrued expenses.....	3,867,589	4,197,405	3,554,457
Advanced billings.....	1,998,183	3,180,370	5,302,871
Capitalized lease obligation -- current.....	15,030	673,036	702,194
Other current liabilities.....	124,279	52,778	142,100
	-----	-----	-----
Total current liabilities.....	10,055,297	27,126,217	18,830,370
Long-term debt:			
Bank loans.....	--	17,950,000	15,950,000
Subordinated notes, net.....	7,499,070	7,808,772	7,904,455
Capitalized lease obligation, net of current portion.....	77,870	754,517	596,270
Other liabilities.....			568,400
	-----	-----	-----
Total liabilities.....	17,632,237	53,639,506	43,849,495
	-----	-----	-----
Mandatorily redeemable convertible preferred stock, 1,550,000 shares issued and outstanding at December 31, 1998 (redeemable at maturity for \$21,700,000)....	--	--	21,242,119
Shareholders' equity:			
Preferred Stock, \$.0001 par value, 5,882,353 shares authorized, no shares outstanding in 1997 and 1998...	--	--	--
Common stock, no par value, 23,529,411 shares authorized, 6,000,391, 9,375,972, and 9,403,504 issued and outstanding September 30, 1997, September 30, 1998 and December 31, 1998, respectively.....	45,816,774	87,443,237	87,576,125
Accumulated deficit.....	(23,777,658)	(67,258,454)	(73,364,791)
	-----	-----	-----
Notes receivable from warrant issuances and stock sales.....	(208,544)	(7,666,645)	(7,666,645)
	-----	-----	-----
Total shareholders' equity.....	21,830,572	12,518,138	6,544,689
	-----	-----	-----
Total shareholders' equity and mandatorily redeemable convertible preferred stock.....	21,830,572	12,518,138	27,786,808
Total liabilities, shareholders' equity and mandatorily redeemable convertible preferred stock.....	\$39,462,809	\$66,157,644	\$71,636,303
	=====	=====	=====

The accompanying notes are an integral part of the financial statements.

EMCORE CORPORATION
STATEMENTS OF OPERATIONS

	YEARS ENDED SEPTEMBER 30,			THREE MONTHS ENDED DECEMBER 31,	
	1996	1997	1998	1997	1998
Revenues:					
Systems and materials.....	\$24,066,506	\$46,591,662	\$ 42,820,791	\$ 12,236,350	\$ 9,854,344
Services.....	3,712,379	1,160,910	939,192	120,472	270,919
Total revenues.....	27,778,885	47,752,572	43,759,983	12,356,822	10,125,263
Cost of sales:					
Systems and materials.....	16,121,938	29,309,898	24,148,783	6,339,146	5,883,732
Services.....	2,484,482	784,117	526,706	35,876	131,879
Total cost of sales.....	18,606,420	30,094,015	24,675,489	6,375,022	6,015,611
Gross profit.....	9,172,465	17,658,557	19,084,494	5,981,800	4,109,652
Operating expenses:					
Selling, general and administrative...	6,524,482	9,346,329	14,082,438	3,003,218	3,143,036
Goodwill amortization.....			921,941	71,441	283,500
Research and development -- recurring.....	5,401,413	9,001,188	16,494,888	2,835,809	5,923,754
Research and development -- one-time acquired in-process, non-cash.....	--	--	29,294,000	29,294,000	--
Operating loss.....	(2,753,430)	(688,960)	(41,708,773)	(29,222,669)	(5,240,638)
Other expenses:					
Stated interest, net of interest income of \$71,460, \$236,945, and \$448,227 for the years ended September 30, 1996, 1997 and 1998, respectively and \$66,000 and \$150,000 for the quarters ended December 31, 1997 and 1998, respectively.....	297,093	519,422	972,992	69,279	231,509
Imputed warrant interest expense, non-cash.....	125,791	3,988,390	600,536	96,638	315,840
Equity in net loss of unconsolidated affiliate.....	--	--	198,495	--	276,234
Loss before income taxes and extraordinary item.....	(3,176,314)	(5,196,772)	(43,480,796)	(29,388,587)	(6,064,221)
Provision for income taxes.....	--	137,000	--	--	--
Net loss before extraordinary item.....	(3,176,314)	(5,333,772)	(43,480,796)	(29,388,587)	(6,064,221)
Extraordinary item -- loss on early extinguishment of debt.....	--	285,595	--	--	--
Net loss.....	\$(3,176,314)	\$(5,619,367)	\$(43,480,796)	\$(29,388,587)	\$(6,064,221)
Per share data:					
Basic shares used in per share data calculations.....	2,994,466	4,668,822	8,775,270	7,075,139	9,390,226
Diluted shares used in per share data calculations.....	2,994,466	4,668,822	8,775,270	7,075,139	9,390,226
Net loss per basic share before extraordinary item.....	\$ (1.06)	\$ (1.14)	\$ (4.95)	\$ (4.15)	\$ (0.65)
Net loss per basic share.....	\$ (1.06)	\$ (1.20)	\$ (4.95)	\$ (4.15)	\$ (0.65)
Net loss per diluted share before extraordinary item.....	\$ (1.06)	\$ (1.14)	\$ (4.95)	\$ (4.15)	\$ (0.65)
Net loss per diluted share.....	\$ (1.06)	\$ (1.20)	\$ (4.95)	\$ (4.15)	\$ (0.65)

The accompanying notes are an integral part of the financial statements.

EMCORE CORPORATION

STATEMENTS OF SHAREHOLDERS' EQUITY
AS OF SEPTEMBER 30, 1996, 1997, 1998 AND DECEMBER 31, 1998 (UNAUDITED)

	COMMON STOCK		ACCUMULATED DEFICIT	SHAREHOLDERS' NOTES RECEIVABLE	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT			
BALANCE AT SEPTEMBER 30, 1995.....	2,994,461	\$16,637,566	\$(14,981,977)	\$ (146,107)	\$ 1,509,482
Issuance of common stock purchase warrants.....	--	2,340,000			2,340,000
Notes receivable due from shareholders in connection with issuance of detachable warrants.....				(151,579)	(151,579)
Net loss.....			(3,176,314)		(3,176,314)
BALANCE AT SEPTEMBER 30, 1996.....	2,994,461	18,977,566	(18,158,291)	(297,686)	521,589
Issuance of common stock purchase warrants.....		3,601,455			3,601,455
Issuance of common stock in initial public offering, net of issuance cost of \$3,110,345.....	2,875,000	22,764,655			22,764,655
Issuance of common stock on exercise of warrants.....	94,124	384,027			384,027
Issuance of common stock on exercise of stock options.....	34,965	53,640			53,640
Redemptions of notes receivable from shareholders.....				31,842	31,842
Forgiveness of notes receivable from shareholder.....				57,300	57,300
Compensatory stock issuances.....	1,841	35,431			35,431
Net loss.....			(5,619,367)		(5,619,367)
BALANCE AT SEPTEMBER 30, 1997.....	6,000,391	45,816,774	(23,777,658)	(208,544)	21,830,572
Issuance of common stock purchase warrants.....		1,309,546			1,309,546
Issuance of common stock on exercise of warrants in exchange for notes receivable.....	1,827,966	7,458,101		(7,458,101)	--
Issuance of common stock and common stock purchase options and warrants in connection with the acquisition of MODE.....	1,461,866	32,329,000			32,329,000
Stock option exercise.....	35,809	83,486			83,486
Stock purchase warrant exercise.....	5,660	23,092			23,092
Issuance of common stock on exercise of warrants in exchange for subordinated notes.....	17,605	71,841			71,841
Compensatory stock issuances.....	26,655	351,397	--	--	351,397
Net loss.....			(43,480,796)		(43,480,796)
BALANCE AT SEPTEMBER 30, 1998.....	9,375,952	87,443,237	(67,258,454)	(7,666,645)	12,518,138
Preferred stock dividends.....			(36,164)		(36,164)
Periodic accretion of redeemable preferred stock to mandatory redemption value.....			(5,952)		(5,952)
Stock purchase warrant exercise.....	75	308	--		308
Issuance of common stock on exercise of warrants in exchange for subordinated debt.....	284	1,157	--		1,157
Stock option exercise.....	19,146	38,086	--		38,086
Compensatory stock issuances.....	8,047	93,337			93,337
Net loss.....			(6,064,221)		(6,064,221)
BALANCE AT DECEMBER 31, 1998 (UNAUDITED).....	\$9,403,504	\$87,576,125	\$(73,364,791)	\$(7,666,645)	\$ 6,544,689

The accompanying notes are an integral part of the financial statements.

EMCORE CORPORATION
STATEMENTS OF CASH FLOWS

	YEARS ENDED SEPTEMBER 30,			THREE MONTHS ENDED DECEMBER 31,	
	1996	1997	1998	1997	1998
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net loss.....	\$ (3,176,314)	\$ (5,619,367)	\$ (43,480,796)	\$ (29,388,587)	\$ (6,064,221)
Adjustments to reconcile net loss to net cash (used for) operating activities:					
Acquired in-process research and development, non-cash.....	--	--	29,294,000	29,294,000	--
Depreciation and amortization.....	1,871,016	3,187,755	6,051,105	1,600,895	1,930,973
Provision for doubtful accounts....	146,418	515,000	1,118,000	9,800	60,000
Provision for inventory valuation.....	105,000	120,000	120,000	30,000	30,000
Deferred gain on sale to associated company.....	--	--	--	--	710,500
Detachable warrant accretion and debt issuance cost amortization.....	125,792	3,988,390	600,536	96,638	315,840
Extraordinary loss on early extinguishment of debt.....	--	285,595	--	--	--
Equity in net loss of an unconsolidated affiliate.....	--	--	198,495	--	276,234
Compensatory stock issuances.....	--	35,431	351,397	87,520	93,337
Write-off note receivable due from shareholder.....	--	57,300	--	--	--
Change in assets and liabilities:					
Accounts receivable -- trade.....	(1,041,956)	(5,929,533)	1,882	690,822	2,825,456
Accounts receivable -- related party.....	--	(2,500,000)	2,000,000	500,000	(2,017,396)
Inventories.....	(4,410,566)	339,414	(5,243,187)	(1,875,920)	(67,976)
Costs in excess of billings on uncompleted contracts.....	(2,882)	19,322	(77,531)	(145,690)	(68,072)
Prepaid expenses and other current assets.....	(26,784)	(60,458)	12,632	(193,780)	(17,626)
Other assets.....	(468,565)	27,568	(623,775)	(93,020)	184,536
Accounts payable.....	3,398,078	(2,029,154)	7,949,760	2,850,753	(2,893,879)
Accrued expenses.....	777,899	1,880,943	(970,148)	(1,545,894)	(642,948)
Advanced billings.....	1,122,667	(1,308,279)	1,182,187	(805,567)	2,122,501
Billings in excess of costs on uncompleted contracts.....	(306,359)	--	--	--	--
Unearned service revenue.....	12,315	111,964	(71,501)	(92,796)	(52,778)
Total adjustments.....	1,302,073	(1,258,742)	41,893,852	30,407,761	2,788,702
Net cash and cash equivalents provided by (used for) operating activities.....	(1,874,241)	(6,878,109)	(1,586,944)	1,019,174	(3,275,519)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant, and equipment.....	(7,090,869)	(11,631,642)	(22,132,071)	(1,627,161)	(5,971,829)
Acquisition, cash acquired.....	--	--	192,799	192,799	--
Investment in unconsolidated affiliates.....	--	--	(490,000)	--	(5,600,000)
(Funding) payments of restricted cash.....	--	(312,500)	250,000	62,500	62,501
Net cash and cash equivalents used for investing activities.....	(7,090,869)	(11,944,142)	(22,179,272)	(1,371,862)	(11,509,328)

	YEARS ENDED SEPTEMBER 30,			THREE MONTHS ENDED DECEMBER 31,	
	1996	1997	1998	1997	1998
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from preferred stock offering -- net of issuance costs of \$500,000.....	--	--	--	--	21,200,000
Proceeds from initial public offering, net of issuance cost of \$3,110,345.....	--	22,764,655	--	--	--
Proceeds (payments) under bank loans.....	--	8,000,000	17,950,000	--	(2,000,000)
Proceeds (payments) from notes payable, related party, net.....	7,000,000	--	--	--	(7,000,000)
Proceeds from subordinated note issuance.....	11,009,600	--	--	--	--
Payments on demand note facility and subordinated debt.....	--	(10,000,000)	--	--	(9,000,000)
Proceeds from exercise of stock purchase warrants.....	--	85,121	23,092	12,041	308
Proceeds from exercise of stock options.....	--	53,640	83,486	38,009	38,086
Payments on capital lease obligations.....	(3,000,000)	(5,723)	(487,671)	(49,656)	(129,089)
Reduction in notes receivable from shareholders.....	--	210,317	--	--	--
Net cash and cash equivalents provided by financing activities...	8,009,600	21,108,010	24,568,907	394	12,109,308
Net (decrease) increase in cash and cash equivalents.....	(955,510)	2,285,759	802,691	(352,294)	(2,675,541)
Cash and cash equivalents at beginning of period.....	2,322,896	1,367,386	3,653,145	3,653,145	4,455,836
Cash and cash equivalents at end of period.....	\$ 1,367,386	\$ 3,653,145	\$ 4,455,836	\$ 3,300,851	\$ 1,780,294
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:					
Cash paid for interest.....	\$ 276,000	\$ 600,000	\$ 1,347,000	\$ 274,986	\$ 333,934
Cash paid for income taxes.....	55,000	--	--	--	--
NONCASH INVESTING AND FINANCING ACTIVITIES:					
Common stock issued on the exercise of warrants in exchange for subordinated notes.....	--	--	\$ 71,841	\$ 45,210	\$ 1,157
Issuance of common stock on the exercise of warrants in exchange for notes receivable.....	--	--	\$ 7,458,101	\$ 7,458,101	--
Issuance of common stock, and common stock purchase options and warrants in connection with the acquisition of MicroOptical Devices Inc.....	--	--	\$ 32,329,003	\$ 32,329,003	--

Reference is made to Note 8 -- Debt Facilities -- for disclosure relating to certain non-cash warrant issuance.

The accompanying notes are an integral part of the financial statements.

EMCORE CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF BUSINESS

EMCORE is a designer and developer of compound semiconductor materials and process technology and a manufacturer of production systems used to fabricate compound semiconductor wafers. Compound semiconductors are used in a broad range of applications in wireless communications, telecommunications, computers, and consumer and automotive electronics. The Company has recently capitalized on its technology base by expanding into the design and production of compound semiconductor wafers and package-ready devices and under specific arrangements has licensed certain process technologies. During fiscal 1998, the Company completed the acquisition of a development stage company focused on the research and development of optical laser technologies (see Note 3). The Company offers its customers a complete, vertically-integrated solution for the design, development and production of compound semiconductor wafers and devices.

BASIS OF PRESENTATION AND LIQUIDITY. The accompanying financial statements have been prepared on a going concern basis. The Company for the year ended September 30, 1998, experienced a 10% decline in revenue of approximately \$4.0 million and a substantial operating loss amounting to approximately \$41.7 million (approximately \$12.5 million excluding the effect of acquired in-process research and development) and had a working capital deficiency of \$2.0 million.

The Company's operations are subject to a number of risks, including but not limited to a history of net losses from operations, future capital needs, dependence on key personnel, competition and risk of technological obsolescence, governmental regulations and approvals, technology research and development results, continued development of its compound semiconductor manufacturing and marketing capabilities and a concentration of international sales in Asia. The Company's operations for the year ended September 30, 1998, were primarily funded through borrowings under existing credit facilities and short-term advances from the Company's Chairman -- aggregating \$7.0 million as of September 30, 1998. The Company's Chairman has from time to time provided credit enhancements in the form of debt guarantees and has loaned the Company funds to support its expansion and capital equipment requirements. The Company's Chief Executive Officer has also provided credit enhancement in the form of debt guarantees for the Company. Subsequent to September 30, 1998, the Company completed a preferred stock private placement (the "Private Placement" see Note 17), resulting in net proceeds of \$21.2 million. The Company repaid its Chairman \$8.5 million (including \$1.5 million advanced to the Company subsequent to September 30, 1998), invested approximately \$5.6 million in two unconsolidated ventures, used \$2 million to repay debt and the balance is being used for general working capital purposes. In addition, the Company's \$10.0 million credit facility was extended to October 1, 1999. The Company's Chairman has committed to provide the Company with \$30 million of long-term financing through July 1, 2000. The Chairman's financing commitment terminates if the Company completes a secondary offering of a specified amount. The Company's operating plans include, among other things attempting to improve (i) operating cash flow through increased sales of compound semiconductor systems, wafers and package-ready devices and (ii) managing its cost structure in relation to its anticipated level of revenues. The Company believes that its current liquidity, together with available credit facilities (including the commitment from

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

the Company's Chairman) and the proceeds from the Private Placement, should be sufficient to meet its cash needs for working capital through fiscal 1999. If the working capital generated from the Private Placement and cash generated from operations is 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 are not available on acceptable terms, the ability to continue to fund expansion, develop and enhance products and services, or otherwise respond to competitive pressures would be severely limited. Such a limitation could have a material adverse effect on the Company's business, financial condition or operations and the financial statements do not include any adjustment that could result therefrom.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTERIM FINANCIAL INFORMATION. The financial information as of December 31, 1998 and for the three-month periods ended December 31, 1997 and 1998 is unaudited, but includes all adjustments (consisting only of normal recurring accruals) that the Company considers necessary for a fair presentation of the financial position at such date and the operating results and cash flows for those periods. Operating results for the three months ended December 31, 1998 are not necessarily indicative of the results that may be expected for the entire year.

PRINCIPLES OF CONSOLIDATION. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. The equity method of accounting is used for unconsolidated affiliates in which the Company's equity is at least 20% and not more than 50%. All significant intercompany transactions are eliminated upon consolidation.

CASH AND CASH EQUIVALENTS. The Company considers all highly liquid short-term investments purchased with an original maturity of three months or less to be cash equivalents. The Company had approximately \$2,254,000 and \$3,003,000 in cash equivalents at September 30, 1997 and 1998, respectively. As of September 30, 1998, the Company had restricted cash in the amount of \$62,500 due to a contractual obligation.

INVENTORIES. Inventories are stated at the lower of FIFO (first-in, first-out) cost or market. Reserves are established for slow moving or obsolete inventory based upon historical and anticipated usage.

PROPERTY AND EQUIPMENT. Property and equipment are stated at cost. Significant renewals and betterments are capitalized. Maintenance and repairs which do not extend the useful lives of the respective assets are expensed. Depreciation is recorded using the straight-line method over the estimated useful lives of the applicable assets, which range from three to five years. Leasehold improvements are amortized using the straight-line method over the term of the related leases or the estimated useful lives of the improvements, whichever is less. Depreciation expense includes the amortization of capital lease assets. When assets are retired or otherwise disposed of, the assets and related

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

accumulated depreciation accounts are adjusted accordingly, and any resulting gain or loss is recorded in current operations.

LONG-LIVED ASSETS. The carrying amount of assets is reviewed on a regular basis for the existence of facts or circumstances, both internally and externally, that suggest impairment. To date no such impairment has been indicated. The Company determines if the carrying amount of a long-lived asset is impaired based on anticipated undiscounted cash flows before interest. In the event of an impairment, a loss is recognized based on the amount by which the carrying amount exceeds fair value of the asset. Fair value is determined primarily using the anticipated cash flows before interest, discounted at a rate commensurate with the risk involved.

DEFERRED COSTS. Included in other assets are deferred costs related to obtaining product patents and debt issuance costs and an investment in an unconsolidated affiliate. Total amortization expense amounted to approximately \$128,000, \$40,000 and \$79,000 for the years ended September 30, 1996, 1997 and 1998, respectively. During the year ended September 30, 1998, the Company issued 284,684 common stock purchase warrants in exchange for the guaranteeing of a credit facility by the Company's Chairman and Chief Executive Officer. The warrants were assigned a value of \$1,310,000 which is being amortized over the eighteen month term of the facility. The warrants were valued by the Company based upon its application of the Black Scholes Option Pricing Model ("Black Scholes"). Amortization expense related to such warrant issuance amounted to approximately \$219,000 for fiscal 1998.

GOODWILL. Goodwill is amortized using the straight-line method over three years. The Company evaluates annually whether there has been a permanent impairment in the value of goodwill. Any impairment would be recognized when the sum of expected undiscounted cash flows derived from the acquired business is less than its carrying value. If such an impairment occurred, the amount of the impairment would be based on the fair value of the acquired business as determined by the market value of comparable companies on the present value of expected cash flows.

INCOME TAXES. The Company recognizes deferred taxes by the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for differences between the financial statement and tax bases of assets and liabilities at enacted statutory tax rates in effect for the years in which the differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. In addition, valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. The primary sources of temporary differences are depreciation and amortization of intangible assets.

REVENUE AND COST RECOGNITION -- SYSTEMS, COMPONENTS AND SERVICE REVENUES. Revenue from systems sales is recognized upon shipment, when title passes to the customer. Subsequent to product shipment, the Company incurs certain installation costs at the customer's facility and warranty costs which are estimated and accrued at the time the sale is recognized. Component sales and service revenues are recognized when goods are shipped or services are rendered to the customer. Service revenue under contracts with

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

specified service terms is recognized as earned over the service period in accordance with the terms of the applicable contract. Costs in connection with the procurement of the contracts are charged to expense as incurred.

REVENUE AND COST RECOGNITION -- CONTRACT REVENUE. The Company's research contracts require the development or evaluation of new materials applications and have a duration of six to thirty-six months. For research contracts with the U.S. Government and commercial enterprises with durations greater than six months, the Company recognizes revenue to the extent of costs incurred plus the estimated gross profit as stipulated in such contracts, based upon contract performance. Contracts with a duration of six months or less are accounted for on the completed contract method. A contract is considered complete when all costs, except insignificant items, have been incurred, and the research reporting requirements to the customer have been met. Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs, as well as coverage of certain general and administrative costs. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Revenues from contracts amounted to approximately \$3,295,000, \$614,000 and \$438,000 for the years ended September 30, 1996, 1997 and 1998, respectively.

RESEARCH AND DEVELOPMENT. Research and development costs related to the development of both present and future products and Company-sponsored materials application research are charged to expense as incurred. In connection with the acquisition of MicroOptical Devices, Inc. ("MODE"), the Company recorded a charge of \$29,294,000 for acquired in-process research and development.

FAIR VALUE OF FINANCIAL INSTRUMENTS. The Company estimates the fair value of its financial instruments based upon discounted cash flow analyses using the Company's incremental borrowing rate on similar instruments as the discount rate. As of September 30, 1998, the fair value of the Company's subordinated notes exceeded the carrying value of such instruments by approximately \$830,000. As of September 30, 1998, the carrying values of the Company's cash and cash equivalents, receivables, accounts payable and variable rate based debt as reflected on the Company's accompanying balance sheet approximates fair value.

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 at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. The Company's most significant estimates relate to acquired in-process research and development, accounts receivable and inventory valuation reserves, warranty and installation accruals, estimates of cost and related gross profits on certain research contracts and the valuation of long-lived assets.

NET LOSS PER SHARE. The Company accounts for earnings per share under the provisions of Statement of Financial Accounting Standards No. 128 "Earnings per share" ("SFAS No. 128"). Basic and diluted earnings per share calculated pursuant to SFAS

EMCORE CORPORATION

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

No. 128 have been restated for all periods presented to give effect to the Securities and Exchange Commission's Staff Accounting Bulletin No. 98 which eliminated certain computational requirements of Staff Accounting Bulletin No. 64.

Basic earnings per common share was calculated by dividing net loss by the weighted average number of common stock shares outstanding during the period. Diluted earnings per share was calculated by dividing net loss by the sum of the weighted average number of common shares outstanding plus all additional common shares that would have been outstanding if potentially dilutive common shares had been issued. The following table reconciles the number of shares utilized in the Company's earnings per share calculations.

	YEARS ENDED SEPTEMBER 30,			THREE MONTHS ENDED DECEMBER 31,	
	1996	1997	1998	1997	1998
	-----			-----	
				(UNAUDITED)	
Net loss.....	\$3,176,314	\$5,619,367	\$43,480,796	\$29,388,587	\$6,064,221
Preferred stock dividends.....	--	--	--	--	(36,167)
Periodic accretion of preferred stock to redemption value.....					(5,952)
Net loss available to common shareholders.....	\$3,176,314	\$5,619,367	\$43,480,796	\$29,388,587	\$6,106,338
Loss per common share -- basic.....	\$ 1.06	\$ 1.20	\$ 4.95	\$ 4.15	\$ 0.65
Loss per common share -- diluted...	\$ 1.06	\$ 1.20	\$ 4.95	\$ 4.15	\$ 0.65
Common shares -- basic.....	2,994,466	4,668,822	8,775,270	7,075,139	9,390,226
EFFECT OF DILUTIVE SECURITIES:					
Stock options and warrants.....	--	--	--	--	--
Preferred Stock.....	--	--	--	--	--
Common shares -- diluted.....	2,994,466	4,668,822	8,775,270	7,075,139	9,390,226

The effect of outstanding common stock purchase options and warrants and the number of shares to be issued upon the conversion of the Company's Series I Preferred Stock have been excluded from the Company's earnings per share calculation since the effect of such securities is anti-dilutive.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 131 "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131"), which establishes standards for reporting information about operating segments in annual financial statements. It also

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

establishes standards for related disclosures about products and services, geographic areas and major customers. The Company will be required to adopt this standard in its fiscal year ended September 30, 1999. The adoption of SFAS No. 131 is not expected to have an impact on the Company's results of operations, financial position or cash flows.

In February 1998, FASB issued SFAS No. 132, "Employers' Disclosures about Pension and Other Postretirement Benefits" ("SFAS No. 132"), which revises employers' disclosures about pension and other postretirement benefit plans. SFAS No. 132 does not change the measurement or recognition of those plans. SFAS No. 132 is effective for fiscal years beginning after December 15, 1997. The adoption of SFAS No. 132 is not expected to have an impact on the Company's results of operations, financial position or cash flows.

In March 1998, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position ("SOP") 98-1, "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"). SOP 98-1 is effective for financial statements for years beginning after December 14, 1998. SOP 98-1 provides guidance over accounting for computer software developed or obtained for internal use, including the requirement to capitalize specified costs and amortization of such costs. The Company does not expect the adoption of this standard to have a material effect on its results of operations, financial position or cash flows.

In April 1998, AICPA issued SOP 98-5, "Reporting on the Costs of Start-Up Activities" ("SOP 98-5"). SOP 98-5, which is effective for fiscal years beginning after December 15, 1998, provides guidance on the financial reporting of start-up costs and organization costs. It requires costs of start up activities and organization costs to be expenses as incurred. As the Company has expensed these costs historically, the adoption of this standard is not expected to have a significant impact on its results of operations, financial position or cash flows.

RECLASSIFICATIONS. Prior period balances have been reclassified to conform with the current period financial statement presentation.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 3. ACQUISITION

On December 5, 1997, the Company acquired all of the outstanding capital stock of MODE in exchange for 1,461,866 shares of EMCORE common stock, 200,966 common stock purchase options (exercise prices ranging from \$0.43 to \$0.59), and 47,118 common stock purchase warrants (exercise prices ranging from \$4.32 to \$5.92). The purchase price was approximately \$32,829,000 including direct acquisition costs of approximately \$500,000. The acquisition of MODE was recorded using the purchase method of accounting. Accordingly, the results of operations of the acquired business and the fair values of the acquired tangible and intangible assets and assumed liabilities have been included in the Company's financial statements as of December 5, 1997. The allocation of the fair value of the net assets acquired is as follows:

Net tangible assets.....	\$ 156,000
Goodwill.....	3,379,000
Acquired in process research and development.....	29,294,000

Total purchase price.....	\$32,829,000
	=====

MODE was a development stage company (incorporated in August 1995) and had 18 employees at the date of acquisition. MODE's activities were substantially dedicated towards the research and development of optical laser devices at the date of acquisition.

The amount allocated to acquired in-process research and development was determined through an independent valuation, which includes a number of estimates and assumptions. The amounts allocated to acquired in-process research and development were immediately written-off. Goodwill is being amortized over a period of three years.

The following unaudited pro forma basis financial information reflects the combined results of operations of the Company and MODE, as if MODE had been acquired as of October 1, 1996, but does not reflect the non-recurring write-off of the acquired in-process research and development. The summary includes the impact of certain adjustments, such as goodwill amortization and the number of shares outstanding.

	YEAR ENDED SEPTEMBER 30,	
	1997	1998
	(UNAUDITED)	
Revenue.....	\$48,313,000	\$43,860,000
Net loss before extraordinary item.....	8,960,000	15,085,000
Net loss.....	9,246,000	15,085,000
Net loss, per share.....	1.51	1.72

The unaudited pro forma results of operations are not necessarily indicative of what actually would have occurred if the acquisition had occurred on October 1, 1996. In addition, the unaudited pro forma results of operations are not intended to be a projection of future results that might be achieved from the combined entity. The foregoing pro forma results of operations does not reflect the non-recurring write-off of acquired in-process research and development.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 4. CONCENTRATION OF CREDIT RISK

The Company sells its compound semiconductor products domestically and internationally. The Company's international sales are generally made under letter of credit arrangements.

For the years ended September 30, 1996, 1997 and 1998, the Company sold 42.5%, 42.0% and 39.1% of its products to foreign customers, respectively.

The Company's world-wide sales to major customers were as follows:

	AS OF SEPTEMBER 30,		
	1996	1997	1998
Customer A.....	\$ 6,558,930	\$ 4,872,540	\$ 7,563,137
Customer B.....	1,773,864	7,158,619	5,602,120
Customer C.....	--	2,500,000	2,501,500
Customer D.....	1,530,000	3,085,000	178,856
Customer E.....	2,075,722	--	--
Total.....	<u>\$11,938,516</u>	<u>\$17,616,159</u>	<u>\$15,845,613</u>

The Company performs material application research under contract with the U.S. Government or as a subcontractor of U.S. Government funded projects.

The Company performs ongoing credit evaluations of its customers' financial condition and collateral is not requested. The Company maintains reserves for potential credit losses based upon the credit risk of specified customers, historical trends and other information. To reduce credit risk and to fund manufacturing costs, the Company requires periodic prepayments or irrevocable letters of credit on most production system orders. During the quarter ended June 30, 1998, the Company wrote off outstanding receivables of approximately \$1.0 million which was due from an Asian customer. Prior to this event, the Company's credit losses generally had not exceeded its expectations.

The Company has maintained cash balances with certain financial institutions in excess of the \$100,000 insured limit of the Federal Deposit Insurance Corporation.

NOTE 5. INVENTORIES

The components of inventories consisted of the following:

	AS OF SEPTEMBER 30,		AS OF
	1997	1998	DECEMBER 31,
			1998
			(UNAUDITED)
Raw materials.....	\$6,513,379	\$11,346,487	\$10,694,643
Work-in-process.....	672,247	1,091,971	1,767,585
Finished goods.....	--	6,868	21,073
Total.....	<u>\$7,185,626</u>	<u>\$12,445,326</u>	<u>\$12,483,301</u>

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 6. PROPERTY, PLANT AND EQUIPMENT

Major classes of property and equipment are summarized below:

	AS OF SEPTEMBER 30, ----- 1997 1998		AS OF DECEMBER 31, 1998 (UNAUDITED)
Land.....	\$ --	\$ 1,028,902	\$ 1,028,902
Building.....	--	7,493,385	8,638,586
Equipment.....	19,190,770	28,367,324	32,332,128
Furniture and fixtures.....	2,300,146	3,255,680	3,926,097
Leasehold improvements.....	6,085,256	9,948,121	10,089,800
Fixed assets under capital leases.....	98,623	2,042,728	2,073,096
	-----	-----	-----
	27,674,795	52,136,140	58,098,609
Less: accumulated depreciation and amortization.....	(10,876,962)	(15,926,309)	(17,535,229)
	-----	-----	-----
Total.....	\$16,797,833	\$36,209,831	\$40,553,380
	=====	=====	=====

At September 30, 1998, minimum future lease payments due under the capital leases are as follows:

PERIOD ENDING SEPTEMBER 30,

1999.....	\$ 796,648
2000.....	741,345
2001.....	62,478
2002.....	25,336
2003 and thereafter.....	--

Total minimum lease payments.....	1,625,807
Less: amount representing interest (average rate of 9.8%)...	(198,254)

Net minimum lease payments.....	1,427,553
Less: current portion.....	(673,036)

Long-term portion.....	\$ 754,517
	=====

The provisions for depreciation and amortization expense on owned property and equipment amounted to approximately \$1,743,000, \$3,148,000 and \$4,683,000 for the years ended September 30, 1996, 1997 and 1998, respectively. Accumulated amortization on assets accounted for as capital lease amounted to approximately \$366,000 as of September 30, 1998.

Included in equipment above are ten systems and sixteen systems with a combined net book value of approximately \$5,057,000 and \$9,644,000 at September 30, 1997 and 1998, respectively. Such systems are utilized for the production of compound semiconductor wafers and package-ready devices for sale to third parties, systems demonstration purposes, system sales support, in-house materials applications, internal research and contract research funded by third parties.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 7. ACCRUED EXPENSES

Accrued expenses consisted of the following:

	AS OF SEPTEMBER 30,		AS OF DECEMBER 31, 1998
	-----	-----	(UNAUDITED)
	1997	1998	
Accrued payroll, vacation and other employee expenses.....	\$1,659,428	\$2,113,765	\$1,668,401
Installation and warranty costs.....	1,411,120	704,114	717,803
Interest.....	272,445	346,250	154,540
Other.....	524,596	1,033,276	1,013,713
	-----	-----	-----
Total.....	\$3,867,589	\$4,197,405	\$3,554,457
	=====	=====	=====

NOTE 8. DEBT FACILITIES

1998 Agreement:

On June 22, 1998, the Company entered into an \$8.0 million loan agreement with First Union National Bank (the "1998 Agreement"), which expires December 31, 1999. The 1998 Agreement bears interest at a rate equal to one-month LIBOR plus three-quarters of one percent per annum (or 6.4%) at September 30, 1998. As of September 30, 1998, \$8.0 million was outstanding under the 1998 Agreement and is due and payable on December 31, 1999. The 1998 Agreement is guaranteed by both the Company's Chairman and Chief Executive Officer. In exchange for guaranteeing the facility, the Chairman and the Chief Executive Officer were granted an aggregate of 284,684 common stock purchase warrants exercisable at \$11.375 per share until May 1, 2001. These warrants are callable at the Company's option at \$0.85 per warrant at such time as the Company's Common Stock has traded at or above 150% of the exercise price for a period of thirty days.

The Company assigned a value of \$1,310,000 to the warrants issued to the guarantors. This valuation was based upon the Company's application of Black Scholes. This value is accounted for as debt issuance cost and will be amortized over the eighteen month life of the 1998 Agreement.

1997 Agreement:

On March 31, 1997, the Company entered into a \$10.0 million loan agreement (the "1997 Agreement"). The Agreement bears interest at the rate of Prime plus 50 basis points (8.0% and 9.0% at September 30, 1998 and 1997, respectively). As of September 30, 1998 the Company had \$9,950,000 outstanding under this facility. As of September 30, 1997, there were no amounts outstanding under this facility.

As a result of the net loss for the quarters ended June 30, 1998, the Company was not in compliance with the 1997 Agreement fixed charged coverage ratio covenant. The Company received a waiver from the bank regarding this non-compliance. The Company's 1997 Agreement was subsequently further extended through October 1, 1999. The 1997 Agreement's financial covenants were modified under the second extension, and manage-

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

ment believes that the Company will be able to comply with such requirements throughout fiscal 1999. In addition, the Company's Chairman has guaranteed such debt in the event the Company does not meet certain financial covenants.

Subordinated Notes:

On May 1, 1996, the Company issued subordinated notes (the "Subordinated Notes") in the amount of \$9,500,000 to its existing shareholders, \$1,000,000 of which were exchanged for notes receivable from officers and certain employees with identical payment and interest provisions. The Subordinated Notes are scheduled to mature on May 1, 2001, and have a stated interest rate of 6.0% which is payable semi-annually on May 1 and November 1. In addition, the noteholders were issued 2,328,432 common stock purchase warrants with an exercise price of \$4.08 per share which expire on May 1, 2001. The warrants are exercisable after November 1, 1996, and are callable at the Company's option, after May 1, 1997, at \$0.85 per warrant. The Company has the legal right of offset with respect to the notes receivable from officers and certain key employees, and it is their full intention to offset the corresponding notes receivable and payable upon maturity. As such, the Company reflected \$848,000 of the officers' and employees' notes receivable as a contra liability, reducing the Company's Subordinated Notes balance. The remaining \$152,000 note receivable has been reflected as a contra equity note receivable balance, representing the portion of the employee note receivable associated with common stock purchase warrants issued to such employees. The Company received cash proceeds of \$8,500,000 in connection with this Subordinated Notes issuance.

On September 1, 1996, the Company issued a subordinated note in the amount of \$2,500,000 to the Company's then majority shareholder with terms identical to the Subordinated Notes issued on May 1, 1996. In addition, under the terms of this issuance, 245,098 common stock purchase warrants were issued to purchase common stock at \$10.20 per share and which expire September 1, 2001. These warrants are exercisable after March 1, 1997, and are callable at the Company's option after September 1, 1997, at \$0.85 per warrant.

The Company assigned a value of \$1,440,000 to the May 1, 1996 detachable warrants and \$900,000 to the September 1, 1996 detachable warrants. These valuations were based upon the Company's application of Black Scholes and the Company's assessment of the underlying valuation factors, as well as an assessment of the terms of the Subordinated Notes. The carrying value of the Subordinated Notes will be subject to periodic accretions, using the interest method, in order for the carrying amount to equal the Company's obligation upon maturity. As a result, the May 1, 1996 and September 1, 1996 Subordinated Notes have an effective interest rate of approximately 9.3% and 15.0%, respectively. For the years ended September 30, 1998, 1997 and 1996, imputed warrant interest related to the Subordinated Notes amounted to \$593,000, \$3,988,000 and \$126,000, respectively.

Demand Note Facilities:

On September 17, 1998, the Company borrowed \$7.0 million from its Chairman. The loan bears interest at 9.75% per annum. In addition, on October 23, 1998 the Company borrowed an additional \$1.5 million from its Chairman on identical terms. The entire sum

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

of \$8.5 million borrowed plus interest was repaid from the proceeds of the Private Placement.

On October 25, 1996, the Company entered into a \$10.0 million demand note facility (the "Facility"). The Facility bore interest at the rate of LIBOR plus 75 basis points, had a term of one year and was due and payable on demand. The Facility was guaranteed by the Chairman of the Company's Board of Directors who provided collateral for the Facility. In December 1996, in return for guaranteeing the facility, the Company granted the Chairman 980,392 common stock purchase warrants at \$10.20 per share which expire September 1, 2001. These warrants are exercisable after July 1, 1997, and are callable at the Company's option after December 1, 1997 at \$0.85 per warrant. The Facility was terminated in conjunction with the Company's initial public offering.

The Company assigned a value of \$3,600,000 to the warrants issued to the guarantor. This valuation was based upon the Company's application of Black Scholes. This value was accounted for as debt issuance cost and was amortized over the expected period that the facility was to be in place (four months).

The Company utilized a portion of the proceeds from its initial public offering to pay down or discharge certain of its debts. The Company repaid the entire \$8.0 million outstanding under its October 1996 Facility and \$2.0 million was used to repay a portion of the Company's outstanding subordinated notes, due May 1, 2001. In connection with the discharge of the Company's subordinated notes, an extraordinary loss of \$286,000 was recognized.

NOTE 9. COMMITMENTS AND CONTINGENCIES

On November 16, 1992, the Company entered into a three-year lease agreement with a bank for 34,000 square feet of space in the building the Company presently occupies. On March 31, 1995, the agreement was renewed for 5 years for 49,000 square feet. In November 1996, the Company signed an agreement to occupy the remaining 26,000 square feet that it previously had not occupied.

The Company leases certain equipment under non-cancelable operating leases.

Facility and equipment rent expense under such leases amounted to approximately \$350,000, \$548,000 and \$554,000 for the years ended September 30, 1996, 1997 and 1998, respectively.

EMCORE CORPORATION

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Future minimum rental payments under the Company's non-cancelable operating leases with an initial or remaining term of one year or more as of September 30, 1998 are as follows:

PERIOD ENDING SEPTEMBER 30,	OPERATING
1999.....	\$ 712,000
2000.....	359,000
2001.....	74,000
2002 (and thereafter).....	21,000

Total minimum lease payments.....	\$1,166,000
	=====

The Company is from time to time involved in litigation incidental to the conduct of its business. Management and its counsel believe that such pending litigation will not have a material adverse effect on the Company's results of operations, cash flows or financial condition.

NOTE 10. INCOME TAXES

Income tax expense consists of the following:

	YEARS ENDED SEPTEMBER 30,		
	1996	1997	1998
Current:			
Federal.....	\$ --	\$113,000	\$ --
State.....	--	24,000	--
	----	-----	-----
	--	137,000	--
Deferred:.....			--
Federal.....	--	--	--
State.....	--	--	--
	----	-----	-----
Total.....	\$ --	\$137,000	\$ --
	=====	=====	=====

The principal differences between the U.S. statutory and effective income tax rates were as follows:

	YEARS ENDED SEPTEMBER 30,		
	1996	1997	1998
US statutory income tax (benefit) expense rate.....	(34.0)%	(34.0)%	(34.0)%
Permanent differences.....	--	--	24.0
Net operating loss not utilized.....	27.7	1.7	10.0
Expenses not yet deductible for tax purposes.....	6.3	32.0	--
AMT and state taxes.....	--	2.9	--
	----	-----	-----
Effective tax rate.....	0.0%	2.6%	0.0%
	=====	=====	=====

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The components of the Company's net deferred taxes were as follows:

	YEARS ENDED SEPTEMBER 30,	
	1997	1998
Deferred tax assets:		
Federal net operating loss carryforwards.....	\$3,502,348	\$7,943,877
Research credit carryforwards (state and federal).....	718,644	1,479,221
Inventory reserves.....	207,732	247,521
Accounts receivable reserves.....	243,996	239,701
Interest.....	1,461,389	1,657,337
Accrued installation reserve.....	362,379	163,778
Accrued warranty reserve.....	158,202	75,621
State net operating loss carryforwards.....	461,821	1,494,064
Other.....	144,586	238,318
Valuation reserve -- federal.....	(5,583,217)	(9,438,122)
Valuation reserve -- state.....	(1,334,975)	(3,751,314)
	-----	-----
Total deferred tax assets.....	342,905	350,002
Deferred tax liabilities:		
Fixed assets and intangibles.....	(342,905)	(350,002)
	-----	-----
Total deferred tax liabilities.....	(342,905)	(350,002)
Net deferred taxes.....	\$ --	\$ --
	=====	=====

The Company has established a valuation reserve as it has not determined that it is more likely than not that the net deferred tax asset is realizable, based upon the Company's past earnings history.

As of September 30, 1998, the Company has net operating loss carryforwards for regular tax purposes of approximately \$22.0 million which expire in the years 2003 through 2013. The Company believes that the consummation of certain equity transactions and a significant change in the ownership during fiscal years 1995 and 1998 have constituted a change in control under Section 382 of the Internal Revenue Code ("IRC"). Due to the change in control, the Company's ability to use its federal net operating loss carryovers and federal research credit carryovers to offset future income and income taxes, respectively, are subject to annual limitations under IRC Section 382 and 383.

The Company believes that the acquisition of MODE and the consummation of certain other equity transactions has constituted a change in control in fiscal 1998 under Section 382 of the IRC. As such, Federal net operating loss carryovers and research credit carryovers incurred subsequent to the Company's fiscal 1995 change in control (as described above) will also be subject to annual limitations under IRC Section 382 and 383.

NOTE 11. STOCKHOLDERS' EQUITY

REVERSE STOCK SPLIT

On February 3, 1997, the Board of Directors approved a 3.4:1 reverse stock split of its common stock and approved a decrease in the number of shares of common stock

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

authorized. All references in the accompanying financial statements to the number of common stock and per-share amounts have been restated to reflect the reverse split.

COMMON STOCK OFFERING

In March 1997, the Company completed an initial public offering of 2,500,000 shares of common stock at a price of \$9.00 per share (the "Offering"), and upon the exercise of the Underwriter's overallotment option, 375,000 additional shares of common stock were also sold at \$9.00 per share. The proceeds, net of commissions and certain expenses, to the Company from the offering were approximately \$22.8 million. Prior to the Offering, there was no public market for the Company's common stock.

WARRANT EXERCISE

On December 3, 1997, the holders of 1.8 million common stock purchase warrants (with an exercise price of \$4.08) exercised such warrants with the Company taking full recourse notes amounting to approximately \$7.5 million in exchange for the issued common stock. In addition, the holders are required to provide collateral at a 2:1 coverage ratio. This collateral is presently held by the Company.

PREFERRED STOCK

The Company's certificate of incorporation authorizes the Board of Directors to issue up to 5,882,353 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.

NOTE 12. STOCK OPTIONS AND WARRANTS

STOCK OPTION PLAN. In November 1994, the Company's Incentive Stock Option Plan, initiated in 1987, was eliminated. On June 5, 1995, the Company adopted the 1995 Incentive and Non-Statutory Stock Option Plan (the "Option Plan"). Under the terms of the Option Plan, options to acquire 323,529 shares of common stock may be granted to eligible employees, as defined, at no less than 100 percent of the fair market value on the date of grant. In March 1996, options to acquire an additional 323,530 shares of common stock were approved.

Certain options under the Option Plan are intended to qualify as incentive stock options pursuant to Section 422A of the Internal Revenue Code.

During fiscal 1998, options with respect to 816,284 shares were granted pursuant to the Company's option plan or issued in connection with the MODE acquisition at exercise prices ranging from \$0.44 to \$20.00 per share.

Stock options granted generally vest over three to five years and are exercisable over a ten year period. As of September 30, 1996, 1997 and 1998, options with respect to 162,764, 199,368 and 481,863 shares were exercisable, respectively.

EMCORE CORPORATION

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The following table summarized the activity under the plan:

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding as of September 30, 1995.....	281,470	\$3.03
Granted.....	57,942	6.04
Exercised.....	--	--
Canceled.....	--	--
	-----	-----
Outstanding as of September 30, 1996.....	339,412	\$3.54
Granted.....	182,700	11.06
Exercised.....	(42,165)	3.17
Canceled.....	(4,475)	3.08
	-----	-----
Outstanding as of September 30, 1997.....	475,472	\$6.47
Granted.....	816,284	10.18
Exercised.....	(35,809)	2.33
Canceled.....	(43,221)	10.22
	-----	-----
Outstanding as of September 30, 1998.....	1,212,726	\$8.95
Granted.....	--	--
Exercised.....	(19,146)	1.99
Canceled.....	(28,659)	9.94
	-----	-----
Outstanding as of December 31, 1998.....	1,164,921	\$9.04
	=====	=====

As of September 30, 1998, stock options outstanding were as follows:

EXERCISE PRICES	OPTIONS OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	EXERCISABLE OPTIONS
\$0 less than x less than or equal to \$5...	419,531	7.96	295,423
\$5 less than x less than or equal to \$10.....	22,500	9.88	--
\$10 less than x less than or equal to \$15.....	661,975	9.17	178,873
\$15 less than x less than or equal to \$20.....	74,720	91.19	767
\$20 less than x less than or equal to \$25.....	34,000	8.94	6,800

In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock Based Compensation" ("SFAS 123"). SFAS 123 establishes financial and reporting standards for stock based compensation plans. The Company has adopted the disclosure only provisions of this standard and has elected to continue to apply the provision of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". Had the Company elected to recognize compensation expense for

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

stock options based on the fair value at the grant dates of awards, net loss and net loss per share would have been as follows:

	YEARS ENDED SEPTEMBER 30,	
	1997	1998
Net Loss before extraordinary item		
As reported.....	\$5,333,772	\$43,480,796
Pro forma.....	\$5,226,270	\$44,099,847
Net loss per basic and diluted share before extraordinary item		
As reported.....	\$ (1.14)	\$ (4.95)
Pro forma.....	\$ (1.17)	\$ (5.03)
Net loss		
As reported.....	\$5,619,367	\$43,480,796
Pro forma.....	\$5,726,869	\$44,099,847
Net loss per basic and diluted share		
As reported.....	\$ (1.20)	\$ (4.95)
Pro forma.....	\$ (1.23)	\$ (5.03)

The weighted average fair value of the Company's stock options was calculated using Black Scholes with the following weighted-average assumptions used for grants in fiscal 1997: no dividend yield; expected volatility of 0% prior to the Company's initial public offering and 60% thereafter; a risk-free interest rate of 6.04% and 5.57% for fiscal years 1997 and 1998, respectively; and expected lives of 5 years. The weighted average fair value of options granted during the years ended September 30, 1997 and 1998 is \$3.82 and \$7.50 per share, respectively. Stock options granted by the Company prior to its initial public offering were valued using the minimum value method under FASB No. 123.

WARRANTS

Set forth below is a summary of the Company's outstanding warrants at September 30, 1998:

SECURITY	EXERCISE PRICE	WARRANTS	EXPIRATION DATE
Common Stock(1).....	\$ 4.08	385,428	May 1, 2001
Common Stock(2).....	\$ 4.33	36,990	August 21, 2006
Common Stock(2).....	\$ 5.92	10,128	May 16, 2007
Common Stock(3).....	\$10.20	1,225,490	September 1, 2001
Common Stock(4).....	\$11.38	284,684	May 1, 2001

- - - - -
- (1) Issued in connection with the Company's May 1996 subordinated note issuance.
 (2) Issued in connection with the MODE acquisition.
 (3) Issued in connection with the Company's September 1996 subordinated debt issuance and October 1996 debt guarantee.
 (4) Issued in connection with the 1998 Agreement guarantee.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 13. RELATED PARTIES

In May 1995, 52% of the Company's outstanding shares of Common Stock were purchased by Jesup & Lamont Merchant Partners, L.L.C. ("JLMP"). Prior to May 12, 1997, a majority of the Company's then six directors were members of JLMP. On May 12, 1997, JLMP distributed all of its shares of the Company to the individual members of JLMP. In May 1995, the Company entered into a consulting agreement (the "Agreement") with Jesup & Lamont Capital Markets, Inc. ("Jesup & Lamont") pursuant to which Jesup & Lamont agreed to provide financial advisory and employee services for the Company for one year. Total fees paid to Jesup & Lamont amounted to approximately \$241,697 for the fiscal year ended September 30, 1996. No fees were paid to Jesup & Lamont during the fiscal years ended September 30, 1998 and 1997.

In December 1996, the Company's chairman and chief executive officer retired. The Company entered into a consulting agreement with him for a term of two years and will provide compensation of \$250,000 per annum. In addition, the Company has also forgiven \$115,300 of his indebtedness to the Company and had agreed to extend the period for the exercise of his vested stock options through March 1997 and accordingly he exercised all 26,471 vested shares.

In fiscal 1997, the Company entered into a non-exclusive and non-refundable technology licensing and royalty agreement with Uniroyal Technology Corporation ("UTC") for the process technology to develop and manufacture high brightness light emitting diodes ("LEDs"). During fiscal 1998 and 1997, revenue associated with the UTC licensing agreement amounted to \$2.5 million and \$2.5 million, respectively. At the time the transaction was originally entered into, UTC's Chairman and CEO was a member of EMCORE's Board of Directors and EMCORE's Chairman was on the Board of Directors of UTC. All related party accounts receivable for fiscal 1997 have been paid in full. As of September 30, 1998, the Company had an outstanding related party receivable of \$500,000.

In February 1998, the Company and a wholly-owned subsidiary of UTC formed Uniroyal Optoelectronics, a venture (the "UTC Venture") to produce and market compound semiconductor products. The Company has a 49% non-controlling minority interest. The Company's rights under the venture agreement are protective and as such, the Company accounts for its interest in the venture under the equity method of accounting. The investment in the UTC Venture amounted to \$490,000 as of September 30, 1998, and has been classified as a component of other long-term assets. For the year ended September 30, 1998, the Company recognized a loss of \$198,000 related to the UTC Venture, which has been recorded as a component of other income and expense.

In November 1998, the Company invested an additional \$5.0 million into the UTC Venture. During the quarter ended December 31, 1998, the Company sold two compound semiconductor production systems to the UTC Venture totaling \$3.0 million in revenues. The Company eliminated gross profit of approximately \$711,000 on such sales to the extent of its minority interest. Such deferred gross profit will be recognized ratably over the assigned life of the UTC Venture's production systems. For the three months and the year ended December 31, 1998 and September 30, 1998, respectively, the Company recognized

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

a loss of \$276,000 and \$198,000 related to this venture, which has been recorded as a component of other income and expense. As of December 31, 1998, the Company's investment in this venture amounted to \$5,015,000.

The President of Hakuto Co. Ltd. ("Hakuto"), the Company's Asian distributor, is a member of the Company's Board of Directors and Hakuto is a minority shareholder of the Company. During the year ended September 30, 1998, sales made through Hakuto approximated \$9.2 million. During the quarter ended December 31, 1998, sales made through Hakuto amounted to approximately \$3.1 million.

On June 22, 1998, the Company entered into the 1998 Agreement. The 1998 Agreement was guaranteed by the Chairman and the Chief Executive Officer of the Company (see Note 8). In return for guaranteeing the facility, the Company granted the Chairman and the Chief Executive Officer an aggregate of 284,684 common stock purchase warrants at \$11.375 per share which expire May 1, 2001. These warrants are callable at the Company's option at \$0.85 per warrant at such time as the Company's common stock has traded at or above 150% of the exercise price for a period of 30 days.

On September 17, 1998, the Company borrowed \$7.0 million from its Chairman, Thomas J. Russell. The loan bears interest at 9.75% per annum. In addition, on October 23, 1998 the Company borrowed an additional \$1.5 million from its Chairman on identical terms. The entire \$8.5 million, borrowed from Mr. Russell was repaid from the proceeds of a private placement (See Note 8).

NOTE 14. EXPORT SALES

The information below summarizes the Company's export sales by geographic area. The Company's export sales to the Far East and Europe are as follows:

	ASIA	EUROPE	TOTAL
Year ended September 30, 1996.....	\$ 8,209,309	\$3,588,066	\$11,797,375
Year ended September 30, 1997.....	\$14,583,981	\$5,478,186	\$20,062,167
Year ended September 30, 1998.....	\$15,527,169	\$1,584,851	\$17,112,020

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 15. QUARTERLY FINANCIAL DATA (UNAUDITED)

	REVENUES	OPERATING (LOSS) INCOME (IN THOUSANDS,	NET (LOSS) INCOME PER SHARE	NET (LOSS) INCOME PER SHARE DATA)
Fiscal Year Ended September 30, 1997:				
December 31, 1996.....	\$ 8,591	\$ (2,585)	\$ (3,798)	\$(0.86)
March 31, 1997.....	12,929	147	(3,150)	(0.82)
June 30, 1997.....	14,106	907	830	0.10
September 30, 1997.....	12,126	841	498	0.06
Fiscal Year Ended September 30, 1998:				
December 31, 1997.....	\$12,357	\$(29,223)*	\$(29,389)*	\$(4.15)*
March 31, 1998.....	13,808	200	37	0.00
June 30, 1998.....	9,074	(7,141)	(7,446)	(0.80)
September 30, 1998.....	8,521	(5,544)	(6,683)	(0.71)

* includes a \$29.3 million one-time charge to acquired in-process research and development, non-cash.

NOTE 16. EMPLOYEE SAVINGS PLAN

The Company has a savings plan (the "Savings Plan") that qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Under the Savings Plan, participating employees may defer a portion of their pretax earnings, up to the Internal Revenue Service annual contribution limit. Effective August 1, 1997, the Company began contributing to the Savings Plan. All employer contributions are made in the Company's common stock. For the year ended September 30, 1998, the Company contributed approximately \$252,000 to the Savings Plan.

NOTE 17. REDEEMABLE PREFERRED STOCK PRIVATE PLACEMENT (UNAUDITED)

On November 30, 1998, the Company sold an aggregate of 1,550,000 shares of Series I Redeemable Convertible Preferred Stock (the "Series I Preferred Stock") for aggregate consideration of \$21.7 million before deducting costs and expenses which amounted to approximately \$500,000. The Series I Preferred Stock was recorded net of issuance costs. The excess of the preference amount over the carrying value of the Series I Preferred Stock is being accreted by periodic charges to accumulated deficit in the absence of additional paid in capital. The shares of Series I Preferred Stock are convertible, at any time, at the option of the holders thereof, unless previously redeemed, into shares of common stock at an initial conversion price of \$14.00 per share of common stock, subject to adjustment in certain cases. The market price of the Company's common stock was \$12.875 on the date the Series I Preferred Stock was issued. The Series I Preferred Stock is redeemable, in whole or in part, at the option of the Company at any time the Company's stock has traded at or above \$28.00 per share for 30 consecutive trading days, at a price of \$14.00 per share, plus accrued and unpaid dividends, if any, to the redemption date. The Series I Preferred stock carries a dividend of 2% per annum. Dividends are being charged to accumulated deficit in the absence of additional paid in capital. In addition, the

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Series I Preferred Stock is subject to mandatory redemption by the Company at \$14.00 per share plus accrued and unpaid dividends, if any, on November 17, 2003.

NOTE 18. JOINT VENTURES (UNAUDITED)

In November 1998, the Company entered into a joint venture with Union Miniere Inc. to undertake research and development aimed at new material application of germanium substrates. The Company has a 50% non-controlling interest in the venture. The Company will account for its interest in the venture under the equity method of accounting. In November 1998, the Company invested \$600,000 in the venture. The Company is obligated to fund the venture's capital requirements in proportion to its equity interest. As of December 31, 1998, no expenses have been incurred by the joint venture and it is expected to commence in the second quarter of fiscal 1999.

In November 1998, the Company also formed a venture with Optek Technology, Inc. to produce, market and distribute packaged electronic semiconductor components. The Company has a 50% non-controlling interest in the venture. The Company will account for its interest in the venture under the equity method of accounting. The Company is obligated to fund the venture's capital requirements in proportion to its equity interest. As of December 31, 1998, neither party has contributed capital to this venture, which is expected to commence in the second quarter of fiscal 1999.

On January 21, 1999, GE Lighting and the Company agreed, subject to certain conditions, to form a new joint venture to develop and market "white light" light-emitting diodes. The new company, GELcore, LLC (the "GELcore Venture"), will develop and market LEDs as replacements for miniature automotive, compact fluorescent, halogen and traditional incandescent lighting. Under terms of the joint venture agreement, the Company will have a 49% non-controlling interest in the GELcore Venture.

In connection with the GELcore venture, General Electric will loan the Company \$7.8 million at 4.75% per annum. The proceeds will be used to fund part of the Company's initial capital contribution in GELcore. This subordinated debenture (the "Debenture") will mature seven years from the date of issuance and is convertible into common stock of the Company at a conversion price of \$22.875 or 340,984 shares. The Debenture is convertible at any time at the option of GE Lighting and may be called by the Company after three years, if the price of the Company's common stock has traded at or above \$34 for at least thirty days. The Debenture's interest rate will be subject to adjustment in the event the Company does not complete a public offering by June 30, 1999.

General Electric will also receive between 282,010 and 564,019 warrants to purchase common stock at \$22.875 per share. The warrants will be exercisable at any time and will expire in seven years from the date of issuance. The number of common stock purchase warrants to be issued is subject to the market price of the Company's common stock upon the completion of a secondary offering or March 31, 1999, whichever occurs first.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 19. SUBSEQUENT EVENTS (UNAUDITED)

SHORT TERM BORROWINGS:

On February 1, 1999, the Company entered into a \$5 million short-term note (the "Note") with First Union. The Note is due and payable in May 1999. The Note bears interest at a rate equal to one-month LIBOR plus three-quarters of one percent per annum.

1997 AGREEMENT:

In January 1999, the Company borrowed the remaining balance of \$2,050,000 available under the 1997 Agreement.

RELATED PARTY TRANSACTIONS:

On January 27, 1999, the Company borrowed \$3.0 million from its Chairman. The loan bears interest at 8% per annum. The loan will be repaid from borrowings under the Note.

On January 29, 1999, the Company's Chairman has committed to provide \$30 million of long-term financing of the Company through July 1, 2000. The Chairman's financing commitment terminates if the Company completes a secondary offering of a specified amount.

ARTHUR ANDERSEN LLP

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of
MicroOptical Devices, Inc.:

We have audited the accompanying balance sheets of MICROOPTICAL DEVICES, INC. (a Delaware corporation in the development stage) (the "Company") as of December 31, 1996 and 1995, and the related statements of operations, stockholders' equity and cash flows for the year ended December 31, 1996 and for the period from inception (August 3, 1995) through December 31, 1995 and 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MicroOptical Devices, Inc. as of December 31, 1996 and 1995, and the results of its operations and its cash flows for the year ended December 31, 1996 and for the period from inception (August 3, 1995) through December 31, 1995 and 1996, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Albuquerque, New Mexico
March 21, 1997

MICROOPTICAL DEVICES, INC.
(A DEVELOPMENT STAGE CORPORATION)

BALANCE SHEETS
AS OF DECEMBER 31, 1996 AND 1995

	1996	1995
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 991,066	\$125,837
Trade accounts receivable.....	3,850	150
Inventory.....	83,926	--
Other current assets.....	26,544	9,029
	-----	-----
Total current assets.....	1,105,386	135,016
Property and equipment, net.....	2,388,953	5,220
Organization costs, net.....	2,814	3,571
	-----	-----
Total assets.....	\$3,497,153	\$143,807
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 29,580	\$ 18,148
Accrued liabilities.....	74,600	746
Current portion of obligations under capital leases.....	38,676	--
Deferred revenue.....	125,000	--
	-----	-----
Total current liabilities.....	267,856	18,894
	-----	-----
Long-term liabilities:		
Obligations under capital leases, net of current portion.....	107,648	--
	-----	-----
Commitments and contingencies (Notes 8 and 9)		
Stockholders' equity:		
Series A Convertible Preferred Stock, \$.001 par value; 1,200,000 shares authorized; 666,666 shares issued and outstanding.....	666	222
Series B Convertible Preferred Stock, \$.001 par value; 5,333,334 shares authorized, 4,076,088 shares issued and outstanding.....	4,076	--
Common Stock, \$.001 par value; 6,000,000 shares authorized: 3,000,000 shares issued and outstanding.....	3,000	1,000
Additional paid-in capital.....	3,251,532	181,596
Deficit accumulated during development stage.....	(137,625)	(57,905)
	-----	-----
Total stockholders' equity.....	3,121,649	124,913
	=====	=====
Total liabilities and stockholders' equity.....	\$3,497,153	\$143,807
	=====	=====

The accompanying notes to financial statements are an integral part of these balance sheets.

MICROOPTICAL DEVICES, INC.
(A DEVELOPMENT STAGE CORPORATION)

STATEMENTS OF OPERATIONS
FOR THE PERIOD FROM INCEPTION (AUGUST 3, 1995)
THROUGH DECEMBER 31, 1996
AND FOR THE YEAR ENDED DECEMBER 31, 1996
AND FOR THE PERIOD FROM INCEPTION THROUGH DECEMBER 31, 1995

	INCEPTION (AUGUST, 1995) THROUGH DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1996	PERIOD FROM INCEPTION FROM DECEMBER 31, 1995
Revenues.....	\$ 661,350	\$ 661,350	\$ --
Cost of goods sold.....	222,967	222,967	--
	-----	-----	-----
Gross margin.....	438,383	438,383	--
	-----	-----	-----
Expenses:			
Research and development....	339,696	292,592	47,104
General and administrative.....	192,105	178,540	13,565
Sales and marketing.....	85,169	85,169	--
	-----	-----	-----
Total expenses.....	616,970	556,301	60,669
	-----	-----	-----
Operating (loss).....	(178,587)	(117,918)	(60,669)
Interest income.....	40,962	38,198	2,764
	-----	-----	-----
Net Loss.....	\$ (137,625)	\$ (79,720)	\$ (57,905)
	=====	=====	=====
Net loss per share.....	\$ (.05)	\$ (.03)	\$ (.02)
	=====	=====	=====
Weighted Average Number of Post-Split Common Shares Outstanding.....	3,000,000	3,000,000	3,000,000
	=====	=====	=====

The accompanying notes to financial statements are an integral part of these statements.

MICROOPTICAL DEVICES, INC.
(A DEVELOPMENT STAGE CORPORATION)

STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE PERIOD FROM INCEPTION (AUGUST 3, 1995)
THROUGH DECEMBER 31, 1996

	SERIES A CONVERTIBLE PREFERRED STOCK		SERIES B CONVERTIBLE PREFERRED STOCK		COMMON STOCK		ADDITIONAL ----- PAID-IN CAPITAL	DEFICIT ACCUMULATED DURING DEVELOPMENT STAGE	TOTAL
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT			
Balance, at inception.....	--	\$ --	--	\$ --	--	\$ --	\$ --	\$ --	\$ --
Issuance of Common Stock.....	--	--	--	--	1,000,000	1,000	--	--	1,000
Issuance of Series A Convertible Preferred Stock: Net of \$18,182 in issuance costs...	222,222	222	--	--	--	--	181,596	--	181,818
Net loss.....		--	--	--				(57,905)	(57,905)
	-----	----	-----	-----	-----	-----	-----	-----	-----
Balance, December 31, 1995.....	222,222	222	--	--	1,000,000	1,000	181,596	(57,905)	124,913
Issuance of Series B Convertible Preferred Stock: Net of \$48,545 in issuance costs...	--	--	1,293,479	1,294	--	--	2,925,162	--	2,926,456
Conversion of Note Payable.....	--	--	65,217	65	--	--	149,935	--	150,000
Three for one stock split.....	444,444	444	2,717,392	2,717	2,000,000	2,000	(5,161)	--	--
Net loss.....		--	--	--				(79,720)	(79,720)
	-----	----	-----	-----	-----	-----	-----	-----	-----
Balance, December 31, 1996.....	666,666	\$666	4,076,088	\$4,076	3,000,000	\$3,000	\$3,251,532	\$(137,625)	\$3,121,649
	=====	=====	=====	=====	=====	=====	=====	=====	=====

The accompanying notes to financial statements are an integral part of these statements.

MICROOPTICAL DEVICES, INC.
(A DEVELOPMENT STAGE CORPORATION)

STATEMENTS OF CASH FLOWS
FOR THE PERIOD FROM INCEPTION (AUGUST 3, 1995)
THROUGH DECEMBER 31, 1996
AND FOR THE YEAR ENDED DECEMBER 31, 1996
AND FOR THE PERIOD FROM INCEPTION THROUGH DECEMBER 31, 1995

	INCEPTION (AUGUST, 1995) THROUGH DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1996	PERIOD FROM INCEPTION (AUGUST, 1995) THROUGH DECEMBER 31, 1995
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss.....	\$ (137,625)	\$ (79,720)	\$(57,905)
Adjustments to reconcile net loss to net cash provided by operating activities --			
Depreciation and amortization.....	32,430	31,894	536
	-----	-----	-----
	(105,195)	(47,826)	(57,369)
	-----	-----	-----
Changes in certain operating accounts --			
Trade accounts receivable.....	(3,850)	(3,700)	(150)
Inventory.....	(83,926)	(83,926)	--
Other current assets.....	(26,544)	(17,515)	(9,029)
Accounts payable.....	29,580	11,432	18,148
Accrued liabilities.....	74,600	73,854	746
Deferred revenue.....	125,000	125,000	--
	-----	-----	-----
	114,860	105,145	9,715
	-----	-----	-----
Net cash provided by (used in) operating activities.....	9,665	57,319	(47,654)
	-----	-----	-----
CASH FLOWS USED BY INVESTING ACTIVITIES:			
Additions to equipment.....	(2,420,513)	(2,414,970)	(5,543)
Proceeds from sale and leaseback of equipment.....	150,234	150,234	--
Additions to organization costs.....	(3,784)	--	(3,784)
	-----	-----	-----
Net cash used in investing activities.....	(2,274,063)	(2,264,736)	(9,327)
	-----	-----	-----
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:			
Proceeds from issuance of notes payable.....	150,000	150,000	--
Repayments of obligations under capital leases.....	(3,810)	(3,810)	--
Net proceeds from issuance of preferred stock.....	3,108,274	2,926,456	181,818
Net proceeds from issuance of common stock.....	1,000	--	1,000
	-----	-----	-----
Net cash provided by financing activities.....	3,255,464	3,072,646	182,818
	-----	-----	-----
Net increase in cash and cash equivalents.....	991,066	865,229	125,837
Cash and cash equivalents, beginning of period.....	--	125,837	--
	-----	-----	-----
Cash and cash equivalents, end of period.....	\$ 991,066	\$ 991,066	\$125,837
	=====	=====	=====
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for interest.....	\$ 1,776	\$ 1,776	\$ --
	=====	=====	=====
NON CASH STOCK ACTIVITY:			
Conversion of note payable to preferred stock.....	\$ 150,000	\$ 150,000	\$ --
	=====	=====	=====
NON-CASH FINANCING ACTIVITY:			
Equipment capital leases.....	\$ 146,000	\$ 146,000	\$ --
	=====	=====	=====

The accompanying notes to financial statements are an integral part of these statements.

MICROOPTICAL DEVICES, INC.
(A DEVELOPMENT STAGE CORPORATION)

NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM INCEPTION (AUGUST 3, 1995)
THROUGH DECEMBER 31, 1996
AND FOR THE YEAR ENDED DECEMBER 31, 1996
AND FOR THE PERIOD FROM INCEPTION THROUGH DECEMBER 31, 1995

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT RISK FACTORS:

MicroOptical Devices, Inc. (the "Company" or "MODE"), was incorporated under the laws of the State of Delaware on August 3, 1995 for the purpose of developing technology and manufacturing of advanced optoelectronic components and systems for specific use in commercial identification and communications markets.

The Company funded its marketing, development and operational activities to date from the proceeds of two equity offerings. Since inception, the Company has devoted substantially all of its efforts and resources to marketing and development of its technology and remains in the development stage. Ultimately, the Company's ability to achieve profitable operations is dependent, in large part, upon making the transition to a manufacturing company.

On July 16, 1996, an amendment to the Certificate of Incorporation of MODE (the "Amendment") was filed, which (a) increased the total number of its common shares, which the Company is authorized to issue from two million to four million, and (b) increased the total number of authorized shares of its Convertible Preferred Stock, from four thousand to two million (222,222 shares of Series A Convertible Preferred Stock and 1,777,778 shares of Series B Convertible Preferred Stock).

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING BASIS -- The financial books and records of the Company are maintained on the accrual basis of accounting. As a development stage company, cumulative results of operations from inception are presented.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH EQUIVALENTS -- For the purposes of presenting cash flows, cash and cash equivalents represent cash balances and highly liquid investments with original maturities of less than 90 days.

INVENTORY -- Inventories are stated at the lower of standard cost (which approximates actual cost using the first-in, first-out method) or market and consist of raw materials.

PROPERTY AND EQUIPMENT -- Equipment is stated at cost, net of accumulated depreciation. Depreciation is computed on the straight-line method based on estimated

MICROOPTICAL DEVICES, INC.
(A DEVELOPMENT STAGE CORPORATION)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

useful lives ranging from three to five years. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the remaining term of the lease.

ORGANIZATION COSTS -- Costs to organize the Company are capitalized and amortized on a straight-line basis over five years.

RESEARCH AND DEVELOPMENT -- The costs of research and development activities are charged to expense as incurred.

FAIR VALUE OF FINANCIAL INSTRUMENTS -- The carrying value of all financial instruments approximates fair market value at December 31, 1996 and 1995.

STOCK-BASED COMPENSATION -- The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25 ("APB Opinion No. 25"), "Accounting for Stock Issued to Employees," and related Interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock. Financial Accounting Standards Board Statement No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), was issued in 1995 and the Company has adopted the disclosure requirements of SFAS 123 (see Note 6).

INCOME TAXES -- MODE accounts for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under Financial Accounting Standards Board Statement No. 109, "Accounting for Income Taxes" ("SFAS No. 109"), the effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

NET LOSS PER SHARE -- Net loss per share for each period was calculated based upon the weighted average number of Common Stock outstanding during each period, using post split shares resulting from the three- for-one stock split effective August 1996. Common Stock equivalents were excluded in the calculation of weighted average shares outstanding since their inclusion would have had an anti-dilutive effect.

Accounting Pronouncement Not Yet Adopted -- The Financial Accounting Standards Board issued SFAS No. 128, "Earnings Per Share," which is effective for calendar years beginning after December 15, 1997 at which time it will require restatement of prior years earnings per share calculations. Management has not yet determined the effect, if any, of SFAS No. 128 on the financial statements.

MICROOPTICAL DEVICES, INC.
(A DEVELOPMENT STAGE CORPORATION)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(3) PROPERTY AND EQUIPMENT:

Property and equipment at December 31 by major classification are as follows:

	1996	1995
	-----	-----
Manufacturing equipment.....	\$1,781,487	\$ --
Leasehold improvements.....	570,397	--
Furniture and fixtures.....	68,529	5,543
	-----	-----
	2,420,413	5,543
Less accumulated depreciation and amortization.....	31,460	323
	-----	-----
	\$2,388,953	\$5,220
	=====	=====

(4) CAPITAL LEASES:

In 1996, the Company financed certain manufacturing equipment, leasehold improvements, and furniture and fixtures under a Master Equipment Lease Agreement ("the Lease") expiring June 30, 1997, which provides for financing of up to \$2,000,000. The Company had only nominal borrowings under the Lease at December 31, 1996. The capital leases have terms of 42 months and are collateralized by manufacturing equipment. The transactions under the Lease are accounted for as a financing, whereby the property remains on the books and continues to be depreciated and amortized. Obligations under capital leases representing the proceeds was recorded, and is reduced based on payments under capital lease obligations. All items are sold and leasedback at original purchase price, therefore no gain or loss was recorded on such transactions during 1996.

At December 31, 1996, approximately \$146,000 of manufacturing equipment was under capital lease. The future minimum lease payments for assets under capital lease and the present value of the net minimum lease payments at December 31, 1996, are as follows:

FISCAL YEAR	MINIMUM PAYMENT
1997.....	\$ 49,964
1998.....	49,964
1999.....	49,964
2000.....	20,575

Total minimum lease payments.....	170,467
Less amount representing interest.....	24,143

Present value of net minimum lease payments.....	146,324
Less current portion.....	38,676

	\$107,648
	=====

In connection with the Lease, the Company issued a warrant to purchase 208,695 shares of MODE's Series B convertible preferred stock, on a post stock split basis (see Note 5), exercisable at any time for a period of up to ten years ending on August 21, 2006

MICROOPTICAL DEVICES, INC.
(A DEVELOPMENT STAGE CORPORATION)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

at a price of \$.77 per share. The warrant may terminate sooner in connection with certain significant corporate events.

(5) STOCKHOLDERS' EQUITY:

Effective August, 1996, the Company declared a stock split on all existing preferred and common shares at a ratio of three to one. The accompanying financial statements for the year ended December 31, 1996, have been adjusted to reflect the stock split.

On July 17, 1996, the Company issued 4,076,088 shares, on a post stock split basis, of its Series B Convertible Preferred Stock ("Series B"). Each share of Series B, which has a liquidation preference of \$.77, is convertible to one share of the Company's Common Stock and earns dividends at the rate declared for each share of Common Stock. No such dividends have been declared as of December 31, 1996. Terms of the agreements with Preferred Shareholders require the Company to comply with terms similar to those specified in the Series A issuance.

As specified in the Series A Convertible Preferred Stock ("Series A") issuance, the Series A Preferred Stockholder purchased \$150,000 of Convertible Promissory Notes (the "Notes"), during 1996. The Notes, which bore interest at the prime rate compounded monthly, were convertible at a price equal to the per share purchase price of the Series B stock issuance. On July 17, 1996, the Notes and the related interest of \$1,169 were converted to Series B convertible preferred stock in conjunction with the Series B stock issuance.

On August 29, 1995, the Company issued 666,666 shares, on a post stock split basis, of its Series A. Each share of Series A, which has a liquidation preference of \$.3, is convertible to one share of the Company's Common Stock and earns dividends at the rate declared for each share of Common Stock. No such dividends have been declared as of December 31, 1996. An agreement with the Series A Preferred Stockholder requires the Company to, among other items, maintain keyman life insurance on certain key employees, and obtain the Preferred Stockholders' approval to make key changes in the operations of the Company.

On August 3, 1995, the Company issued 3,000,000 shares, on a post stock split basis, of its Common Stock at a par value of \$.001 per share.

(6) DEFERRED COMPENSATION PLAN:

In July 1996, the Company adopted the 1996 Stock Option Plan (the "Plan"), where options granted to an employee are qualified "incentive stock options" under the Internal Revenue Code and options granted to a non-employee are "non-statutory stock options", for which 1,800,000 shares were reserved, on a post stock split basis. The Company accounts for options granted to employee's under this Plan in accordance with APB Opinion No. 25, under which no compensation cost has been recognized. The compensation costs for the Plan determined consistent with SFAS 123 is immaterial.

MICROOPTICAL DEVICES, INC.
(A DEVELOPMENT STAGE CORPORATION)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Options granted to non-employee's under this Plan are accounted for in accordance with the provisions of SFAS 123.

The Company has granted options on 645,500 shares through December 31, 1996. Under the Plan, the option exercise price equals the common stocks market price on date of grant. All options are immediately exercisable and expire ten years from date of grant. The options granted to MODE's founders are subject to repurchase by the Company, at the original exercise price, upon the cessation of service prior to vesting in such shares. Such shares vest in a series of 72 successive equal monthly installments over a six year period, however, such vesting shall accelerate to 48 successive equal monthly installments upon the Company meeting performance milestones as provided for by the Board. At December 31, 1996, the Company has achieved two out of five of its performance measures. All other shares vest at the rate of 25 percent of the shares upon the optionee's continued service to the Company through the initial vesting date, with the remaining shares vesting in a series of 36 successive equal monthly installments. The vesting period accelerates in connection with certain significant corporate events.

A summary of the status of the Company's option Plan at December 31, 1996, and changes during the year then ended is presented in the table and narrative below:

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year.....	--	\$ --
Granted.....	645,500	.077
Exercised.....	--	--
Forfeited.....	--	--
Expired.....	--	--
	=====	=====
Outstanding at end of year.....	645,500	\$.077
	=====	=====
Exerciseable at end of year.....	645,500	\$.077
Weighted average fair value of options granted during the year.....	\$.02	

The options outstanding at December 31, 1996, have a weighted average remaining contractual life of 9.5 years.

The fair value of each option grant is estimated on the date of grant using Black-Scholes option pricing model with the following average assumptions used: risk-free interest rate of 6.65%; expected lives of ten years; a divided yield of 0%; and expected volatility of .01%.

MICROOPTICAL DEVICES, INC.
(A DEVELOPMENT STAGE CORPORATION)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(7) INCOME TAXES:

MODE had no income tax expense and there were no income taxes currently payable for the year ended December 31, 1996 and period ended December 31, 1995. Deferred income taxes at December 31, 1996 and 1995, are offset by a valuation allowance as follows:

	1996	1995
Deferred tax asset:		
Net operating loss.....	\$16,197	\$14,000
Deferred revenue.....	48,750	--
	-----	-----
	64,947	14,000
Valuation allowance.....	(40,926)	(14,000)
	-----	-----
	24,021	--
	-----	-----
Deferred tax liability:		
Depreciation and amortization.....	(22,535)	--
Other.....	(1,486)	--
	-----	-----
	(24,021)	--
	-----	-----
Net deferred taxes.....	\$ --	\$ --
	=====	=====

The Company has established a valuation allowance for the entire deferred tax asset due to the uncertainty of future earnings (see Note 1). A net operating loss carry forward of \$46,214 is available to offset future taxable income for the next fifteen years.

(8) COMMITMENTS AND CONTINGENCIES:

TECHNOLOGY ASSISTANCE AND ROYALTY AGREEMENT

On February 22, 1996, the Company entered into a technical assistance and royalty agreement (as subsequently amended) in which the Company agreed to further develop laser technology in return for eight years of co-exclusive rights to five existing patents covering this technology. The Company is required to pay \$7,500 in 1997, plus royalty payments beginning in 1998 of 1.5% to 2.5%, subject to minimum annual payments ranging from up to \$50,000 over the life of the patents provided that the technology is developed and the related products are manufactured in Albuquerque, New Mexico. In the event that the Company fails to develop or abandons development of this technology, all rights to the technology become nonexclusive. The Company paid \$7,500 under this Agreement in 1996.

In October, 1996, the Company signed an agreement for research and development, which expires March 31, 1998. Under the Agreement, the Buyer paid the Company \$95,000 for non-recurring engineering expense, plus all applicable fees and taxes, which payment is non-refundable. Buyer will pay MODE the balance of the payment upon demonstration of feasibility.

MICROOPTICAL DEVICES, INC.
(A DEVELOPMENT STAGE CORPORATION)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

KEYMAN LIFE INSURANCE

The Company is beneficiary to \$500,000 of term life insurance for each of its two founders.

LICENSING AGREEMENT

On March 21, 1996, the Company signed a license agreement (the "Agreement") with a major manufacturer in the identification market (the "Manufacturer"). Under the Agreement, the Manufacturer paid the Company a \$500,000 license fee (the "Payment") plus all applicable gross receipts tax that the Company is required to pay thereon.

The Manufacturer retains exclusive rights to use and sell any products or components which the Company develops for the Manufacturer's portion of the identification market (the "Product") for a limited period of time. After the exclusive rights period expires, the Company is required to first offer these Products, if achieved to the Manufacturer under similar sales terms as the Products are offered to any other party for a limited period of time.

Within approximately one year of the receipt of the Payment, the Company and the Manufacturer will negotiate in good faith to enter into a supply agreement for the Product, if achieved. If no agreement is reached, then the Company can elect to sell the Product, if achieved to the Manufacturer for an additional license fee and, for each Product sold, the cost of the Product plus a specified factor for overhead and profit.

Should the Company fail to pursue development or sell the Product to the Manufacturer, the Manufacturer will be granted certain nonexclusive sub-licensing rights.

At December 31, 1996, \$325,000 has been earned under the terms of this agreement.

LEASED PROPERTY

The Company leases its facility under an operating lease with a term of three years. Rental expense under operating leases was \$18,214 for the year end December 31, 1996. There was no rental expense incurred for the period from inception through December 31, 1995. The minimum future lease commitments for all operating leases are \$34,332 for each of the years ending December 31, 1997 and 1998 and \$17,166 for year end December 31, 1999.

(9) SUBSEQUENT EVENT:

PURCHASE AND SUPPLY AGREEMENT

On February 14, 1997, the Company signed a purchase and supply contract (the "Contract"). Under the Contract, MODE established the terms and conditions controlling potential sales of vertical-cavity surface-emitting laser ("VCSEL") chips, devices and arrays in the event they occur. The initial term of the Contract is five years, and can be canceled by either party upon written notice 360 days prior to the end of the initial term or

MICROOPTICAL DEVICES, INC.
(A DEVELOPMENT STAGE CORPORATION)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

any subsequent term. The Contract also may terminate prior to the five year period under certain circumstances. Products sold under the agreement are subject to a warranty period not to exceed the earlier of 18 months from the date the product is delivered to customer, or one year from the date of delivery by customer to its end-users, or one year from the date the products are placed in service.

SALE/LEASEBACK OF ASSETS

Subsequent to year end, the Company financed an additional \$1,850,000 of its property via a sale-leaseback transaction with a leasing company under the terms of the Master Equipment Lease Agreement (see Note 4).

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, 1999

[LOGO] EMCORE CORPORATION
SHARES OF COMMON STOCK

PROSPECTUS

DONALDSON, LUFKIN & JENRETTE

PRUDENTIAL SECURITIES

NEEDHAM & COMPANY, INC.

VOLPE BROWN WHELAN & COMPANY

- - - - -

WE HAVE NOT AUTHORIZED ANY DEALER, SALESPERSON OR OTHER PERSON TO GIVE YOU WRITTEN INFORMATION OTHER THAN THIS PROSPECTUS OR TO MAKE REPRESENTATIONS AS TO MATTERS NOT STATED IN THIS PROSPECTUS. YOU MUST NOT RELY ON UNAUTHORIZED INFORMATION. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES OR OUR SOLICITATION OF YOUR OFFER TO BUY THE SECURITIES IN ANY JURISDICTION WHERE THAT WOULD NOT BE PERMITTED OR LEGAL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALES MADE HEREUNDER AFTER THE DATE OF THIS PROSPECTUS SHALL CREATE AN IMPLICATION THAT THE INFORMATION CONTAINED HEREIN OR THE AFFAIRS OF THE COMPANY HAVE NOT CHANGED SINCE THE DATE HEREOF.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the various expenses in connection with the sale and distribution of the securities being registered, other than underwriting discounts and commissions. All amounts shown are estimates except the Securities and Exchange Commission registration fee and the NASD filing fee.

	TO BE PAID BY THE REGISTRANT
Securities and Exchange Commission registration fee.....	\$ 20,850.00
NASD filing fee.....	8,000.00
Accounting fees and expenses.....	
Printing expenses.....	
Transfer agent and registrar fees.....	
Legal fees and expenses.....	
Other expenses.....	

Total.....	\$ =====

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

EMCORE's Restated Certificate of Incorporation provides that the Company shall indemnify its directors and officers to the full extent permitted by New Jersey law, including in circumstances in which indemnification is otherwise discretionary under New Jersey law.

Section 14A:2-7 of the New Jersey Business Corporation Act provides that a New Jersey corporation's:

"certificate of incorporation may provide that a director or officer shall not be personally liable, or shall be liable only to the extent therein provided, to the corporation or its shareholders for damages for breach of any duty owed to the corporation or its shareholders, except that such provision shall not relieve a director or officer from liability for any breach of duty based upon an act or omission (a) in breach of such person's duty of loyalty to the corporation or its shareholders, (b) not in good faith or involving a knowing violation of law or (c) resulting in receipt by such person of an improper personal benefit. As used in this subsection, an act or omission in breach of a person's duty of loyalty means an act or omission which that person knows or believes to be contrary to the best interests of the corporation or its shareholders in connection with a matter in which he has a material conflict of interest."

In addition, Section 14A:3-5 (1995) of the New Jersey Business Corporation Act (1995) provides as follows:

INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES

(1) As used in this section,

(a) "Corporate agent" means any person who is or was a director, officer, employee or agent of the indemnifying corporation or of any constituent corporation absorbed by the indemnifying corporation in a consolidation or merger and any person

who is or was a director, officer, trustee, employee or agent of any other enterprise, serving as such at the request of the indemnifying corporation, or of any such constituent corporation, or the legal representative of any such director, officer, trustee, employee or agent;

(b) "Other enterprise" means any domestic or foreign corporation, other than the indemnifying corporation, and any partnership, joint venture, sole proprietorship, trust or other enterprise, whether or not for profit, served by a corporate agent;

(c) "Expenses" means reasonable costs, disbursements and counsel fees;

(d) "Liabilities" means amounts paid or incurred in satisfaction of settlements, judgments, fines and penalties;

(e) "Proceeding" means any pending, threatened or completed civil, criminal, administrative or arbitral action, suit or proceeding, and any appeal therein and any inquiry or investigation which could lead to such action, suit or proceeding; and

(f) References to "other enterprises" include employee benefit plans; references to "fines" include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the indemnifying corporation" include any service as a corporate agent which imposes duties on, or involves services by, the corporate agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner the person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this section.

(2) Any corporation organized for any purpose under any general or special law of this State shall have the power to indemnify a corporate agent against his expenses and liabilities in connection with any proceeding involving the corporate agent by reason of his being or having been such a corporate agent, other than a proceeding by or in the right of the corporation, if

(a) such corporate agent acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation; and

(b) with respect to any criminal proceeding, such corporate agent had no reasonable cause to believe his conduct was unlawful. The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that such corporate agent did not meet the applicable standards of conduct set forth in paragraphs 14A:3-5(2)(a) and 14A:3-5(2)(b).

(3) Any corporation organized for any purpose under any general or special law of this State shall have the power to indemnify a corporate agent against his expenses in connection with any proceeding by or in the right of the corporation to procure a judgment in its favor which involves the corporate agent by reason of his being or having been such corporate agent, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation. However, in such proceeding no indemnification shall be provided in respect of any claim, issue or matter as to which such corporate agent shall have been adjudged to be liable to the corporation, unless and only to the extent that the Superior Court or the court in which such proceeding was brought shall determine upon application that despite the adjudication of liability, but in view of all

circumstances of the case, such corporate agent is fairly and reasonably entitled to indemnity for such expenses as the Superior Court or such other court shall deem proper.

(4) Any corporation organized for any purpose under any general or special law of this State shall indemnify a corporate agent against expenses to the extent that such corporate agent has been successful on the merits or otherwise in any proceeding referred to in subsections 14A:3-5(2) and 14A:3-5(3) or in defense of any claim, issue or matter therein.

(5) Any indemnification under subsection 14A:3-5(2) and, unless ordered by a court, under subsection 14A:3-5(3) may be made by the corporation only as authorized in a specific case upon a determination that indemnification is proper in the circumstances because the corporate agent met the applicable standard of conduct set forth in subsection 14A:3-5(2) or subsection 14A:3-5(3). Unless otherwise provided in the certificate of incorporation or bylaws, such determination shall be made

(a) by the board of directors or a committee thereof, acting by a majority vote of a quorum consisting of directors who were not parties to or otherwise involved in the proceeding; or

(b) if such a quorum is not obtainable, or, even if obtainable and such quorum of the board of directors or committee by a majority vote of the disinterested directors so directs, by independent legal counsel, in a written opinion, such counsel to be designated by the board of directors; or

(c) by the shareholders if the certificate of incorporation or bylaws or a resolution of the board of directors or of the shareholders so directs.

(6) Expenses incurred by a corporate agent in connection with a proceeding may be paid by the corporation in advance of the final disposition of the proceeding as authorized by the board of directors upon receipt of an undertaking by or on behalf of the corporate agent to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified as provided in this section.

(7) (a) If a corporation upon application of a corporate agent has failed or refused to provide indemnification as required under subsection 14A:3-5(4) or permitted under subsections 14A:3-5(2), 14A:3-5(3) and 14A:3-5(6), a corporate agent may apply to a court for an award of indemnification by the corporation, and such court

(i) may award indemnification to the extent authorized under subsections 14A:3-5(2) and 14A:3-5(3) and shall award indemnification to the extent required under subsection 14A:3-5(4), notwithstanding any contrary determination which may have been made under subsection 14A:3-5(5); and

(ii) may allow reasonable expenses to the extent authorized by, and subject to the provisions of, subsection 14A:3-5(6), if the court shall find that the corporate agent has by his pleadings or during the course of the proceeding raised genuine issues of fact or law.

(b) Application for such indemnification may be made:

(i) in the civil action in which the expenses were or are to be incurred or other amounts were or are to be paid; or

(ii) to the Superior Court in a separate proceeding. If the application is for indemnification arising out of a civil action, it shall set forth reasonable cause for the failure to make application for such relief in the action or proceeding in which the expenses were or are to be incurred or other amounts were or are to be paid.

The application shall set forth the disposition of any previous application for indemnification and shall be made in such manner and form as may be required by the applicable rules of court or, in the absence thereof, by direction of the court to which it is made. Such application shall be upon notice to the corporation. The court may also direct that notice shall be given at the expense of the corporation to the shareholders and such other persons as it may designate in such manner as it may require.

(8) The indemnification and advancement of expenses provided by or granted pursuant to the other subsections of this section shall not exclude any other rights, including the right to be indemnified against liabilities and expenses incurred in proceedings by or in the right of the corporation, to which a corporate agent may be entitled under a certificate of incorporation, bylaw, agreement, vote of shareholders, or otherwise; provided that no indemnification shall be made to or on behalf of a corporate agent if a judgment or other final adjudication adverse to the corporate agent establishes that his acts or omissions (a) were in breach of his duty of loyalty to the corporation or its shareholders, as defined in subsection (3) of N.J.S.14A:2-7, (b) were not in good faith or involved a knowing violation of law or (c) resulted in receipt by the corporate agent of an improper personal benefit.

(9) Any corporation organized for any purpose under any general or special law of this State shall have the power to purchase and maintain insurance on behalf of any corporate agent against any expenses incurred in any proceeding and any liabilities asserted against him by reason of his being or having been a corporate agent, whether or not the corporation would have the power to indemnify him against such expenses and liabilities under the provisions of this section. The corporation may purchase such insurance from, or such insurance may be reinsured in whole or in part by, an insurer owned by or otherwise affiliated with the corporation, whether or not such insurer does business with other insureds.

(10) The powers granted by this section may be exercised by the corporation, notwithstanding the absence of any provision in its certificate of incorporation or bylaws authorizing the exercise of such powers.

(11) Except as required by subsection 14A:3-5(4), no indemnification shall be made or expenses advanced by a corporation under this section, and none shall be ordered by a court, if such action would be inconsistent with a provision of the certificate of incorporation, a bylaw, a resolution of the board of directors or of the shareholders, an agreement or other proper corporate action, in effect at the time of the accrual of the alleged cause of action asserted in the proceeding, which prohibits, limits or otherwise conditions the exercise of indemnification powers by the corporation or the rights of indemnification to which a corporate agent may be entitled.

(12) This section does not limit a corporation's power to pay or reimburse expenses incurred by a corporate agent in connection with the corporate agent's appearance as a witness in a proceeding at a time when the corporate agent has not been made a party to the proceeding.

The Underwriting Agreement provides for indemnification by the Underwriters of the Registrant and its officers and directors for certain liabilities, including liabilities under the Securities Act.

ITEM 16. EXHIBITS

The following exhibits are filed with this Registration Statement:

EXHIBIT NO.	DESCRIPTION
1.1	-- Form of Underwriting Agreement.*
3.1	-- Restated Certificate of Incorporation, amended February 3, 1997 (incorporated by reference to Exhibit 3.1 to Amendment No. 1 to the Registration Statement on Form S-1 (File No. 333-18565) filed with the Commission on February 6, 1997).
3.2	-- Amended By-Laws, as amended January 11, 1989 (incorporated by reference to Exhibit 3.2 to Amendment No. 1 to the Registration Statement on Form S-1 (File No. 333-18565) filed with the Commission on February 6, 1997).
3.3	-- Certificate of Amendment to the Certificate of Incorporation, dated November 19, 1998 (incorporated by reference to Exhibit 3.3 to the registrant's annual report on Form 10-K for the fiscal year ended September 30, 1998 (the "1998 10-K"))
4.1	-- Specimen certificate for shares of common stock (incorporated by reference to Exhibit 4.1 to Amendment No. 3 to the Registration Statement on Form S-1 (File No. 333-18565) filed with the Commission on February 24, 1997).
4.2	-- Form of \$4.08 Warrant (incorporated by reference to Exhibit 10.10 to Amendment No. 1 to the Registration Statement on Form S-1 (File No. 333-18565) filed with the Commission on February 6, 1997).
4.3	-- Form of \$10.20 Warrant (incorporated by reference to Exhibit 10.12 to Amendment No. 1 to the Registration Statement on Form S-1 (File No. 333-18565) filed with the Commission on February 6, 1997).
4.4	-- Form of \$11.375 Warrant (incorporated by reference to Exhibit 4.2 to the 1998 10-K).
5.1	-- Opinion of White & Case LLP.*
10.1	-- 1995 Incentive and Non-Statutory Stock Option Plan (incorporated by reference to Exhibit 10.1 to Amendment No. 1 to the Registration Statement on Form S-1 (File No. 333-18565) filed with the Commission on February 6, 1997).
10.2	-- 1996 Amendment to Option Plan (incorporated by reference to Exhibit 10.2 to Amendment No. 1 to the Registration Statement on Form S-1 (File No. 333-18565) filed with the Commission on February 6, 1997).
10.3	-- Specimen Incentive Stock Option Agreement (incorporated by reference to Exhibit 10.3 to Amendment No. 1 to the Registration Statement on Form S-1 (File No. 333-18565) filed with the Commission on February 6, 1997).

EXHIBIT NO.	DESCRIPTION
10.4	-- Second Amended and Restated Distributorship Agreement dated as of March 31, 1998 between the Company and Hakuto. Confidential treatment has been requested by the Company for portions of this document. Such portions are indicated by "[*]" (incorporated by reference to Exhibit 10.4 to the 1998 10-K).
10.5	-- Amendment to Lease for premises at 394 Elizabeth Avenue, Somerset, New Jersey 08873 (incorporated by reference to Exhibit 10.5 to Amendment No. 1 to the Registration Statement on Form S-1 (File No. 333-18565) filed with the Commission on February 6, 1997).
10.6	-- Registration Rights Agreement relating to September 1996 warrant issuance (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to the Registration Statement on Form S-1 (File No. 333-18565) filed with the Commission on February 6, 1997).
10.7	-- Registration Rights Agreement relating to December 1996 warrant issuance (incorporated by reference to Exhibit 10.7 to Amendment No. 1 to the Registration Statement on Form S-1 (File No. 333-18565) filed with the Commission on February 6, 1997).
10.8	-- Form of 6% Subordinated Note Due May 1, 2001 (incorporated by reference to Exhibit 10.8 to Amendment No. 1 to the Registration Statement on Form S-1 (File No. 333-18565) filed with the Commission on February 6, 1997).
10.9	-- Form of 6% Subordinated Note Due September 1, 2001 (incorporated by reference to Exhibit 10.9 to Amendment No. 1 to the Registration Statement on Form S-1 (File No. 333-18565) filed with the Commission on February 6, 1997).
10.10	-- Purchase Order issued to the Company by General Motors Corporation on November 17, 1996. (incorporated by reference to Exhibit 10.15 to Amendment No. 1 to the Registration Statement on Form S-1 (File No. 333-18565) filed with the Commission on February 6, 1997). Confidential treatment has been requested by the Company with respect to portions of this document. Such portions are indicated by "[*]".
10.11	-- Purchase Agreement, dated November 30, 1998, by and between the Company, Hakuto UMI and UTC (incorporated by reference to Exhibit 10.15 to the 1998 10-K).
10.12	-- Registration Rights Agreement, dated November 30, 1998 by and between the Company, Hakuto, UMI and UTC (incorporated by reference to Exhibit 10.16 to the 1998 10-K).
10.13	-- Long Term Purchase Agreement dated November 24, 1998 by and between the Company and Space Systems/Loral, Inc. (incorporated by reference to Exhibit 10.17 to the 1998 10-K). Confidential treatment has been requested by the Company with respect to portions of this document. Such portions are indicated by "[*]."
10.14	-- Promissory Note, dated June 22, 1998 by the Company in favor of First Union National Bank (incorporated by reference to Exhibit 10.18 to the 1998 10-K).

EXHIBIT NO.

DESCRIPTION

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|-------|--|
| 10.15 | -- Second Amendment to Revolving Loan and Security Agreement, dated as of November 30, 1998 between the Company and First Union National Bank (incorporated by reference to Exhibit 10.19 to the 1998 10-K). |
| 10.16 | -- Agreement and Plan of Merger, dated as of December 5, 1997, among the Company, the Merger Subsidiary, MODE and the Principal Shareholders named therein (incorporated by reference to Exhibit 2 to the Company's report on Form 8-K filed with the Commission on December 22, 1997). |
| 10.17 | -- Transaction Agreement, dated January 26, 1999, by and between EMCORE and General Electric Company (incorporated by reference to Exhibit 10.1 to EMCORE's Quarterly Report on Form 10-Q for the quarter ended December 31, 1999). Confidential treatment has been requested by EMCORE with respect to portions of this document. Such portions are indicated by "[*]." |
| 21 | -- Subsidiaries of the registrant. |
| 23.1 | -- Consent of PricewaterhouseCoopers LLP |
| 23.2 | -- Consent of Arthur Andersen LLP |
| 23.3 | -- Consent of White & Case (included in Exhibit 5.1).* |
| 23.4 | -- Consent of Lerner David Littenberg Krumholz & Mentlik. |
| 23.5 | -- Consent of John J. Hogan, Jr. |
| 24 | -- Power of Attorney (included in signature page of this Registration Statement). |

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* To be filed by amendment.

ITEM 17. UNDERTAKINGS

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether

such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of a registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Somerset, State of New Jersey, on February 4, 1999.

EMCORE CORPORATION

By /s/ REUBEN F. RICHARDS, JR.

 Reuben F. Richards, Jr.
 President and Chief Executive
 Officer

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints and hereby authorizes Reuben F. Richards, Jr. and Thomas G. Werthan, severally, such person's true and lawful attorneys-in-fact, with full power of substitution or resubstitution, for such person and in his name, place and stead, in any and all capacities, to sign on such person's behalf, individually and in each capacity stated below, any and all amendments, including post-effective amendments to this registration statement and to sign any and all additional registration statements relating to the same offering of securities as this registration statement that are filed pursuant to Rule 462(b) of the Securities Act, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission granting unto said attorneys-in-fact, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this Registration Statement on Form S-3 has been signed by the following persons in the capacities indicated, on February 4, 1999.

SIGNATURE

TITLE

/s/ THOMAS J. RUSSELL

Chairman of the Board and Director

 Thomas J. Russell

/s/ REUBEN F. RICHARDS, JR.

President, Chief Executive Officer and
 Director (Principal Executive Officer)

 Reuben F. Richards, Jr.

/s/ THOMAS G. WERTHAN

Vice President, Chief Financial
 Officer, Secretary and Director
 (Principal Accounting and Financial
 Officer)

 Thomas G. Werthan

/s/ RICHARD A. STALL

Director

 Richard A. Stall

SIGNATURE

TITLE

/s/ CHARLES SCOTT Director

Charles Scott

/s/ ROBERT LOUIS-DREYFUS Director

Robert Louis-Dreyfus

/s/ HUGH H. FENWICK Director

Hugh H. Fenwick

/s/ SHIGEO TAKAYAMA Director

Shigeo Takayama

SUBSIDIARIES OF THE REGISTRANT

MicroOptical Devices, Inc., a Delaware corporation

Emcore IRB Company, Inc., a New Mexico corporation

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statement of EMCORE Corporation on Form S-3 of our report dated November 30, 1998, on our audits of the consolidated financial statements and financial statement schedule of EMCORE Corporation as of September 30, 1998 and 1997, and for the years ended September 30, 1998, 1997 and 1996, which report is included in the Company's Annual Report on Form 10-K.

PricewaterhouseCoopers LLP

Florham Park, New Jersey
February 4, 1999

Consent of Arthur Andersen LLP

As independent public accountants, we hereby consent to the use of our report dated March 21, 1997 on the financial statements of MicroOptical Devices, Inc. for the year ended December 31, 1996 and for the period from inception (August 3, 1995) through December 31, 1995 and 1996, included in or made a part of this registration statement under Form S-3 for Emcore Corporation.

ARTHUR ANDERSEN LLP

February 3, 1999

Consent of Lerner David Littenberg Krumholz & Mentlik

We hereby consent to the reference to our firm under the caption "Experts" in the Registration Statement on Form S-3 of EMCORE Corporation for the offering of shares of common stock by EMCORE Corporation and certain selling shareholders.

Lerner David Littenberg Krumholz & Mentlik

February 4, 1999
Westfield, New Jersey

Consent of John J. Hogan, Jr.

I hereby consent to the reference to me as a nominee to be elected to the Board of Directors of EMCORE Corporation, and I hereby approve the description of my professional biography included under the caption "Management" in the Registration Statement on Form S-3 of EMCORE Corporation.

John J. Hogan, Jr.

February 4, 1999